



Communities and Local Government Committee

Oral evidence: [Performance of the Department for Communities and Local Government in 2012–13](#),
HC 711

Monday 09 December 2013

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Members present:

Mr Clive Betts (Chair), Bob Blackman, Simon Danczuk, David Heyes, James Morris, Mark Pawsey, John Pugh, John Stevenson, Heather Wheeler, Chris Williamson

Questions 144 – 269

Witnesses: **Baroness Stowell of Beeston**, **Nick Boles MP**, **Kris Hopkins MP**, **Brandon Lewis MP**, and **Stephen Williams MP**, Parliamentary Under-Secretaries of State, Department for Communities and Local Government

Q144 Chair: Welcome to all the Ministers to this second evidence session on the performance of the Department for Communities and Local Government. We met the officials about a month ago, and we welcome the Ministers this afternoon. It is our understanding that the Secretary of State is indisposed this afternoon and not able to be with us. I have known the Secretary of State for many years. We have had frequent political discussions. We have not always agreed with each other, but I certainly know this about the Secretary of State: he would never miss an opportunity to come and put forward his views if he was at all able. I am sure we all wish him well for a speedy recovery. It has been indicated that he will come to the Committee at a later date to be agreed when we will do the “Ask Pickles” session. We would not ask Ministers to do that in his stead this afternoon. Welcome to Baroness Stowell, who has come to help us with any questions we may have about the overall running of the Department.

At the beginning, perhaps I could welcome Kris Hopkins and Stephen Williams. I think it is their first time before the Committee. Other Ministers have been here before and have survived, so that is a fairly good recommendation. I would also like to put on record my thanks and those of the Committee to Ministers who are not with us. Mark Prisk was always extremely helpful, extremely well briefed and courteous in all his dealings with the Committee, and I want to put on record our thanks to him. Baroness Hanham, who was in

place from the beginning of this Parliament, made many visits. On the last occasion, when we did an inquiry into public health, she was robust in her defence of a policy, which the Committee certainly welcomed, and was extremely open and disarming about the challenges to be faced by local authorities and government in implementing it. We thank her as well for her work. Don Foster is in a slightly different category. I do not know whether we can describe his appointment to the office of Chief Whip as a move to higher things, but we certainly thank him as well, particularly for his work on the electrical industry, which we are going to be continuing, and we look forward to hearing from Stephen Williams on that particular issue in due course. Thank you all for coming this afternoon.

I suppose the obvious question to begin with is: when the Secretary of State is away, who is in charge?

Brandon Lewis: I know the Secretary of State would want me to thank you for your very kind opening remarks. If he could possibly have been here, he would have been. He is very much looking forward to dealing with “Ask Pickles”. I do not think any of us at this table would venture to put words into his mouth and try to answer them ourselves, so he will be looking forward to that opportunity.

Q145 Chair: So who is in charge?

Brandon Lewis: Baroness Stowell will deal with some of the corporate issues, but I will be able to answer, hopefully, any questions that you would have liked to put to the Secretary of State.

Q146 Chair: The question I begin with might be one Kris Hopkins can help us with. On 15 July the Committee had before it Julian Ashby, the social housing regulator. Very unusually, the Committee immediately wrote to the Secretary of State and said, “We have not done our report yet, but you ought to have a look at the evidence session because we have such great concerns about it”, which were then reflected in our report. We have had a reply from the regulator himself. Although we wrote to the Secretary of State and he said he would look at it and get back to us, we have not yet had a reply. One may be in the pipeline somewhere, but is it possible to tell us when we are likely to receive the reply?

Kris Hopkins: I believe a response has been sent to you.

Q147 Chair: In that case, you will probably be able to answer the next question. Minister, do you and the Department now have full confidence in Mr Ashby?

Kris Hopkins: Yes, absolutely. Your letter and the opportunity for the Secretary of State to respond to it has given us the opportunity to have a conversation with Mr Ashby and his team, and we are absolutely confident that he can undertake the challenge that he has.

Q148 Chair: Do you think that financial viability is sufficiently distinct as something which the regulator monitors and comments on publicly and is a proper use of categories and is not now simply seen as something that can hide behind concerns about governance; in other words, that governance ratings will be used as a surrogate for financial ratings? Have we got that problem well and truly sorted out?

Kris Hopkins: Yes. The Secretary of State has had that conversation with Mr Ashby and he is content about that. Rather than looking to use one of the three indicators out there, the work of the regulator is to regulate and monitor what is going on and intervene, where there is a need to take action, before there are any dramas. That is the important part of it:

that we are confident that they are monitoring what is going on in that field, and holding them to account.

Q149 Chair: And being explicit about what the situation really is, rather than hiding behind another set of ratings?

Kris Hopkins: Absolutely.

Q150 Chair: On consumer issues, it seemed to us the regulator was almost saying to us that he had hardly any meaningful role any more. One complaint has been upheld all year. It did not seem like any regulation that was meaningful and was an awful lot of effort for very little return.

Kris Hopkins: To build on what I have just said about that constant engagement, just because there has been one response does not mean there has been one engagement with one authority or one organisation. The dialogue that has gone on between the Secretary of State and Mr Ashby is about reinforcing that, making sure they have the full range of powers open to them and they use that power at their discretion.

Q151 Chair: If we found that after another year nothing much more had happened on the consumer side in terms of any negative findings by the regulator of things going wrong, would the Government have another look at whether the whole issue of consumer regulation was really fit for purpose?

Kris Hopkins: If there had been clear failures in associations or organisations out there which had not been identified, you could say that the regulator had been unsuccessful because it had not put its finger on that particular one, but I reiterate that the fact that the regulator may not find a problem with an organisation does not mean it is not working with them, understanding what challenges they have got, intervening and holding them to account. We will look in 12 months' time. I hear what you have said about what could happen, but I am not going to say at this moment that we are going to instigate an inquiry into something that may or may not happen.

Chair: Maybe we will have another look at it in 12 months' time and come back to you.

Q152 James Morris: I want to ask about the Homes and Communities Agency, which is probably in your remit again, Kris. When Grant Shapps was the Minister he said that the chief executive, Andy Rose, should be paid less than the Prime Minister. Would you agree with that?

Kris Hopkins: I do not disagree with that. Some of the salaries that public individuals have are disproportionate. I will not disagree with what Grant said.

Q153 James Morris: The Homes and Communities Agency is paying Andy Rose annually an £18,000 London location allowance on top of his £142,000 basic salary. Why is that?

Kris Hopkins: It is for the Homes and Communities Agency to answer for why they are doing that. At the end of the day, we need to make sure that they are delivering the work required of them, but it is a valid question and we can ask them.

Q154 James Morris: Is there anything particular about his role which means there is justification for an allowance on top of what is quite a substantial salary? I know that salaries are very much in the news today, but is there a justification for that? Is not £142,000 enough to tide you over in London?

Kris Hopkins: I think it is a bit mean to ask me at this moment in time about his accommodation. The issue of salaries is very current, and the question of expenses associated with that follows many routes. I am not quite sure whether it is helpful for MPs to challenge and publicly respond to that at this moment in time. The finger could quickly be pointed back at us.

Q155 James Morris: The main reason I am concentrating on it is to do with transparency. I think there was a commitment to publish senior salaries on the Homes and Communities Agency website. I do not think that has been updated for a while. Following the session on 14 October, the Chair wrote to Mr Rose to ask whether the HCA had conducted and published the results of its staff survey. In reply, Mr Rose confirmed that the HCA did conduct a staff survey and enclosed a copy of the results, but he said those results were published internally for staff and do not appear on the HCA website. With the really good focus on transparency, why does the HCA not publish this kind of information and put it in the public domain? Is there any particular reason for that?

Kris Hopkins: On publishing salaries, if they have said that and made a commitment I will challenge them as to why that has not happened. On the issue of an internal survey, if you want members of staff to be honest and frank in their responses, I am not quite sure how that was conducted, whether there were names against them or whether they wanted to protect individuals. It is right that they are transparent about that process, but, if there are actions coming out of that which might be embarrassing to an individual employee, would we want to compromise that? That is not to say they could not put it into a format that protected the individual. I am quite happy to ask the chief executive about that staff survey.

Q156 James Morris: And the fact that the salaries information on the HCA website has not been updated since September 2012.

Kris Hopkins: If they have clearly said they are going to do that, that needs to be addressed. I will challenge them about that.

Baroness Stowell of Beeston: Although I will check this, I think it would be standard practice in our quarterly returns, in terms of transparency of publication of salary information, for the HCA senior staff to be included in the data we publish. Even if the website has not been updated—clearly, there is an issue with that—we may find that that information is in the public domain and has been published through our departmental level of transparency, but we will double-check that.

Q157 Chair: Who approves the salary of the chief executive of HCA?

Kris Hopkins: I would have thought the Secretary of State would do.

Q158 Chair: Does he approve the London allowance as well?

Kris Hopkins: It would be best if we check that and come back to you. The HCA itself or the Secretary of State will check that.

Q159 Chair: That would be helpful. He has been fairly vociferous in his comments about pay-level governance, so we have some reason to draw comparisons on this. Maybe it is something we can ask him when he comes to see us in due course.

Brandon Lewis: Yes, but we will check that and come back to you hopefully before then. There have been situations across local government in the last few weeks. I know that Mr Danczuk himself raised a query on one of them, which I can totally understand.

Q160 Heather Wheeler: I am interested in the proposed changes to the planning system under the national infrastructure plan 2013. Some might say that the changes have indicated that planning for major infrastructure projects was fundamentally flawed in the past. To what do you attribute the changes?

Nick Boles: When it comes to major infrastructure, there is a reasonable acceptance in the industry that, particularly on major national infrastructure projects, the changes brought in chiefly under the Planning Act 2008, which were then slightly further changed by this Government, had been, broadly speaking, successful. Probably the best example was Hinkley Point, which went from application to consent in 17 months, whereas equivalent applications tended to take years, sometimes stretching into a decade. Therefore, the review of the national infrastructure regime that we have announced is based on the idea that nobody is asking for it to be torn up and started all over again, but that there are other areas where people think that some improvement and clarification could be brought in, and that relates particularly to pre-application consultation and when you have consulted enough to be able safely to submit your planning application. That is with regards to national infrastructure. Is that what you were focusing on, or were you talking more about the major infrastructure categories?

Q161 Heather Wheeler: I just want to stay with the big stuff, particularly because of the establishment of the specialist planning court. Is that an admission that stuff just was not being done right before and there were too many layers and hurdles?

Nick Boles: This is a Ministry of Justice lead, as it were, but the main insight was that planning cases were taking their place in a long queue behind a lot of other kinds of cases and had to wait their turn to come before the courts and be determined; and that, given the urgency and particularly the linkages between growth and planning decisions, it was appropriate to have a specialist court with specialist judges and in a sense its own queue, which would, by definition, be shorter. The hope is that that will speed up decision-making. With the best will in the world, however well you consult and prepare your planning application, these kinds of things are quite likely to receive legal challenge. It is right that the legal challenge should always be possible because judicial review is a fundamental principle, but we want those judicial reviews to be expedited.

Q162 Heather Wheeler: Bringing this back down to the man in the street, could you flesh out how you think he will benefit from these major infrastructure projects that finally get planning permission, through the courts or otherwise? I can understand the community benefit but not the individual benefit.

Nick Boles: It depends slightly on what the project is. If the project is something that is far away from you but nevertheless improves our energy security, transport links or national competitiveness, that affects the productivity of the country and the opportunities that the country can offer young people. Everybody recognises that countries have to do difficult things like build roads, railway lines, nuclear power stations and other kinds of power sources, and it is better for everyone if the amount of time and money banded up just in the process of making the decision, let alone building the thing, is as limited as possible, while allowing nevertheless for due process. We want to have a balanced judicial process that is fair and open but also relatively speedy, and that is beneficial; otherwise, your constituents' taxes are going to pay endless consultants and legal teams fighting, re-fighting, and re-re-fighting the same questions. At a certain point they have the right to expect decisions to be made transparently but also quickly, and that is what we are trying to achieve.

Q163 Heather Wheeler: So you are not getting it down to the individual level where there is a national rail freight head and the closest 100 houses are given £100 off their council tax every year because it upsets their local area?

Nick Boles: Sorry; I slightly misunderstood the thrust of your question. On certain projects, a principle has been established where some kind of benefit is paid to very local communities, and there are also, through the whole system of property blight and the like, some principles of compensation when people's properties have been affected.

One of the things we are keen to pilot is whether people who have properties very close to a substantial development might benefit from a form of compensation for the loss of property value. That happens in some other countries; the Netherlands has innovated with that. It is quite a radical departure for this country. It is not totally clear how you graft it on to our planning system, and that is why we are going into it relatively carefully and looking to set up a pilot to see whether it can help people overcome their objections to developments that are of benefit to the broader community but might have a negative impact on them personally.

Q164 Chair: Continuing with the improvements already made to the way we deal with major infrastructure projects through the planning system and the further intended improvements, if we have such a wonderful system to deal with major projects why do we need to put HS2 through a hybrid Bill?

Nick Boles: That is a question you are probably better qualified to answer as a more experienced parliamentarian than I am. My understanding is that hybrid Bills are required when you have a case that combines a private interest—effectively a company with shareholders—and the public interest. Most major schemes that go through the planning system are normally ones where that is not the case, although they may be very substantial, but I am not going to pretend that I know precisely what defines whether something goes through a hybrid regime. HS1 went through a hybrid Bill procedure; I am not sure I can remember whether Crossrail went through that procedure. It is something to do with the combination of public and private interests, but, Mr Chairman, I am sure you are more knowledgeable about this than I am.

Q165 Chair: I am learning from you all the time on these things. We move on to other planning issues. The national planning practice guidance suggests that signals, such as house prices, should be taken into account when assessing housing need. Is it a change of emphasis or a change of policy?

Nick Boles: It is very much a change in emphasis. It has always been the case that, in assessing need, local authorities have been encouraged to take evidence from any possible source. Of course, the Office for National Statistics population projects are a critical component, but it has never been suggested that that is the only way in which you might want to form a view about how to project your need over a period of time. That art of projection is itself a rather complex one, to which many factors could contribute.

All we have wanted to do—as you are very well aware, this is only draft guidance at the moment, and we have not yet finalised it—is respond to reports commissioned by the last Labour Government and others, which have suggested that one indicator, which is an important one, is to look at is the relationship locally between house prices and wages. Even if you think that you are supplying enough housing against ONS projections, if house price rises over a period of time are out of proportion to increases in local wages, that is probably telling you that demand and supply are not managing to settle at the right

level, and should at least raise the question as to whether you should be planning to build more houses. There is no suggestion that this is an absolute factor or the absolute determinant; it is simply a case of saying that you have to be able to explain why your plans are consistent with the desire on the part of Government, which Mr Hopkins' predecessor, Grant Shapps, made explicit, not to have real house price inflation as a constant theme, as it has been for the last 30 years.

Q166 Chair: Let us move on to something we have discussed before, both in a meeting and across the Chamber: taking price into account both ways. Where prices are a bit depressed it might also reflect a fall-off in demand. When you look at paragraph 47 of the NPPF and the test that sites included in the five-year supply have to be deliverable and therefore viable, very often developers say that brownfield sites are now not viable and they cannot make them stack up, but that is also a reflection of falling house prices in those areas. That is probably a reflection of demand being lower than it was a few years ago. We have developers saying, "Throw out the brownfield sites; we want more greenfield sites," when demand has fallen off as well, so you do not need as many sites in total maybe over five years. How do you marry together those various conflicts?

Nick Boles: In a sense, it can be done only locally because the combination of factors is likely to be different in each locality. You are certainly right to suggest that, if there has been a trend of falling house prices in an area, that implies that demand is weaker than supply by definition. Therefore, in a sense it would work in the opposite direction against your population projections. If your population projections suggest that you need to build thousands and thousands of houses, but you have had consistent house-price deflation, you could equally use that as an argument for why you should plan differently.

The viability of sites is a slightly different point, though I see the linkage. That relates to the value at which the land was acquired for development and the cost of getting it to a point where it can be developed, which is the relevant point for some brownfield. Much brownfield does not cost a lot to get ready for development, but some does. In the context of falling house prices, the question then is whether you can make any money building a house. Ultimately, we do not have a nationalised house-building industry; we rely on the private sector to find the money and invest it, and they will do it only if they are going to make a decent return on their capital.

Q167 Chair: There is very strong support across the House for brownfield first and to get more houses built on brownfield. Obviously, we will have to build on some greenfield, but we want to try to put the emphasis on brownfield. My own city of Sheffield is having to put more greenfield sites into the plan and brownfield sites will be left out because they are deemed not to be viable; Leeds and Salford have the same problem. If you go round the country, authority after authority are having problems with this very issue, which in the longer term will switch more development to greenfield sites. Are you not concerned about that?

Nick Boles: I would be concerned if it appeared to be the case that the level of development in brownfield was dropping dramatically in relation to the level on greenfield, but all the statistics suggest that still a large proportion of new houses are built on brownfield land. The brownfield sites that are left are often those that are most difficult or expensive. There has been development on brownfield land over the last 15 or 20 years to such an extent that most of the easy sites, as it were, have already been developed.

One of the reasons for the new permitted development rights, about which I know you have some concern, is that we want to make the most use of the property that is already developed so that we can minimise the number of houses that need to be built on greenfield land, hence we want to release offices that are not best used as offices to become houses. But there will be a point at which some brownfield sites will require an enormous public subsidy to make them ready to develop, and at a time of constrained public resources it may be beyond the ability of your own authority, or other authorities, to raise the money to get those sites to a point where they can be developed in a profitable way.

Q168 Chair: That is assuming that that amount of land is needed in the next five years in the current climate. That is the issue that is forcing it. Obviously, you are not prepared to have another look at this. The switch to more and more greenfield development is a real problem in many areas of the country.

Nick Boles: I am always prepared to look at anything you want me to look at, Mr Chairman. We will shortly be publishing statistics on the brownfield sites and trying to clarify it. People bandy these figures around and say that there is enough brownfield land for 1.5 million homes. When you dig down into it, it is not nearly as simple as that. There is much less than people think in the places where homes are needed, but I am very happy to look at any evidence anybody can suggest that shows that people are giving up on brownfield sites that are completely developable in favour of greenfield sites. I do not believe that is happening.

Q169 Chair: The Committee is going to have a review of the NPPF in the spring anyway, so we can probably pick up that issue. Is making local plans a statutory requirement going to do the trick? We have a long history of unitary development plans and local plans simply not being produced by authorities. Is it going to work this time?

Nick Boles: I would be the last to suggest that Parliament passing a law necessarily changes everything. I understand that there have been Governments that thought that by passing laws to abolish child poverty, you can abolish child poverty. We all know that it is a long and painful process involving many different organisations and communities.

Nevertheless, we are putting a huge amount of friendly pressure on local authorities to adopt local plans and providing them with a lot of support, both from the Department and the planning inspectorate, and with help from the Local Government Association through the Planning Advisory Service. It is reasonable to send a clear signal that it is an absolutely fundamental role of local government to produce a local plan; it is as fundamental as having a plan for local social services or the like; it is an absolutely core responsibility. I am not going to suggest that somehow lots of people will merrily go off to do local plans, but are not doing it now, just because we pass a law saying it is a requirement, but it sends a strange signal that it is not a statutory duty for a local authority to produce a local plan. I have never heard a good argument as to why a local authority does not need to do a local plan. Therefore, it seems to me reasonable to consult on making it a statutory duty, which is our proposal.

Q170 Mark Pawsey: I would like to ask questions about the policy on the high street. We have seen the Portas review, which led to a number of initiatives. Other policy documents have come forward, for example from Bill Grimsey. Where does the Department stand in dealing with the decline of the high street as a result of pressure from out-of-town and internet retailing?

Brandon Lewis: You have touched on one of the most important things. We have to be very aware that our use of town centres is changing; the public are driving that change. This country has about the highest level of internet shopping in the world. The latest figures show that it is getting on for 15%. That means our town centres and high streets are going to change; we are changing them already. In many high streets we are seeing the impact of that in terms of how they are changing.

Some members will have heard me say before that town centres and high streets were where we went to do our shopping and, while there, we might grab a coffee or something, whereas now they are becoming places where we will go to eat and spend leisure time and, while we are there, we will do some shopping as well, because of the growth of online retailing. It is changing. We are seeing much more hospitality and leisure coming into it. I am changing the Future High Streets Forum membership to get hospitality, leisure and food fed into that, if you will excuse the pun. It is changing. It will continue to change. Ultimately, it will change because the consumers who are using the high street are looking for something different.

I would challenge you on one thing. There are lots of different stories out there about high streets. We have to be very cautious and remember that a lot of good stuff is going on in very successful high streets. I was in Redditch this morning looking at what its town partnership has done. One of its shopping areas has seen an increase in footfall of 7% this year and 6% last year because it is changing how it works. When I was at the Portas pilot in Braintree last weekend, and in Dartford the weekend before that, local teams had come together to develop something they thought was right for their area. It is having a really beneficial impact in getting entrepreneurs into the retail trade and bringing footfall into those towns.

Q171 Mark Pawsey: You say there is some good stuff going on. Is the point of the Portas review to share good practice around town centres? What is the Department doing to make certain that the good stuff you have seen gets replicated in other towns?

Brandon Lewis: Part of what we do is thanks to the very questions you are asking this afternoon. From our point of view, it is a matter of taking every opportunity. I was talking to *The Grocer* this afternoon. There is a big job to do in spreading information about best practice. The House plays a big part in that, whether it is through this Committee or the debates about high streets that we have had over the last few months in both Westminster Hall and in the Chamber, so we can start showing people what we are doing.

It is about two years to the day since the Portas review. It made 28 recommendations, and I think we have acted on 27. We have 27 Portas pilots. We also have 333 town teams; we have town centre partnerships and business improvement districts all looking at what is right for them. One of the strengths is the variety of options out there. I described it a little while ago. Instead of saying, "This is the model you must follow", there is a menu. An area can look at that menu and choose what is right for it to try to develop its area. Part of the strength of the Portas pilots and the town teams is that a variety of different things is going on. People are looking at what is right for their areas.

I have to give great credit to Mary Portas for putting her head above the parapet and doing this. She has raised the profile of high streets to such an extent that we are having this

conversation this afternoon. It does tend to focus on the Portas review, but you have to remember that there are 333 town teams as well doing great work all over the country.

Q172 Mark Pawsey: We have just had a discussion about brownfield first, which is a policy that the general public support. I think the general public also support town centre first as a policy, yet we continue to see consents being granted for out-of-town development. How does that support the high street?

Brandon Lewis: Obviously, planning applications are dealt with on a quasi-judicial basis. Nick might want to jump in on this. You have businesses looking to provide what customers want. My personal view is that, if you look at some of the out-of-town shopping centres comprising large retail units, they may be in a less healthy position five or 10 years from now than some of our town centres. The town centre offers something unique. It is a place where a community can come together; it can be the heartbeat of a community. Those out-of-town centres are selling products that tend to be very easily obtained online. As online shopping grows, that is where the bigger issue might be down the line. Town centres can benefit by offering something different. Perhaps Nick wants to touch on the planning side.

Nick Boles: There is a suggestion that somehow this is a new thing. It has never been the case that it is impossible to gain planning permission for out-of-town-centre retail development in all circumstances. What has been clear, and is still clear, is that you have to go through the so-called sequential test to establish whether a proposed development not in a town centre is acceptable and reasonable. I am not aware of a great number of cases where that seems to have been interpreted by the decision-maker, to use planning jargon, in a way that is different from what we would expect.

Some people did get rather exercised about the decision in Margate. It is very important to listen to the people who know the place. The Member of Parliament for Margate was very clear and on the record as saying that he thought, in the circumstances, the decision was the right one for the benefit of the town centre of Margate. If you look at it, the argumentation in the decision letter was very clear. It was a matter of whether that development would bring in more to the town centre, albeit perhaps not right in the centre centre, than it would undermine it, and the general feeling, backed by the MP, was that it was positive. The test is a rigorous one. It may sometimes give a green light to something that is not a town-centre development, but it is only after fulfilling all that rigorous test.

Q173 Mark Pawsey: But you would accept, Minister, that out-of-town centres can take trade away from existing town centres?

Nick Boles: Yes.

Brandon Lewis: That is not a uniform example. I can give a couple of very good anecdotal examples. In my constituency of Great Yarmouth, there is a strong view that the out-of-town centre, called Gapton Hall, had a detrimental impact on the town centre. However, we have just had an application approved for a Sainsbury's in Gorleston on the other side of the constituency in a place called Beacon Park. The view is that it is very beneficial, because when that opens up it will provide road access into Gorleston from part of the Great Yarmouth constituency, even south Norfolk, that at the moment simply would not take place because of the way the access works. Therefore, it could be quite beneficial in increasing footfall. Equally, when Lakeside, a great out-of-town shopping area, opened, arguably it had an impact on some of the surrounding towns. I was the leader of

Brentwood Council; that town had empty shops and a lot of charity shops. In the four or five years I was there we managed to turn it round. Brentwood now has a really vibrant town centre that gives an alternative.

I have mentioned Dartford. Dartford probably has it as tough as anybody, with Bluewater on one side and the West End pretty much on the other side, but they have found a way to make that town centre work and to be really vibrant. Whether it is the community shops and the benefit going on there, bringing in retailers, it is working phenomenally well. They have worked with the out-of-town shopping, so, to give them credit, they have people from Bluewater coming in to give advice to businesses in Dartford about how to grow and develop. It can be quite beneficial.

Q174 Mark Pawsey: You have explained that town centres can remain vibrant, but would you agree that they really need to shrink? Too many local authorities are attempting to defend a town centre based on boundaries of 20 or 30 years ago, often with pepper-potted vacancies. It would make more sense for them to retrench and say, “What we have got is full, occupied and vibrant”, rather than finding other things.

Brandon Lewis: You make a very good point. I have spoken about this a few times recently. We have just finished a consultation about being able to convert retailing to residential with reference to the vibrancy and vitality of the town centre. That reflects exactly your point. Whether it is a kind of ribbon town with a high street or a classic square town centre, over a long period we have had what some people describe as octopus legs that go off. You have exactly the problem you talked about. Being able to refocus that and bring it back to the town centre has two beneficial impacts. One is that it is a chance to create the homes we need, but putting people on top of the town centre also increases the footfall in the town centre and hopefully brings those shops back in to fill any gaps that are there. Therefore, it works on several different levels.

Nick Boles: We are very keen to encourage this, hence the permitted development right with the prior approval regime. To be very clear, it is much better if this is done in a planned way. We hope that the permitted development right will encourage local authorities to be much clearer about the core on which they are trying to focus and where, probably, they will refuse prior approval for conversions to residential on the basis of vitality and vibrancy, and, as to what is beyond the core, where they will take a relaxed view. An authority being very clear upfront about where it thinks the heart of its future town centre lies is much the best way to go, and it can then underpin that permitted development right and make it work.

Q175 Mark Pawsey: Would you agree that, if most town centres probably need to shrink, an alternative for the local authority is to grow its population by building more houses? As planning Minister, would you argue that one way a community can defend the existing size of its town centre is simply to accept more housing?

Nick Boles: It is an argument I make in my own constituency and to my neighbours in Grantham. They do not all agree. A couple of years ago we lost Marks & Spencer, which we mourn deeply, particularly at this time of year. That was a grievous blow to the town. My message has been consistently that, if we want to hang on to our hospital, get Marks & Spencer back and get the relief road built, we need to build more houses. That is exactly what the excellent local authority is planning to do. I think that will pull Marks & Spencer back in, ideally to a rather better shop than it was in before.

Brandon Lewis: Having those conversions puts people right on top of the town centre, but it also means being very focused on what the business community wants. I will give you a parochial example, if you will bear with me. In Great Yarmouth, the growth of the energy industry just down the road from the town centre has had the impact of bringing stores and brand names into that town centre in the last year or so that simply were not there before. It is because they have been able to react to that change in market and develop that growth, along with housing growth, that there is footfall in the town centre in the first place, all of which does not detract from the fact that you still need car parking that is accessible, easy and cheap. Stephen has the longest high street in the country and, therefore, has great expertise on this.

Stephen Williams: First, thank you, Chair, for your welcome to me as a new Minister. I spent six years on three Select Committees in Parliament, so it is a change to see it from this side of the table.

On the high street, I guess all constituency MPs can say something. I have Gloucester Road in my constituency, which is the longest high street in England, with a great range of independent shops. Whiteladies Road is at the other end of my constituency, and I spent all of Saturday morning there on Small Business Saturday. I am sure many of us did.

The reason that the Portas review has been a great success is not because of what has tangibly happened and perhaps been funded as a result of it, but the activity it has spawned on the ground. The reason that shopping centres and malls are successful is that they are managed spaces with perhaps a brand image or collective viewpoint, whereas part of the reason we love high streets is that they have individual shops and are unique, but perhaps they have not worked together to promote it as a whole. That is where town teams have been a great success across the city of Bristol. Even those that were not funded by the Department nonetheless now have thriving associations for those streets that did not exist before.

High streets need to have new uses on them as well even if retail is declining, to come back to Mr Pawsey's questions. A swimming pool on Gloucester Road had been closed for many years. It was an issue in the election in 2005 when I was first elected. It has now been converted by the council and health service into a new doctor's surgery, library and car park. Those bring people going to other parts of Bristol onto Gloucester Road, and even more people into the area. Sometimes you need to think right across the piece about what the council is providing as a service, for example libraries, and what the health service is doing to find other reasons to bring people to the high street.

You also have to respond to what the consumer wants. I am quite militant when I go into cafes and bars about asking whether they have wifi. If they do not, I will not go back there again. One of the things announced in the high streets package last week—Brandon might want to expand on this—was a digital challenge for the high street so that, like shopping centres, they can offer the wifi experience people are looking for.

Q176 Simon Danczuk: I have a question for the high street Minister. You will be aware of Bill Grimsey's alternative high street review, which did not involve his being paid £500,000 by Channel 4.

Brandon Lewis: If I stop you there, Mary Portas was not paid by Channel 4 to do a review for the Government. That was a separate issue.

Q177 Simon Danczuk: I know that. I did not say she was, but you were quoted as describing Bill Grimsey's review as "a load of crap". What did you not like about the review?

Brandon Lewis: I was referring to the distraction of the high street debate being moved into an argument about whether Bill and Mary agreed with each other on various things. That is what that comment was referring to. I have met Bill and spoken to him about it. When I spoke to him about it, a couple of the points were specifically to do with the idea of taxing larger businesses to support local businesses. We are not looking to increase taxes for retailers in the high street. As you saw in the autumn statement, we have gone quite the other way and reduced the tax burden, particularly for businesses involved in our high streets and town centres, through the business rates discount. I know that that has been warmly welcomed. I know all businesses want lower taxes at all times. We made a good start on Thursday. I think it is a really good move for business; it is focused particularly on high streets and town centres.

When I met Bill, he spent a considerable amount of time talking about the model he thinks works to make a town centre viable and successful. The big difference between us is an ideological one, which I am quite happy to admit. Bill's view is that the Government should be saying to every part of the country, "This is how you must do it and structure it." The difference between us is not necessarily that I think he is wrong; I just do not think it is for Government to dictate that. One size does not fit all. I said to Bill that I thought he should find two or three areas that agree with him where he can pilot it and, like anybody else, share that best practice and say, "It works here, and we think this could work for you". From the limited amount that I know of Bill, he will probably take it up and charge ahead with it.

Q178 Simon Danczuk: Returning to Mary Portas, she has been before this Committee. Serious questions have been raised about the links with Channel 4 and the Government Department. A civil servant sent what has been described as an "off-the-cuff" e-mail "out of interest" to the makers of the *Mary Queen of the High Street* programme asking which potential Portas pilots Channel 4 was interested in. The previous Minister, Grant Shapps, said there should be clear blue water, but the e-mail the civil servant sent clearly suggests there was not clear blue water. The Department clearly had an interest in gathering Channel 4's views on who should and should not be Portas pilots. What do you have to say to that, Minister?

Brandon Lewis: I am not quite sure what the problem is if somebody is asking Channel 4 where they are looking to cover this. If the Government have got the Portas pilots going and a television company, whichever one it is, is going to look at one of them, it is quite reasonable we would be interested in where that is.

Recently, I was at a Portas pilot that was asked by the television company whether they wanted to be covered. They said no, because they were quite happy to get on with doing their own thing quietly, rather than being at the forefront in the media. Other areas are very keen on that kind of coverage to promote what they are doing.

It is a matter for those local areas. That is why I am keen on transparency for local authorities. Mr Williams and I debated and agreed on this just a couple of weeks ago. It is about showing off what they are doing, because that is part of sharing best practice out

there. Whether it is Bill Grimsey, Mary Portas or anybody else, raising the profile of good stuff that is going on in the high street, or good things people can do for the high street, is a good thing.

Q179 Simon Danczuk: You are absolutely comfortable that there is no impropriety in terms of the Mary Portas pilots and all the rest of it?

Brandon Lewis: Nobody has brought to me any evidence to indicate any impropriety. If that changes and you have information, I will happily look at it. It is not even something somebody has suggested before this very moment.

Q180 Simon Danczuk: To move on to business rates, I was reading the Secretary of State's comments in today's *Daily Telegraph*, which has been running an excellent campaign on business rates. He said that it had taken 18 months to develop the business rates policy. Do you not think Government could move a little bit faster?

Brandon Lewis: As you know, the Treasury keeps all taxes under review at all times. Equally, with business rates and the fiscal envelope in which you are working, given the deficit and debt we inherited, you have to deal with it very carefully, make sure you get things right, look at what any alternative impacts are, and how you can target things correctly. What I think was good on Thursday, particularly for high streets and town centres, was that we had a package that provided a particular focus on those businesses that would be active in and around high streets and town centres. There is an extra £1,000 discount for small businesses, on top of the small business rate relief. I think that all round it gives a really good focus for them.

Q181 Simon Danczuk: I read the autumn statement after the Chancellor's contribution. It says something like, "There will be a review of the administration of business rates". What people want to know is whether this is a full-blown review of business rates, with the possibility of a radical change, or, as the wording suggests, just a review of the administration in terms of how business rates are collected, managed and everything else.

Brandon Lewis: The review in terms of improving administration is looking at reforms to appeals and how we change it so businesses can pay over 12 rather than 10 months, which helps cash flow somewhat, as we have done for council tax. We will have discussions about longer-term improvements. One of the key issues we were discussing last Wednesday—Kate Green mentioned it—was making sure we get good reforms to get the appeals process speeded up even more. Even though we have had consecutive quarters of improvement, we want to go even further. We will be announcing a consultation on that very soon, so it is just a little further on.

Q182 Simon Danczuk: It is not a full-blown review. You are aware that lots of people in retail, those on your backbenches and other politicians will be extremely disappointed to hear that it is not a full-blown review.

Brandon Lewis: The Treasury keep all taxes under review at all times. I know that the British Retail Consortium has some work of its own going on at the moment. If anybody wants to make suggestions we can feed through and have a look at, I am always interested. As Stephen Williams just said, no doubt all of us in the room will have spent Saturday visiting businesses in our constituencies. I started the day in Great Yarmouth and went, via Beccles, to both Colchester and Braintree. I met a range of businesses of all different types, from large retailers through to very small independent market-style retailers. I found a universal welcome to the changes that came in on Thursday. Every business

wants to have lower taxes. I ran businesses. I think you had the opening of your wife's shop on Saturday.

Simon Danczuk: Yes.

Brandon Lewis: I hope that will benefit from it, but it is also about the entire envelope, not just business rates. A lot of the same retailers, particularly the small independent retailers who have been looking for some business rate relief, which they got on Thursday, will also benefit from the £2,000 relating to national insurance, which kicks in next year, plus the benefit from employing anybody under 21. Bear in mind that high streets and town centres have in them a number of public houses, bars and restaurants. For the pub industry, about 48% represents the under 25s. There is a big advantage there, as well as the drop in corporation tax. The package as a whole is important; it is not just one section of it.

Q183 Simon Danczuk: You are absolutely right to say that Danczuk's Delicatessen did open on Saturday.

Brandon Lewis: I hope it was a successful Small Business Saturday opening.

Q184 Simon Danczuk: I hope it will be. Let me put to bed, once and for all, the point about revaluation. Research by IPD for *Estates Gazette*s shows that Westminster retailers benefit by £130 million per annum as a consequence of the postponement of business rates. It is a point I made in the debate last Wednesday. Our calculations are that Rochdale businesses are paying in excess of £8 million extra because the revaluation did not take place. What is your response to that?

Brandon Lewis: I am happy to have a chat. I think I slightly misunderstood a question you asked me last Wednesday, so I can clarify that as well. The point I was making then and will make now—I have done so a number of times—is that the only review of the situation nationally that looks across the piece, in terms of both sectors and geography, is that conducted by the Valuation Office Agency. So far we have found, when looking into it, that whenever any other body has come forward with a particular view it has been either geographically sectionalised or has related to a particular sector. Obviously, business rates are not just about retail and the high street, which represent 20% to 25%; it is part of it, not the whole of it. There is obviously a wide geography.

The advice of the VOA at the time the decision had to be made was that there would be about 800,000 losers from a revaluation and 300,000 winners. Retail would have been one of the losers as a sector, so a decision had to be made. An awful lot of the bodies have been arguing that we should have more frequent revaluations. I have to say that, as good as those businesses are, they tend to be surveyors who make their money from doing revaluations, so there is a vested interest, but this was the only review on which the Government had to base it.

Q185 Simon Danczuk: You do not now deny that Rochdale businesses could be paying in excess of £8 million because of the revaluation, so that Westminster retailers and others can be advantaged by it. That will apply to David's constituency as well.

Brandon Lewis: I do not necessarily agree with that, but I am very happy to look at any data you want to put through to us and have a conversation about it. The VOA found that, particularly because of the drop in value of London office space, the big winners from a revaluation would have been the banks and financial institutions with offices in London.

Retail across the country would have been one of the losers. Pubs and places like that would have been huge losers, particularly independent places. We had to make a decision based on the independent advice we were given, and that showed far more losers than gainers. It seemed to be the right decision to make for the benefit of stability and business across the piece.

Q186 Chair: With regard to businesses that have been concerned about the relative valuations of out-of-town floor space and shops in the high street, that is not going to be a matter for the review and it has to be dealt with in the next revaluation.

Brandon Lewis: There is a slight mythology about out-of-town business, around free car parking and things like that. I will take the opportunity to try to nail that one now. Out-of-town shopping areas that have free car parking pay for that within their business rates; it is part of how the value of their property is decided, so it is accounted for and is paid for in business rates.

Q187 Chair: Any future look at the relative values will be dealt with in the revaluation; the review will not cover that.

Brandon Lewis: It is a revaluation and it looks at all sectors, so it would be. This is one of the conversations I have had with people who come to see us and with the BIS Select Committee. Because of the way the multiplier works, if somebody has had a drop in value they believe there will be an automatic drop in business rates. It is not the case. Somebody could have a fall in the value of their property but still have an increase in business rates, because the fall in the value may not be more than the national average. Even if there has been a drop in net rateable value, it could still mean a rise in business rates.

Q188 Chair: These are matters that the review will not look at.

Brandon Lewis: The review is looking at the administration. If there is an adjustment to make on that basis, that is done at the point of revaluation, which will happen in a five-year cycle going forward.

Q189 David Heyes: If the National Audit Office are to be believed, the Department's record of financial management has been dismal, has it not? Last year they qualified your accounts because twice you breached parliamentary control totals. If the Department cannot manage basic accounting, what hope is there that they can handle complex new financial instruments such as guarantees?

Brandon Lewis: The problem last year was not a difference in terms of the Exchequer; it was a technical change, in that cash usage was different. There was an overspend by two arm's-length bodies, and we have taken action on that. There is an internal audit review. We have put in place new controls already, so those errors cannot be made again. There are no bonuses for the arm's-length body chief executives where those problems occurred. In total, there was an underspend in the budget last year of about £675 million because of very good, careful financial management. That is how, as a Department, we have managed to deliver the largest savings so far in Whitehall.

Q190 David Heyes: So it was the fault of a couple of arm's-length bodies?

Brandon Lewis: No. Two arm's-length bodies did overspend by £1.2 million. The cash usage of just over £29 billion was against a limit of £28.97 billion.

Q191 David Heyes: That is pretty small beer when you compare it with the scale of the loan guarantees, for instance, on affordable and private rented sector housing. You are talking of perhaps £3.5 billion initially on both of those. That is altogether a different order of financial control that is going to be needed, rather than just sorting out the relationship with arm's-length bodies. What has been done about that?

Brandon Lewis: Following the situation this year, there has been an internal review. There are new controls in place so those errors cannot happen again.

Q192 David Heyes: The NAO say that to successfully deliver your changing priorities, you will need strong commercial financial and influencing skills. Can you describe to me what you are doing to achieve that?

Brandon Lewis: Can you explain in what sense?

David Heyes: You said that you would sort out the relationship with the arm's-length bodies, which is a relatively minor part of your overall work. What are you doing to address what the National Audit Office have said about the need to strengthen the whole area of financial control?

Brandon Lewis: As I have said, we have had an internal review and changes have been put in place. If you want more detail, I can happily write to you and let you have some details on that.

David Heyes: We do need that further detail.

Brandon Lewis: Yes; that's fine.

Baroness Stowell of Beeston: I was just going to add a couple of points. There are two separate issues here: there is the issue of the overspend by the arm's-length bodies, and the accounting issue around the cash usage. That is separate from the need for us to ensure that the professionalism of the financial management team in the Department is equipped to deal with the different kind of financing arrangements that we now have in place for housing guarantees. Yes, this was a problem in the accounts. Nobody wants to have a qualification of the accounts. This has been addressed. We do not expect to see this repeated. We are already advanced in recruiting additional resource to the financial team to make sure that we are properly equipped to deal with the different kind of financial backing that is in place with the housing guarantee scheme, so I think we have it all covered.

David Heyes: We will, however, get a letter from you to explain how you are addressing the ALBs.

Brandon Lewis: Yes. As I say, I will certainly write to you. I was going to say: let us not underestimate that this is the Department that has the largest savings in Whitehall, and it is because of good financial management and careful financial management that, even in the last year, it had an underspend of £675 million. That is a substantial contribution to making sure that we practise what we preach.

Q193 David Heyes: Just on this question of the private rented sector guarantee scheme, I think there have been a couple of attempts by the Committee and the Chair to get some quantification of this and to find out how many houses it is going to deliver, and we have not been able to get an answer to that question. I think this is one for Mr Hopkins.

Kris Hopkins: For the private sector, there is an internal credit committee which is put together to evaluate each of the applications that are going to come in. I understand a range of applications at the moment have come forward, and we want to come to the Committee and to talk to people about what the potential is at the moment. The key issue, however, was that in May last year, when we went out to the market to find a facilitator of the guarantee and the release of that money, there was no appetite at that moment in time to accommodate it. The market certainly changed. It is a developing market at this moment in time; there is something new. There has been significant interest now from the private sector about it, and people want to take this onboard. We are in conversation about that at the moment. We are putting together an internal credit committee to be able to assess the applications and opportunities there at the moment, and we want to come forward with prospectus ideas and numbers in which people can facilitate it. Just to contextualise it, however, there is £10 billion worth of guarantees, part of which is through the PRS and that particular sector. The affordable-housing side of it has some significant appetite. The affordable-housing finance company that is facilitating that at this moment in time was born out of the HFC, and they are looking to deliver some 30,000 houses through the affordable-housing side of that. There is another £3 billion in reserve to be able to respond—

Q194 David Heyes: My question was about the private rented sector. The Department has put aside £3.5 billion, or possibly more than that, in the longer term. It seems a very strange approach: “We will identify that amount of money and then see how many homes we can get for it”, rather than working out how many homes you want and what it might cost. It seems completely upside-down.

Kris Hopkins: The key thing about this is there is very little activity, certainly as far as Government is concerned, associated with this historically. It is taking a new idea and ensuring there is sufficient money to be able to respond to a growing market. Certainly, where the housing market was 12 months ago is different from where it is now.

Q195 David Heyes: You have already said that you have had lots of successful conversations to assess the market. Surely, you must have started by now to get some feeling for how many homes this is going to produce?

Kris Hopkins: I do not want to mislead the Committee about what we can achieve at this moment in time. What we have is a guarantee to be able to deliver some of that. It is not about spending money at the moment; it is about a guarantee. We want to make sure that the model is right. There is a market out there, because we have seen, through the Build to Rent Fund, significant interest on that side—seriously oversubscribed. There is a desire to participate in it. If we are going to use public monies, we need to make sure that we have an appropriate credit measure and challenge out there. Ideally, we want a private-sector partner to be able to respond to it. There is now interest out there and we are going through conversations with those potential providers of that service.

Q196 David Heyes: It is true, is it not, that, in correspondence with the Chairman of this Committee, you have raised the issue of commercial confidentiality around the discussions that you have been having? You used that as a reason for not being able to give this Committee an indication of the number of homes this is going to produce. Is that correct?

Kris Hopkins: We have said that there are issues around commercial confidentiality because there are. There are conversations going on at this moment in time with private

companies about due diligence, how we can move some of that and how we can build a relationship with those companies. If, as the housing Minister, I have an opportunity to say, “We are going to build 10,000, 20,000 or 30,000 houses as a consequence of this”, I will be the first to tell you, but I think it is appropriate that we make sure that the structure and the mechanism are in place first. We have significant money guaranteed from the Treasury to be able to facilitate it. We have seen the affordable housing model take off, and there is a huge response there. We have seen the Build to Rent Fund, with a £1 billion there, well oversubscribed. There is a desire in the market to participate in this. What is important is that we get the mechanism right. I can assure you that, the moment we have a figure, I will be the first to come and tell you.

Q197 David Heyes: When will that be?

Kris Hopkins: I do not know the answer to that. I want it to be as soon as possible but, at the same time, I want a safe and competent system that is going to give a realistic number of houses.

Q198 David Heyes: Is it weeks, months or years?

Brandon Lewis: Mr Heyes, one thing I would say—

David Heyes: I would like an answer to the question. If we are nearly there, when will we be there?

Brandon Lewis: There is an issue around whether it is appropriate to rush into giving an answer to keep you happy today or to get the job done correctly. We have seen from the last Government what goes wrong when you set top-down targets or even comment on a figure just in making an assumption. People spend their lives trying to hit a target rather than doing the right thing, as the housing figures under the last Government show, when we could not get anything built because people fought against a set target. I think it is absolutely right that the Department does the work to make sure it has the right processes in place and the right structure in place, and then does the job correctly, rather than trying to work to an arbitrary figure.

Q199 Chair: Can we move on along similar lines, then? This is a worry about policies being developed, money being allocated and no clear idea of what the results might be. The National Audit Office has been pretty caustic in its comments about the overall impact of spending reductions, about the Regional Growth Fund and particularly about the New Homes Bonus—one of the most critical reports I have seen. Is there not a bit of a trend in the Department to develop policy without any assessment of what the impact of that policy would be? Is the Department wrong or is the NAO wrong?

Kris Hopkins: Can I, first of all, contribute? I am sure colleagues will chip in. The New Homes Bonus has very successfully allocated huge amounts of money and resource back to local authorities. The scheme itself has clearly incentivised building 400,000 houses.

Q200 Chair: It has not, though, has it? The NAO said that the impact assessments were not done and the Department could not explain what had been achieved. That is, basically, the gist of what the NAO report said.

Kris Hopkins: 400,000 houses have been built, and the New Homes Bonus fund has followed those houses.

Q201 Chair: 400,000 houses have been built since when?

Kris Hopkins: Since 2010.

Q202 Chair: All down to the New Homes Bonus?

Kris Hopkins: One of the reasons why the New Homes Bonus is there is to help local authorities to respond to supporting frontline services and recording council tax. The bonus can, of course, be used to build additional houses. The receipt at the end of it—the bonus itself—can be used to build further houses, but many authorities are making their choice to use that to reduce council tax and to support frontline services.

Q203 Chair: The whole idea of the New Homes Bonus was to encourage the building of new homes. In terms of anything else it may do for local authorities, it is a zero-sum game, is it not, because the New Homes Bonus is top-sliced from the money that would have gone to local authorities and recycled to encourage the building of new homes? That is what the NAO said: that no impact assessment had been done about the impact of the New Homes Bonus.

Brandon Lewis: Baroness Stowell has left us to go and vote, but she will be back. Bear in mind, Chair, the aim of the New Homes Bonus is part of a package that changes how we fund local government, so it becomes a reward-based system. Councils are benefiting from the New Homes Bonus. About 40 authorities last year had an increase in their grant because of New Homes Bonus money, primarily. It is rewarding those that build houses, so it is a carrot to encourage authorities to get planning through for housing. How they use the money is up to them, but it is absolutely common sense why I would want to see it. If you are getting more money as an authority for building new houses, it is clearly an incentive to build more new houses.

Q204 Chair: You are saying “clearly an incentive”, but what the NAO said was that the Department could not show that. That is what the NAO Report said: the Department could not show what impact it had had. There was no analysis done at the beginning of the policy to see what impact it should have, and no assessment done halfway through to see what impact it had had. That is basically the NAO’s report.

Brandon Lewis: That is separate to the fact that the Department has decided and the Government has decided to structure local government funding along a rewards-based system, the same as business rates retention. If you grow businesses in a council area, you will get the benefit through business growth. It is the same with houses. It is very simple: if you want more money, build more houses, and you will get more money through the New Homes Bonus.

Q205 Chair: Then, surely, you have to look at whether the carrot works, and that is the criticism: the fact that that look was not taken at the beginning of the policy and as it developed. Is the Department going to change its approach in the future?

Kris Hopkins: There is an evaluation going on at this moment in time, and that report will be published in time, but I do not see any authority out there receiving the millions of pounds which have come as a direct consequence of this—which is clearly a positive impact on the delivery of their frontline services, reducing council tax, or building houses—turning their nose up at the receipt of some £1.3 billion.

Q206 Chair: A simple question, then, Minister: how many extra homes have been built as a result of the New Homes Bonus that would not have been built without it?

Kris Hopkins: I cannot quantify that, but the point that Minister Lewis brought up earlier is that this Government has set a priority about building houses and incentivising building

houses, giving a priority to that and encouraging local government to facilitate that process as well. Each of those interventions and each of those pulls in delivering those have to be a positive contribution to it. Like I said, there is a double positive there in the fact that, in those areas where, you appreciate, after the housing market collapsed in 2008, we desperately need to build more houses, and that is contributing to it. Each of those local authorities is receiving a significant amount of money as a consequence of their actions and their support.

Q207 John Pugh: Less controversial stuff now: Government cuts and local authority cuts. One is aware of the fact that you need to reduce the overall public spending, as a mandate from the Chancellor. The local authority needs to take its share, but if we look at grants going to different types of local authorities, the funding for county councils has gone down by 11% but, for mets, it has gone down by 19%. What is the reason for that?

Brandon Lewis: I have not seen it broken down in that particular way. What I would say is what we saw this year was that—

John Pugh: Can I just explain where I got that figure? It was the Audit Commission.

Brandon Lewis: As I say, I have not seen it broken down in that way. What I can say is that, this year, we made sure we had a settlement that was fair across different types of authorities: rural-urban and north-south. You are quite right that local government has a fair part to play in reducing public expenditure, bearing in mind it makes up 25% of it. To put it in context, let us also bear in mind that local government will be spending £4 billion more this year than last year, overall.

Q208 John Pugh: If deprived areas have lost the largest amount of funding, it cannot really be that fair, can it?

Brandon Lewis: As I said, I have not seen evidence of that; quite the opposite. One of the complaints we have had over the last year—and you may well have been in the debates we have had—is that rural areas are arguing that they have had the unfairness of too many cuts in funding compared with urban areas. What does tend to happen is the urban areas have a higher degree of funding. For example, places like Newcastle will be on about £2,700 per household, so they start from a higher point in the first place and they do get higher spending power.

Q209 John Pugh: That has been true from time immemorial. Whoever has sat in that seat over the years has known that Newcastle gets more than, say, leafy parts of Surrey.

Brandon Lewis: It goes beyond that. If you are looking at somewhere like Norfolk, for example, a constituency like my own in Great Yarmouth gets about £2,200, give or take. It is one of the highest in Norfolk. Norwich has a similarly high figure for deprivation as well, so deprivation does follow, and the needs basis is still there.

Q210 John Pugh: Do you agree, however, that deprived areas have lost the largest amount of funding?

Brandon Lewis: No, I think there has been a fair change in funding overall. I do not disagree that, if you take 1% from an authority at a higher start point, it will lose more in cash terms, but that does not mean it has had an unfair change. It is still the same percentage.

Q211 John Pugh: I think the Rowntree study showed that, even if we use spending powers, which is the figure you provide, and we compared deprived areas with affluent areas, we would find that deprived areas are down by 21.4% and affluent ones by 15.8%. Does that not make it seem that deprived areas have lost not just the largest amount of funding but the largest percentage?

Brandon Lewis: No, I am not sure I necessarily agree with that, because the average in spending power in an area of deprivation, which tends to be the cities, would still be well over £2,000, which is higher than less deprived areas. The needs formula is still part of it. The mets, particularly, benefit from the damping arrangements as well.

Q212 John Pugh: This is starting to worry me because my quote was from the Audit Commission, and you are saying that the Audit Commission are factually wrong on the numbers. Would you be happy to write to the Audit Commission and put them right?

Brandon Lewis: I will happily have a look at those numbers and write to the Audit Commission, yes.

Q213 John Pugh: When we are talking about local finance, I have noticed a propensity for the Department to want to talk about spending power, which is an interesting concept. It is a figure for every local authority, which is basically the amount that leaves the Treasury and goes into the vaults of the council. For every council, there is a figure that is struck for that. Why are you so reluctant to provide that figure?

Brandon Lewis: We work in spending power, partly because that is what local government wanted and partly because it is a very sensible way of looking at it, because it does reflect the entire spend for an area on the residents in that area. It encompasses everything, rather than just one section of it.

Q214 John Pugh: It does slightly colour the debate because you have quite different figures, if you look at spending power and total Government grants—the figure that represents the amount going from the Treasury to the council—do you not?

Brandon Lewis: What I am interested in is how much money a local area has to spend on the residents in it to provide the services, and that is a whole picture, not a section of it. Spending power is the best reflection of how much money is spent on any given resident, or any given property, effectively, within that area.

Q215 John Pugh: Do you not think it is interesting, though, if only politically interesting, to find out how much the Government has allocated individual local authorities?

Brandon Lewis: No, I think what is interesting and what is important is how much money is spent by a local authority in its area on its residents.

Q216 John Pugh: The reason why I ask you is I have tried, for some time, to find out how much money has gone to my local authority from the Government. Spending power, I am assured, has gone down by a figure of about 11%. When I look at the spending grant reduction, that works out as 26%. There is a difference of millions and millions of pounds here. It is how you present the figures. Could it not be suggested that you provide both sets of figures, so people can draw their own conclusions?

Brandon Lewis: No. Again, I would say I think the spending power is a reflective figure that shows what has been spent and what is spent by an authority in the area on its residents as a whole—not one section or not one part of it, but as a whole—and I think that is the right way to do it, because it reflects the entire picture of what a local authority spends.

Q217 John Pugh: If I take my own council, which is Sefton, there is a big difference between saying there is an 11% reduction in spending power—and they have to figure out what that means—when there is a clear statement that could be made, which is to say there has been a reduction of almost 26% in the amount of money leaving the Treasury to the council.

Brandon Lewis: No, it does not work like that, and I do not accept that. I think the spending power is more important, because what is relevant is how much money that local authority spends on its local constituents. Having said that, what goes beyond it and what is important is what the local authority does for its residents, because there are examples around the country of local authorities providing phenomenal services at much lower costs than other authorities. Hopefully, we are starting to get some who are spreading that best practice and efficiency. It is about the whole, and it is looking at what they spend. That can be through the whole range of services, whether it is now with the public-health money coming in, and the £3.8 billion in adult social care will play a part in that going forward as well. It is a hugely important step forward, because that makes a big difference, particularly for the primary authorities that are dealing with social care.

Q218 John Pugh: Why is it not relevant for local council taxpayers to know that the Government's contribution towards the funding of council services has gone down by 26%? I do not understand why you think it is not relevant.

Brandon Lewis: I think what matters is how much a local authority has to spend per dwelling or per person, depending on how you break it down, within their local area. That includes the Local Services Support grant and it includes central Government grant funding. It is a whole range of things, all of which are relevant to the services that are provided by an authority and through an authority.

Q219 John Pugh: Why is the Government so reluctant to explain how the figure for the reduction in spending power for 2015-16, which is 2.3%, has been calculated?

Brandon Lewis: We will be going through the settlement, which we will be doing over the next week or so. The local government settlement will outline the spending powers for next year.

Q220 John Pugh: The point that I am trying to make, Minister, and possibly you may share it—I do not know—is that spending powers are a somewhat mysterious concept to people, and it is not the same as hard figures of cash moving from one place to the other.

Brandon Lewis: You say it is mysterious, but local government is used to it, and it is something that the Local Government Association were happy with and wanted.

Q221 John Pugh: On to the happiness of local government: clearly, there are increasing numbers of local government councils who are feeling that the council tax freeze grant is not necessarily going to be something they can accept this time, because of financial pressures. Does this prove that the mechanism is not working?

Brandon Lewis: No. I would like to think that local authorities, as they go through their process this year—particularly the councillors—will look at that and take a view on what they think is right for local residents. They had their council tax double under the last Government. We are proud to have kept that down; we had a real-terms drop overall. What I have said to local authorities generally is, bearing in mind there is the 1% offer from central Government if you freeze, what your officers are saying is that they want to put up council tax for the benefit of 0.9%, unless they are going for a referendum, which

they have an absolute right to do and, at some stage, I suspect somebody will do that. If they are doing it for the 0.9%, we should be asking those officers to look at that again, but, ultimately, that is a decision for the local authority.

Q222 John Pugh: Finally, just to reiterate the point I have made, you do not accept that reductions in spending power and budgeted spend—we will just use the phrase “spending power”—have been greater amongst local authorities in the north and the midlands?

Brandon Lewis: I think you will find that, even if you look at the House of Commons, the independent report shows that the settlement was fair to north and south, as well as rural and urban.

Q223 Chair: Just to explain, the 2.3% figure was the one used by the Prime Minister, following what the Chancellor said about the 2015-16 spending round. I wrote to the Prime Minister asking him to explain where the figure had come from and how it was calculated on 14 October. I have had an acknowledgment and it has been passed on to the Chancellor. Nearly two months, I still do not have a reply. Is it possible that you might look into this?

Brandon Lewis: Your comment is noted.

Chair: Some explanation as to how the 2.3% was calculated would be helpful. I am not asking for it to be done on the spot but, in due course, that would be helpful.

Q224 John Stevenson: I am sorry, Mr Lewis; we seem to be asking you the bulk of the questions, and mine is directed at you as well. It concerns the risk of financial failure amongst local authorities. Back in January 2013, the NAO said “The accountability framework for local government to address widespread financial failure is untested”, and clearly they were highlighting a concern that there could be widespread financial failure of local authorities. Then we have another report in November of this year by the Audit Commission. They indicated that they were of the view there was around 8% of local authorities that present a current and ongoing financial risk. Could you let this Committee know how many councils are on the Department’s watch at this moment in time and what sort of councils they are?

Brandon Lewis: I am not quite sure about “on the Department’s watch”, but what I would say is that the Audit Commission’s report—are you referring to the “Tough Times” report?

John Stevenson: Yes.

Brandon Lewis: The “Tough Times” report this year showed that councils are delivering their budgets without experiencing significant financial difficulties; I think they referred to nine out of 10. There is a really good, clear message that local authorities are managing very well. We have even seen, through the reports done through local government and, indeed, the BBC poll, that people are seeing improved services generally coming out of local government, and I think local government is starting to see some of the ways they can share the best practice of efficiency to deliver those better services at less cost, whether through shared management, shared services, or breaking down the barriers through the Community Budgets programme to transformation work. There are some really good examples out there of good stuff going on.

I met the chairman of the Audit Commission just a couple of weeks ago, and the “Tough Times” report this year does back up that councils are managing. Let me take an example: even if you look at authorities that have very small budgets and that have a real tough background to come from, such as West Somerset—one that is quite often used and that has had a fair bit of publicity recently. They are working with neighbouring authorities to find ways of doing shared management and shared services. In terms of the seven councils most heavily affected by the change in the Working Neighbourhoods Fund, when this Government came in, we put that transformation money in there for them. We are working with them; in fact, I have been working with some of those seven councils, and there is some really good work to get themselves into the position where they are okay.

Q225 John Stevenson: I accept all that, and I acknowledge that a lot of councils have been very innovative and are dealing with the financial pressures extremely well. Nevertheless, your Department must monitor councils to make sure that they are financially stable. Can you indicate how many councils you have concerns about at this moment in time?

Brandon Lewis: I do not think we look at it in that way—that we have particular concerns over any particular given council, because the local government sector has its own duty to make sure it balances its budgets. The local authorities have a duty to make sure they balance their budgets; they are doing that. They are providing good services. As we go through the local government settlement, I will be—

Q226 John Stevenson: Do you not have any concerns about any councils at this moment in time?

Brandon Lewis: There are certain councils that need to be moving further and faster in terms of efficiencies, one of which, as I say, is West Somerset, and they are dealing with that issue. Having said that, they have balanced their budget and are confident that they can do so for the next couple of years, even if they do not share services, despite some of the publicity they get, which I think can sometimes be a bit unfair on them. There are also the seven councils that are benefiting from the efficiency support grant. We are working with all of those councils. They are managing very well. I can give you a clear example of one, which is Great Yarmouth: not only is it coping but it now has £6.5 million of reserves on a £11 million budget, and increased its reserves by over £1 million last year, so—

Chair: Do not tell the Secretary of State that; he will be critical of them.

Q227 John Stevenson: At present, you are fairly relaxed about the financial position of councils up and down the country?

Brandon Lewis: It depends on how you interpret “relaxed”, but they have their own duty to do it, and I think they are doing a very good job at the moment.

Q228 John Stevenson: If councils were to go into financial difficulties, what contingencies does the Department have? What would you do to help them or support them?

Brandon Lewis: The example that we have of authorities that have found themselves in a position where they think they might, somewhere down the line, be struggling is West Somerset. We have helped them facilitate their meetings with neighbouring authorities and they are now in a position whereby they have a balanced budget going forward, even if they do not share, but they are doing that work, and efficiency support grant money to

the seven councils that I just touched on, who we are meeting at the end of their first year of that at the moment.

Q229 John Stevenson: Would you encourage councils to merge?

Brandon Lewis: I am always encouraging councils to be efficient. When you say “merge”, I certainly would be encouraging them to merge their administration, back office and management—all that kind of thing. The phrase I use is that they can still keep the cap badges, which are the councillors. The councillors are the people who are democratically accountable, democratically elected and make the decisions. They are not the expensive part of the council, either, so I think it is very good if they can keep that, to be reactive and responsible to local people, but everything else that comes from the benefit of merger, as most people refer to it, as a unitary authority or something like that—

Q230 John Stevenson: Or two districts merging.

Brandon Lewis: Yes, councils can do that. We are not against councils merging. If they want to do it and do it locally, we will do what we can to facilitate it, but I do stress to them that, regarding the benefit of that and the cost savings they can get, they can do 99.999% of that without merging the councillors and losing democratic accountability. My advice to all councils is to get on and do that shared management, and get all the benefits of sharing without necessarily losing that democratic accountability.

Q231 John Stevenson: Interestingly, you told councils recently to stop “flushing away taxpayers’ money through bad procurement, bloated bureaucracy and fraud”. While I completely agree with your underlying sentiment that we should not be wasting taxpayers’ money, do you think that was overly provocative?

Brandon Lewis: If anybody took it as provocative, it is probably doing its job, in the sense that I want local authorities to look really carefully on a couple of levels. I will let Baroness Stowell come in on this as well, because she deals with procurement and is doing some fantastic work with local authorities on that. We are clear that there is about £2 billion of fraud and error in the system; there is also around £2 billion of uncollected council tax. Councils need to go further in cracking down on that. Also, when local government is procuring around £60 billion a year, they do not have to do very much in terms of potential savings to see a massive cash benefit and we should be doing all we can. I did something with the LGA and the Federation of Small Businesses this year, where their report showed that procuring locally with small businesses is much more cost-effective. It is good for the local economy as well, so we are always going to be trying to drive that message in any way we can.

Baroness Stowell of Beeston: I think I am coming next week to talk to you specifically about procurement.

Q232 Chair: Given the time, we can leave that. Can you tell me one tax that has a higher collection rate at national level than council tax does?

Brandon Lewis: I am not saying that the council tax collection, in the high-90 percents, is not good, but with £2 billion outstanding there is still room to improve. You can be good and still get better.

Q233 Chris Williamson: I noted, in response to Mr Stevenson, you said that local authorities were managing very well, I think you said. I do not know if you are familiar with the graph of doom, which is produced by the Local Government Association, saying that,

within a fairly short space of time, local authorities will only be able to deliver statutory services and, indeed, many local authorities are going to be finding it very difficult to deliver even statutory obligations with the resources at their disposal. I wanted to talk about Community Budgets and just get a sense from you of when we might expect them to move from the pilot stage to national implementation. You might be familiar with the report produced by this Committee—I think it was earlier this year—which said that, without that national rollout, it could have significant implications, or potential implications, for welfare, health and other areas of public expenditure.

Brandon Lewis: With regard to the general position, as I said, I do not agree with the Local Government Association at all. I think councils are doing a very good job of coping. They have still got a long way to go. They are increasing their reserves to a record level by another almost £3 billion this year to £19 billion; I think anybody would struggle to say that they're not coping very well. There are still a lot of councils who could do a lot more in terms of efficiency, with shared management and shared administration. The Community Budget programme, which you particularly turn to, is a really important step forward. We have also now moved that on and we have another nine authorities as part of the transformation network. We have put money into those, and particularly those that are developing that, breaking down the barrier across the public sector along with local government. Stephen, did you want to—

Stephen Williams: Just in relation to the Our Place programme.

Brandon Lewis: The Public Services Transformation Network is developing this further, but you also have the Our Place piece, so I will let Stephen touch on that and I can come back on anything else.

Stephen Williams: I am still developing my own understanding of how Our Place works. We have had a roundtable recently in the Department of some of the pilot programmes, from Ilfracombe in North Devon, Poplar in east London, and White City in west London as well, so quite different areas, and a part of Suffolk where Matt Hancock is the constituency member. These are really different parts of the country doing things in different ways. All the people who came to see us—whether they were town councillors or district councillors, people involved in housing associations—were really enthusiastic about how it has worked for them so far, and I am going to Poplar tomorrow, in fact, to make some announcements about this and to give it the next push. I really do think it is the way forward. Building on what Brandon was saying earlier about councils working between them to merge those administration and back-office functions, much of the scope for savings in the public sector, Chairman, is different parts of the public sector outside local government working together in order to deliver, seamlessly to the public, and more efficiently, value-for-money services.

Brandon Lewis: I would say that, at the moment, with the budget pilot areas and the Transformation Network areas, getting on for 25% of the population is now already being covered by this sort of thing. The independent review is about £20 billion of potential savings across the period, and some of those savings have already been shown in those areas that are moving forward. More importantly, however, the residents are getting a better service.

Q234 Chris Williamson: What do you think the consequences would be, then, of a failure to roll out Community Budgets nationally?

Brandon Lewis: I am not contemplating a failure of rolling this out. We are rolling it out gradually. Different areas are doing things as well.

Q235 Chris Williamson: You are taking a long time, though.

Brandon Lewis: No, we are not. Nine new places came onboard just this summer, so they are moving on fairly swiftly now and we are looking to develop that further. What is important is that it is driven from the local areas. It is not a top-down approach of, "This is what you are going to do and this is when you have to do it"; it is coming from the local areas. I was with Redditch Council this morning, which has done some really good work, and was encouraging them to come and talk to the Transformation Network about taking their work forward. Some areas are looking at how they work across emergency services, some across health teams. It varies in different areas, according to what they need in their local area. It has to be driven that way, and that does mean that it will move more slowly but it means it is embedded better and it has a better outcome for residents.

Q236 Chris Williamson: Will we have a national rollout by the end of this Parliament?

Brandon Lewis: As I said to you, I am not looking at some kind of top-down national structure for this. This is driven by local areas, it is driven by local need, it is driven by local people and, therefore, it reflects what they need as well as bringing the savings that are important to everybody.

Q237 Chris Williamson: Just moving on, then, to City Deals, this was before I came on to the Committee, but I understand that, when the Secretary of State came and gave evidence to the Committee earlier this year, he talked about a City Deal approach potentially being replicated in non-city areas. I wonder if you could say if there has been any progress on that.

Brandon Lewis: We have said to places who want to look at some sort of growth deal and who have an idea for their area that is good for them to come forward. Greg Clark, who is working between the Treasury, the Cabinet Office and us on this, will meet them and go through with them, so that is one you would have to put to them. Areas are, however, free to come forward with ideas, if they have them. City Deals are going through at the moment.

Q238 Chris Williamson: Is there a turf war going on in Whitehall over City Deals?

Brandon Lewis: Sorry, I do not know what you mean by that.

Q239 Chris Williamson: As I understand it, it has been reported that the delay in implementation for City Deals and rolling out the City Deals more widely is because of a turf war between Departments in Whitehall.

Brandon Lewis: I have not seen any example of that whatsoever. What I have seen is quite the contrary: Departments working together for the benefit of communities, breaking down the barriers between Departments to make sure we provide a better service for residents, at a better cost as well. What is really impressive, not just across the City Deals but right across the Community Budget programme and through the Transformation Network, is seeing areas that are breaking down, at a local level, some of these traditional, almost mythical barriers between different parts of government, both local and central, and public services to provide a better service. What they are also seeing is savings as a result.

Q240 Chris Williamson: There is no truth, then, in the *Local Government Chronicle* report from 19 September, which reported that there was a turf war between Whitehall Departments and, indeed, quoted one council leader as saying, “There is clearly a turf war going on”—this is what the council leader said. “Cabinet Office tells us one thing and then BIS tells us something else. We meet a Minister and they tell us a further thing,” so something is going on, is it not?

Kris Hopkins: Can I add to that? Since I have been in post after the September *Chronicle* piece—

Chris Williamson: You have sorted it out, then.

Kris Hopkins: I came in wanting to understand what City Deal was, how it was structured and who the players were, and I have to say that Michael Fallon, Graham and myself have met others. On the contrary, rather than a turf war, it is a really exciting time. There are people on the ground there thinking of really innovative ways in which they can grow their local economies. Rather than the old game of Government knows best and telling people how to do it, they are on the ground working with senior players, local authorities and business people, shaping what they want to do and coming back to us and challenging us. That is the bit that is making it work: making each of the Departments respond appropriately.

Q241 Chris Williamson: Could I just ask one final question, going off on a bit of a tangent, in relation to the Roma community? I am sure you will be aware that the growth of the Roma community in different local-authority areas is, some local authorities report, creating certain challenges to the local authority in terms of service delivery. David Blunkett was quoted on the BBC as accusing the Government of burying its head in the sand over the scale of the Roma settlements in the UK. Do you think that he is right? Is the Government burying its head in the sand over the scale of Roma settlements in the UK?

Stephen Williams: Shall I deal with this as the Minister who deals with this area? You, of course, are a Sheffield MP too, as is the Deputy Prime Minister, so interest comes across this issue from many quarters. Certainly, the Department has been talking to Sheffield Council and to other leaders on the ground to assess the situation, and is keeping in touch with what is going there. At the moment, we are not detecting any reason for concern about any outbreak of community tension, but it is something that is kept constantly under review. David Blunkett has asked for a meeting with me, and we are trying to find a common date in our diaries at the moment. I am aware, Chairman, that you have also asked for a meeting with the Department, so maybe we will meet together.

Chair: Yes. The Secretary of State has agreed to meet us as well.

Q242 Mark Pawsey: I would like to go back to housing, if we may, and talk about the owner-occupied sector. We have had a discussion about the New Homes Bonus, which is a good reason for councils to grant consent to the housing, and certainly my local authority has benefited, and it will benefit even more now that the decision has been taken not to top-slice it, so we really appreciate that one. I just want to talk about the incentives and support that is given for homebuyers themselves. We have the Help to Buy scheme, which forms two parts: the equity loan scheme and then the more recently announced mortgage guarantee scheme. On the first part, there was some discussion between Peter Schofield, who is the Director General of Neighbourhoods at DCLG, and our chairman, both in evidence and in correspondence, about the number of homes that would be created, or developed, built and

provided as a consequence of the equity loan scheme. Are you able to help us with a little more detail as to how many homes have been created and what the projections are moving forward?

Kris Hopkins: Thank you. First, around 400,000 houses have been generated since 2010. In the equity loan scheme, which has been going since April this year, just over 18,000 reservations have been secured, and I think some 5,375 new houses, at the last count, have been built as a direct consequence of it. I appreciate the guarantee scheme has been going for just over two months, but the first-month figures that we have back show some 2,000 applications being processed at the moment. £375 million worth of mortgages are associated with that, and the average price, I think, is around £155,000 for the guarantee scheme and about £295,000 for the equity loan scheme.

Q243 Mark Pawsey: I want to come back to the mortgage guarantee scheme in just a moment, but just to back to the equity loan scheme, the figure you mentioned was 2,500.

Kris Hopkins: Sorry, no. New homes out of the ground are 5,500 built and 18,000 reservations.

Q244 Mark Pawsey: That was the number estimated by the Chair when he spoke with Peter Schofield, who subsequently came back and, I think, gave some indications that the number was rather higher than that.

Kris Hopkins: The figures have just been published, on about the 26th of last month, so they are fairly current. It is just over 18,500 reservations and about 5,500 actually out of the ground at this moment in time.

Q245 Mark Pawsey: And buyers would not have otherwise got mortgages?

Kris Hopkins: Absolutely, and I think something like 75% of those are first-time buyers. Interestingly, across the two schemes, only about 7% are in London. The vast majority of the pickup has been from outside London.

Q246 Mark Pawsey: Minister, you told us about take-up on the mortgage guarantee scheme. We understand that is a Treasury-backed scheme. What discussions took place between the Department and Treasury before bringing that scheme forward and, again, what is your estimation of how many houses that will cause to be built that would not otherwise have been built?

Kris Hopkins: I have to confess I was not around when those discussions were going on, but what I can say is that it has had a tremendous effect. One of the statistics I ought to give you on the equity loan side is that it is the scale of the take-up by the builders that is significant. Over 900 builders have now participated in that, which is really important for them. They see that there is significant impact upon their economies and their business, and construction employment is now at a six-year high. Building itself is at the highest level since 2008. I think both the guarantee scheme and the equity loan scheme are contributing to that. There is huge capacity for the guarantee scheme to work. We have not put a figure on what can be achieved, but there are 39 individual companies out there that could offer a 95% mortgage at the moment. The three organisations—RBS, NatWest and Halifax—that are participating in the Government scheme have seen huge take-up. Although the applications, I think, were 2,000, 10,000 people made inquiries in the first four days, so there is a huge appetite to participate in this. It is part of the offer as far as mortgages are concerned, which are complementing the existing schemes out there.

Q247 Mark Pawsey: You told us there is a massive take-up but is there a danger that the scheme could be too successful and that it will stimulate demand excessively? If that were to happen—and I am not suggesting it is yet—who manages it? There is a suggestion that the Bank of England might wish to step in and have their say.

Kris Hopkins: I think there are a few things. First of all, on the guarantee scheme, in particular, there is huge scrutiny of the applications that are coming in, and the Financial Policy Committee is observing the activity, pickup and influence that Help to Buy is having, which is hugely positive at the moment. The governor of the Bank of England, I am sure, will not be shy at chipping in at any point if he needs to do that.

Q248 Mark Pawsey: Ultimately, however, who has the power to say, “This scheme is causing the market to overheat. We are going to retrench.” Is it the Department, the Treasury or the governor of the Bank of England?

Kris Hopkins: The Treasury will do it. It is their scheme.

Q249 Mark Pawsey: Not the governor of the Bank of England?

Kris Hopkins: No. Something has been whispered in my ear that is absolutely right: the Financial Policy Committee itself will advise, along with the Bank of England, but it is for the Treasury to make that decision. Can I just put something in context, so that we do not get too excited about the way that Government may be wrongly influencing this? It needs to be put in some context. This scheme is going to run for about three years. One of them is six months in at this moment in time. During that time, we believe that something like 3.4 million housing transactions will be undertaken, of which these schemes will have an influence on around about 2%. That puts into context what impact this is. This is something that is giving confidence to the sector—not only to the purchaser but to the builders out there and to the risk-takers associated—that they have schemes that enable them to participate.

Q250 Mark Pawsey: You will be aware that there are concerns that the market may be starting to overheat. It may be that you will tell me that that is a purely regional London-and-South-East thing, but on 28 November the Bank of England announced it was refocusing the Funding for Lending scheme away from housing towards supporting business lending. Is that not an indication that things may be starting to get overactive?

Kris Hopkins: They have made a conscious choice about how to do that. It does not affect Help to Buy at all. Both those schemes are still out there and will be for some significant time to come, and will make a contribution to growing our housing base, which is the right thing to do.

Q251 Mark Pawsey: Do you, however, have any concerns that prices may move along? I know you said these schemes only affect a very small proportion of transactions, but they have an impact on the market as a whole. If they did not have an impact on the market as a whole, the Government would not be introducing them, so it is quite right that that happens, but does that danger exist, and is part of the problem still not—and I will turn this to the planning Minister, if I may—that we have incentives for purchasers but we are still not bringing forward enough land for new homes to be built on?

Kris Hopkins: Before he does land, I will just deal with prices. There was a 3.8% increase over the year, with just over 9% in London, but that was in certain places in London. In places like Newham, house prices have dropped by 2% in the same period. I can say as a northern MP I have some negative equity on my own house at this moment in time, so I

know, from my own experience, that, while there are individuals who are highly excited in London about prices, it is very varied across the country. Schemes like Help to Buy and the equity loan scheme, as far as new build coming out of the ground is concerned, are having a positive impact. The Treasury and the Bank of England are keeping a clear eye on the consequences of these interventions, but I do believe they are extremely positive.

Nick Boles: It was a very reasonable question to ask whether the supply side was going to respond to the stimulus that has been given to demand. It is an area for constant vigilance and it is entirely right that the Bank of England and the Financial Policy Committee are constantly watching that. That is what the Chancellor asked them to do right from the very start of introducing Help to Buy. The good news that we have is that the number of housing plots giving planning consent has gone up by 35% year on year, which suggests that a couple of things are happening: firstly, that house-builders are applying for planning permission on more sites, and that local authorities are granting planning permission for more sites. That is not to say that the level is yet at the level that would match up to the estimates that most people have for the housing need. We still need to see housing supply respond more, and that, of course, is why we are constantly looking at ways to make the planning process work more efficiently.

I think the supply side has responded very well and, therefore, we can be confident that Help to Buy will do the things that it was set up to, which is, first, help struggling families get their first home, on the basis of a financial transaction that most of us benefited from—i.e. a 95% mortgage—and, second, that it pulls supply through. It gives house-builders customers who can get a mortgage and, therefore, they build the houses for which they have planning permission. At the moment, those two things seem to be happening.

Q252 Simon Danczuk: How is it, Minister, that the number sleeping rough on any one night in 2010 was 1,768 and it has increased by 31% to 2,309 in 2012? Why is the Department not doing more to reduce the number of people sleeping rough?

Kris Hopkins: I think the new figures that have just come out have actually shown a slight drop.

Simon Danczuk: In rough sleeping?

Kris Hopkins: Yes. I think it has dropped something like 8%. I think I am right in saying that. We do take this extremely seriously. I say that as a former leader of a council, and I saw direct consequences on individuals' lives and local communities as a consequence of people being in that dire situation. There are two things. First of all, it is a huge amount of money that the Government has put forward—some £470 million—to make that work and address it. When authorities have used bed-and-breakfasts as a vehicle to accommodate people, it is illegal to accommodate them over six weeks and we are intervening in those. We have given additional money to and targeted the two authorities, Croydon and Westminster, where we have specifically had problems. We have had a very positive response as a consequence of that intervention. Local authorities are working extremely hard. We have given them resource and there is a real desire to address this issue.

Q253 Chris Williamson: Can I move on? Just in relation to Right to Buy, the housing strategy published by your predecessor in 2011 talked about reinvigorating Right to Buy. Are you committed to that?

Kris Hopkins: Yes, absolutely. Do you want me to expand further on that?

Q254 Chris Williamson: No, not at all. Within that, though, it said that for every home sold, it would be replaced. Are you committed to that?

Kris Hopkins: Yes. When I took over, I looked at what my predecessors had said and what we can achieve. I have spoken to civil servants around this, and they seemed confident about being able to deliver that. I have to say that there was a quote the other day saying that they had not been delivered: the amount of sales was this and the amount of house building was that. To put them in context, since the Prime Minister intervened, over 13,000 houses have been sold, and there are huge variations now on discounts compared with what they used to be—£75,000 outside London; £100,000 inside London. To reiterate how much we are committed to it, the Treasury announced in the autumn statement last week that we want to put together an agency to be able to facilitate that; there is £100 million for specific interventions on housing with unconventional building techniques that have been used historically and how we get those back into the market. It takes a short period of time to sell a house—I would like it to be quicker—but it certainly takes a lot longer to build one. We have said that over the three-year cycle we will match one-for-one, and that is the Department's objective.

Q255 Chris Williamson: There was a report you are probably familiar with last month in *The Independent*, which said that 10,954 homes were sold in 2012-13 and only 1,662 replacements have been started. Are you saying that all of the homes that have been sold will be replaced within that three-year cycle? Is that the commitment that you are making?

Kris Hopkins: When I took over some two months ago, one of the questions I asked was, "Can we deliver it?" and the civil servants are absolutely confident that they can deliver that. As I said before, it has been just over a year since the scheme was reinvigorated and there has been a huge response to that. There have been just over 13,000 new sales out there, and we have made that commitment for one-for-one. I would just add to it the fact that the affordable housing side of it is a focus of the Government. We have put our own money in there, limited resource as it is—some £19 billion to deliver affordable housing up to 2015. That is 170,000 houses, and on from that there is another £23 billion to deliver another 165,000. We are absolutely committed to making sure there is an affordable housing base. Part of that offer is that one-for-one replacement.

Q256 Chris Williamson: It is making sure that the action matches the rhetoric. There was an expert witness who gave evidence to this Committee after the policy was announced who said that the policy was in advance of the evidence for it. Do the figures not seem to bear that out? There have been 11,000 or 13,000 sold, according to the figures you have, and only 1,662 replacement stock—not completed, started. That is a pretty poor record.

Kris Hopkins: We have a housing market that is starting from a very low base. There is the skill base out there, materials, the process of the planning application, getting people into it—that does take time.

Q257 Chris Williamson: That expert witness was right, then, was he not?

Kris Hopkins: I am as ambitious as I think you are to see those houses come out of the ground. I have challenged the civil servants who seem to be confident that we can deliver this. It is a three-year delivery period to actually make sure that one-for-one comes out of

the ground and the big measure will be whether, at the completion of that three-year period, we have delivered.

Stephen Williams: Can I just add something to that? You and I are the only two people in the room who were in the last Parliament. If I may say, that was a glass half-full series of questions Kris was attempting to answer. The glass was completely empty under the previous Government when there was no like-for-like replacement at all, which many of us called for in the last Parliament and the Parliament before. Yes, it is difficult, but at least it is a lot better than where we were.

Q258 Chris Williamson: Is it a like-for-like replacement though?

Stephen Williams: Pound-for-pound.

Q259 Chris Williamson: The commitment as I understand it is a one-for-one. It leads on to my very next question. If it is simply a one-for-one and not necessarily a like-for-like—I will be interested to hear what your answer is in terms of the like-for-like issue—if the Government only replaces one for every house sold and a new unit is built, does that mean that we will have fewer bedrooms as a consequence of that? Unless of course the commitment is to build a like-for-like, because I thought the commitment was a one-to-one, but maybe you are telling me something different now.

Kris Hopkins: I will make sure I dig out the policy and give you that specific piece. What I will comment on is the fact that we have made, with limited resources, a huge commitment to deliver affordable housing. At the end of the last Government—1997 to 2010—there were 420,000 fewer houses available to rent and we, given the housing market we took over in 2010, have already delivered 400,000 houses. We have already delivered 99,000 of our 170,000, which is more than 50% of the delivery in 50% of the time we have to deliver the 170,000 houses. On the Right to Buy scheme, pushing a scheme that is about encouraging aspirational, ambitious individuals to own their own house with a commitment at the back to give a replacement to that is the right thing to do. As I said, there is a three-year life to that scheme and, at the end of the day, the measure will be what comes out of the ground as a direct consequence of it.

I had the opportunity to go and visit a couple in Swindon. I went to meet the council that was facilitating the Right to Buy process, and I got to meet people who were actually in that process. They were one of the 13,500 transactions that have gone through. To go into that house—it was just about to become theirs; they were absolutely delighted. It was something I do not think they had ever dreamed about actually doing. A few days later the transaction had gone through, and I got a picture that is in my office now. I am really proud that this Government has facilitated that. In addition to that, as my colleague has said, we want to build more houses as a direct consequence of that intervention.

Q260 Chair: Perhaps you could just clarify that point for us about what precisely the policy is.

Kris Hopkins: Yes, sure.

Q261 John Stevenson: You said earlier that local government needs to be innovative in how it makes saving. Obviously, one way is shared services, joined chief executives, etc. In your own Department, arguably you have set a good example with Sir Bob. When he was before us, he indicated that, broadly speaking, he spends three days as Head of the Civil

Service and two days in your Department. Could you confirm, therefore, to this Committee that when a new Permanent Secretary is appointed it will be shared with another Department?

Brandon Lewis: We are not looking at appointing one at the moment. Sir Bob is doing an excellent job; the structure works well. It is good that we practise what we preach. We are going even further just as we are moving forward into next year because we will be decamping from Eland House and bunking in with our colleagues from the Home Office to show how you can not just share management, but also share assets and property as well to save another £9 million a year for the taxpayer.

Q262 John Stevenson: Can I commend you on the use of your legal skills in avoiding answering the question?

Brandon Lewis: Yes, I appreciate the compliment as somebody who did qualify in law long, long ago. You deal with the situation and the reality of where you stand at the time, but right now we are not looking to recruit. We have a situation that works; Sir Bob is doing an excellent job across both. I have no view on why that should change.

Q263 John Stevenson: Why do you think employee engagement within your Department has been at the lower end of the other Departments, and why does there appears to be low morale in your Department?

Brandon Lewis: I think it has actually improved slightly, but I appreciate it has improved from a fairly low base. We are a Department that has made massive changes. We talk about the change in headcount and that is quite substantial. We are going through quite a lot of change and that obviously has an impact. You always want to have as good engagement as you can and that is something we have to be working on. It is getting better, but we are a Department that has had huge change. Any kind of change of that type in any corporate environment does have an impact on morale, and that is something we are very acutely aware of.

Baroness Stowell of Beeston: May I just add in a point to that? On the most recent staff survey, on the engagement index the Department is up 6% from last year. On that particular measure that is quite a significant increase, but, as Mr Lewis has said, we did show a steep decline in our staff survey around the time that we went through this rapid change. We are now moving back upwards in the right direction, which I think is the most important thing.

Q264 John Stevenson: Clearly, an improvement is to be welcomed. Do you think one of reasons why it has underperformed is the fact that you do not have a full-time Permanent Secretary?

Brandon Lewis: No, not at all. We have an excellent team there, from the Permanent Secretary right the way through the DGs. They do a superb job. I have to say, working with colleagues, coming from my own experience, they do a great job working with their teams. If you look at what we have been able to deliver on a workforce that has been scaling back on a very focused budget, I think they have showed themselves exemplarily. We have been able to deliver that kind of work, taking through some really important legislation as well, from the Localism Bill through to the recent Local Audit and Accountability Bill. I think they do a superb job and they are an absolute credit to everybody.

Q265 John Stevenson: You clearly think that the part-time Permanent Secretary has been very successful within the Department.

Brandon Lewis: I would go even further than that. Not only do I think that the structure has been very efficient and effective, I think all local authorities should learn from our expertise, experience and example.

Q266 John Stevenson: Do you think other central Government Departments should also learn from that experience?

Brandon Lewis: Actually when you look across Government, I think there is a huge benefit in Government being able to share across. I do hope that somewhere down the line, we will look back at Sir Bob being a trendsetter for the rest of Government.

Q267 Chair: With your comparison with local government, if any local authority had wasted £82,000 of taxpayers' money on a failed scheme to take away rights for their workers, would you not be critical of them?

Brandon Lewis: No, I think it is absolutely right that the Department looked to make sure taxpayers' money is spent efficiently and effectively. We have said we still intend as soon as we can to look at this outdated practice of using public resources in that way. I think we did absolutely the right thing. Obviously we have offset the costs of that against the rather large liability that PCS has against the Government. I think local councils should be looking at this as well and making sure that the time that officials and their officers use that that taxpayer is paying for is used for the benefit of services for taxpayers. I do think all local authorities should be looking at how they can share management and share those structures. We have often talked in the past—and I certainly have—about the smaller districts that need to do it. If you are running a budget between £5 million and under £20 million you absolutely should be looking at maximising those efficiencies in that way. We are now seeing the big authorities looking to do the same thing, whether it is Northampton and Cambridgeshire and even now Norfolk and Suffolk, who are doing some great work and looking together at how they can share those back-office and senior-management costs.

Q268 Chair: Fine, but perhaps there is a better use of money than losing court cases.

Brandon Lewis: You have to sometimes do the right thing and I think we were doing the right thing. Let me be very clear: our intention is still to get up to date and as soon as we can end that outdated practice.

Q269 Chair: There are probably disagreements all round on that point.

Brandon Lewis: I can sense that from you, Chairman. It is one of those on which we will have to agree to disagree.

Chair: At least we can perhaps agree on the final point. Thank you very much for coming to be with the Committee today. We appreciate the time you have given and the range of questions you have answered, and wish you and your families all the best for Christmas and the New Year.

Brandon Lewis: We wish the same to the entire Committee.