



Communities and Local Government Committee

Oral evidence: [DCLG Annual Report 2014-15](#), HC 531

Monday 25 January 2016

Ordered by the House of Commons to be published on 25 January 2016.

Members present: Mr Clive Betts (Chair); Bob Blackman; Jo Cox; Helen Hayes; Kevin Hollinrake; Liz Kendall; Julian Knight; David Mackintosh; Mr Mark Prisk; Alison Thewliss.

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Evidence from witnesses:

Questions 119 - 182

Witnesses: **Rt Hon Greg Clark MP**, Secretary of State, **Brandon Lewis MP**, Minister of State, Housing and Planning, and **Richard Harrington MP**, Parliamentary Under-Secretary of State for Refugees, Department for Communities and Local Government, gave evidence.

Q119 Chair: Welcome, Secretary of State and Ministers. Two of you are quite familiar to us; we have seen you on regular occasions. Richard, welcome. I think it is your first session before the Committee. Thank you very much for coming. This is the second evidence session in our inquiry into the Department's Annual Report and Accounts. Before we move on to evidence, could members of the Committee put on record any interests they have? I am a vice president of the Local Government Association.

Helen Hayes: I am a councillor in the London Borough of Southwark, and I employ a councillor in my staff team.

David Mackintosh: I am a Northamptonshire county councillor.

Julian Knight: I employ a councillor in my staff team.

Chair: Thank you for that. Once again, Secretary of State, thank you very much for coming with your colleagues today. Obviously, the Report and Accounts is an opportunity to look at what the Department has been doing in the last year, and what issues may be at the top of

your agenda for future years. We were expecting a publication at the weekend, but it seems that the single departmental plan has not been published yet. Is there any reason for the hold-up?

Greg Clark: No. It is ready to go; its publication is imminent. I am sorry that it has not appeared in time for the Committee to look at it.

Q120 Chair: Is the mid-year report for 2015-16 going to be published before the end of the financial year?

Greg Clark: Yes, again, it is cleared for publication. Sometimes these are co-ordinated across Government, so I do not know whether that is part of a single publication date, but I will let the Committee know immediately after this meeting.

Q121 Chair: So there are no particular issues around those that we should be aware of or concerned about.

Greg Clark: None whatsoever.

Q122 Chair: Your predecessor in the job used to take great delight in coming to the Commons and talking about the council tax freeze as one of his great achievements. Indeed, I think you used to join in that responsibility as the Local Government Finance Minister. It has all changed a bit now, has it not? You are actually encouraging councils to go out and put their council tax up by 4%, or at least that is what your estimates of local government spending assume.

Greg Clark: It was a great achievement, and it is a great achievement, on behalf of the previous Secretary of State to have held council tax down through Government grant being made available for that, and to work with local government to do that, during most of the last Parliament. In terms of the provisional settlement this year, two things are relevant: one is the 2% threshold, which is the normal increase in the council tax. That is the same threshold that pertained before. But, in order to make the savings that we need to reduce and eliminate the deficit, we do not have the resources to continue with a council tax freeze grant. That is not to say that councils are encouraged to increase council tax by the maximum of 2%. Quite the reverse: I hope, and expect, that all councils will look to be as efficient and economical as they can to minimise the charge that they make on local taxpayers.

The second element, of course, is the social care precept that was introduced in the spending review and the autumn statement by the Chancellor. This was a response to something that we were talking about at our last session, which is a long-standing concern on the part

of central Government and local government that in most, if not all, areas of the country, there are more elderly people specifically, as a result of people living longer. However efficient the council is, there are simply more people living longer who need to be looked after.

There was a recognition, based on a proposal from local government, that there should be a means to fund that, and it seemed to me that, in a world in which we and local government both want more of its spending to be raised locally, you have a choice as to whether that should be entirely funded from a central government grant, or whether it should be consistent with the idea that more of it should come from local resources. That was behind the decision to allow a 2% social care precept, specifically to be spent on adult social care and to address what you might say is a secular problem, rather than an annual financing problem.

Q123 Chair: Generally, trying to look four years ahead is welcome. That is something that local government has been asking for. Liz Kendall will come on in a second to look at the social care aspects, but I just picked up on the word you used right at the beginning of that answer, which was that councillors are not being “encouraged” by Government. But it is being assumed, is it not? The figures in the comprehensive spending review are very clear. The assumption built in is that councils will put their council tax up by 4% per year.

Greg Clark: In the spending review, we took the figures that were based on the Office for Budget Responsibility’s forecasts. They are not Government forecasts; they are the OBR’s forecasts. As you know, the OBR is robustly independent, and that is its particular assessment. When it comes to the rise in the base level of council tax, they have not assumed that all councils will increase by the full 2%. In fact, had I wanted to express the maximum spending power that was available to local councils, I could have departed from the OBR’s estimate and assumed that every council spent the full 2% below the referendum threshold. I did not do that, partly because this is not a Government forecast—this is the OBR’s forecast—but partly to reflect the point you said: that there is no part of my policy that is to encourage them to spend the maximum, but it makes it available, as it has done in previous years.

Q124 Chair: What is the assumption, then?

Greg Clark: The assumption is the OBR assumption, which is that council tax will rise in line with inflation every year. At the moment, inflation is very low, much less than the 2%. It will vary from year to year, but, across the period, about £250 million extra in spending power would be available, if I assumed the full 2% a year,

compared to the particular annual inflation rates that the OBR assumed each year.

Q125 Chair: So what would happen if inflation suddenly went up towards the end of the Parliament? The Government are assuming that council tax rises by inflation, but would councils therefore have to have a referendum to achieve that if inflation went up to 3%, say?

Greg Clark: There are a couple of points on that, Chair. First of all, this is exactly why it seems to me that you should report what the OBR has reflected back, rather than to speculate as a Government on the future level of inflation. That is the first point. The second point is that the referendum principles are decided annually, and no doubt in such an eventuality—which I am sure all of us hope would not be the case—Parliament would have a chance to consider that issue.

Q126 Liz Kendall: You will know that the LGA and ADASS have said that they need an additional £2.9 billion of grant funding to close the social care funding gap, and a £2 billion annual service transformation fund to try to get the shift towards prevention. But, two weeks ago, you said that the Government had given the sector all the funding it had asked for in the spending review. How do those figures add up?

Greg Clark: Very straightforwardly. Perhaps you have seen the submission that we have—"Adult Social Care, Health and Wellbeing: A Shared Commitment"—from ADASS and the LGA, dated September 2015. That is the 2015 spending review submission, and it makes it very clear: it has a table in it that talks about the future funding gap, and they put it down as £2.9 billion.

Q127 Liz Kendall: But they have also asked for a service transformation fund. You will know that, in order to prevent people from becoming more in need of social care, you need that early intervention, but that service transformation fund is not available. So how can you say that the Government have given local councils everything they need for funding social care?

Greg Clark: It is very clear from this report. This was the purpose of this report; it was a submission to the spending review in advance, in September. It was followed by meetings, and table 2 is very clear that the expected gap, by 2019-20, was £2.9 billion. Of course, we all recognise—and we know from our constituencies and from our work—that there is a very important transformation to be made in how we look after, to the best of our ability, elderly people.

That is something that has to be done closely in conjunction with the NHS, which is why one of the things we are looking at, which we

talked about last time and I hope we will come on to analyse in the future in this Committee, is how health and social care can be better integrated between the NHS and local government. You are absolutely right: within local government, there are areas that lower-tier councils engage in, for example, which contribute to the fitness and wellbeing of their population and can contribute to that as well. But specifically in terms of the spending review, the analysis that ADASS and the LGA made as to what they required from the spending review to meet this gap said very clearly that it was £2.9 billion. As you know, the combination of the 2% precept, if used, and the addition to the better care fund for local government add up to getting on for £3.5 billion by the end of the period.

Q128 Liz Kendall: Let me bring you to that specific issue of the better care fund. In 2016-17, there is a projected £900 million social care funding gap. Now, the OBR estimates that the council tax precept will only raise £400 million in that year, and there will be no increase in the better care fund until the following year.

Greg Clark: Correct.

Q129 Liz Kendall: So there is a gap in 2016-17, is there not?

Greg Clark: Yes. This is why we made it very clear that the four-year settlement was going to be available. The financial settlement for local government, as we discussed last time, is in effect J-shaped. It is stringent for the first couple of years, and then, of course, both the addition to the better care fund and, indeed, the 2% premium, which is available in the first year, accumulate over time.

Q130 Liz Kendall: But, for this specific year, 2016-17, you have just said that there is a gap in that year. How will councils fund that money, that gap in funding, of £500 million in 2016-17?

Greg Clark: The first thing to say is that it will vary from council to council. Each council will have its own circumstances, but the point of a four-year budget is that, rather than managing on a single year, staccato basis, councils now have the opportunity that they requested to look forward, so they can take the long view of the need for social care and plan their budgets, looking not just at the year ahead, but across a four-year period. As the Chair said at the beginning, that is something I think we would all agree is desirable. It is what local government has called for, precisely for this circumstance, so that they can plan ahead and make sure that they can smooth the path to providing what is needed.

Q131 Liz Kendall: But they will have to find £500 million from future years in order to bring it forward for 2016-17.

Greg Clark: These are figures that have been put forward to us. As I said in reply to your earlier questions, in response to a request for £2.9 billion, we made resources available up to about £3.5 billion by 2019-20. These are the figures from the LGA. But it is right to think of these budgets as being over four years, rather than a single year.

Q132 Helen Hayes: Taking the point that councils have a four-year settlement and are able to think and plan over a four-year period, many providers in the social care sector are not in that position; they are in a day-to-day, month-by-month cash flow relationship with local authorities. Many care home providers—including, in particular, smaller care home providers—and local authorities have expressed to me their concern that some of them might close as a consequence of that £500 million gap in 2016-17. That would be quite devastating, because it would result in a situation where there was a loss of capacity in a sector that desperately needs more capacity, not less. I wonder what consideration you and your Department have given to that potential consequence, and whether you might be prepared to consider additional funding in the event that capacity was being lost from the social care sector.

Greg Clark: It is easy to take the idea of a four-year settlement for granted, but it has never been done before. It is revolutionary when it comes to local government finance, and I said, in arguing for this, precisely what you say: that in some ways the consequences of annual budgeting and not knowing from one year to the next whether you have the funds available is felt in a more pointed way by suppliers, which have their expenses to meet and have to make decisions as to whether they are going to reinvest in their capital. If they do not know from one year to the next what a local authority has to spend, then they are just as, and I would suggest sometimes even more, subject to the uncertainty that local government has. In pushing for this four-year settlement so that councils could then have a conversation with their providers for the medium term, that is something we had in mind, precisely to avoid the ups and downs that you mentioned, which I agree with.

Q133 Alison Thewliss: I just wanted to ask a question in relation to the general approach to council tax. The Scottish Government recently had a cross-party commission on local tax reform, which brought forward a report on local taxation, concluding that the present council tax system must end. Are you aware of that report? Is it something that you would consider?

Greg Clark: I am aware that there are discussions going on in Scotland. The reforms that we are making at the moment to local government finance are significant; they have been welcomed, and there is a big task in implementing them. My preference is to get on with that, rather than to change the system of council tax.

Q134 Jo Cox: On departmental savings, are you confident that your officials will be able to deliver the £94 million worth of admin savings, which I think includes a 20% reduction in the pay bill, when you have already lost 60% of staff in the last six years?

Greg Clark: I am. I have an excellent team in the Department, and a very capable Permanent Secretary and team running the Department. Again, it is something that has been a success in previous years; we have made savings. The performance of the Department, in terms of its relevance to the policy debates that are happening in Britain today, is probably greater than it has been for many years. We have shown that we can be effective and influential while being leaner and meaner, if I can put it that way.

Q135 Jo Cox: So you have no concerns about the lack of central capability to manage some pretty big reform processes across local government finance or devolution, given the scale of cuts, which is quite significant.

Greg Clark: It is. I am very confident in the ability of my team to manage that and to succeed. The cuts that are there have been known about since the spending review. The history of reform in the Department has been there, and, in the staff survey that the Department conducted, there was a significant increase in the various indicators of the motivation and stimulation that staff feel at the moment. There is a sense that they are part of some very important reforms, whether that is in the area of devolution, housing or troubled families. There is a lot to motivate people, and I am sure that they will do it very well.

Q136 Mr Prisk: Can we look forward at the role of the Department, particularly with regards to local government? As we move away from an age of central grants and towards an age of fully retained business rates, what do you see as the specific role of the Department for Communities and Local Government when, clearly, your ability to influence implementation on the ground will have diminished?

Greg Clark: Mr Prisk, you are right in anticipating that there will be change. In the past, the DCLG and its predecessors were often a bit too distant from local government, and perhaps saw themselves as more of a regulator, issuing promulgations to local government. There

will be less need for that, I hope, because there will be less ability to enforce that through the central direction, as we are devolving powers to other places.

In terms of the shape of the Department in the future, first of all, as Jo Cox mentioned, there is a lot of work to be done in moving from A to B in that, whether through the 100% retention of business rates or negotiating the devolution deals. That will involve, and is involving, the Department as much more of a negotiating partner with local government, rather than a promulgator of how things shall be, and requiring other people to get on with it.

But once we have done that and we have the new shape of local government 100% financed through its own revenues with substantial devolution deals, then the central Department will have a different role. It will be looking at best practice and working with the sector to share that. It will be less of a hands-on, regulatory role of making sure that lots and lots of very micro Government policies are being implemented. It will be more of a partner in that.

When it comes to particular requirements that might happen from time to time—take flooding, for example—there will be issues that have an effect in the short term, things that require local government and central Government to work together. In those cases, the Department will be—as it has been in recent weeks—very hands-on and very keen to, almost literally, roll up our sleeves and work with our colleagues in local government to get things done within the centre, banging heads together in Whitehall if necessary, to make sure that our colleagues in local government have the right support nationally.

Q137 Mr Prisk: I understand that. The Department has always taken the role, and it has been seen as being able to drive and lead and shape policy from the centre, because it is providing funding.

Greg Clark: Yes.

Mr Prisk: If it is not directly providing funding, it may become—to use your language—more of the junior partner in that relationship. Are there problems from your point of view for the Department, where it is quite clear that local government is becoming more diverse not only in terms of how it approaches problems, but in how it solves problems? In other words, are we going to move—to use the shorthand phrase—to more of a “postcode lottery”, where there is a sharp difference between Kent and Hertfordshire in the way in which things are done? What role does the Department have then?

Greg Clark: There will be differences in the ways things are done. I would not regard that as a postcode lottery, because, insofar as Kent may do things differently from Hertfordshire, it will be a matter of choices that have been made by local government and by their electorate. It is appropriate that they should have more of that discretion than they have had in the past. Sometimes, when central Government have talked about a “partnership” with local government—I speak as a former councillor, with a wry smile—the partnership was rather one-sided. I would rather that it were a more equal partnership, where the right of initiative was not exclusively on the part of central Government, but things could be done differently by different places.

Of course, one of the functions of the Department is to consider in which areas differences, including in performance, are an acceptable feature of the democratic choice that people have, to be governed through the ballot box, and in which areas central intervention by Government is required. For example, in the case of children’s services and child protection, I am sure that this Committee and certainly my ministerial team would not regard it as acceptable to say that any failure on the part of child protection is something that can be sorted out at the ballot box at the next election. You do require the ability and the determination to intervene, quickly and decisively, on that. But there are other areas where choices can stay with local people and there is no reason why central Government should override it.

Q138 Mr Prisk: Should we be looking at any particular principles that you are using as the benchmark by which to test those kinds of examples?

Greg Clark: There are statutory requirements on local government, especially when it comes to issues around the protection of vulnerable people, one way or another. They clearly fall into that category. As far as others go, there are regimes—education, for example, is another such area—that are well known and are specified.

Sometimes, procedures can be negotiated and agreed that will highlight how things are going. We have had some debates about the working of the NHS and local councils there. Clearly, the Department of Health and the Health Secretary will continue to take a very close interest in the discharge of functions in areas concerned with health when local authorities are involved. So it will vary from policy area to policy area.

Q139 Mr Prisk: Lastly, with that context, clearly we have a National Audit Office, so financial oversight is not necessarily something that the Department needs to duplicate. From what you are saying, my

impression is that you feel there are certain areas in policy terms where the Department will have an opportunity and a responsibility to intervene, either because of immediate failures or because of issues around public safety. But are there any other particular principles that we should be thinking about as a Committee when monitoring the ambition of the Department to devolve powers, so we can understand the thinking, rather than necessarily a long list and an argument over each item?

Greg Clark: That is a very interesting question, Mr Prisk, and it would be worth the Committee considering that as the Department does. Of course, the powers that are being devolved are at an early stage, and by no means in every place in the country, so what is relevant in different places will be determined by the nature of the devolution deals. But it would be well worth the Committee scrutinising the Department, and working with us to identify what it might consider to be the appropriate triggers for its interest, for example, in particular authorities.

Q140 Jo Cox: Just to pick up this point about your capacity, centrally, to monitor the difference and diversity that we might see over the next five to 10 years in the quality and quantity of local services, will you tolerate an enormous difference and divergence in quality and quantity of services? Do you have the capability as a Department to monitor it, and what will you do if there is a very sizable divergence in what local authorities are doing?

Greg Clark: We do. In the areas that Mr Prisk was asking about, where there are safety requirements that need to be observed, data is required to be presented to give a real-time view of how they are performing. You will know that I and my predecessors have taken steps where we have been dissatisfied. With, for example, child protection in Rotherham, we have sent in a panel to take away the discretion of the council there, so that will continue.

We have been talking about where we would collectively regard performance as unacceptable. Part of the point of this is to drive higher standards of performance, and to be able to see, through people and places doing things differently, how they can succeed, for example, in organising their operation so that it can be more cost-effective, and how they can arrange their economic development assets so that they are attracting businesses and jobs to the area.

I hope that much of the scrutiny we will bring to bear will be about how people are making positive use of these powers, as we have seen in recent years. The Centre for Cities published its annual report today. Most people who have looked at areas that have taken on powers—whether it is London, Greater Manchester or the Sheffield city region, through the recent deals—come to the conclusion that these are

being well used and to the benefit of the people in the area. I hope we will have plenty of that as well.

Q141 David Mackintosh: Talking about social rent housing now, where local authorities want to borrow to deliver more, do you think they have enough borrowing capacity left?

Greg Clark: I think they have. It varies from authority to authority, and we have to be alive to that. Perhaps I will ask the Housing Minister to comment.

Brandon Lewis: Yes is the short answer. Overall, the capacity in the HI account has gone up to about £3.4 billion, because some local authorities have been repaying some debts. About two years ago, we also allowed some authorities to take a share increase in their cap. In a few cases where local authorities, through colleagues, have lobbied us to be able to do more, when we have looked at it we have found that they are ones that have not yet got to their borrowing cap. Equally, if other areas want to develop and want to come and talk to us, we are very much open-door with anybody who wants to develop and see more housing.

Q142 David Mackintosh: Are you open-minded about lifting the cap?

Brandon Lewis: No. The cap overall is part of reducing the public sector debt. It affects the PSBR; therefore, there is a constraint in terms of that PSBR figure. In dealing with our debt and our deficit, it is quite important that we get to grips with that. But there is still £3.4 billion within it that is not yet used by local authorities.

Q143 Chair: Is the problem not, as you said, Minister, that it varies enormously from authority to authority, and authorities that are at or near the cap and have very little room for manoeuvre may not be the authorities that do not have any housing need? They may have the need, but not the ability to borrow, because of the cap. Can we not do something about the arbitrary nature of the cap?

Brandon Lewis: The overall cap does have that impact on the PSBR. As I say, we did offer local authorities some headroom about two years or 18 months ago. It was interesting that the local authorities that made contact and that I spoke to were, in some cases, looking to extend the borrowing cap when they still had a lot of capacity locally. Sometimes, particularly with councillors, there is a need to get a better understanding of exactly where they are; what their capabilities are; how they use their land to deliver housing,

working in partnership with others; and what the models and options are.

Equally, some of those that may well be near or on their limits and said they wanted to build did not actually bid to come into that pot at the time. If particular local authorities are reading *Hansard* and are at that point and want to develop, I would suggest they come and talk to us. I am always willing to look at what we can do to help facilitate people who want to build, but the overall cap is not going to change.

Q144 Chair: No, but, given some authorities, as you have said, are not going to build up to the cap anyway, because they have decided they do not want to or they do not have the appropriate need in their area, and others are at the cap limit, surely there must be the flexibility to do some manoeuvring within the total cap without breaching the Chancellor's requirements on the Department, but allowing some houses to be built in areas where they are badly needed.

Brandon Lewis: As I say, we did have that exact opportunity 18 months to two years ago. Not all local authorities took it up, but, if any local authority wants to develop, or wants to talk to us about looking at options for how to do that, I am always willing to have a conversation.

Q145 Chair: That offer sounds almost too generous to be true, Minister.

Brandon Lewis: If you speak to any local authority that has asked to come and see us about housebuilding, I can assure you that we are always very keen to talk to them.

Q146 Chair: And you would be open, then, to borrowing.

Brandon Lewis: I could not say to you now that we would be looking to repeat what we did a couple of years ago, but sometimes we can work with local authorities to determine whether they are making full use of the capacity that they have and to look at all the other options for delivering that housing, whether it is working with local housing associations or other partners in their local area.

Q147 Chair: But that is not an offer, if an authority can show that they are at the cap and they have a need and a policy to build more, to lift the cap in any individual case.

Brandon Lewis: Not at this point in time. As I say, we did have availability to do that 18 months to two years ago. Not all local authorities took advantage of that at that point in time, but we are

always willing to talk to authorities, listen to ideas and see if we can help them develop and deliver more homes.

Q148 Julian Knight: Minister, turning to housing investment and the Department's approach to risk management, your Annual Report states that you have quite a high risk appetite for developing and delivering new financial instruments and products. "High risk appetite" is not the sort of language that I have heard since probably 2008. What new products are in the pipeline, and how do you weigh up the risks and benefits of those products?

Brandon Lewis: We have been very clear, as have the Secretary of State, the Prime Minister and the Chancellor, that we want to see more housing supply in this country. The prime drivers that are now manifesting behind the Housing and Planning Bill are about driving home ownership, but also driving up housing supply. If we want to drive up housing supply, we have to look at ways of doing things differently.

An example of that would be, as we announced a couple of weeks ago, doing direct commissioning. Now, you could argue that that is high risk, because it is the first time that we have done that and we are doing it in a different way. We are simply looking at it from the point of view that, if we keep doing what we are doing and assume we are going to get a different result, there is a phrase for that; it is probably not proper language to use parliamentary-wise, but we want to look at doing things differently.

That is why I have always said, as has the Secretary of State, that we are very open-door for people to come and talk to us about ideas that drive up housing supply. We want to promote home ownership. The direct commissioning is a really good example: there are lots of opportunities, because it means we can help deliver more for small builders. It is exactly that kind of SME builder that has struggled so badly since 2008, and we want to help them back into the market. That is a good example of something that could arguably be seen as high-risk, because it is different.

Q149 Julian Knight: You would probably say that you have a substantial appetite, rather than a high risk appetite.

Brandon Lewis: It depends on how you phrase risk, but we have an appetite to look at new, exciting and innovative ideas to increase housing supply and home ownership.

Q150 Julian Knight: If there were a significant decrease in house prices—let us say 10%, which is not beyond the bounds of possibility; in fact, there are some within the House who are predicting a fall in house prices over the next year or so—would the Department’s existing budgets be able to absorb the losses from your housing investments? How, if you saw this coming down the track, do you think you would be able to cope?

Brandon Lewis: That is an issue that we need to be aware of, but let me just give you a bit of background. We also need to get this in context in terms of the housing market, because we tend to talk too often from a south-east property point of view. There are still a lot of people around the country—whether it is in East Anglia, the midlands, the north of England or even the south-west—who raise their eyebrows at some of the conversations about house prices, because they are still sitting on negative equity, particularly if they bought a home in 2006-7 before the crash, and it was a new build. There is a very real chance that they are still in negative equity, and I see this in my own constituency, so there is variation around the country.

As I said a couple of years ago in a different format, the reality is that the biggest single equity investment that pretty much any of us will ever make is in our property that we own, and therefore it is quite logical that people want to see some stability in house prices. Obviously, in the south-east, there is particular pressure that has that impact. Decreasing house prices would put pressure on investments, and that is why it is important that we make sure we are looking at a whole range of things. As I have said to this Committee before, one of the interesting things is that we have one of the most complicated housing markets that there are, in the sense that there are so many different offers and products: from outright ownership, through the private rented sector, shared equity, starter homes now coming forward, homes for older people and lots of other niche products as well.

There is a fair spread, and our role is to make sure we are working in all those areas. An impact in one area does not necessarily impact in quite the same way across all the other areas, but we do mitigate risk by structuring each transaction, as far as we can, to make sure that the Department’s position is sound going forward, and we do have active oversight on that. That is also why we now have somebody on secondment with quite specific experience in this side of things—from Barclays, actually—working with the officials in the Department to keep an eye on this side of the investment portfolio and profile, particularly as we go forward.

Q151 Julian Knight: Is there a conflict, though, at the heart of this policy, in the fact that the Department is effectively betting on the

fact that house prices will rise, but you still want people to get on the housing ladder, and fewer people will be able to get on the housing ladder if house prices do rise?

Brandon Lewis: One of the big challenges for the market, if you look back over many years, is that housebuilding in the private sector is a cyclical market. That is one of the challenges, in terms of getting housebuilders to increase output and getting shareholders to have an appetite for that, because of course most of them are still aware and conscious of what happened to them, very, very recently in their minds, in 2008, when there were these massive losses and a huge drop in the market. In 2008-9, we hit the lowest level of housebuilding that we have seen in this country and substantial drops in prices, as I have outlined—of much more than 10% in some areas.

There is a real challenge there for us, in terms of making sure that, as we go forward, we are driving up housing supply and creating products that people who want to come into the market can come into. For example, in terms of giving confidence to increase housing supply, I would make the case, looking at the development industry, that help to buy has been hugely important in that, because it gives confidence to developers going forward that people will be able to get that deposit and be able to come into the market. The argument is that it takes away some of the cyclical nature over that five or six-year period; it allows more stability and supply to come through. That, in itself, helps house prices. It is why it is important, overall, that we make sure there is supply coming through all these different areas, to make sure that we are dealing with that.

Therefore, when you talk about a particular increase in price, if there is an increase in values that gives a return to the Department and to the Government, arguably that allows us to use that to build more houses. Ultimately, it is about that basic supply and demand: making sure we are driving up supply, so we keep a stable house market, and we have the products out there on both the supply and the demand side—whether that is shared ownership, starter homes, help to buy, etc—that mean people who want to come into ownership for the first time at that part of the property ladder can do so.

The stamp duty changes that the Chancellor made at the previous autumn statement made huge inroads into that, in terms of making it more affordable for people to then move through that ladder, creating that flexibility through the ladder. It is about making sure that all of that is flowing. Also, if we have the supply out there, then we will have the product so that people can afford to come into the home ownership market.

Q152 Julian Knight: I think any housing economist would agree that the idea of ironing out the peaks and troughs of the housing market is always a panacea. It makes a major difference to our actual economy. But do you honestly believe that the policies being pursued will be able to effect that change? Have you not merely strapped yourself in for the ride, effectively, along with everyone else?

Brandon Lewis: The Secretary of State made a comment—I think it was at the Dispatch Box; it might have been at the previous Committee—that, if you look at the last parliament, that was effectively about saving the housebuilding industry. We came within 20,000 homes of building nothing in this country after that crash. That meant that the supplies of materials and labour and the SMEs pretty much disappeared from the market. It is about giving those foundations—and excuse the pun, but it is the best way to describe it—to the industry, to enable it to get itself structured and to have some confidence going forward.

Now, help to buy has been a hugely important part of giving them the confidence. By far the majority of homes bought in this country are not bought using help to buy, but it has been particularly helpful for first-time buyers. This part of it is about driving up supply, and reforming and seeing that industry continue to grow. But taking some of that cyclical nature away would give the developers confidence that there will be a demand coming through and people will be able to access mortgages, whether it is through the deposit or through the value of the home in terms of starter homes. It is hugely important, in terms of giving that stability going forward. They do have what is, for the building industry, a relatively long-term assurance. The extension of help to buy until 2020-21 is the longest period of confidence of its type that the industry will have seen, arguably, ever.

Q153 Julian Knight: Minister, at the start of our conversation you talked about how you were bringing people in from the commercial sector as well; you alluded to that. Why are private sector firms effectively willing to subsidise the cost of ministerial staffing?

Brandon Lewis: Sorry?

Julian Knight: You say you have brought secondments from the commercial sector into the Department with a specialism in risk management. What do private firms get out of allowing that secondment, do you think?

Brandon Lewis: Oh, sorry. I thought you said, “Why are they not?” We are doing the same with the Homes and Communities Agency, as well. We are looking to restructure. I think you have had some evidence from the Cabinet Office as well, around moving that

forward so we have a more permanent structure. But, yes, industry has been very supportive in working with us to allow for these secondments. Obviously, they gain, because they gain a bit more of an understanding—I would imagine, from their point of view—about how government works. That is useful for them, but it has meant that we have been able to bring in that expertise. We have been quite clear, as have our colleagues in the Cabinet Office, that we want to make sure we can get the best talent so we are able to give the best offer to people with the taxpayers' money.

Q154 Julian Knight: How is the performance of these professionals who are being brought in being assessed, and what incentives are there?

Brandon Lewis: It is early days in terms of the secondments, but that is something that we will be assessing going forwards. A large part of how you decide whether something is working is: "Are we able to deliver on the policies that we are putting in place?" At the moment, I would make the case that we are. Even in the last year, for example, we have seen that 25% increase in housing starts. Those policies that are coming through are working and are delivering. We are getting confidence back in the sector.

Even on the supply side, materials is not such an issue any more; new brick factories are opening, or reopening from ones that closed before. We still have a challenge to bring more skills into the sector, but over 100,000 jobs created last year—the second biggest growth in that being in Manchester and the north-west—is a sign that that is coming through as well. But there is always going to be more to do.

Q155 Mr Prisk: May I go back, Minister, to this issue about downturn and risk? Clearly, the single greatest exposure to the Government's balance sheet was when the ONS decided to reclassify the housing associations on to the public balance sheet, and therefore the stated desire of the Government to shift that away and off the balance sheet would naturally be affected if there were a significant shift in housing values. Would that cause you to seek a delay if there were a shift in the market, and what contingencies are there? This is a very substantial sum, probably larger than any other single item the Department is looking at at the moment.

Brandon Lewis: In terms of whether we would delay, the short answer is no. Part of the evidence for that is the Housing and Planning Bill, because all the deregulatory measures that we want to put in place, where we hope the ONS will take the view that they can declassify them, are in the Bill now, so it is a bit late for us to change that and we were very keen. But there are two sides to that.

Obviously, the Bill has to get Royal Assent, and then the ONS have to take their independent view of that, but we believe that, within that package, there is enough for them to go back to what we have always made the case they are: independent organisations.

Arguably, if you look at the assets, they are hugely asset-positive overall, but, if you look at housing associations, our position has always been very clear. They are independent organisations; we want to see them return to being independent organisations as quickly as possible. That does not change because of the valuation that may or may not come through if property prices change. That basic principle of their being independent organisations still remains solid, and, as the Secretary of State is nodding, I feel comfortable that I can say that.

Q156 Mr Prisk: Clearly, a lot of this is about numbers on a balance sheet rather than necessarily other things, but there is a very substantial challenge here. If, during the passage of the Bill, for whatever reason—we have seen the stock market get pretty febrile in the last few weeks—there were a substantial shift, there would be a “value for money” question. In going from the notional number we saw transfer one way last year to a notional transfer this year, there could be a very difficult value for money issue. I do not know whether that is something that the Secretary of State wants to comment on.

Greg Clark: It is a matter of principle. We regard the housing associations as not being public corporations. They regard themselves in the same way. We did not want them to be reclassified; there were various factors that caused that to happen. Since we did not will that to happen, then we just need to take a principled view that we need to correct what we see as an anomaly in the current status of the housing associations.

Brandon Lewis: You used the right phrase in your question, in terms of it being a notional change. If there is any change in the value of the housing associations during the period in which they are classified as being on the Government books, that will be because of what is happening with their assets—which, as independent organisations, they have done—and the general market, rather than because there is extra Government investment in them because they are on the books. Holding very firmly to the principle of them being independent is absolutely the right thing for us to do, and we have every intention of sticking with what we said we would do.

Mr Prisk: In this instance, Chair, I am happy I am sitting here, not there, as I might have been a couple of years ago.

Chair: Secretary of State, I think you have to leave.

Greg Clark: I am very grateful, Chair. We have a Cobra to consider the impending Storm Gertrude, which I hope will not cause the effects that its predecessors did. I will leave you in the capable hands of my colleagues.

Chair: Thank you for coming, Secretary of State.

Q157 Helen Hayes: The National Audit Office concluded that the Department does not have a joined-up approach to evaluating the combined impact of its housing market initiatives. How do you monitor the impact, and, in particular, how do you monitor the impact on house prices of the demand side housing initiatives?

Brandon Lewis: There are a number of factors that influence demand for housing, both underlying demand, i.e. the formation of households' real income growth, and effective demand as well; i.e. mortgage lending, and help to buy plays an important part in that. Ultimately, the interaction between demand and supply, like any other market, will determine prices, which is why it is important that, while we are very focused on home ownership, we make sure we are driving housing supply as well. I would argue that our policies over the last few years have been very successful in driving both housing supply and home ownership. We can see that through the increase in the number of first-time buyers; the increase in housebuilding last year; and the number of properties that are being sold. So, for example, with help to buy, 80% of the deals that are done are with first-time buyers.

Q158 Helen Hayes: If I may say, Minister, that has not entirely answered the question about how you are monitoring this particular issue.

Brandon Lewis: The fact that I can give you all those kinds of data, including that housebuilding increased 25% last year, highlights that there are a series of statistics on the housing market. It includes starts, completions, planning permissions—which are now at a pretty much record level, circa 250,000—and household projections. The English housing survey obviously helps as well, and we use these and a range of other statistics to monitor the sector more generally.

Q159 Helen Hayes: House prices continue to rise.

Brandon Lewis: That depends on where you are.

Helen Hayes: In my constituency, for example, house prices continue to rise, and the Government have a series of policies that are assisting in drawing down and realising latent demand. The question is really: how is the Department monitoring that specific interaction and relationship? Of course, there are many dynamics that affect the housing market, but you are using public money in that way, and a concern has

been expressed by many in the sector that one consequence of that may be to stimulate additional demand, which may have an upward pressure on the housing market. How are you monitoring that particular relationship?

Brandon Lewis: You took evidence recently from our Permanent Secretary, and, as she outlined, we will be publishing very shortly a report that covers some of these issues. But I can confidently say to you that all of the evidence, including the independent evidence that was published last year—I cannot remember who, but somebody did some work on this last year—shows that the work we have done, for example, in help to buy is not having a material impact on housing prices. I think you will find it is, however, playing an important part in giving confidence to the sector and driving housing supply.

Q160 Helen Hayes: I understand that you are shortly to publish a new housing market tool, which the Department will use to monitor impacts. What sorts of findings, as a consequence of the use of that tool and other evaluation measures, would give you concern? What would cause you to think that some of the policies needed to be tweaked, revised or changed in any way?

Brandon Lewis: I tend to look at things from the positive point of view. The indicators at the moment are showing that the Government's policies around housebuilding, home ownership and housing supply are moving everything in the right direction. That does not by any means mean that we are underestimating the amount of work there is left to do. We want to see housing supply grow considerably further, as you know. But with anything that comes through, whether that is internal reports or general reports on what is happening in the housing market, the important job for us is to make sure we do keep these things under review at all times.

As I said earlier on, we have one of the most complex housing sectors in the world, in terms of the range of different products within it. That is an asset for the housing market: people have that menu of options on the supply and demand side, and we have to keep our eyes on making sure that menu still has all the correct offers, and to look at where there are gaps to fill or gaps that have now been filled and we can move on to other things. There are times when a policy delivers so well that you can end that policy and move on to the next thing, because you have given it a start and the industry can carry it on itself. These things are always kept under review, from those points of view.

Q161 Helen Hayes: Something else that the National Audit Office has said specifically about help to buy is that the Department cannot yet

quantify robustly how many of the people accessing the scheme would have bought a home anyway. Will your evaluation be looking at that issue? If it does, and if it is found to be the case that that is an issue, would you scale down help to buy? If so, where would you redirect the money?

Brandon Lewis: As I said earlier on, help to buy has been hugely important in taking some of the cyclical nature out of the industry and giving that confidence to see housing supply come through, particularly in the housebuilding sector. As Melanie Dawes outlined to you when she was with you recently, we will be publishing a report to cover some of this very, very soon. I think I am due back in front of you on a slightly different topic fairly soon, so you can always pick me up on it there if you need to.

Chair: I think there is a week between the two.

Brandon Lewis: That is a little bit of space.

Chair: Mr Harrington, we will make sure you are not left out on your first visit to us.

Q162 Bob Blackman: Richard, the Prime Minister came in front of the Liaison Committee recently and outlined a lot of how the Syrian refugees' arrangements were going to be funded and organised. Can you just confirm for us what the position is in terms of the split of the 20,000 who are going to be allowed to come here? Is it an annual cap, or a quota? How is it going to work?

Richard Harrington: The Prime Minister laid this out in his speech on 7 September, where he said clearly that it would be 20,000 refugees over the course of this Parliament. From September, that would be about four and a half years, roughly.

Q163 Bob Blackman: But the key point here is that the funding going to local government assumes that there will basically be 2,000 this year and 4,500 every subsequent year. Is it going to be a linear position, or are we going to take in a much larger number immediately and then taper the number?

Richard Harrington: The funding is worked out on a per head basis. That is per refugee. I will not say it is irrelevant, but it depends very much on how many refugees we hope to begin with. In terms of how that is being phased, the Prime Minister said publicly that we intended to take in 1,000 before Christmas. Our plans are, apart from an interim period, which will be the first quarter of this year, to even it out over the course of the Parliament.

The reason for the interim period, I should explain, is that we felt that we had to prove we could gear up the number of refugees we were

taking from quite a small amount, when I took over the job, because the Prime Minister had made the announcement. These are the most vulnerable people, as I am sure the Committee is aware, in the areas around Syria. We did not have time to organise the kind of digital systems and more sophisticated ideas about who should go where, employability and that sort of thing.

We took 1,000 of the most vulnerable before Christmas, which basically stretched the system that was already in place, the idea being, in the second quarter of 2016, to have a new system in place. Obviously, this Committee is particularly concerned about the local authority side of it. This new system would ask local authorities to plan for two or three years, receiving an amount of refugees per quarter, instead of the excellent effort that they did before Christmas, which was in some cases saying, "We will take a small number of families", but which cumulatively hit the 1,000.

Q164 Bob Blackman: But the Department is looking at an initial funding of £5,000 in year 1.

Richard Harrington: Yes.

Bob Blackman: And then that tapers off year by year. The key point about this is that, if it is not an exact number each year, and there are more people coming in in the initial stages, then the total budget could potentially—just taking rather small increases up front—lead to quite a large extra cost to the Department, in providing local authorities with the funding to compensate them for the numbers they are taking in.

Richard Harrington: If I could correct slightly what you have said, the £5,000 that you mentioned is for year 2. The first year is £8,520; that is covered under the international development budget. If you like, the local authority costs are met by central Government in year 2. Now, the tapering is based on assumptions about the needs of those people going down, remembering that the number is for local authority costs. It is not for the costs that are normally funded on a per capita basis through normal funding: for example, health, education, etc. They are not included within that number. So it is reasonable to assume that, from years 2 to 5, the tapering-down reflects a smaller amount that is needed.

Q165 Bob Blackman: Sorry, could I interrupt?

Richard Harrington: You may. It is your Committee.

Bob Blackman: I am not disputing the fact that the costs will reduce. I am pointing out, rather gently, that if the numbers are not

4,500 per year—say they are 6,000 in one year, as opposed to 4,500—then you are going to see a much bigger chunk of money being required than the Department currently has an allowance for.

Richard Harrington: I will answer that question by saying that there is a bit of a misunderstanding about the nature of the funding. The funding is provided centrally, and it is from a central pot provided by the Treasury on a per capita basis.

Q166 Bob Blackman: Which at the moment is set at £130 million.

Richard Harrington: For years 2 to 5, yes, £129 million.

Q167 Bob Blackman: My question is: what happens if more people are brought in more quickly, and therefore that £130 million budget is exceeded? Does it come from the Department's funds? Is the Treasury going to provide some more money, or, worse still, is local government not going to be compensated for the extra costs it is incurring?

Richard Harrington: The cap—to use an expression popular in local government that is not really relevant here—or total is £20,000. If, for example, more of them are in 2016 than in 2020, because that is refunded by central Government on a per capita basis and each person has funding for five years, then there is no significance for local authority budgets, because the money still amounts to £129 million. I am not trying to avoid the point you are making, Bob, but I do not understand it.

Q168 Bob Blackman: My point is that, on a linear basis, if we are taking in, say, 2,000 refugees in this current financial year and 4,500 every subsequent year—which comes to the 20,000 figure over this parliament—if it is done on that linear basis, on the funding that you have set out, that bill comes to £130 million.

Richard Harrington: Yes.

Q169 Bob Blackman: However, if we are in a position whereby, for example, it is not 4,500 coming in in year 2 but 6,000, they are going to be funded, even on a reducing figure over the course of the Parliament, so therefore it is going to cost local authorities more money over the lifetime of this Parliament than is allowed for in the budget. My simple question is: if the budget is exceeded, who is picking up the cost?

Richard Harrington: But the budget will not be exceeded, because that is not our intention.

Q170 Bob Blackman: The only way that could happen is if we then say, "Of these 6,000 families that have been brought in, 1,500 have to go home to Syria earlier."

Richard Harrington: No, it is nothing to do with that, because there is a five-year funding plan for each person or each family that comes in. When the five years start is not the relevant point, because it runs for five years and it is funded by central Government.

Q171 Bob Blackman: But the limit for this Parliament is £130 million, as it currently stands.

Richard Harrington: Yes. You are saying that, if they all came in in 2020, then that would be the end of it.

Q172 Bob Blackman: Well, if they all came in in 2020, then the budget would be severely underspent during this Parliament.

Brandon Lewis: No, they would not.

Richard Harrington: That is my point. It runs with the family.

Brandon Lewis: It is five years for that family, so whether that starts in 2015-16 or starts in 2018-19, they get five years, so the profile does not change.

Q173 Bob Blackman: I accept that it is five years. However, the fact is that, if the profile is not linear, then in this Parliament the budget will be exceeded. The issue, then, is who picks up that tab.

Richard Harrington: I can say that it is a central Government commitment, and it will be picked up by central Government.

Q174 Bob Blackman: We can have an assurance, then, that local government will not incur any losses as a result of taking in more refugee families than a linear process.

Richard Harrington: That is correct.

Bob Blackman: That is fine.

Richard Harrington: But I would like to take the opportunity to make the point that the tapering was not just a number that we came up with. We consulted with all the local authorities and with Refugee Action, and lots of the organisations accepted the point that it would reduce over the five years. You were speaking from the local authority side about a financial burden upon them, but, if there are families where there is an extra burden—for example, in adult care services or

something like that—we have a fund amounting to 15% of the total for exceptional cases. While the rest is done on a per capita tariff system, for exceptional cases of hardship, although we in DCLG are just working out with the LGA and others now the mechanics, they will be able to apply specifically for funds for that particular person or that particular family.

Q175 Bob Blackman: Could I also ask you about the funding for children and schools? One of the issues here is that the figures on funding for schools start on the basis of the numbers of children in schools in October, I think it is, every year, and then it is for the following financial year. Clearly, if local authorities are taking in refugee children, the potential risk is that they are not going to get reflected in the school funding for up to a year.

Richard Harrington: For the interim period until the next year.

Bob Blackman: Correct.

Richard Harrington: The year 1 education costs are included in the ODA money and can be refunded in full. The year 2 to 5 costs, however, will be paid in the normal way that education is funded in the country generally. So the ODA side of it—the rules concerning international development—certainly cover the education for those particular people in year 1. Fortunately for us, it is included within the ODA rules. There are many things that we would like to be included that are not—for example, getting people into work—but that is to do with something that was decided more than 50 years ago about what comes under international development and what does not. I am sure that our Government and others will be lobbying extensively next time the rules are changed to include more things within it, but first-year education is clearly refundable.

Q176 Bob Blackman: The other expression of concern is the tapering of the funding. On what basis has the taper been determined, given that we are talking about people who are highly traumatised; they have arrived in terrible condition; and local authorities are going to have to give them a lot of support before they can hopefully fulfil a good position in society?

Richard Harrington: When we started this project, we wrote to those local authorities that had had experience in dealing with refugees, of which there were, I think, 13. We wrote and asked them their estimates for funding for years 2 to 5, because they were the only people with hard experience in the country, as opposed to financial models and estimates. Nine out of the 13 responded, which was very helpful. Basically, we used numbers that we had been given by them,

because they are the people who have the experience, and worked out some contribution from local authorities. We did not work it out at 100%, but the significant majority was covered under this.

I must repeat that the exceptional cases were why we came up with the idea of an exceptional case fund, because we accepted the fact that some of these people might be in a very distressed state and it would last for more than a few months. Really, the taper thing is very much a common-sense approach. What we saw in America is that a lot of effort goes into the first few weeks. In some cases, if all things go well, most of it could be in the first few weeks. The estimates we have received are that 40% is in the first month of the first year. They are met at the airport; they are given a lot of special care to get into places; there are assessments; it could be that the properties they are living in need adjustments for people with disabilities and all this sort of thing.

Q177 Bob Blackman: How many local authorities have the 1,000 people who were permitted in before Christmas been spread across?

Richard Harrington: It was 66 or 67—something of that magnitude. I was very pleased about that. I know that is about 10% of the total number across the country, but this was very much people putting their hands up and saying, “Yes, we will take them.” Now, for the second phase, we are doing it rather more systematically. For example, we are doing a series of conferences in each area, to which all the local authorities are invited. We are doing a presentation about what is actually involved: specific things about the funding arrangements, talks from people who are used to receiving people at the airport, information about what the settlement problems are, talks from specialist housing associations and all of those things.

I am hoping within the next few weeks—and, if invited back, I would be delighted to cover it—to have bids from local authorities as to how many they can take over the period of the parliament, but in a way that is perhaps monthly or quarterly, rather than on an ad hoc basis.

Q178 Bob Blackman: There have been many generous offers to take in people, particularly children, who are refugees. What is the Government’s view on giving help, support and advice to those very noble individuals who wish to do this, to make sure they understand exactly what they would be taking on if they embarked upon this?

Richard Harrington: You are quite right to flag that. A lot of people, including prominent politicians, said on sofas on *Good Morning Britain* and this sort of thing, “Yes, we will have one in our spare room”, etc. We reached the conclusion at the beginning that, however

well-meaning those offers were, given that, first, we were predominantly taking families, and, secondly, these people had already been traumatised and moved forcibly twice in their lives—once leaving their home in Syria and once in, perhaps, Jordan, Lebanon or other countries—when they came over to the UK, however generous temporary offers of spare rooms were, it was not the right thing. We spoke to the LGA and various local authorities, and we decided—although nothing is permanent in life—to put them into proper, permanent accommodation, rather than temporary accommodation. We did not want to lose the good will of all of those people who had offered things, because people were mentioning accommodation, but it was really just because they wanted to help these people.

Consequently, we are having an extensive consultation on what community sponsorship can be done, and we think that it will be divided into two types of community sponsorship. All this is being discussed at the moment, but it seems that there will be some cases of what we would call “full community sponsorship”. By the way, I would like to point out that this is not like, for example, Canada, which has a system where five families can get together, come across somebody though an agency who is living in Lebanon, pay for their flight and sponsor them in like that.

What we call “full sponsorship” would include people who come from under the auspices of the UNHCR, which means they are properly registered, security-checked and everything else, and, more importantly, subject to one of the seven vulnerability criteria. Then we are working on a scheme so that people and families who have suitable accommodation—and, again, it is not temporary accommodation; it is permanent accommodation—would be able to take responsibility for them throughout the whole process.

The second type of assistance takes into consideration the majority of people you have mentioned: people who want to help in specific aspects of a refugee’s life. One example would be that there are many families who want to adopt a family, as *The Telegraph* calls it, or twin a family. The Americans call it “buddying”, which I do not think would be quite the expression used in Harrow East, Mr Blackman, but that is up to you. The important thing is that people would be able to help with such things as, for example, inviting people to their homes; giving lifts to job interviews and to English language lessons; and all the things that people want to do to help people feel at home and help them integrate into society. That is one level.

Another level would be helping people find jobs. We are doing a pilot in Bradford at the moment with one organisation that approached us, where they are trying to twin these families up with small businesses in

the area. At the very least, it would lead to people being assisted in how to get jobs—with CVs, with all of things about the way jobs work—but we are also hoping that actual employment will come, so there are different aspects of it. Some providers of school places—for example, the different faith schools have schools all over the country—have offered to allocate places nationally, in different areas.

There are lots of different things that all come under this umbrella of community sponsorship. It is not one size fits all; it will not be, “You either do this or you do nothing.” Of course, this will have to come through approved groups—it would be impossible if it were not—but many of the faith groups have approached us on this. I am meeting the Archbishop of Canterbury tomorrow. I met with a Catholic bishop last week. I have met with World Jewish Relief. So many people want to help, and it is a matter of finding the right way to harness this, remembering that some of these people are, as you correctly pointed out, in quite perilous states of health.

Q179 Alison Thewliss: I just wanted to pick up a couple of things that Mr Blackman mentioned. I wanted to ask specifically whether the Scottish Government will also not be expected to take on an unfair burden of the costs of this. The assurance was given to local government. I just wanted to make sure, because the Scottish Government is part of the equation in Scotland, that there would not be a disproportionate effect there as well. I also want to highlight that half of Scotland’s 32 local authorities have already taken refugees, as I understand it, and the other half are willing to, which is great; Scotland is leading on this. The Scottish Government has a website where people can volunteer to help, whether it be in teaching or whatever aspect of help they would like to give. That might be something to promote further, as well.

Richard Harrington: First of all, I can confirm that, as far as Scotland is concerned and as far as the funding is concerned, it is exactly the same. There is no difference whatsoever. But, as you have brought up the subject of Scotland, I would like to pay tribute to the local authorities in Scotland, the Scottish Government and the Home Office in Scotland. This is almost unique: the Scottish Government have said exactly the same as us. It is quite strange, given what has happened politically, that everyone is working very closely together on this, although technically this is not a devolved function, including the Home Office in Scotland, the Scottish Government and COSLA, which is the Scottish local government association.

I would like to pay tribute to all the Scottish people and everyone who has been involved. No one has been playing any political games with this, irrespective of the party they belong to, here or in Scotland. For

me, that was very refreshing. Apart from paying tribute to Scotland, I would say that, technically and financially, it is no different from anywhere else from the funding point of view. The press like the idea of people being resettled on Scottish islands.

Alison Thewliss: The people in Bute have been particularly welcoming.

Richard Harrington: They have. Everyone has been very welcoming, and the atmosphere at Glasgow airport, which is where the first chartered flight arrived, was absolutely fantastic.

Q180 Chair: Everyone is doing their best to work together on this. There is just one slight element of contradiction in there. You mentioned, with regard to school funding, that they were treated in the normal way, but these are not people in normal circumstances. If you have children coming who have been traumatised, who have had a major disruption in their lives, who probably do not speak English and who may not have been in the education system before, is it reasonable to ask schools to pick up those children's education and look after them for the same cost as any other child?

Richard Harrington: That is one of the things that the special cases fund is being considered for. It is very true, particularly when you include health things as well as education.

Chair: People may have major trauma.

Richard Harrington: Absolutely. You have made a very reasonable point, and it is something that we are considering. That is very rational. In terms of the actual quantum, compared to the total education budget—rather like the total health budget—it is quite a small amount of money. The Local Government Association was very clear that it felt one obstacle to well-meaning local authorities wanting to take in people was this kind of funding, and we have taken it into consideration.

Q181 Chair: If particular families or individuals have particularly high needs associated with education or health, then the Government would be responsive to requests in those cases.

Richard Harrington: Yes. We are just working out the logistic details of how to actually do it; for example, the burden might be on childcare services. You are absolutely right, although, interestingly enough, early indications—and I must say they are early indications, because we only started in September—are that the children have fitted very well into school. There are no indications that anything like that has

happened. Like you said, I would have expected it to do so, but early indications are good, and I just hope that that continues.

We have feelers out. For the first phase, we are effectively doing a survey to find out what is going on, and we are asking local authorities to tell us. For the next phase, we will be working it out rather more through the actual research, and quantifying how it will be done on a more scientific basis, but early indications are particularly good. I would ask MP colleagues who hear both good and bad things to let me know, and quite a few have.

Q182 Chair: That is very helpful, and perhaps, when you have had a look at it and are nearer to devising a scheme, you could let the Committee have some details at that point. That would be very helpful indeed.

Richard Harrington: I certainly will. I will be pleased to come, if invited again, to cover what I hope will be answers to the things I am assuming at the moment.

Chair: Thank you very much indeed. Ministers, thank you very much indeed for coming and answering our questions this afternoon.