



# Secondary Legislation Scrutiny Committee

## Uncorrected oral evidence: Disposal of Public Sector Land

Tuesday 11 February 2020

3.55 pm

Watch the meeting

Members present: Lord Hodgson of Astley Abbots (The Chair); Lord Cunningham of Felling; Lord Liddle; The Earl of Lindsay; Lord Sherbourne of Didsbury; Baroness Watkins of Tavistock.

Heard in Public

Questions 1 - 12

### Witnesses

**I:** The Rt Hon Esther McVey MP, Minister of State for Housing and Planning, Ministry of Housing, Communities and Local Government; Cathy Francis, Director, Housing Delivery, Ministry of Housing, Communities and Local Government; Nick Walkley, Chief Executive of Homes England.

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## Examination of Witnesses

Esther McVey, Cathy Francis and Nick Walkley.

Q1 **The Chair:** Minister, thank you very much to you and your officials for coming along today to answer our questions. This is an area about which this Committee has been concerned in the past, and we are looking for further clarification today. I have to make one or two announcements. Those may be serried ranks of officials behind you, but if there are any members of the public, if there is a fire, we will have a voice alarm; if there is a bell, the bell is a Division Bell, in which case we shall stand adjourned for 10 minutes.

This is a formal evidence-taking session. It is on the record and is being webcast, but not with a video feed; it is audio only. A verbatim note is being taken, which we will put on the public record in printed form and on the parliamentary website, but we will, of course, send a copy of the transcript for you to make any amendments to errors that may have occurred. That is the end of the formal caution, so to speak.

Members of the Committee have no interests that they want to declare, so away we go. Minister, you may want to make a brief opening statement.

**Esther McVey:** Thank you very much indeed. We are here today to answer questions that you might have. I am accompanied by Nick Walkley, the chief executive of Homes England, and also Cathy Francis, director for housing delivery for the department. The statutory instrument that we are discussing today also forms part of the Public Land for Housing programme. The programme is part of the Government's wider estate strategy. MHCLG works in partnership with the Office of Government Property to improve the Government's estate management by releasing surplus land and property in a way that delivers new housing into the system, provides capital receipts and delivers the homes that people need.

Q2 **The Chair:** That was commendably brief. Thank you very much. I will open with the first question. This is an issue and an area that has come up before this Committee before. Could we begin by identifying how bodies are brought into the system? How do public bodies come to be included in the regulations? What kinds of assessments took place for the two public bodies, the Manchester University NHS Foundation Trust and Staffordshire County Council, that are included in these regulations?

**Esther McVey:** A public body will be looking to dispose of land, and it will wonder to itself which is the best way to do this. It could be that it will decide that it might need work doing to it. It could be difficult to dispose and the body would not have the expertise by which it can do that. Therefore, it will work with and approach Homes England to work on its behalf, in terms of support in selling that land. While there will then be the ability to transfer that land across—there are protections and it enables the transfer—that in itself does not create any commitment to do so, and it does not secure that that necessarily will happen. It allows the body to transfer the land with a view to disposing of it for housing.

**The Chair:** The body come forward. It is initiated by the body, not by Homes England.

**Cathy Francis:** Correct.

**The Chair:** If I chose to fly solo, so to speak, and not go to Homes England, would I be free to do that?

**Esther McVey:** Yes, you would.

**The Chair:** Who then consents to what? Who does what to whom? Homes England says, "We will help you", and at that point the local authority or the body then says, "We accept your terms. We accept your conditions. We accept your contract."

**Nick Walkley:** If I might, Chair, typically with a local authority, the approach would happen after quite a lengthy period, where we would be working with a place to understand its requirements. In the Staffordshire case, this is a site that already has some planning permissions, and the authority has determined it simply does not have all of the capacity it needs. That is very often not the technical skills but the cold, hard financing cash for infrastructure and for holding costs. At that moment we would conduct an agreed valuation. A jointly appointed RICS surveyor will conduct that valuation, and then there are a series of standard terms and clauses. They may be varied if there are exceptional circumstances, and at that moment a proposal would be made for the transfer. The transfer always includes a very clean overage agreement, 70% in the favour of the transferee and 30% for Homes England. That 30% simply goes back into the land programme to do more of the same.

In the first instance, the approach tends to come from the public body, though I would not want to give the impression that means that we are sat waiting somewhere in an office. There are extended partnerships with local bodies and it is very often the most difficult sites that end up coming to us.

Q3 **Lord Liddle:** At the point that you decide to purchase this land from Staffordshire, Manchester hospitals or whomever, do you know what you are going to do with it? Is it certain that it is going to be developed for housing?

**Esther McVey:** On this one, it has come forward with the intent of doing exactly that. That is the journey that it is on. It might be that while that is the intent and that is what we want to do, we know that work needs to go on in relation to that land in some way or another. It might need a grant, assistance or somebody doing the dealing, the brokering or the selling of it, and people will think, "We don't have that expertise in our organisation", so, in a way, you are getting capacity and expertise from an organisation that deals in doing just that.

**Lord Liddle:** It is an intention, not a certainty.

**Esther McVey:** Yes, that is correct.

**Lord Liddle:** Have there been previous instances where you have purchased off other public bodies and then not used the land for housing?

**Esther McVey:** It is a slow process, because some of these are the most difficult pieces of land. When they have come forward, there will be a lot of work happening in the interim. Otherwise, it could be that something happens on a site that you were thinking you were going to dispose of, but maybe you cannot. You might need to reconfigure your organisation. You might have been wanting to build another part of a hospital. You might have thought that the land would have been released and you would have been moving over there, and that does not go as smoothly or as fast as it would have done, but the sole intention has been to release it for housing.

**Lord Liddle:** As the Minister, if it was not to be used for housing, would that decision have to be referred to you?

**Esther McVey:** No. People have chosen to do it. They are coming forward to do that.

**Lord Liddle:** If Homes England decided not to use the land for housing, would it have to go to the Minister to get that approved?

**Esther McVey:** Yes.

**Nick Walkley:** No, that would be the subject of our annual reporting mechanisms, where we identify land that we have acquired and not yet used. There is a comprehensive report. Typically, there are two reasons why land would not be used for housing. First, as the Minister indicated, there could be a large-scale programme of reconfiguration of, say, a hospital. There is a change of course, a different decision is taken and it needs to be reincorporated into the public estate. Secondly, the planning authority could decide at a local plan review that this site is no longer allocated for housing, in which case we would seek to find alternative uses. They are very rare, because of the due diligence process.

There have been instances, not through this process, where Homes England has received land from other government departments that has not been suitable for housing, or the amount of housing anticipated has been greatly reduced. This is typically special interest areas or where there is a heritage asset and the number of buildings, either in the environment or in the site itself, is lower than anticipated at transfer.

Q4 **Baroness Watkins of Tavistock:** We are particularly interested in the extent of using homes for NHS staff, particularly since the trust that you are working with is actually a foundation trust. My understanding is that foundation trusts are duty-bound to make the greatest income for the trust rather than for the health community. I would really like to hear about that.

**Cathy Francis:** Can I say something about the wider context? NHS England and the Department of Health made a commitment, in the 10-year plan, that, across the whole of the NHS estate, there would be best use made of all available land. The overall patterns of care have changed a lot

over the last 10 or 20 years. The length of stay has reduced. We have less need for big hospital sites and we have more need for care in the community. The pattern of care is changing overall.

The 10-year plan made a commitment, as I said, to identify the best use of land and to release surplus land. As part of that commitment, a statement was made about releasing land and reinvesting the proceeds of land release for NHS workers, but it might not be a straight agreement. It might not be that a piece of land is sold and, therefore, in all cases that land is used for NHS staff. It could be that the proceeds of the land are used in another way to support key workers.

We have a government commitment to affordable housing. As part of that, local authorities will make arrangements, with NHS sites, landholders and Homes England, on the proportion of affordable housing. Much of that affordable housing will be for key workers.

I understand that Lord O'Shaughnessy wrote to the Committee setting out his intention to pilot a scheme, NHS Homes for Staff. That is a very small-scale pilot that started in London. It is very early days. Everyone is watching it with interest to see what we can learn and how we can roll it out. There is the NHS commitment to support homes for nurses, and for other NHS workers.

**Baroness Watkins of Tavistock:** Paramedics, in particular.

**Cathy Francis:** Yes, absolutely, it is the full range. That pilot is part of that, but the Committee will want to take account of the wider programme under way in government for affordable homes, many of which will support key workers.

**Baroness Watkins of Tavistock:** You have given a really detailed explanation and I appreciate what you have said, but in this case my understanding is there will be, technically, 70% of profit going to Manchester University NHS Foundation Trust? Will it go to the foundation trust or the local health community?

**Cathy Francis:** The profit on the sale of the land will always go to the local area.

**Baroness Watkins of Tavistock:** I am absolutely clear, having been a non-exec on both an FT and a non-FT, on the difference in those responsibilities. I really do want to know where the sum of money is going, which was passed over to a foundation trust rather than the health community in Manchester. It was for a large piece of land, which is worth a lot of money.

**Nick Walkley:** The transfer would be between the two bodies, so the money would go to the foundation trust. In this case it is land for approximately 30 homes. It has real viability challenges and may only just scrape above the test to be viable, with some support, for housing.

On the point you make about the health economy, when we are receiving land we pay particular care, with these sorts of assets, to ensure that the local authority affordable housing test is being met. The real future challenge then is whether the agency can work with the local authority and the foundation trust, so that that money is in part identified for key workers, particularly health key workers.

This is not without challenge. I used to be a local authority chief executive. I am not here to represent the local authority chief execs' trade union. I am sure you get plenty of those anyway. With high waiting lists, often planning committees are weighing temporary accommodation costs versus key worker housing in quite difficult decisions, and against the need, very often, for a financial return, particularly from a foundation trust, where commonly we are making these payments and the payments are critical to the reprovision programme.

Weighing those three issues is often a real challenge that we are very aware of. Currently we have a large number of foundation trusts and health transfers in similar states to that conversation with the planning committee. It is for the developer applicant and the local authority to use the local plan to work through that, but you touch on a very live development issue.

**The Chair:** You used the words "key workers". You did not mean key NHS workers.

**Cathy Francis:** Key workers more generally.

**The Chair:** It could be key workers generally. It is not confined to the NHS.

**Cathy Francis:** No. Local authorities would typically decide what was in scope and where their priorities were.

Q5 **Lord Cunningham of Felling:** Minister, is it still the case that the Public Land for Housing programme will cease to exist at the end of March this year?

**Esther McVey:** Yes, it will cease to exist, though work continues on, because the land that has come forward will still be getting developed, so there will still be properties and homes coming forward.

**Lord Cunningham of Felling:** Who will drive that forward? If it ceases to exist, presumably the civil servants associated with it will be looking for or given something else to do. How will it go forward?

**Esther McVey:** It will still have oversight.

**Cathy Francis:** My public sector land team, as far as they know, will still be working on this priority. This remains a priority for the Government.

**Lord Cunningham of Felling:** What is the reason for it ceasing?

**Cathy Francis:** It was set up initially in 2010-11. The first programme went to 2015, typically following the cycle of spending reviews. The new programme was established in 2015.

**Lord Cunningham of Felling:** With due respect, I am trying to address my questions to the Minister. At the time that all this was established, a target of 160,000 homes was set. It has not been met as yet. When will it be met?

**Esther McVey:** You are right that it has not been met. It was very ambitious when it was set. We will continue to see what can be delivered there. At the moment, we have a housing capacity of about 48,000 units, but we can all agree it was very aspirational when that figure was set.

**Lord Cunningham of Felling:** You mean it was exaggerated.

**Cathy Francis:** It was challenging.

**Esther McVey:** Aspirational. We will leave it there, shall we?

**Lord Cunningham of Felling:** It is all very well to set aspirational targets, but if there is not a cat in hell's chance of them being met it is a bit misleading, is it not?

**Esther McVey:** In the period before, they had put forward 100,000 units. They delivered on that and they sought to come forward with more. Lots of things have happened in the intervening period, which has made it more difficult for some of that land to come forward, and other things have maybe taken the priority during that period of time.

When people come forward with land that they see as surplus to their requirements and that they believe can be used for homes and housing, we will continue to use that, but we need to be able to flex as well, since a new direction and vision has been set for an extra 40 hospitals. Therefore, some land that might have come forward will not as the Government change their direction in what they do.

**Lord Cunningham of Felling:** Minister, the Government have been in office for 10 years. Even with an aspirational target, one would have thought it might have been somewhere near succeeding by now. Can you tell us when this target will be reached?

**Esther McVey:** You now have a new Government, which, as I said, have changed some of their visions: 40 hospitals is a significant change of direction. Therefore, that land that could have come forward will not, because it will be retained by the Department of Health to deliver those hospitals. That is a significant change on what land will be coming forward.

**Lord Cunningham of Felling:** You cannot tell us when this target will be reached.

**Esther McVey:** There has been a change of direction, so I cannot, because they are utilising the land for different things. They would not have had

that surplus land. It has to have definitions of why you have brought it forward. They would have seen it as surplus, which they will not now.

**Lord Cunningham of Felling:** Since you have raised the question of surplus land, when this scheme terminates, as it will at the end of March, what will happen to the Manchester University NHS land, for example? We are talking about seven weeks' time. What will happen to other public sector land that may be in the process of being acquired at the moment?

**Esther McVey:** As you said, it is in process. That is what is happening. It will continue on that process and path that it is on.

**Cathy Francis:** The team continues to work with other government departments to continue to bring land forward. There is a lot of land in the pipeline. The Government will set out later this year what the next steps are in terms of their commitment to supporting the release of public sector land. Homes England continues, as part of its business plan, to deliver on these homes. Although it appears that there is a cliff edge at the end of March, Nick and the team will continue working on these sites.

Q6 **Lord Sherbourne of Didsbury:** Following on from the point from Lord Cunningham, I am reading from your Explanatory Memorandum, which is extraordinary. It says, "The aim of the Public Land for Housing programme 2015-20 is for government departments to sell surplus land with capacity for at least 160,000 homes". We had thought that was the intention and was what might happen, but there is no indication in the EM that we are nowhere near that. I wondered why that omission was there. Why were we not warned that this 160,000 figure, which is proudly put in the EM, is not actually qualified?

**Cathy Francis:** The EM should have included a link to the progress report, which sets out where we were as of the last update last year. It follows a PAC hearing where this was exposed quite fully.

**Lord Sherbourne of Didsbury:** It is not explicit, is it? My point is the EM is called "explanatory" but it fails to explain. That was misleading to the Committee and to the House, if I may say so. Would you agree?

**Cathy Francis:** We included a link to the progress reports that had the updated information in it. I am sorry if the Committee felt misled on that point. That was not the intention.

Q7 **The Chair:** We are now seven weeks away from the end. What is our estimate of the number, out of 160,000, that we will now hit, given the overs and unders that have been described?

**Esther McVey:** The numbers that we have at the moment are closer to 48,000.

**The Chair:** There is no advance on the 48,000 that is in here.

**Esther McVey:** Since you have the Explanatory Memorandum, the back pages have the links to the Public Accounts Committee and paragraphs 7.4 and 7.5 have all the links to what is happening in terms of where we are



up to. There was the explanation on there of where we were up to. Just to clarify on that point, it did have an explanation on where we were up to and the numbers that we had done.

**Q8 Baroness Watkins of Tavistock:** Could I just ask a supplementary? I am finding this extremely informative, so thank you for coming. I am now clear that, for Manchester FT, it is 30 houses-worth of land. I imagined it to be much bigger. That was my huge concern. We talked in the past about selling Charing Cross, if we shut it, which would have been a huge parcel of land for public sector housing. I was very vocal in saying that is what it should be used for if we did sell it. That is much smaller than I had anticipated. How many homes is the Stafford piece of land?

**Cathy Francis:** That is much bigger.

**Esther McVey:** Yes, it is. That is 500.

**Nick Walkley:** Those two sites indicate the typical sorts of sites that are transferred to Homes England. They are small sites where you need a degree of expertise that you would not normally have in a hospital trust. This is a very difficult piece of land that needs some access opening up to it. It will be marginally viable when we have done that.

The Staffordshire case is a very big piece of land. The local authority has been working on it for a number of years and has come to the view that it simply does not have the capacity, capability and cash to continue investing in it. It has approached us for support. Typically, those larger sites are in local authorities where the infrastructure know-how and the ability to invest in the medium term just are not there.

If I might help the Committee, the projections I have show that by the end of the financial year the programme is likely to deliver somewhere between 58,000 and 60,000 units. Homes England will deliver about 31,000 of those.

**The Chair:** So that is by 5 April this year. When you say "small", what does that mean? Is it 20, 50, 100 or 200?

**Nick Walkley:** We mean fewer than 50, so typically a site that a small or medium-sized developer could take on over a four to five-year period and build out, rather than a large site, for example 500 units, which will require heavy on-site infrastructure, power and roads, and where their up-front capital cost will be very heavy.

**Q9 Lord Sherbourne of Didsbury:** Can I just ask also about, rather than the numbers of homes, the quality of the homes? The Homes England website says, "We welcome partners who share our ambition to challenge traditional norms and build better homes". I wondered what those norms were that you were challenging and how homes were better.

**Nick Walkley:** When the then Secretary of State and Chancellor announced the formation of the agency, a series of challenges in the housing market were identified. As well as, clearly, challenges of

affordability and lack of supply, a small list of challenges to the way homes are built at the moment were identified. The first is that most homes in the UK are still built in the way they were 150 years ago, which is effectively brick and block, with limited mechanical infrastructure and second fix being an extremely lengthy and difficult process. You will have seen reports in the press about just how challenging some of that is. First of all, it is thinking about the way we build homes, which we need to do anyway because of the ageing workforce.

Secondly, we need to think about the thermal efficiency of those homes and how we make them more sustainable. We also need to think about the design of not just the homes, but the places we are building. We have adopted the new Building for Life standard, which is 12 tests of how a place should work. They are very straightforward and simple, but this is to think through, "Is this going to function in 20 or 30 years' time as a continuing place to live?" It is challenging the norm that we see across the country of pretty bog-standard homes, where we know we have quality issues and lots of other issues, to begin to ask questions about how we improve that quality, but by doing rather standing back and having a think about it.

**Lord Sherbourne of Didsbury:** And it is happening?

**Nick Walkley:** Yes. The site we are most proud of is a very large settlement outside Cambridge that we are working on, called Northstowe. The Housing Minister received the organisation just two weeks ago in the House. In the middle of last year, we agreed a partnership deal with a UK developer and the largest Japanese housebuilder and we are going to build factory-produced homes as part of that new site. These are machine-manufactured and guaranteed for long periods of time. They look like normal houses. That is part of our attempt to use our land holdings to also drive wider change in the housing market by attracting new entrants and better methods. There is a long haul to go.

**Lord Sherbourne of Didsbury:** I just want to probe a little more on the housing figures. Can you let us know how many houses were built in the first five years, 2010 to 2015, and then how many in 2015 to the programme almost being complete now? What are the numbers of homes built? Do we know those?

**Esther McVey:** Homes built on sites and land disposed since 2011 to the end of March 2019 is 51,000. Homes built on the land disposed since 2015 is 5,500. Homes built on former Homes England land is 11,581. We can do a breakdown on that.

**Lord Sherbourne of Didsbury:** So most were built in the first five years.

**Esther McVey:** Yes.

**Lord Sherbourne of Didsbury:** What was the reason for the failure of the second half of that period?

**Esther McVey:** The easier plots came forward.

**Cathy Francis:** The easier plots were dealt with first.

**Nick Walkley:** What is measured, first of all, is the land having permission and being ready for development, but then development takes a long period of time, so it is just a factor of the development cycle that the 2011 programme is delivering more homes, because a large site will often deliver for eight, nine or 10 years, and it is not surprising that land that was made available in 2015 will only now be reaching the market with built homes, because of permission, the need to remediate, get the infrastructure on and then get building.

It is typically, even on a high-performing site, somewhere between 24 months and 30 months, if everything else is clean, before sales begin, but much of this land does not come ready for housing, so there is a lot of work to do before that point. What you see is the through-flow of the 2011 programme now delivering units, and it will continue to deliver.

**Lord Sherbourne of Didsbury:** Looking ahead, the Government have a very ambitious programme overall of 300,000 by I think the mid-2020s. Looking forward with this programme in its new format, what contribution do we expect that to make to the 300,000 target?

**Cathy Francis:** We still think we will get to the 160,000.

**Lord Sherbourne of Didsbury:** Do you mean 160,000 in total since 2010?

**Cathy Francis:** Since 2015.

**Lord Sherbourne of Didsbury:** So the ambition is to produce, in 10 years from 2015, 160,000 homes.

**Cathy Francis:** For the first five years the target was 100,000, and that was to release land for 100,000, so remember this is a release of land target. We released land for 100,000 units in the first five years. This next five-year period that we are coming to an end of has a 160,000 target; we are some way off that, as we have said. We will get there, but not by this year, clearly. It will take some further years to get to the 160,000, and we will come forward with further details of the programme and what the Government's commitment is around this agenda later this year.

**Lord Sherbourne of Didsbury:** Are these figures homes built or just targets, in terms of homes you hope to have built? I am not quite sure.

**Cathy Francis:** As formulated, the target was to release land for homes.

**Esther McVey:** We have been bringing forward about 7,000 to 9,000 homes a year, if you are looking at it coming forward. There has been, as you said, the delay of getting the land prepared and getting the planning permission on, because you still have to go through all of the planning that you would do otherwise. That time is about two years and then, from there, about 7,000 to 9,000 homes a year are coming forward.

Q10 **Lord Cunningham of Felling:** The Department has created something that it calls the local authority land ambition. How does that differ, if at all, from the Public Land for Housing programme?

**Esther McVey:** They are two separate programmes. One is coming through our own department; the other is coming through all of the separate departments. They have the same ambition but they are two different routes.

**Lord Cunningham of Felling:** I understand they are different. I was just wondering what the new organisation will do differently, since you have told us you are keeping the same target, apparently, of 160,000 houses. How will it act differently from the existing situation?

**Esther McVey:** That one has delivered to a greater effect as it brings land forward, at 80% of its target, because we have a greater control over it from our own department. That is the difference.

**Lord Cunningham of Felling:** What is the target?

**Esther McVey:** The target on that is the same target of about 160,000, of which we have brought through 80%.

**Cathy Francis:** Can I just add something for clarity? It is confusing because we have two targets, one that is delivered by central government and its main departments, working with Homes England, and we have the local authority target, which is also 160,000. We work very closely with the Cabinet Office and with the support of the Local Government Association to support local authorities in disposing of land.

**Lord Cunningham of Felling:** How long will the local authority land ambition programme last?

**Cathy Francis:** It is also up for review.

**Esther McVey:** It is at the same time.

**Lord Cunningham of Felling:** Is it now?

**Cathy Francis:** Yes.

**Esther McVey:** March 2020.

**Lord Cunningham of Felling:** I see. There is a possibility, at least, that neither of these programmes will survive, if one ends at the end of March and the other one is up for review.

**Cathy Francis:** As you will appreciate, many of these programmes come forward alongside a fiscal event, as the last two did. The Government will make a decision over the coming months on what support, priorities and targets they want to support through this programme or a similar one, but to assure the Committee, any land that is in the system and any land that is with Homes England will continue to be supported through to development, not least because of the significant contribution it can make.

**Lord Cunningham of Felling:** What will happen in seven weeks' time to any land acquired from Staffordshire County Council?

**Nick Walkley:** We will continue to work and develop out that land. It will be in our business plan for next year, as will a very large number of projects, because the agency has secured funding envelopes that stretch into the mid-2020s. We will continue to apply those to a whole range of land assets, public and private.

**Lord Cunningham of Felling:** Against its target of 160,000 homes, how is the local authority land ambition performing?

**Esther McVey:** That one had been delivering 80% of its target and working to add a greater capacity to deliver on its target, yes.

**Cathy Francis:** The forecast to the end of the programme at the end of March is land for 128,000 homes released through local authority sales.

**Lord Cunningham of Felling:** Is that land released or houses built?

**Cathy Francis:** That is land released.

**Lord Cunningham of Felling:** It is going to fall well short of the target, as the other one has. If it is land released but not homes built, it is not going to reach the target.

**Cathy Francis:** It is not going to reach the target; that is correct.

**The Chair:** There are quite a lot of numbers flying around here. There are two programmes. There is land released, the equivalent homes and homes being constructed, which is Lord Sherbourne's point: that it is all very well having land released, but it is about how many homes are being built. Would we be able to ask you to let us have a schedule showing how the two programmes divide between the different stages?

**Cathy Francis:** Certainly.

**The Chair:** Otherwise, we can go around this for quite a long time here, though I am sure you are trying to be helpful.

**Cathy Francis:** We can write to the Committee.

**The Chair:** Are you happy with that, Lord Cunningham?

**Lord Cunningham of Felling:** Yes.

Q11 **The Earl of Lindsay:** You said earlier that 70% of the proceeds go to the public body that has transferred the land. Can I ask whether the 70:30 split is fixed? Does it shift? Is it negotiable or flexible as circumstances vary?

**Nick Walkley:** There is some flex, but we found that you norm back over time when you put costs back into a 70:30 split. Most of our deals are at about that level. There is a little bit around the edges. There may be

conditions, such as, "If X is found on-site, then Y may be reduced from that", but 70:30 is where we are.

**The Earl of Lindsay:** Presumably Homes England carries the cost, but also, as you say, the risks of achieving a solution for a site.

**Nick Walkley:** That is exactly right. During the whole of the programme we have had some very big successes, but also, as is the nature of the development business, some smaller losses. The advantage of Homes England, which is very often why organisations transfer the land to us, is we can manage a portfolio of risk, whereas, if you are a small organisation, trying to build 300 homes is a very big balance-sheet risk for a period of time.

**The Earl of Lindsay:** If you have a very big success, where arguably your 30% actually is considerably more than the cost and risk that you have to bear to deliver the success, does the transferring public body share in that greater success?

**Nick Walkley:** The scheme's rules are that the overage goes locally. We recycle a proportion, but then, if there is anything over that, the Exchequer benefits directly.

If we really thought we were into the super-profits, as we have become a more confident organisation, we would go back to the government department and to the local authority to ask some questions about whether there should be some more public benefit. Is there perhaps some affordable housing that could be done, over and above? There are things that can be done locally that mean one can think more creatively about the 70:30 split, if it really does begin to exceed expectations.

**The Earl of Lindsay:** So the transferring body still enjoys that unexpected windfall.

**Nick Walkley:** Yes.

**The Earl of Lindsay:** Tell me if this presumption is wide of the mark. The 30% that you receive largely is covering the investment you need to make in staff, resources and project development.

**Nick Walkley:** The agency receives an admin budget. The 30% is critical for sustaining further land acquisition. We operate a recycling budget and it is, therefore, very important that we continue to partly respond to the other committee concerns. We need to continue to churn land and build houses, because it is how we generate our resource to build more homes. That is a very important part of our business discipline. We attempt to run a very tight investment-driven organisation, and part of the way of doing that is by, to use a development phrase, eating our own smoke.

**The Earl of Lindsay:** Minister, do you maintain an interest in how the public body that is receiving the proceeds from a disposal uses those proceeds?

**Esther McVey:** Once the body has been through the full due process and once it has understood why it is transferring the land, what it is doing, how it has gone on that journey and what it has got from it, then that has been the journey that it has gone through and it is the responsible organisation for that.

**The Earl of Lindsay:** I was just trying to get my mind around whether there would be any intervention if a local authority, a national health body or whatever enjoys proceeds from a disposal and then uses those proceeds for something that, from the Government's point of view, was perhaps inappropriate.

**Cathy Francis:** That is down to the body. It is down to its accountable officer to make decisions on how that income is utilised for wider service delivery.

Q12 **The Chair:** Minister, thank you very much for coming along. You have got the drift of our concerns and our confusion, so I hope, if and when we have further EMs on this subject, they can be drafted in a way that answers the sorts of questions we have been raising this afternoon, because we have not found it easy to get our minds around them, hence the fact that we have asked you to come. Thank you very much to you and your officials for coming. Could I ask you one last one question, asking you to mark your own homework? Out of 10, how successful do you think this programme has been?

**Esther McVey:** The fact that there was a vision, an ambition, a desire and a need to do something was absolutely correct. They were embarking on something for which they did not necessarily know the endpoint or where they were going. They also did not know what state and condition the land that they were disposing of was in. Therefore, they have been on a journey of understanding the state of the land, the difficulty of disposing of it and the permissions required. Each time that needed to be analysed and taken forward.

From that, yes, that number has been set incredibly high for 2015 to 2020. To Lord Cunningham's point, it is not over, even though the finishing time seems to be March 2020, because we know there is a tail in what happens, what that delivery is and where it goes forward. As Cathy said, at the next fiscal opportunity we will be looking at what is next and where we go forward with that, and Homes England will continue to deliver on what it does.

Have we met the numbers? No, we have not. Is there a continuation for however many years to reach those numbers? Yes, there is. Was it a worthwhile venture? Yes. Do we understand the public land a lot more? Yes. I hope that we can shape it into something else going forward, thinking about what Baroness Watkins had to say, with some of the pilots that people are doing, to take that housing need forward.

**The Chair:** Thank you very much.