

Public Accounts Committee

Oral evidence: [Planning and the broken housing market](#), HC 1744

Monday 29 April 2019

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Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Caroline Flint; Anne Marie Morris; Bridget Phillipson; Lee Rowley; Gareth Snell; Anne-Marie Trevelyan.

Questions 1-140

Witnesses

I: Melanie Dawes, Permanent Secretary, Ministry of Housing, Communities and Local Government, Simon Gallagher, Director of Planning, Ministry of Housing, Communities and Local Government and Simon Ridley, Director General, Decentralisation and Growth, Ministry of Housing, Communities and Local Government.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Aileen Murphie, Director, NAO, and Richard Brown, Treasury Officer of Accounts, HM Treasury, were in attendance.



Report by the Comptroller and Auditor General

Planning for new homes (HC 1923)

Examination of witnesses

Witnesses: Melanie Dawes, Simon Gallagher, and Simon Ridley.

Q1 Chair: Welcome to the Public Accounts Committee on Monday 29 April 2019. We are here today to look at housing again. This is something the Committee has looked at on a number of occasions, and this is our third major hearing on housing. We have looked at housing overall, we have looked at homelessness and now we are looking at the planning system, thanks to the National Audit Office's Report "Planning for new homes".

The Government have set themselves a challenging target of building 300,000 new homes a year. As the Report highlights, we are not on track for that yet by some way. One of the things we want to examine today is how the system is working to ensure that the right homes are being built in the right places and, crucially, that roads, schools, GP surgeries and other infrastructure are in place as well.

We will have quite a wide-ranging discussion, so we are hoping to cut to the chase. We have read the Report, as I am sure you have, since you signed it off. Talking of signing it off, Ms Dawes, the NAO concludes in paragraph 24 on page 12 that, "it is clear that the system is not working well. Given these problems, we cannot conclude that the planning system currently provides value for money in terms of delivering new homes effectively." You have signed off the Report. Do you agree with that statement?

Melanie Dawes: Thank you for inviting us today. I have to say I paused on that statement. I would normally not want to challenge the CAG's judgment on value for money, because that is for him to make, but the question I have is, "How would you judge whether this system is value for money?" As the NAO Report says, it is complicated; it has a lot of moving parts.

Q2 Chair: Would you agree that the system is not working well?

Melanie Dawes: I would not agree that it is not working well; I would not put it that way. I would say there is a lot of improvement that needs to be made in a complicated system, with an awful lot of interests out there at a local level. We have put in place a lot of significant improvements, but we will have to do a lot of work to get those working through the system in every local area. There is a huge amount of work to be done, and we are not in any way complacent, but to say it is not working well is just turning it around slightly the other way. I would say there is a lot of improvement needed, but we have a lot of things on the table.

Chair: Okay. You have put your case and, unusually, we have allowed you to do that.

I should say to the audience members that the acoustics in this room are



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not always great. If you would like to move forward to the seats just behind the witnesses before Caroline Flint comes in with her questions, you are very welcome to do that, because it may be difficult to hear. Please feel free, because the acoustics are bad and you will find it very frustrating if you are listening to Ms Dawes's words of wisdom and you cannot hear them properly. It is nothing to do with her; it is just the acoustics of the room. Feel free. Don't be shy.

Q3 **Caroline Flint:** Ms Dawes, what are your milestones for hitting the 300,000 target by the mid-2020s?

Melanie Dawes: At this stage, we do not have an annual, year-by-year projection; it is a little bit too early for that. We need some building blocks—in particular the spending review capital allocations—to be put into place, but we would certainly expect to see the levels of house building that we have had in this past year and the previous year sustained and increased gradually toward that trajectory. We have a set of illustrative projections at this stage, which look at different ways of meeting the target and what that would mean for different parts of the industry: how many more house builders, how many more people working in the industry and, of course, how many more units need to be commissioned through the planning system.

Q4 **Chair:** Sorry, Caroline, I forgot to introduce the witnesses; I was encouraging the audience to move forward. From my left to right, we have Simon Ridley, director general of decentralisation and growth at the Ministry of Housing, Communities and Local Government. Welcome back. Melanie Dawes is the permanent secretary at the Ministry. Simon Gallagher—this is your first time in front of us—is director of planning at the Ministry of Housing, Communities and Local Government. We were intrigued to see that you previously worked at the Foreign Office. We might get to what the relevant connections are with that. Now I will let Ms Flint carry on.

Q5 **Caroline Flint:** Are the illustrative targets that you mentioned publicly available?

Melanie Dawes: No, we haven't got any projections, and I would not call them targets at this stage.

Caroline Flint: Projections.

Melanie Dawes: Yes, projections. Illustrative projections are what we would need if we were to get there. We haven't published anything yet at this stage. It is something that we might consider, but we do not have any plans right now.

Q6 **Caroline Flint:** As it stands, I understand that the target requires a 69% increase in house building on current levels. Do you feel the target is sustainable for the Department as it stands?

Melanie Dawes: It's very ambitious. The country has not achieved these levels of house building since the second world war. We have had high years of house building, but not when you account for demolitions in the



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'50s and '60s, for example. So it's unprecedented and will require us not just to continue with all the things that we are familiar with, such as affordable housing programmes and so on, but also to transform the market. It is very challenging, but we have seen some early signs that are very encouraging. We have seen a big increase, for example, in the number of homes that are being built to rent, which is a part of the market that we will need to grow if we are to get to those numbers. It's things like that, and sometimes slightly smaller signs, that will tell us whether we are heading for that transformation that we need to see.

Q7 **Caroline Flint:** Can you give me some other examples of how the target and the policies around it will lead to a step up in building from previous attempts to inject a new stimulus into the housing market?

Melanie Dawes: Obviously, we need to see more planning permissions, which I am sure we will come on to. The reforms to the national planning policy framework are designed to raise the level of ambition of local areas and to inject a sense of affordability into their computations, rather than just household demographics. So that is one very important element. We will also need to see an increase in the number of small builders coming back into the market. We have seen very big reductions and a consolidation in the industry with every recession that we have had in the last couple of decades. We have fewer and fewer smaller builders in the market, so that will need to be reversed again, and our small builders guarantee scheme is designed to help that—not just the builders, but other SMEs in the housing industry. So those are two other examples. There are more that we can tell you about.

Q8 **Caroline Flint:** How confident are you in the sector and the house builders? Do they think this 300,000 is achievable? I read somewhere in one survey that only 1% of house builders believe it is possible to surpass the 300,000 by 2022.

Melanie Dawes: It will certainly require different business models to the ones of the traditional house builder. We need the house builders to keep growing their output, but we also need new players to come in and operate to quite different market imperatives. We particularly need investors with more patient capital investing for rent: private rent or more affordable housing. The housing associations are an important player as well, and they are expanding quite rapidly and diversifying as they do so. They are quite positive about what they can achieve.

Q9 **Caroline Flint:** Going back to the 300,000 new homes, could you be a bit more specific about what calculations underpin that figure?

Melanie Dawes: That ambition was set in the Budget of autumn 2017. In terms of why is that the right number, it was based on a number of studies that had been done over a number of years. You have Kate Barker's work of 2004 and the Lyons review, and then, more recently, we have had work from KPMG and Shelter and so on, who all point towards something upwards of 250,000 and close to 300,000 being needed if we are to stabilise prices. That is what the Government are really trying to



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achieve: something that is more stable on affordability. That is the ultimate aim.

- Q10 **Caroline Flint:** Again, just going back to the number of houses that actually get built, the written evidence from Shelter states that, in the period 2010-11 and 2014-15 only 68% of the homes that were given permission to be built were actually delivered, leaving a shortfall of 324,000 homes. What will be different this time?

Melanie Dawes: That depends on how the planning reforms help us to get there and deliver homes more quickly. That report points to an important element: some planning permissions do not turn into homes. Sometimes that is because sites prove not to be viable later down the line; sometimes, planning permissions come through the system twice and are double counted in the planning statistics but result in only one new home. That is why we will always need to see more planning permissions than the number of homes we want built each year. I may pass this over to Mr Ridley, if that is okay, but 2010 was still very much a year affected by the financial crisis, so the housing market was very flat. That is one of the reasons why there was sluggishness in the number of permissions coming through the system.

- Q11 **Caroline Flint:** Can you take me through the project delivery planning that is running alongside the 300,000 target work?

Melanie Dawes: In the Department, we have a set of individual elements that are most important for delivering the 300,000. They include individual projects such as the reforms to the national planning policy framework and their implementation, which, as I said, is just as important as the reforms themselves; and things such as the affordable homes programme, which needs to be delivered. We also have an increasingly important set of strategies at a spatial level—for example, the work we are doing with Oxford, Milton Keynes and Cambridge.

We have a variety of different programmes, and they all have slightly different elements to them. Some of them are delivered by Homes England. A very important part of our plans is to put that agency on a much stronger footing for the future than in the past. We have had a big work programme over the last year to 18 months, which has included the Department changing the way that we govern the agency and getting much more clarity about its objectives, performance indicators and capability. We have an array of different project approaches, which are governed in a monthly programme board that is chaired by the director general for housing and building safety, Jeremy Pocklington, and feeds into Ministers and our Department board.

- Q12 **Caroline Flint:** Do you feel that, within that structure and oversight, if whoever is leading on delivery is failing, you can step in, readjust, reassess and, in some cases, reconfirm or alter the way in which the delivery of housing is approached?

Melanie Dawes: Yes, I think we have the information we need to work out what is going well and what needs more effort. Going back to what I



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said that at the beginning, we are still at a stage of needing to put all the right building blocks in place. We have a pretty comprehensive strategy, but we would not say at this stage that we yet have all the ingredients that we need to get to 300,000. In particular, we do not have information yet on our capital budgets beyond this spending review period, other than in a small few elements. We still have to do strategy formation, putting programmes together, as well as delivering the programmes that we already have.

- Q13 Caroline Flint:** One of the ingredients to delivering housing that people need is social housing. I know you mentioned build to rent and some of the work and outcomes in that area, but social housing, in the more traditional sense—whether through ALMOs or housing associations—is seen by many in the sector to be an important part. Where does that fit in? The 300,000 does not necessarily include a percentage of what I have described as affordable housing. Where does that fit in?

Melanie Dawes: It is a very important component. We will not get there unless we sustain and increase the number of affordable homes, which includes homes for social rent as well as for affordable rent as part of the total. Typically, looking over the past, the publicly funded housing element has been around a third. We do not have a number on that at this stage—we will need to think about it in the spending review—but it will need to be an important component.

- Q14 Caroline Flint:** You have talked about the business model. At the moment, it is about housing speculation, isn't it? The land is out there, but land prices are pushed up because house builders speculate against each other and that pushes the price up. Do you agree that that can have a knock-on effect on the number of social homes that are built, because the house developer has recoup the sums of money they have outlaid for the land? If that is high, there is more likelihood that, down the road, there will be fewer social homes built on the land they have acquired. Is that a fair assessment?

Melanie Dawes: Yes, I think it is a fair assessment, but you have a double effect here. You have the fact that the large house builders are running with a business model that is high return, to insulate themselves from the risk of prices falling in a downturn. Understandably, they have a business model that needs a high margin in the good times to give themselves a buffer for the bad times. That squeezes out smaller players in the market, who cannot afford to pay those prices, but it also means that when you get into a more wobbly market, viability can come into question and you can find the section 106 agreements harder for local authorities to strike. You are right that that can then affect the affordable housing quotient.

The other point I would add, though, is that, from our point of view, looking at the industry as a whole, affordable housing is often exactly the right thing to switch into when you have a downturn. Housing associations are an important counter-cyclical part of the market for us, so keeping up that investment in affordable housing in a downturn can be a good way to

take sites that might have been destined for the private sector and move them into the social sector, where the return is still there and you can still keep them moving.

- Q15 Caroline Flint:** But wouldn't it make more sense, in the time we have to reach this target of 300,000, rather than reacting to housing developers not producing the number of affordable homes—I am not casting blame, but I think we have all experienced situations where housing permissions have been granted on the basis of a certain number of affordable homes and then, down the road, the developer has chosen to ask for a readjustment to the planning permissions—to think of a social housing strategy that runs parallel to that speculative house building strategy and runs alongside it, so that we can see better ways to deliver on both the private sector and the social housing sector?

Melanie Dawes: I think we do have that, because we have the affordable homes programme, which is a grant for housing associations to build affordable housing, and we also have what I think you are referring to, which is the affordable housing built from section 106 agreements. I agree that the latter can be more subject to viability and therefore to the market, but the former is dependent on Government grant and on the ability of housing associations—and now, of course, local authorities—to borrow to make up the difference in funding beyond what is available as Government grant and to command rents in the future. We have those two elements going in the market, which allow us not to be dependent only on the bigger developers for affordable housing.

- Q16 Caroline Flint:** But where does tackling this land market fit into that? That seems to be an important part of the equation, because you are asking local authorities to identify land. On this Committee we have previously had discussions about the rather slow way in which Government Departments identify land that could be used. I don't want to get too much into that today, because we have done reports on it, but the market for land seems to be absolutely essential to the social housing deficit, regardless of other work that is going on with the sector.

Melanie Dawes: I think we are getting into the question of how we capture land value increases as much as we can for the wider good and not just for the profits of the bigger developers. Simon may want to come in and talk about some of the reforms there. The question of how you capture that land value uplift, as it is known in the trade, is relevant for all forms of builder. It is also quite important for small builders and the build-to-rent market, who usually cannot command such a premium up front and therefore cannot always compete with the big developers, who are able to sell quickly and make a profit more quickly.

Simon Ridley: There are two things. First, these are important issues and they are part of our strategy. There is a lot of the funding that Homes England has to support land acquisition so that they can intervene in particular places and keep sites moving. In terms of section 106, we have made a couple of really important reforms in recent years. The first was to require local authorities to make their requirements through section 106



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much clearer in local plans, so that as developers purchase sites they can see precisely what the expectations are. The second is through the national planning policy framework. We have created a standard methodology for how viability is calculated. Thirdly, we have required publication of what the benefits from section 106 are. So we are injecting much more transparency both into the calculations and into what comes through the system. We have also sunsetted a clause from 2013, post the recession, which removes the right to a renegotiation for a developer, which was inserted after the recession to try and keep sites moving and to try and keep some viability in the system. So we actually have quite an important strand of our strategy—

Q17 Chair: When does that sunset clause kick in?

Simon Ridley: It was in 2016. So it won't all have to come through the system yet, just because of the length of time for which section 106—

Q18 Chair: Just to be clear, that applies if you put in an application before 2016? You are still covered by that clause?

Simon Ridley: No, the clause was a right to renegotiate, which no longer stands.

Q19 Chair: Yes, but if you had put in an application as a developer—you put a planning application in—when were you covered by that clause?

Simon Gallagher: I can't remember the precise transitional arrangements on that. We are happy to get back to you on that, but my recollection is that the right applied at the point of application for planning permission prior to June 2016.

Q20 Chair: So actually there is quite a lot still in the system, potentially.

I just wanted to pick up on something, before I pass over to Sir Geoffrey Clifton-Brown. You have talked quite a bit there about housing associations, Melanie Dawes, and obviously they have got certain resilience in a market, up to a point, but they don't actually get that much grant now. You have also talked about affordable housing. There is a big difference, especially in London, with affordable and actual social housing—housing that is really affordable and housing that is called affordable. In your planning for all of this, how are you making sure that you are getting local authorities to really plan, support and develop the type of housing that is absolutely necessary in areas? In London, really affordable housing—social housing—is absolutely key in the current market.

Melanie Dawes: Our conversations with the Greater London Authority and the Mayor are based on their very clear plan that it is the London living rent that we are all interested in, and that is basically rents of 40% to 50% of market value. So it is a significant discount on the market; 30% is typically about as low as it gets for social rent. So I don't think we are short-changing, through our plans, the sector here, in terms of truly affordable rents being available.



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Q21 **Chair:** Do you have an idea of what people should be spending as a percentage of their income on rent, in social housing in particular?

Melanie Dawes: I don't have a figure that I can give you, but I am sure that we can get back to you on that.

Q22 **Chair:** You do that that? Somewhere in the Department there is some thinking about what that is?

Melanie Dawes: Yes, we do, and the dialogue with London is very much based on their analysis. There is no dispute there, as far as I am aware, with London—and that includes the conversations with the boroughs—about levels of rent. There is a really big question, though, about where you put the grant, and sometimes the rents might be able to be higher as a percentage of the markets in certain boroughs, and they might need to be lower elsewhere. So there is a difficult balancing act for London—and, of course, the delivery is devolved to the GLA and the boroughs—about how to use the money we have given them; but we have given them £4.8 billion over these next few years towards 116,000 homes.

Q23 **Chair:** Do you take account of the issues around housing benefit? It is very difficult to get housing benefit for certain properties—particularly in the private sector—because of the cap. That also has an impact on the demand for social housing, which begins to skew things in the round all over again. So is that something that you talk to your colleagues at DWP about?

Melanie Dawes: Well, it is why we have given so much of the affordable housing programme to London—recognising the particular problems with affordability in the private sector particularly.

Q24 **Chair:** Isn't there the danger that one policy is wagging the other? If there wasn't the housing cap in the same way that there was, in London, that might save you having to put so much money into London.

Melanie Dawes: I don't think it is an either/or. I think we would be wanting to be ambitious about housing supply for affordable homes in London in any event.

Q25 **Chair:** In my borough of Hackney, in London, in the south-east of England, as far as we are aware, all figures show that you cannot rent a three or four-bedroom property privately with the local housing allowance as it is set. That means that anyone needing that size of property has no option but to try to get social housing, which often means a long stay in a hostel or wherever while they are waiting for that. That does not seem to me an optimal solution, whereas, for all the potential challenges of the private sector, if it were an option, it would at least relieve that pressure. Do you think that is a successful strategy that is value for money for the taxpayer?

Melanie Dawes: It is a conversation we have had before, and we certainly have opened up a very active conversation with the Department for Work and Pensions about this, particularly in the context of homelessness. I wrote to you last week with some of the latest statistics,



but also with the feasibility study that we have done on how we can get a better understanding of the drivers of homelessness. But it is not just about people who are homeless, but about people who may be in a private rented home in London but paying a very high rent and therefore effectively finding themselves in a situation of poverty when you look at their disposable income post housing costs.

From the perspective of today's conversation, this is why affordable housing is a really big part of the programme, but it is also why a lot of the money is being skewed toward London and the south-east, where the affordability issues are greatest. We are expecting 50% of the affordable housing programme to be spent in London, compared with past figures of more like 40%. It is a ramping-up toward the capital.

- Q26 **Chair:** On one level, I am grateful for more money for London, but before I bring in Sir Geoffrey, I know that Gareth Snell would like to come in because he does not represent London or the south-east, so he has just learned that he is being short-changed.

Melanie Dawes: We can't win.

Chair: This is the Public Accounts Committee—did you expect to?

- Q27 **Gareth Snell:** Thank you for letting me chip in, Chair. The point I was going to make is that, putting aside land value, the cost of building a house is fairly standard. In places such as Stoke-on-Trent, where you have a low land value to start with, the cost of building a house is the same as it would be if you were building in the south-east, but the market value of that house after completion and the market rental income on that house are much lower. Housing associations in north Staffordshire can never recoup the cost of the build over the lifetime of the house with the market rent they can charge. While it is right and proper that places such as Hackney get that additional support to build affordable houses, there are, equally, competing perverse financial challenges in low-value areas with low market values, because the cost of building a house can never be recouped. I just wanted to put that on the record.

Melanie Dawes: I think that is absolutely right. We have different issues of viability, in the broadest sense, in different parts of the country. In lower-priced housing markets, the problem is that you cannot command, either from market sale or market rent, enough to cover the cost of the build. That is where programmes that are particularly related to growth in an area can often be the answer. We do not rule out spending money in some of those housing markets, but there has been quite an important decision by the Government to focus a lot of the investment on areas of high affordability problems, because they are so acute.

Chair: It's an interesting challenge; it shows that we are caught in a funny loop in places such as London, but also that we look at housing costs and value over time in a very peculiar way. In the end, it is someone's home, and that is what we sometimes forget when we talk about the numbers.



- Q28 Sir Geoffrey Clifton-Brown:** Just a few more questions to try to tease out whether your Department's ambition of these 300,000 houses is just that—an ambition—or whether it is realistic. If I take you to figure 3 on page 16 of the Report, if the red line is the number of actual deliveries, particularly taking the past three years for which figures are available, 2015-16, 2016-17 and 2017-18, it looks as though you might be on course to get there. But if you take the ambition, you are a long way short of it, according to the trend. Do you think you will get to the 300,000, and when do you think you will get there?

Melanie Dawes: It is very ambitious. We have never done it before in this country, and that is important. Market commentators would tend to say that you can see how 250,000 is within reach. We can see today that we have a housing market that can deliver those numbers. It is the additional increase beyond that where we effectively need to grow a new market. We need to get the private rented sector being part of this. We need to grow different roles for housing associations. We need to bring the local authority balance sheet back into the equation, as we've done. We need to grow SMEs back into the market, and we're going to need more people working in the construction industry.

It is hard to predict exactly how that will come through, and at this stage, we are not dealing with what I would call a forecast; we are trying to understand which levers we need to pull the hardest, and how they interact. We have a published housing model that we use to bring all that together, but we haven't as yet published any projections.

- Q29 Sir Geoffrey Clifton-Brown:** So this figure of half a million houses a year in paragraph 1.3 on page 13 is really just an attempt to drag that average up, so that you do meet it by 2025. Is that what that's all about?

Melanie Dawes: It is partly that the Government set its targets in a sequence. There was the original million homes over the lifetime of the Parliament that began in 2015, and that was supposed to be for that Parliament. That first million homes does look like it's on track, as you can see from the latest data. Then the second half a million was added a little later, but then quite quickly after that, the Government set the 300,000 ambition into the mid-2020s, so it was a sequence of ambitions that were laid out after each other. There isn't a sense in which the 500,000 was paving the way for the 300,000; it is just a sequence of ambitions gradually growing.

- Q30 Sir Geoffrey Clifton-Brown:** That is very helpful. Can I challenge you on something you said—and then we vied away from it—about the extant permissions, which the LGA estimates at about 400,000? Given that the houses do not get built, or the permissions do not get built, it is really only a supply of one year's housing towards those targets, so how are you going to actually get the number of permissions granted up to meet that target?

Melanie Dawes: Perhaps Simon can come in on this.



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Simon Ridley: This comes back to the reforms we've done around the plan-making process and through the NPPF on local housing need, and there are two key things. The first is that we've been working very hard to make sure all local authorities have a local plan in place that presents a five-year land supply, and we have made a lot of progress on that in recent years. There are only 41 local authorities now without a plan, and 30 of those have a plan in with the Planning Inspectorate, so we are down to the last few there.

Sir Geoffrey Clifton-Brown: We're going to come on to that later. Can we park that there?

Simon Ridley: That is about getting the local plans forward, and then local housing need has created a standard method for the amount of homes that a local authority should plan for, based on both household growth and affordability, to ensure that we are bringing the land into the system in the right parts of the country for developers to come forward and planning permissions to be given, and to get that increase in planning permissions that we will need.

- Q31 **Sir Geoffrey Clifton-Brown:** Just to get back to Ms Flint's question on affordable housing, Shelter's evidence to us—which, no doubt, you will have seen—very strongly points to the fact that if you want to meet those 300,000 houses, one of the quickest ways of doing it is to increase the amount of affordable housing. Clearly, if you are a builder and you have a set amount of resources, you can build more affordable houses than you can five-bedroom luxury homes. Do you think enough money will be put in via Homes England to enable housing associations to deliver enough affordable houses to meet your 300,000 target?

Simon Ridley: If I can just stand back from that for a moment, to get to 300,000, as Melanie has said, we are going to have to increase capacity in all parts of the market. We are going to need more housing coming through from private sector developers and private sector housing, and we are going to need to deliver on the affordable housing programme that is already hugely increased.

On any particular site, of course, there is an important balance and a difficult balance that a local authority has to strike between viability and maximising affordable housing, in terms of section 106. To get there, we are going to have to deliver on the increased affordable housing programme, and future capital is going to depend on the spending review, but we are equally going to make sure we are able to bring the land forward, and local authorities are working with the sector to get more private sector development, otherwise we will not hit the target.

- Q32 **Caroline Flint:** Can I ask you quickly to clarify a point you just made? You just made the point about how you had seen increases in the supply of affordable housing. Could you break that down for me? Could you break it down in terms of build to rent, social housing associations or council build? Could you break that down by percentages for me, please?



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Simon Ridley: I haven't got those precise numbers with me, I'm afraid. Do you mean the different sorts of housing delivered with the £9 billion affordable housing funding?

- Q33 **Caroline Flint:** Affordable housing is a very broad term, so could you write to the Committee? If you are going to use something as a positive about an increase in surplus, it would be really nice to have that surplus broken down into the different sections of the family of what is defined as affordable housing.

Melanie Dawes: Can I be clear, though, that we have an affordable housing programme set out, which defines what we mean by that at the moment for this programme? I do not have that in front of me, but it includes shared ownership; in London, it includes the London living rent; and it now includes, as of about 18 months ago, some provision for social housing at a social rent. I am not including private market rent in there—

Caroline Flint: That is fine, Ms Dawes. I am just asking, if you are going to cite success in terms of supply, for that supply figure to be broken down into the definitions you have just outlined. That would be really helpful.

- Q34 **Chair:** To be absolutely clear, in my constituency in Hackney, you can want to be a shared owner, but a quarter of a property is way out of reach, so those people will often need social housing—even what is called sub-market housing, because the rent escalations can be out of reach if their salaries stay static. I can feel everyone wanting to know what social housing is in that mix as well.

Simon Ridley: Just to clarify, I am not saying that we have done everything we need to do on affordable housing. We have an increased affordable housing programme that covers the things that Melanie has talked about. We have also lifted the HRA cap for local authorities to enable them to come forward with housing.

- Q35 **Caroline Flint:** Which is the most important part of that affordable housing that you think you need to increase that you are not delivering on?

Simon Ridley: It is going to depend, in different parts of the country, on what exact mix of tenures and types of housing is needed.

Melanie Dawes: You are quite right that shared ownership, which is generally cheaper in terms of the amount of capital grant that you need for each home, is not right in all parts of the country. It does not work in quite a lot of housing markets, but it is very appropriate in others. What we try to do is not to rule out any tenure, or to try to inappropriately rule in any particular tenure. What we have is a large capital grant. In many cases, it is actually about housing associations, in particular, coming forward with plans to Homes England about what they can deliver in different areas. We are happy to answer your questions on that, but we are trying to be flexible here—that is something I would like to emphasise.

Chair: We are going to come on to how you hold local authorities to account for that.



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- Q36 Sir Geoffrey Clifton-Brown:** Perhaps the Chair will forgive me for straying into another part of the questioning a little early, and that is on the viability tests—section 106. I must be careful quoting anybody here, but there are authorities that I am well familiar with that have not got the resources to adequately take on particularly big, complex developments. Therefore, they are not really negotiating with these big national house builders on equal terms. One of the ways they could get round that would be to buy the expertise in, but they are loth to do that. What is the Government doing to encourage local authorities to get better at negotiating those 106 agreements?

Simon Ridley: I will say a couple of things, and Simon may want to add something. The first point, which I mentioned earlier, is that we have, through the national planning policy framework, brought in a standard method for how viability is calculated—

- Q37 Sir Geoffrey Clifton-Brown:** Can I stop you there? You said that earlier. When are you going to get all authorities to sign up to that national framework?

Simon Ridley: That is part of policy at the moment. We have set that methodology out.

- Q38 Sir Geoffrey Clifton-Brown:** Are they obliged to follow it?

Simon Ridley: Yes, that is the method. They can deviate from it, but the core method is set out. That enables local authorities to do that calculation on that basis and then set that out publicly, rather than have developers create lots of different methods to calculate it, which it is harder to provide the resourcing for on the local authority side.

Secondly, it is worth saying that we are doing a lot to support local authorities directly through the Planning Advisory Service and through the planning delivery grant that we have, which is £16 million, which we have paid out to some local authorities. We are providing some support into local authorities, but the key thing is that we have created a standardised method to simplify the way in which this is done.

- Q39 Sir Geoffrey Clifton-Brown:** I apologise, Chair, to you and the Committee, and to our witnesses, but I should have made a declaration that I am a chartered surveyor, in case anybody thinks that I am giving work to my own profession. I make that full declaration.

When will you be bringing in the accelerated planning Green Paper, and how will that help in this respect?

Simon Ridley: We have not got a date for when we are bringing it forward. We are working on it as a matter of urgency in the Department, following the announcement last month. The purpose of the accelerated planning Green Paper is precisely to look at the resources in the system, the capacity in the system, and the way in which planning decisions are made—

- Q40 Chair:** Had there been much work done on it before it was announced?



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Simon Ridley: There has been some work done on it. We have been working with the Planning Inspectorate. We have been working through the Planning Advisory Service.

Q41 **Chair:** How long were you working on it before it was announced?

Simon Ridley: I'm not sure there is a start date precisely. Our hope is to bring this forward in—

Q42 **Chair:** Weeks or months?

Simon Ridley: Months—this year.

Simon Gallagher: Perhaps I can add one thing. The key thing we have been lacking to help us perform this is real detailed evidence on where the gaps in local authority capacity and capability are. We have been working with the Local Government Association for a while to try to get into this. We have launched a survey, which started on 28 February this year, working with local authorities—that is prior to the spring statement. That has now closed and we are waiting for the results to be aggregated by the Planning Advisory Service. That will give us a bit more information on precisely where the skills shortages are and what the issue are: is it a lack of resources or shortages of people in key areas and specialisms? That is the sort of evidence base that we need before we are able to come forward with the Green Paper.

Q43 **Gareth Snell:** Mr Gallagher, I was a councillor nine years ago and this was the conversation we were having then. Why has this not been done sooner? If you talk to any local authority member, they will tell you that problems around the planning system have existed for a decade at least—if not longer. What is revolutionary about what you are doing now, which you could not have done eight and a half years ago?

Simon Gallagher: We could have done this eight or nine years ago, but in order to build ourselves an evidence base we commissioned the Local Plans Expert Group, which reported to us in 2016. That gave us a menu of issues to work through. The top issues were issues of policy, which we have now clarified through the national planning policy framework. Resources and capability were on the list, but in about fifth or sixth place. We have been working down that list, we are now at that point and working on that.

Whenever I go round the country and speak to planning departments and developers they tell me that this is a big problem. The number of people who are talking about this has gone up a lot over the last couple of years. There are different issues in different parts of the country. We need to get a much more granular evidence base, which tells us precisely what the issues in different places are. Different markets have really different problems. Some areas are really struggling to recruit and some of them require specialists. We need that detail before we can come up with a policy response.

Q44 **Gareth Snell:** I have a quick follow up. I apologise to Sir Geoffrey. You are going to go for granular detail. Will that be down to sub-region?



Simon Gallagher: We have done a survey of individual local authorities.

- Q45 **Gareth Snell:** Okay. So you are going to get granular detail down to the individual local authority area. If that is the level of detail that you are harvesting in order to identify the problem, will the solutions that you develop inside your Department be equally granular, in terms of deployment? Otherwise, harvesting data at that level is not necessary.

Simon Gallagher: I would rather wait until I see what the data says before I say what I will do on the basis of it. I suspect that there will be different issues in different parts of the country, and that is the story I want to get.

Gareth Snell: So you have a bespoke response for each area.

Melanie Dawes: It is going to depend. Some things will require a national response. For example, the provision for increased planning fees has already come in and was a national response. In other areas it will be more at the regional level. For example, we know that we have to provide a lot of support to local authorities in Oxford, Milton Keynes and Cambridge, partly to join them up, but also because that is a really big programme of housing investment. There will be different solutions needed for different areas. I would expect our approach to reflect that.

- Q46 **Sir Geoffrey Clifton-Brown:** To be clear, Mr Gallagher, you are in the process at the moment of gathering evidence—you have not come to any conclusions.

Simon Gallagher: No.

- Q47 **Sir Geoffrey Clifton-Brown:** So this report is quite a long way from being finalised.

Simon Gallagher: The survey has closed, so I will get the data, but that is only on the question of resources, capability and capacity. As my colleague Mr Ridley said earlier, we are working towards publishing this year.

- Q48 **Sir Geoffrey Clifton-Brown:** Clearly, local authorities vary hugely in the efficiency of their planning departments. Do you think that in the report you might come to a standard performance metric for all local authorities, so that you could grade local authorities' planning performance?

Simon Gallagher: We already publish local authority performance by local authority on major and minor applications. That is already available.

- Q49 **Sir Geoffrey Clifton-Brown:** It isn't just a matter of how quickly they determine this.

Simon Gallagher: Exactly. That is the key bit for me: what is the proper measure of the quality of that experience? In some cases, we discovered that a little bit of extra time, in order to consider things and have a proper conversation locally, would actually be good time worth investing in. In other cases you think, "Actually, it could be a decision that's made more swiftly." I do not think we have a performance measure that quite



captures the user experience as much as we could do. That is one of the conversations that we need to have. If we are going to be investing in planning departments through more fees, for example, developers will understandably want to see good, consistent levels of performance.

- Q50 **Sir Geoffrey Clifton-Brown:** We are coming on to fees later, and we might talk about incentivisation. I am not sure which of the two Simons will answer this. What has been the point of producing a standard method and then immediately saying you are going to revise it?

Simon Ridley: I assume you are talking about the local housing need.

Sir Geoffrey Clifton-Brown: Yes.

Simon Ridley: The purpose of bringing the local housing need in was to ensure that the number of homes that local authorities plan for is related to affordability and to provide a standard method to make it easier to produce local plans. Those were the reasons for bringing it in. We were clear in the summer when we published the national planning policy framework that we would look at the method in the light of new household formation statistics that the ONS were going to bring forward, which they duly did, and those changed. We considered whether we needed to change the method at that point. Because we wanted local authorities to plan consistently on the numbers that were out there, the Government concluded that we should keep the formula as it is, but we need to keep that under review properly because at the moment the figure is underpinned by a set of household formation statistics that are not absolutely the most up to date.

- Q51 **Sir Geoffrey Clifton-Brown:** So you produced a formula in the national planning policy with an adjustment factor because of some local authorities being outside the band. Has it worked?

Simon Ridley: We have finalised the formula only very recently. It is brought in as local authorities renew their plans. As with so many things in planning, it takes time to come all the way through as every local authority revises its plans, but it will bring forward more land in areas where housing is least affordable.

- Q52 **Caroline Flint:** What happens if London doesn't deliver the number of homes expected under the revised standard method? In what ways will you ensure you prevent regeneration stagnation in the areas now being told that they can build fewer homes?

Simon Ridley: In London, the Mayor has brought forward a revised London plan, which is currently going through examination. In terms of measuring delivery across the country, we have brought in the housing delivery test. That will set out how much of the local housing need planned for that local authorities have delivered against. There is a transitional set of levels in that, but if local authorities fall under a given level, which was 25% this year, but that goes up over the next couple of years, then they are open to the presumption in favour of development. If they are delivering more, but still under 95%, they have to produce an action plan



or a buffer on their land supply. The housing delivery test ensures the actual homes are built beyond the land that is planned for.

In terms of your question about areas where there is a lower local housing need than previous numbers planned for, local housing need is a minimum. We are very clear about that. Local authorities can plan for the households that they think they need. If there are exceptional local circumstances that are not captured in the formula, they should plan for more. Indeed, many local authorities do. We are working with a lot of those local authorities more broadly, as we touched on earlier, around local growth, city-centre growth and supporting the economy more generally than just through housing.

- Q53 **Caroline Flint:** That takes me nicely to local plans. If you have a situation in, say, the north and the midlands where they are being told that according to the standard method they can build fewer homes, but they want to build more because of regeneration, they have to take a community with them for them to understand why they are going beyond what is suggested in the standard method. So, planning: a huge number of local authorities still do not have a plan. It takes an inordinate amount of time to update these plans. It does not mean that they have to start at ground zero, but there is still a problem in that. Simon Gallagher, why do you think many local authorities are struggling to produce these local plans?

Simon Gallagher: This is a really important question. We are absolutely clear that we want a plan-led approach to development, because there are substantial benefits to communities, particularly around bringing communities with them. The best analysis of the reasons for it was, as I mentioned earlier, that of the Local Plans Expert Group. It listed a number of reasons why local authorities were struggling to get plans in place, starting from an absence of a standard methodology, which meant that a lot of plans were being exposed to a lot of challenge at examination. That is one of the reasons we have done that, and there are various other things that we have done that I can go through, if it is helpful to the Committee, in order to make sure that it is easier to get plans in place.

- Q54 **Caroline Flint:** How many local authorities have signed up to adopt a standard methodology? Give me the whole number, and then how many have signed up to do that.

Simon Gallagher: I'm afraid I cannot answer that question directly, because the standard methodology applies to local authorities updating their plans after 24 January this year, so each local authority will have to do that as and when the plan comes through the process. If you have a plan that was adopted in December you have five years before you have to do it again, so I am afraid I cannot quite answer that question.

Melanie Dawes: There are now only 41 local authorities that do not have a plan in place. That figure has fallen very significantly. It is 41 at the moment, and the figure is falling all the time. Of those, I believe 30 have a plan that is going through the system now. We are more encouraged that



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the plans are going in—not everywhere, but increasingly that is less the problem; it is more about keeping them up to date. That is going to be the challenge.

- Q55 **Chair:** Do you think that the new methodology is going to mean that they are more realistic? We know that you can easily build a lot of houses, but they might be the wrong sort in the wrong area. They tick the box, and provide the houses that the Government have been nagging you for, but are actually not very good. If you have a badly run local authority or one that chooses to do that for any reason, how are you going to monitor that?

Melanie Dawes: It is certainly the case that we do not want to see bad housing developments with poor-quality homes that do not build communities. We can tell you about some of the strategies that the Government have put in place around that, but it is a concern that we share.

- Q56 **Sir Geoffrey Clifton-Brown:** I hear what you are saying, Ms Dawes, about 41 not having a plan, but that is still quite a large number of local authorities when they have had very many years to do it. You have written to only three of them, I think, to tell them that they have to do better. There are 13.6%—I do not know how you get a percentage. Let's say 13% of local authorities do not have a plan at all. This is not a very good situation. I have urged, on the Floor of the House, successive Ministers to take much tougher action against those local authorities that do not have a plan. What is going to happen?

Simon Gallagher: Let me go through that. There are two groups of problems. One is those that do not have a plan at all—I will talk a bit about what we are doing on those—and one is those, which I am increasingly concerned about, that had a plan, but it has gone out of date and needs updating. That is now a bigger challenge.

As the permanent secretary just said, 41 authorities are currently without a plan. We wrote to the 15 of them that were furthest away from plan making to try to challenge them, and to get them on. As a result, we now have 30 that are in with the Planning Inspectorate and a further number that are with local consultation.

- Q57 **Sir Geoffrey Clifton-Brown:** May I stop you there? I am sorry, but I want to clarify what you just said. Are there 41 that have no plan at all, or 41 that do not have an up-to-date plan?

Simon Gallagher: Forty-one that have no plan at all—or none post the Planning and Compulsory Purchase Act 2004, which introduced the modern plan-making requirement. We then have a number, which I think is a bigger question, that is more like 139 authorities that had a plan, post 2004, but have failed to keep it up to date. I think that is now the big challenge for us. We have introduced a lot of changes through the national planning policy framework to increase the ease by which you can get that plan up to date, and we have introduced, for the first time, from April



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2018 a requirement to review your plan every five years that did not previously exist.

- Q58 **Sir Geoffrey Clifton-Brown:** That was a wonderful answer, but it did not answer my question, which is: what are you going to do about those local authorities that do not have an up-to-date plan? How are you going to get tough with them, as a sanction?

Simon Gallagher: I am saying there are two forms of sanction: one is on those that have no plan at all, and one is on those that need to get up to date. Many of those that have out-of-date plans are in the process of preparing those, and it would be counter-productive for us to intervene on those. We have a set of powers that have been given to us by Parliament, which range from directing authorities to produce plans to requiring people to produce joint plans. There are quite heavy tests with those powers, as there rightly should be. Those powers are—

- Q59 **Sir Geoffrey Clifton-Brown:** You are still not answering the question. You have 41 authorities out there that have no plan at all. You have written to only three of them to tell them that they have to do better. Why haven't you written to all 41?

Melanie Dawes: We have 41 that do not have a plan. That is down from 124 in 2015. So it is falling—

- Q60 **Sir Geoffrey Clifton-Brown:** But why haven't you written to all 41, saying that if they do not produce a plan, you will take the plan over, as you have the power to do?

Melanie Dawes: We don't think we need to, is the answer. Of those 41, we have a very good idea of exactly where they are in the planning system; 30 of them are on their way and, of the other 11, a few more are on their way and we have identified those with which we have the biggest problem. I am conscious, by the way, that it is local government purdah at the moment, and we are talking about some authorities—

Sir Geoffrey Clifton-Brown: I was not asking you to name them; to talk in generality is fine.

- Q61 **Anne-Marie Trevelyan:** One of them is Northumberland, which is mine. We can talk about it because we have no elections; it is fine. We have had a change of political colour at the council. The previous plan, which was going through examination, got binned because it had a very particular direction of travel, which was fine. But it seems odd that we had to effectively scrap everything in it and start again. It was the housing issue, in particular, that was of concern; the new administration felt that it was very out of kilter. But why is the system predicated on having to scrap the whole thing and therefore start again? Any developer, and indeed the planning officers, have to relay back to, sort of, the borough council of Morpeth's 2004 plan to work on making any kind of decision at all. It seems a very cut and dried system, which means that everybody is left in a complete vacuum.



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Simon Gallagher: That is how the law is at the moment. It rightly requires plans to go through a degree of local consultation, and there is only so much discretion to change those plans without that consultation. The plan-making law that we and local authorities have to operate within gives that extensive consultation—

Q62 **Anne-Marie Trevelyan:** But that gives a completely free hand to trample all over everything in the meantime.

Simon Ridley: We start from the position, as we said, that we want the planning system to be a plan-led system. It is the case, and it is right, that local authorities are responsible for producing the plan and determining how they want development to be shaped in their local area. We have done a lot to try to support local authorities, through the Planning Advisory Service and other things, to help them put a plan in place, and we have made a number of policy reforms to try to simplify the process, including the standard method.

As has been said, there are, sadly, still 41 local authorities without a plan. Many of them are a significant way down the road. We wrote to 15 of them that, at the time, we judged to be the furthest away from a local plan, and through that we have pushed quite a lot of them through the process. But the ultimate decision is whether the Government wants to intervene and find some other way of writing the plan that takes it away from the local authority. That is a very significant decision in terms of the local community, and it is not one Ministers have yet seen that they want to take in any individual case, partly because we are seeing progress, with the number of councils without a plan coming down very significantly. I completely agree with the Committee that the fact that we still have some without is a problem, and we are working hard in various ways to provide support, but intervention is a very big step, in terms of who is determining the shape of development in that area.

Q63 **Gareth Snell:** I am sorry, Mr Ridley, to pick you up on this, but you have now said, I think, four or five times—I will check my tally sheet in a minute—that you want planning to be a plan-led system. That is, frankly, trite nonsense, because it doesn't mean anything. By your own admission, you have authorities that have outdated plans and 41 authorities that have no plans. The main driver for the planning process is the NPPF, which is a Government-led process derived in a Department at Whitehall. If there is no plan in place, you end up with a presumption in favour of development which, as has been rightly pointed out, is developers getting a free hand to build what they like. The backstop to that is the Planning Inspectorate, which we have not even got on to in this session but which, frankly, is a disaster of an organisation.

So please tell me exactly how the actions of your Department in setting a national target of 300,000 per year—which doesn't actually align with any of the assessments that have been made and which there is no understanding behind in terms of how you have calculated it—lines up to how you say that you want every department in the planning authorities to have a plan so that you have a plan-led planning system. What we



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see, and what I have heard this afternoon, is a series of things in a Department, a series of actions in local authorities that really do not relate to those things, and a series of local authorities that are not even complying, so the idea that there is some masterplan to deliver housing appears to be a figment of your imagination.

Simon Ridley: There is a lot in there. We are really clear, when I talk about a plan-led system, that we think it is right that local authorities should be determining the shape of development in their local areas through a plan. We have brought in policy to require local authorities to plan for a given number of households that is consistent with the delivery of 300,000 homes, which is the Government's overall ambition. We are then supporting local authorities through improving policy and through providing specific resources to support plan making to get those plans in place. The fact that authorities don't—you rightly point out that some don't and some are out of date—is a matter for the local authorities. They have to bring it forward. Where they don't, the presumption in favour of development is there, which means that development continues to come forward. Overall, we are seeing an increase in households being delivered year on year.

Q64 **Gareth Snell:** But not by design. That is not happening by design; it is happening because of a confluence of events that happens to allow houses to be built in certain places because they either lack a local plan or because you have one or two big areas that are so on the ball that they compensate for the failure of the rest of the system.

Simon Ridley: It is happening in different ways in different places. It is very hard to generalise from that. Equally, a lot of developments take time to come through. We are trying to work closely with the local government sector and local authorities to ensure that more plans go into place. We are seeing more plans come into being, so that is positive. We want to work to continue to make that process work better, and to ensure that local authorities have the resources to write those plans and that policy is clear enough for them to be able to do so.

Chair: It seems extraordinary that successive Governments have wanted to see more housing in different tenures, yet there are so many authorities without plans.

Q65 **Sir Geoffrey Clifton-Brown:** Can I put something to you, Mr Ridley? If I was a local authority worried about how many houses were going to be imposed on me in the next 15 years, and I did not want that number of houses, I would avoid doing my local plan for as long as possible. You say that you have written to 15 of the 41 that do not have a plan. Why don't you write to all 41 and set them milestones that they have to reach at a certain stage, otherwise your Department will step in and do it for them? They have been given good warning. That would soon sharpen them up.

Simon Ridley: That is what we have done with the 15. We have continued to move others through the system.

Q66 **Sir Geoffrey Clifton-Brown:** What about the others?



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Simon Ridley: Thirty of those 41 are in examination with the planning inspector at the moment. We are in a very different position from the idea that there are 41 local authorities that have not done anything at all. I think there were seven.

Chair: Still, given that successive Governments have wanted to see housing, it is quite shocking. I am going to bring Ms Flint in.

- Q67 **Caroline Flint:** I have a couple of questions. I understand that there are no publicly available statistics on the number of withdrawn plans or the number of plans declared unsound. Correct me if I am wrong, but those are local authorities outside the 41 that you referred to. Is that correct? This is where local authorities produced a plan, but it has had to be withdrawn because it is not good enough or it has been declared unsound. Can we just explore that for a minute to just verify whether they sit alongside or in the mix of the 41?

Simon Gallagher: Many of those within the 41 will be those that have submitted a plan previously and have either withdrawn it or had it found unsound. I don't have a total of the number over the past 10 years that have been found unsound, but individual local authorities will definitely know whether their plan—

- Q68 **Caroline Flint:** Would it not be in the public interest to have available to the public for scrutiny those local authorities that have been found to have plans declared unsound or plans that have had to be withdrawn? Through that, we can have a discussion and see for ourselves where they are going wrong. That goes to your job, Mr Gallagher, your job, Ms Dawes, and your job, Mr Ridley, and to how you influence in good time better planned plans.

Simon Gallagher: That information is available. The planning inspector will write to an individual authority if they have found their plan unsound. That letter is a public letter, so that information is publicly available.

- Q69 **Caroline Flint:** Thank you for that, but I was thinking that I would like to go to a place where I can see it all together on one site, and then click to see the more detailed reasons, but also to know that all of you are looking across all of those plans to see where there is commonality of problems and issues, to be able to provide better guidance and better practice.

Simon Gallagher: This is something that is really important. There is masses of really important information that is in local plans and in emerging local plans that is on local authority draft websites, but is not often very accessible. It is often in PDF files; it is not available publicly. I have been concerned about this. When we did the local plans expert group report, that was, I think, the first attempt I have seen to produce a consistent version of the data on where people were in the plan-making process, but obviously that went out of date almost immediately.

We have done a couple of exercises since then, for the local housing need consultation and then for the housing delivery test, but it is not good



enough to do that on a one-off basis. We need to find an automated process. I am doing some project work within the directorate to see if we can find a way of getting that data out of plans, which is so important for communities to understand it and to give that information more visibility. You are on to a really good set of issues there.

- Q70 **Caroline Flint:** My final question goes back to the housing delivery test. The NAO Report says, "Research by the planning and development consultancy Lichfields indicates that in 2020, around 34% of local authorities are likely to fail the test and could face the most stringent penalty, giving developers in those areas greater freedoms on where they can develop." We have been talking about holding local authorities to account for delivering a plan, and that is absolutely right, but how can we hold local authorities to account for the failure of developers to build new homes more quickly, given our earlier conversation about the number of planning permissions that don't actually result in the build-out as suggested at that planning decision stage?

Simon Ridley: This is a really important question. The housing delivery test starts from the position that councils do set the environment in which development decisions are made, but, absolutely, individual sites and individual developments will move at different paces and things will happen that are sometimes less in local authorities' control. What we are doing is trying to change policy to enable councils to plan in a way that minimises that. The review that Sir Oliver Letwin did is very important in this regard, and we are taking forward policy development about diversity of tenure on larger sites to support the increase in build-out rates.

In the new policy framework, we have said that local authorities should plan for 10% of their households on smaller sites, which can move through more quickly and make them less dependent on the single large sites. Alongside that, again, it comes back to the support we are giving to local authorities through various means, which we have talked about at various times today, to ensure they've got the capacity in their planning service to make the decisions effectively.

- Q71 **Caroline Flint:** Thank you for that, Mr Ridley. However, given the projections that have been suggested of the number of authorities likely to fail the test, or not quite reach it in one way or another, meaning they face more severe, stringent penalties, how likely is it that in a year's time—or maybe even earlier—you will come back to this Committee to tell us that there are going to have to be changes to the housing delivery test because of this?

Simon Ridley: The first thing to say is that, actually, there is quite a lot of complexity in the calculation of the housing delivery test, so exactly how many people will reach different levels remains to be seen. What we have done is a three-year transitional level for that third, most stringent penalty, so that councils have time to build up towards the level that we set. This year, when we published it for the first time, nobody was under that threshold, and they have another year before we get to the second



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year's data, which is published in the autumn. We are trying to use that transition period to enable councils to respond and get ready.

Q72 Caroline Flint: So you don't see any likelihood of changes to the housing delivery test model.

Simon Ridley: We are not working on changes to the housing delivery test at the moment.

Melanie Dawes: Can I just add that we might just need to change it? It is important to emphasise that it's a new part of the system, and what we've got here is, over a period of years, a gradual layering of stronger and stronger incentives towards house-building on local areas. The housing delivery test is the latest of those things. I think it is quite important for us to emphasise that we go into all of this knowing that we will try things and that some things will not have the impact we expected and others will have more impact than we expected, and we will want to adapt as we go along. So we are not planning any changes, but if we think we need to make some, we will.

Q73 Caroline Flint: That is very commendable, Ms Dawes, but wouldn't you agree that we are not starting at ground zero here; there have been various strategies over many years. I can go back a little bit to before my colleague Gareth Snell's time in local government, having been a Housing Minister myself—I know about that and about where things worked and didn't work, and I will be honest about that. But if we do not have some certainty about the validity of these tests, there is a danger—dare I say it—that some local authorities and some developers may game the system, because they think that, at some point, they can push back and say, "You're going to have to change this test." We need some certainty to get to that 300,000—in terms of predictability, but also other measures that need to feed in, whether it's more money, more grant or whatever, to meet that target. The more we say, "Well, we might change it down the road substantially" or what have you, the more that allows those who don't want to build, or don't want to build the sort of housing we need, a get out of jail free card.

Melanie Dawes: You are quite right: it's a balance of adapting, being realistic and being pragmatic, but not wanting to keep changing everything all the time so that people can just put their feet up and wait until the problem has gone away. We don't want that. You're quite right.

Simon Ridley: It is worth saying that, as a result of this year's test, we have 87 local authorities producing an action plan, because they were further down the list in terms of what they do, so we are learning about what some of the issues for them are, and we will adapt to that in the broader policy system.

Q74 Sir Geoffrey Clifton-Brown: Given that local authorities are enablers, not deliverers, of new houses, because the local authority grants permission and the house builders build them, isn't it a bit unfair to put all sorts of sanctions on local authorities when they are not actually in control? They can grant permissions, but they have no way of being able



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to enforce local house builders to build out those permissions, so surely we ought to be giving them a little bit of teeth. We could think of one or two things like shorter starting conditions, charging council tax when those starting conditions have expired, enforcing consortia, phasing in large developments—there are a number of things that you could do to enforce the house builders to actually start building out permissions. Have you thought of any of these things?

Melanie Dawes: You are right that local authorities are not in control of everything that goes on in their area, but they do set the climate for house building in their area, and I think they are a very important part of what goes on. But we do need to be ready to support them where that is the problem, whether it's with questions of resources, in the way that we were discussing earlier, or simply not having the capability, or by giving them stronger tools to negotiate with developers or greater transparency over developer contribution. It's a question of sticks and carrots, I agree, and some of the ideas you have just mentioned are the sorts of things that are sometimes suggested. They are very good suggestions for developing this yet further; they are the sorts of things we would want to keep under review.

Q75 Gareth Snell: Could I briefly turn to the Planning Inspectorate and the roles and functions that it currently has in the system? The NAO Report clearly says that the Planning Inspectorate "is slow at determining appeals and acknowledges" this, so can I ask what actions the Department is taking to ensure and secure improvements in the Planning Inspectorate?

Melanie Dawes: I will ask my colleagues to speak to some of the detail on this, but I will just say that we do agree with the NAO Report that the Planning Inspectorate have got to make some significant improvements in their performance. We have a senior team there that is well aware of that—a new chair and a chief executive who has been in place for only a couple of years. They are very alive to the need to make improvements. In some cases, the Department has to support that, too. They have outdated technology, for example, so we need to provide them with investment there. And in some cases, they have to do quite a lot of detailed work on their processes and systems, to be much, much better at understanding how they and their customers in this sense, if you like—the people who are working through the system with them—interact to cause delays, which nobody wants to see.

The Bridget Rosewell report, which was published very recently, is a really important piece of work. It basically concludes that an awful lot of change needs to happen in the way the processes work in the real world and in the Planning Inspectorate, and we are waiting for an action plan on that from the Planning Inspectorate over the next few weeks.

Q76 Gareth Snell: I have two questions, then. First, what is the timescale in which you would expect the Planning Inspectorate to produce an action plan? Secondly, what is your departmental patience with the Planning Inspectorate? How much time are you willing to give it to deliver that



action plan?

Simon Ridley: There is a really important bit of work going on, which is about performance recovery in their current appeals. We provided a bit of money last year and are providing more this year. It is recruiting more inspectors, and we are expecting its performance to improve in this calendar year.

In terms of the Rosewell review and the work around planning inquiries in particular, we are looking for an action plan in the coming days—we said that we wanted it at the end of this month. It is already piloting a small number of inquiries under that new process, to begin testing it out and see how it will work, so that we can get into the process change again over the course of the next year and see some really substantial improvement quickly, because it is a key part of the system.

Q77 **Gareth Snell:** What do you define as substantial improvement?

Simon Ridley: In terms of its main planning appeals, we want the decisions made within 18 weeks. Bridget Rosewell's review was about getting the planning inquiry decisions made in about 24 to 26 weeks, whereas at the moment I think we are in the high 40s.

Q78 **Gareth Snell:** Are you looking for 100% of those decisions to be made in 18 to 22 weeks?

Simon Ridley: What we want to get done at the moment is, yes, get those decisions through. We actually have a set of targets that we have set for the Planning Inspectorate, but we want to get its performance in place first and then decide what exactly the right targets are. We just need to stabilise the business and get the process change made first.

Q79 **Gareth Snell:** Right. I will be up front about it: what I want to understand, quantify and extract from the panel is some tangible dates and tangible improvements by which we can measure success if this review is implemented. So to probe you a bit further, what scale of improvement do you expect from the Planning Inspectorate, and by when, if the report's implementation is done correctly?

Simon Ridley: By the end of this year, we want its planning appeals made in an average of 18 weeks. We have asked it to do that, and it is doing a number of things towards it, the first of which is recruiting far more inspectors. We are expecting an action plan on inquiries, which we will get at the end of this month. It is beginning to pilot that; once we have it, we will be able to tell the Committee exactly what our expectations are.

Q80 **Gareth Snell:** Okay—so you have not done any work on what expectations you will be looking for.

Simon Ridley: No—we have Bridget's review, which is clear about a number of recommendations that will improve the process and get planning inquiries down to around 24 to 26 weeks, rather than the 40-something weeks that we see.



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- Q81 **Chair:** Why did it take so long to do this review? I think that all of us round this table would agree that the Planning Inspectorate has been a challenge in our own areas for many, many years, so I am interested to know what triggered the review particularly. Obviously there has been political chatter about it; I guess that that is why the Minister will eventually make a decision, if for no other reason.

Simon Ridley: The Planning Inspectorate has been addressing a number of issues in recent years. We have got to the point on inquiries where we need to do some real business improvement to the way in which we go through the process in the Planning Inspectorate with local authorities and developers. The review was commissioned last year.

- Q82 **Gareth Snell:** As I am sure you were briefed, I like specifics. You say “business improvements”, but if I am a customer—for want of a better word—of the Planning Inspectorate who has been refused planning permission and has gone to appeal, what in the experience that I get today will have changed from 12 months ago?

Simon Ridley: A big part of it is about communication. At the moment, you do not actually know which part of the appeal system you are in, for example. The Planning Inspectorate is building a new portal so that you know whether your appeal has been accepted and is being looked at by an inspector—which stage of the process you are at.

- Q83 **Gareth Snell:** Is that portal online now?

Simon Ridley: No, not yet, but that is one of the business process improvements.

- Q84 **Gareth Snell:** When will it be online?

Simon Ridley: Later this year.

Simon Gallagher: We can write with the precise milestones on that.

- Q85 **Gareth Snell:** To go back to my question, then: if I were going through the process today, what would I experience differently on the back of this report and the business improvements that you have talked about? Maybe not today—maybe in the next couple of months.

Simon Ridley: Just to be clear, what the Planning Inspectorate is doing is a series of projects on performance recovery and on business transformation, which are under way—they are not in place. Today, you are not going to see—

- Q86 **Gareth Snell:** I will stop you there. You said “a series of projects”. What are they?

Simon Ridley: Let us go through another one of Bridget’s recommendations. At the moment, the date for an appeal inquiry is negotiated between developers and local authorities. That can mean it takes a very long time to get a date that can work. One of her recommendations is that the Planning Inspectorate should set that date, when there is an inspector available, to a timescale that means it happens



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more quickly. That is one of the practical recommendations. Her report has another 20 or so recommendations in it, which we are working our way through.

- Q87 **Gareth Snell:** Figure 10 in the NAO Report demonstrates a series of shortfalls in the statutory targets. Given what you said about business support increasing, improvements and potential new technology, at what point would you expect the Planning Inspectorate to be meeting those statutory requirements—those statutory targets?

Simon Ridley: We are asking them to make sure that their appeals are done in an average of 18 weeks by the end of this year, to ensure that we have business performance at an appropriate level. We will then need to look through the spending review at exactly what the right targets are.

- Q88 **Gareth Snell:** So how will you determine what those targets are? You said the spending review—is it about how much cash you get?

Simon Ridley: We will consider the level of resource in the inspectorate, the speed at which we want to move appeals through—

- Q89 **Chair:** What if there is no spending review? We heard that the Chancellor said to the Treasury Committee last week that there may not be a spending review.

Simon Ridley: There will have to be at least a budget set for next year, so we can set a budget for the Planning Inspectorate.

Chair: A very honest roll of the eyes from Ms Dawes. You are all very stoic about it. Perhaps I could ask the Treasury officer of accounts whether we have any further update on when the spending review might be.

Richard Brown: I do not have anything to add to the Chancellor's comments.

- Q90 **Chair:** It is frustrating. The next question for Ms Dawes or Mr Ridley is whether there is a point of no return where it is going to be difficult for you to plan. Presumably you will have to roll over from last year.

Simon Ridley: We can roll over. So—

Chair: That is not going to help with the Planning Inspectorate stuff, where you are trying to make some changes through the spending review.

Simon Ridley: On the basis of extra resources that we have put in this year, we are ensuring that they get the backlog down and that the performance recovery is there, with appeals in an average of 18 weeks. That then gives us a basis on which to have a proper discussion with them about the right level of resourcing for a given set of performance. That is the process that we are going to have to go through with the Planning Inspectorate. We need to stabilise—

- Q91 **Chair:** So you cannot blame the lack of a spending review or the lateness of a spending review for any performance in the Planning Inspectorate.



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Simon Ridley: No, this is unquestionably a set of processes and a system that need to be improved, and the performance for customers needs to be improved. That is the work we are doing with the Planning Inspectorate.

Q92 **Chair:** It is not necessarily just about money.

Simon Ridley: No. It is at least as much, if not more, about business process improvement, the way that appeals are dealt with and the systems that they have in place.

Chair: The Treasury are nodding happily. You have made a very good pitch for no money for the Planning Inspectorate.

Q93 **Gareth Snell:** Just to be clear, Mr Ridley, how much of the additional resource that you have put in has been cash and how much has been non-cash support?

Simon Ridley: It is mostly cash. When I talk about resources, I am talking about cash—

Q94 **Gareth Snell:** You said it was not a cash issue.

Simon Ridley: There are two issues. The first thing is that, at the moment, they have a big backlog of appeals that are taking far too long. That process has to be addressed, so they are putting more resources into additional people—what they call non-salaried inspectors, for example—to work their way through that backlog this year. That is what we want to get sorted, as I have told you, by the end of this calendar year. We then need to have a discussion with them about the right level of resource overall for a given level of performance. We have to put extra money in at the beginning to address the performance recovery.

Q95 **Gareth Snell:** What I am trying to understand is which one will determine which. Will it be that the amount of cash available for you to put into the Planning Inspectorate will determine the statutory targets you set for the Planning Inspectorate to make, or will you actually determine what statutory performance you would like to see from the Planning Inspectorate and find the necessary resource to achieve that? At the moment I am unclear which route you are going to go down.

Simon Ridley: We are going to have to work our way through that question. The other thing we need to make sure that we deliver—that the Planning Inspectorate put in place—is the business process improvement that means we can have a better level of performance for a given level of resource than we have had in the past.

Melanie Dawes: We have an overall group administration budget, which gives us some flexibility to prioritise towards the Planning Inspectorate from other parts of the MHCLG group, if we need to. To that extent, it is not just about overall resources. As Simon says, a lot of what needs to happen does not cost money, but in the short term, you do usually—and we have, and we will need to continue to for a short period—put some money in to deal with the backlog and invest in things such as better



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systems and IT. However, this is largely not a question of money; it is a question of more efficient processes.

The one thing that I would add that has not yet been mentioned is the question of fees. There would be a package that could involve fees where we might want to trade performance against fees. However, where I think people would be coming from on that at the moment is wanting to know that the Planning Inspectorate could deliver against that, and I think they have got stabilisation work to do really before that can be a credible offer to get it through.

Q96 **Chair:** So you think it is too early to pay more to get it through quicker?

Melanie Dawes: Developers often say that they would rather pay more in order to get a better service and a guaranteed service, but I think we have got to make sure that we have got the infrastructure in place to be able to deliver on that kind of offer—

Q97 **Chair:** To be clear, if a developer wins in that case and the local authority is then landed with the cost, does the cost to the authority go up because the fee was higher to go through at a faster pace? Mr Gallagher would probably know that one.

Simon Gallagher: They do not charge fees at the moment, so that would be one of the choices that you would have to consider. If we were going to introduce fees, you would have to—

Q98 **Chair:** In a borough like Hackney, we have got large developers building large blocks, and for them it is peanuts to pay for the extra speed, but it could be a borough like Hackney that gets landed with the higher costs if they lose the planning appeal, in simple terms.

Melanie Dawes: We need to make it clear that we are not giving developers an ability just to buy their way to the right appeal outcome. There are lots of questions that we would have around fees, but I am just adding fees as another—

Q99 **Chair:** That is quite important to all our local authority areas.

Melanie Dawes: That would be the sort of thing that we would expect to do in the spending review. There are lots of fee issues and income issues for local government—

Q100 **Chair:** Given that we do not have a spending review—as of now, we do not know when it will be—you must have been planning for this. At what point were you, or are you, going to consult about this as part of the spending review process, given that we would have expected to have had the spending review about now? It would be between now and June, normally.

Melanie Dawes: In the end, it is a question for Ministers to work out whether this is something they are keen to put on the table and to launch a consultation on.

Q101 **Chair:** It would need principal consultation. You are clear about that—just



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to be clear?

Melanie Dawes: Yes.

Simon Gallagher: The primary powers exist to charge fees for appeals, but there would need to be a consultation to discuss both the quantum but also some of these issues, such as in what circumstances might fees be refunded and whether it applies to everyone in every type of appeal. Those are all questions that Ministers would need to consider.

Q102 **Chair:** Making allowance for the smaller developer who could not afford them?

Simon Gallagher: Exactly. These are non-trivial and quite complex technical things for us to work through.

Q103 **Chair:** Exactly. A slight concern, which you have picked up, is, with the spending review as yet uncertain and untimed, when this might all this be decided. I think we have got the message that you are not sure yet either, partly because you do not know when the spending review is.

Melanie Dawes: We are working on all our policy areas towards a spending review and have been for some months, so we are not waiting for the starting gun. There are some questions for budgets for next year and, as you know, on local government clearly there is a lot of work that needs to be done. We have discussed—

Q104 **Chair:** Are you talking to the Local Government Association for starters on this?

Melanie Dawes: On the question of fees?

Q105 **Chair:** Yes.

Simon Gallagher: Absolutely. I mentioned earlier the survey we are doing on resources. That is partly with that conversation in mind. We are having regular conversations—

Q106 **Chair:** When are the results of that survey coming out?

Simon Gallagher: It has closed. The planning advisory survey—

Chair: That is the one that has just closed? Okay, fine. Mr Snell.

Q107 **Gareth Snell:** Just briefly on that, of course there is a differential between the small district shire councils and the big London and other metropolitan councils in what they can afford in terms of fees going against them.

Simon Gallagher: Absolutely.

Q108 **Gareth Snell:** My last question is about the £13 million that has already gone into the Planning Inspectorate. What oversight is there of that? How is the Department monitoring what is coming out of that? How are they assessing its value for money, to make sure that it is actually giving longer-term benefits and not just filling a hole?



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Simon Ridley: We have set a very clear set of expectations of the Planning Inspectorate. We have a sponsorship team that monitors them regularly. Simon sits on the board down at the Planning Inspectorate and then we have a quarterly meeting with them to go through their budgets, their performance recovery and where they are. We have a very structured governance in the Department to make sure we know where the money is going and what the outputs are.

Simon Gallagher: In addition on this performance recovery discussion, I chair a monthly meeting with the Planning Inspectorate to look at the latest numbers. In fact, the next meeting is tomorrow at 10 o'clock, so this is very much on my mind. I am having that conversation, looking at the numbers and drilling into what is going on. That is a really key part of our dialogue. We have a very active relationship with the Planning Inspectorate.

Q109 **Anne-Marie Trevelyan:** Ms Dawes, you said earlier that the aim is to transform the housing market. That is quite a big statement. Going from the application process to the other end, when the properties have been built, in Northumberland and across the country, colleagues are saying there are so many problems with the quality of the housing being built, and this seems to have shifted from the point that councils do not have to do the building inspections any more; private contractors are doing so. We are seeing a dramatic negative shift in the quality of the housing being built, which will give us a long-term problem with the quality of this new housing market. We are seeing a dramatic negative shift in the quality of the housing being built, which will give us a long-term problem with the quality of this new housing market. That is a real concern; are you aware of that, and what are you trying to do to address it?

Melanie Dawes: Quality is very important. It is quality of design and planning, neighbourhood planning and then quality of delivery, which is more where questions of building control would come in. Simon may want to say more about the various bits of work we have in hand on overall design quality. On the inspection side, we have heard about particular issues with certain developers, which came to light and were raised with us. We have talked to the industry about those, and various plans have been put in place. Particularly given where we are post the terrible fire at Grenfell Tower, we have questions about how building inspection works overall, but we are focusing at the moment on tall residential buildings, for obvious reasons. There are questions whether or not we have quite enough in place elsewhere; that is not currently an area of activity for us, but it might be something we need to look at further.

Q110 **Anne-Marie Trevelyan:** To be clear, what is the framework of regulation? It seems clear to me that developers—indeed, some of those who have been given a telling off—are using private inspection systems, which means that councils are not seeing or having a balanced view across the country of the inspection requirements, and people are getting poor-quality housing.



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Melanie Dawes: The approved inspectors were introduced to try to introduce a bit more diversity into the market and to speed things up, because that had been a problem. To some extent it is swings and roundabouts. Your point about whether a council then has a sufficient view across a local area is valid. As I said, we do not have a particular work programme on building inspection other than on the Grenfell issue, where we have a very big and comprehensive programme. We are prioritising that for good reason, but it will open up those questions more widely. In particular, some of the workforce and training issues will potentially be common to all inspection.

Q111 **Anne-Marie Trevelyan:** And indeed whether the standards we think are being adhered to are actually being adhered to. There is real concern among many constituents of many colleagues that there is a real problem there and it is not being done as it is thought to be. I am concerned about whether the Department is over it. I completely appreciate that the resource has been taken by tackling Grenfell and high-rise buildings in that first instance, to ensure that we get that right, but I will leave with you the question whether you believe that in transforming your market, you will be allowing very shoddy buildings, which will come back to bite us in 10 or 20 years' time.

Melanie Dawes: On the question of design, we have an active programme of work. It is an important part of the strategy.

Simon Gallagher: Yes. There is an active programme of work. The Government's chief planner is leading a programme of work that includes revising our design guidance, engaging the sector—over the past two years we have led for the first time a conference to try to bring together the built environment professionals in this area—and improving the quality of that, recognising that this is not just a game of achieving numbers, but about building communities and building great places to live. We have been trying to work through that key message, and it is part of why we are talking about needing to change quite a lot of the market behaviours. It needs different people doing different things in different ways to achieve that.

Q112 **Chair:** Those are big ambitions, but I live in a borough where there has been an enormous amount of development, and I could probably fill your in-tray very heavily with a lot of cases like the ones Ms Trevelyan has highlighted. There seems to be no sanction on the developer or, if there is a sanction, it is a very expensive legal one for either the housing association or the homeowner to go through. In the meantime, you have residents living in misery, unable to sell or remortgage and so on—let alone all the fire safety stuff; we are just talking about the general building. In your discussions and policy planning, are you thinking about any sanctions on those developers? There is a potential cost to the public purse, but there is certainly a personal cost to those individuals who are caught in that situation and cannot move.

Melanie Dawes: On the question of whether developers are delivering the quality that they say they will, and whether there are defects and so



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on, as I said earlier, we do not have a particularly active programme of work there, other than on the Grenfell issues. So the answer is no, we do not have a huge programme to talk to you about today.

Q113 **Chair:** Is that because it has not been a big issue coming to the Department?

Melanie Dawes: It hasn't emerged with quite the same force as some other issues, but you are making some good points.

Chair: You might get a few more letters next week.

Melanie Dawes: Perhaps that is about to change. But on the question of the design up front, whether or not a development has been planned effectively, that is certainly an issue that is very live, and communities do say, "It's all very well, we'll have homes in our area, but we don't want them to be small, ugly and badly designed with no decent road layout", and so on. That is very live and we have got a range of things that the Government are doing on that.

Q114 **Anne-Marie Trevelyan:** But when the design is good and the outcome simply isn't, there does not appear to be a level of coherent oversight and indeed sanction if necessary.

Melanie Dawes: We have a system of building control and local authority powers. As I say, we are focusing on significant reforms for tall residential buildings, which will be far-reaching and will focus minds in all areas of the market. That is our current focus. It gives us an opportunity to think about whether there is more to do elsewhere, but we are prioritising the building safety risks.

Anne-Marie Trevelyan: I would suggest there is more to do.

Chair: For the homeowner, the tenant, or the person whose home it is, it has a very big impact financially and generally if something has gone wrong in their home, which I am sure is not lost on you. Thank you, Ms Trevelyan. I turn now to Sir Geoffrey Clifton-Brown.

Q115 **Sir Geoffrey Clifton-Brown:** Can I turn to the issue of permitted development rights? You might be aware of an article in *The Financial Times*, written by Judith Evans. She cites a block in Croydon that isn't having a local election, so it is not subject to the period. In this particular block, they found, "serious fire safety breaches including a locked fire escape, poor ventilation and defective fire doors...dangling wires. Many of the windows do not open, in keeping with an office building designed to be used with air conditioning—but air conditioning was not available to residents". There are some absolutely shocking examples under permitted development rights where these buildings have been developed to a pretty poor standard. What do you intend to do about that?

Simon Ridley: We have committed to a review of permitted development rights of commercial into residential to look specifically at the quality of those homes. The Secretary of State announced that last month, and that is work that we have got under way. We are doing it to make sure that we



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understand the range of different outcomes that we have seen across the country from this permitted development right. It is critical that the quality that is built is good enough.

Q116 Sir Geoffrey Clifton-Brown: There are some pretty shocking cases. How long is it likely to take, Mr Ridley?

Melanie Dawes: When it is a question of what should the standards be, in some cases there is a real concern that, particularly if you have got a big office block, the number of homes being created out of that office block is too high, the space standards are not adequate and the quality isn't good enough. The question of what should be allowed to be built will be covered by the review. Where you have got a building where clearly no safety standards are being met, the sorts of things you just described, if it is a tall residential building in particular, we already have a lot more engagement than we had a couple of years ago, after the Grenfell Tower fire, with local authorities around those safety issues, particularly for buildings that have got the wrong cladding. Councils like Croydon have been working with us on blocks of flats—not just those with cladding, but ones where they have wider concerns—and we have a very open mind on the sorts of risks that might be out there. The fire doors that you mentioned is something that did come across our desks quite early after the Grenfell Tower fire, and we had a very active programme of work on that, as I am sure you are aware.

Q117 Sir Geoffrey Clifton-Brown: You could make sure that the notification system from the local authority works so that these types of conversions have to at least pass building regulations.

Melanie Dawes: Yes, there is a real question about who gives the sign-off as well and which inspectors are doing that. They are required, as my colleagues have just said, to come through the system, but there is a question about whether the inspections are good enough, and that is covered by Judith Hackett's review.

Q118 Sir Geoffrey Clifton-Brown: In that same review, Government Ministers talked about allowing permitted development rights on commercial buildings due to be demolished and conversion of restaurants and so on. Rather than restricting permitted development rights, you talked about extending them. Where has all that got to?

Simon Ridley: There are a number of different permitted development rights, some of which are under way—commercial-to-residential buildings—and one of which we are ending, which is a permitted development right from storage to residential, which will lapse in June this year. There are also some others that we are continuing to develop, including a permitted development right to extend upwards in certain circumstances.

The suite of permitted development rights generally is a response to the need for greater housing supply. We are making sure that as different rights are introduced we learn from how effective they are, or not, and we either review, end or keep them going, depending on where they come

out. You are right that there are different permitted development rights. Some are in design, some are in practice, and some are coming to an end.

Q119 Sir Geoffrey Clifton-Brown: I find that answer slightly puzzling, because under the consultation Ministers proposed an extension to enable commercial buildings to be knocked down and replaced without planning permission. That sounds extraordinary because you are not getting any section 106 or CIL, or social housing or anything, out of an entire demolition and rebuild.

Simon Ridley: That is one of the ideas that we are continuing to work on, but we are developing that at the moment. There are some big and important policy issues that we will have to resolve before we can introduce such a right, but that is work that we are currently doing.

Q120 Chair: So is that a policy that is in place, but you are working up how you deliver it, or is it still possible that you might go back on it?

Simon Ridley: No, it is a policy that is not in place that has been announced. We will work it up. There is no permitted development right of that sort at the moment. We are working out whether we can design such a thing, and then subsequently introduce it.

Q121 Chair: So there is a policy intention to deliver this if you can do it in a way that safeguards—

Simon Gallagher: The precise words that my Secretary of State put in his written ministerial statement were: “We will continue to consider the design of a permitted development right to allow commercial buildings to be demolished and replaced with homes.”

Q122 Sir Geoffrey Clifton-Brown: In the sorts of cases that I have quoted of conversion under permitted development rights, if a developer was found to have done that and put these houses on the market, or given them for social renting or whatever, what sanctions would there be on the developer?

Simon Ridley: Sanctions for?

Q123 Chair: Well, if there were no fire doors in a block, or a shoddy building was built.

Melanie Dawes: This goes to the heart of some of what we found after the Grenfell Tower fire. Frankly, if we find these problems some time after the event and they have been missed by building control, they are very difficult to go back through the supply chain and sort out. In some cases, warranties are in place, and that has been effective. In some cases, there is no insurance, and sometimes developers operate by setting up special purpose vehicles that are disbanded after a building has been constructed.

What we have found as we have tried to tackle the issues around cladding post Grenfell is that it is very difficult to trace that back through the supply chain. That is what the reforms are designed to address. They are designed to be much clearer about responsibility, particularly at that crucial moment of handover of a building to the new owners—the

freeholders or the leaseholders—so we are clear that everything has been done, that that responsibility is there, and it cannot then be walked away from if there is a problem in the future.

Q124 **Chair:** That is going forward. It does not help the—

Melanie Dawes: Yes. This is a very big programme of reforms to the building safety regime for tall residential buildings in particular, recognising the really quite serious problems that we found, not just on cladding.

Chair: Our colleague the hon. Member for Bethnal Green and Bow has an Adjournment debate on this very subject.

Q125 **Sir Geoffrey Clifton-Brown:** May I just move us on to section 106 agreements and CIL? There is nothing more annoying that drives our constituents to distraction than finding that a new development has come on their doorstep and they either have to wait for the infrastructure to be put in or do not get it at all, at the end of the day, because the local authority has not extracted the right 106 payment or, indeed, the right CIL payment. You are looking at the CIL system. The NAO Report says that it might need legislative change. Can you tell us where you have got to with this whole 106 issue and CIL issue?

Simon Gallagher: Let me say a bit on that. There are two or three elements to this, which you have hinted at, but let me expand. Some of that we are doing through policy changes. One of the problems we found—this links to some of the comments that Melanie made earlier—was that developers were buying a piece of land and then beginning the negotiation about affordable housing. What we want is more clarity up front in plans about what will be expected of affordable housing, and we have introduced that in the national planning policy framework.

The big change we want, partly through regulations and partly through the national planning policy framework, is for there to be much more transparency in this process. One of the problems we hear about at the moment—I hear this whenever I go to a local authority—is that there is a degree of opacity about the nature of the negotiation between the developer and the local authority. We want much more standardised published information about what those viability agreements are so the community know what they are getting for this and there is much more transparency that can be held to account in that process.

We are introducing that and are consulting on a set of reforms to the community infrastructure levy, which include a whole load of improvements to make it more efficient and effective in the light of a review we had done. One of the key elements is requiring the publication of the standardised section 106 reports and what the local authority is getting from its infrastructure levy so the community can see what is actually happening.

Q126 **Sir Geoffrey Clifton-Brown:** So there are two bits to it—section 106 and CIL. Can we just stick with CIL for a minute? Only about 40% of local



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authorities are applying CIL at the moment. What are you doing to encourage 100% to apply it?

Simon Gallagher: The law is clear that it is a matter for the individual local authority to decide whether it wants to take up CIL or not. We do not have a role to force local authorities; those are local authority decisions. We have heard two reasons why local authorities haven't been introducing CIL. First, it has been too costly and complicated to introduce. Our regulatory package, which I referred to earlier, and on which we consulted at the end of last year, tries to do a bit of simplification. I can talk in detail about the individual elements if that is helpful.

The second issue is that in areas of low land values local authorities couldn't see the point in introducing something that wasn't going to raise that much money for them. If you look nationwide at where the community infrastructure levy has been introduced, it tends to be in areas of higher land values, where they have thought that they can use it as an effective tool. It is not going to work effectively in areas where land values are low. We heard some examples of that earlier.

Q127 Sir Geoffrey Clifton-Brown: Turning to the vexed subject of section 106, the Report makes it clear that you are only raising about £6 billion a year in section 106, but it also says that the cost of infrastructure based on the current 200,000 new homes a year is about £12 billion. Section 106 raises about half of what is needed for the total infrastructure relating to new houses. Is this the right balance?

Simon Ridley: It is worth saying that section 106 is crucial for infrastructure, but it isn't the only source of funding for it. Clearly, a number of Departments around Whitehall have significant capital budgets for infrastructure, whether it is transport, schools or hospitals. Ensuring that that is aligned with house building in key areas is essential. That is a large part of what we do. For example, I attend the Department for Transport's investment committee on certain transport projects where they are particularly important to housing development in that area.

Equally, in our Department, we have key funds to support infrastructure where it is very directly supporting individual housing development, such as the housing infrastructure fund, which is now worth £5.5 billion over the next few years. We have to align those direct central Government resources with what comes through section 106.

Q128 Sir Geoffrey Clifton-Brown: But given that local authorities have to apply for those funds, whereas they could negotiate section 106 more effectively, given that house prices have gone up very considerably in the last seven years, yet the average contribution in section 106 is still about £19,000, and given that the profits of the house builders—I have looked at the share prices—have been in double digits over the last five years, surely there is a case for trying to make a standardised methodology for local authorities to collect 106s better.

Simon Ridley: I completely agree that the simpler we can make this process overall, the more we can support local authorities to negotiate



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effective section 106 agreements and the more money we can raise to support infrastructure from the land value increase from the private developer, the more we will support house building.

We are doing a number of things, which Simon has referred to, to try to simplify and support the process. On individual sites, there is a difficult balance for the local authority to strike between viability and ensuring maximal funding for infrastructure. We are working hard to try to increase that. We think that more can come forward, but it will always be a balance, which is why we need those other public funds that can come in directly.

Q129 Sir Geoffrey Clifton-Brown: Understood. Whether it is a section 106 or whatever, the areas in my constituency—nationally, too—that seem to cause trouble are roads, water and broadband. What can be done to tighten up on ensuring that local authorities get the funds, so that local residents, faced with a new development next door, are not inconvenienced in those ways?

Simon Ridley: There is more we can all do to align these funds to support housing development in that way. There is no question but that we will increase community support for housing in those areas when the infrastructure can come through. As I said, we have a lot of funding in the Department, and we are working closely with Homes England and local authorities. For example, on the housing infrastructure fund, as we make transport decisions we are reliant on the Department for Transport—quite a lot of the projects that local authorities bring forward are on transport. We are making those decisions jointly, and we are seeking to align those things.

In larger areas, we are trying to do the strategic planning around where transport or water infrastructure is needed with that housing development, which is some of what we are doing in places such as Oxford, Milton Keynes and Cambridge, which Melanie referred to earlier.

Q130 Sir Geoffrey Clifton-Brown: Just to amplify the problem and ensure you are thinking clearly, rather than behind the curve, if you need £12 billion for 200,000 new houses, extrapolating from that figure, your aim of 300,000 will require £18 billion, and if you extrapolate that further to 500,000—your aim from 2022 onwards, which I mentioned earlier—it comes to £30 billion. Do you really think that you are providing enough money for infrastructure with this significant increase in new housing?

Melanie Dawes: I may not have been clear enough at the beginning that the 500,000 figure that you just referred to is just a target for delivery over a couple of years—it is not an annual target. The Government's ambition is 300,000.

But your point is a valid one. That will inevitably mean that we need more investment in infrastructure alongside that. Some of that will come from developer contributions. You are right that that is often the easiest money for local authorities to access, albeit subject to negotiations, which are often quite difficult.



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However, some of it will need to come from central Government, and some of it will need to be about investment in roads, infrastructure, schools, and hospitals and so on. We will need to ensure that those Departments have the budgets identified that are necessary for housing, and that they are bending their programmes sufficiently towards housing, as well as towards the objectives that they have in their individual policies.

- Q131 **Sir Geoffrey Clifton-Brown:** I want to be very clear that you are thinking that we will not be behind the curve. Everybody approves of this big increase in house building, but it could go very sour if people are hugely inconvenienced because the infrastructure in their area is not there. If they start to get water pressure reductions, they don't get broadband and the roads are clogged up completely, the population could really sour against this house building programme—if you are not careful.

Melanie Dawes: Yes, you are quite right: these things really matter, and we have a number of reforms to developer contributions, which my colleagues have been describing. It is always going to be a difficult area, but we have quite a lot in train to try to improve things.

However, central Government is also going to need to look at this as part of the spending review—sorry to mention that again, but it is when those capital budgets for the future will be set. It is about both how much those budgets are and how they relate to housing, and how we make sure that housing is part of their objectives alongside their other areas.

- Q132 **Chair:** Will the same pot of money from the spending review be for infrastructure, new housing, and grants for social housing, or will there be separate pots for infrastructure and social housing?

Melanie Dawes: From the Treasury's perspective, they have overall budget constraints.

- Q133 **Chair:** Are you only bidding for one pot, or are you bidding for two pots of money?

Melanie Dawes: We will want to put together a compelling case for 300,000, and what it requires across the variety of investments that might be needed to get there.

- Q134 **Chair:** Do you know how much you will need to develop the right amount of social housing, for instance?

Melanie Dawes: I haven't got a number I can put on that today; you probably would not expect me to. Of course, affordable housing needs to be a really important part of this, with all the breadth of definitions that we were discussing earlier. So does basic infrastructure, and so do facilities such as schools and hospitals.

- Q135 **Sir Geoffrey Clifton-Brown:** The last subject is fees for local authorities. In the last seven years, their spending has gone up by 2% per annum and their income has increased by 3.54%, which implies that they are not getting enough income to provide a proper planning service. I see that in 2018 you allowed them to increase their charge by 20%, but the HBF



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says it can see no discernible increase in performance or investment in planning services as a result. There is still a problem with the performance of local authority planning departments. What are we going to do about it?

Melanie Dawes: You are right. It has certainly been an issue. When you talk to developers, capacity in local authority departments is usually at the top of their list of concerns. The fees have only just come in; they have been in for just over a year. It puts another £75 million into the system each year, which is a significant injection of cash. The other thing we are doing is something that is more bespoke: we have £16.5 million to invest in areas that are a priority. Simon's survey, which he mentioned earlier, will help us to get a sense of whether we need to do more and, if so, where and on what issues.

The other thing that we have perhaps not yet brought enough into our discussions is Homes England. We are seriously investing in the agency in a very different way, being much more activist. It is their job to get local authorities and developers together and ask questions about what the problem is and what is getting in the way. Obviously, they are bringing to bear some big Government investment programmes, such as loans, grants and so on—programme money—but they are also bringing their own capability and expertise. That is quite an important part of the picture as well.

Q136 Sir Geoffrey Clifton-Brown: That is an interesting thing that you just said. In my area, I have a small registered social housing provider that has just been formed or is in the process of being formed. Some of these social providers have become very big and are very remote from the area in which they are providing houses. As a Department, are you encouraging diversity in providers of social housing? In that way, you cater for local need—be it social housing, subsidised renting, rent to own or whatever.

Melanie Dawes: Typically, the housing associations that build homes are the larger ones. In fact, we have seen quite a lot of consolidation and merging going on across the industry in the last couple of years. For house building and for the numbers, that is probably the right thing. They need to be strong and flexible, and there are now some extremely powerful and important players in the industry. What often happens is that they will go into partnership with a more local provider, which understands the local market and people and will probably take the units off them later or work with them in some way. That is how the market tends to work. I should also add that we think that quite an important part of our strategy is to keep working with housing associations on what more they can do. They say to us that the more long-term certainty they can have, the better value for money they can give us in terms of the number of homes for the cash we give them by way of grants. As you probably know, we have been piloting that already. We have got some longer-term deals out there already, and it is something we expect to build on for the future.

Sir Geoffrey Clifton-Brown: This money that you have put into Homes



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England is making a significant difference. I am well aware of one quite big site that was bought entirely by a social housing provider, which would not have been possible without this money. It should deliver more social housing.

Melanie Dawes: Good.

Q137 Sir Geoffrey Clifton-Brown: Can I ask just one more question on fees? It is the same issue that we raised with the planning inspector. Has any thought been given to allowing local authorities to charge fees—on an incentive basis—on doing an accelerated and better job?

Simon Gallagher: This is an idea that has been kicking around for a while. I go back one stage further on this. I do not understand whether higher fees will just lead to higher salaries, because we have a supply side problem in the number of experts and expert planners in local government, or whether it will genuinely translate into performance. We need to get that evidence forward. It might work in some parts of the country, but it is not clear whether it will work everywhere. You are absolutely right to say that if we are going to put fees up, we need to have a system that guarantees a better form of performance. We need performance metrics that ensure the local authorities are delivering on their obligations. We have a system that sort of works and gives a lot of transparency out there, but the feedback you report from developers is very similar to the feedback I pick up when I travel around the country talking to developers.

Q138 Sir Geoffrey Clifton-Brown: It does seem that the number of cases exceeding the 13-week time limit is increasing. You would have thought that with proper pre-app work, it should be reducing.

Simon Gallagher: Actually, the percentage of major applications that are agreed within the timetable is increasing. The question, which is highlighted in some work the National Audit Office has done, is about the increasing use of extensions. That is a good and legitimate thing in some cases, in that if a bit more time is necessary to do a sensible discussion with the community locally, rather than an application being turned down, that is a good sign for productivity. But the scale of this means that there must be an issue that we have to look at and keep an eye on. My colleagues talked earlier about our accelerated planning Green Paper, and exactly the sort of question we are asking ourselves is whether that is appropriate at the moment.

Q139 Sir Geoffrey Clifton-Brown: Can I ask one more quick question? I can see the clock. Very recently, in the last day or two, one of my senior planning councillors—I think I am probably allowed to say this—said that the council is having difficulty enforcing planning obligations. Is that something that has come across your radar? For example, the adoption of road.

Simon Gallagher: I have heard a number of questions asked about enforcement. There are very different types of planning obligation, so a number of enforcement services in local government have been some of



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those most pressed. When I talk about wanting to understand this problem a bit more, that is part of the question I want to get at: is it the enforcement functions, the plan-making functions, the core development control—

Q140 **Sir Geoffrey Clifton-Brown:** I have asked my councillor to give me some details, if he gets re-elected, and I will certainly send them to you.

Simon Gallagher: I look forward to receiving them.

Chair: Mr Gallagher, your in-tray is going to be full, as you get letters from across the House. Thank you very much indeed for your time. The transcript will be up on the website, uncorrected, in the next couple of days, as ever, and our Report will be out maybe in May, maybe in early June.