HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: Sale of Public Land, HC 2040

Wednesday 12 June 2019

Ordered by the House of Commons to be published on 12 June 2019.

Watch the meeting

Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Chris Evans; Caroline Flint; Shabana Mahmood; Nigel Mills; Layla Moran; Stephen Morgan; Anne Marie Morris; Bridget Phillipson; Lee Rowley.

Gareth Davies, Comptroller and Auditor General, Linda Mills, Parliamentary Relations Manager, National Audit Office, Simon Reason, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-163

Witnesses

I: Melanie Dawes, Permanent Secretary, Ministry of Housing, Communities and Local Government, John Manzoni, Permanent Secretary, Cabinet Office, Charles Roxburgh, Second Permanent Secretary, HM Treasury, and Nick Walkley, Chief Executive, Homes England.

HOUSE OF COMMONS

Reports by the Comptroller and Auditor General

Investigation into the government's land disposal strategy and programmes (HC 2138)

Network Rail's sale of railway arches (HC 2137)

Planning for new homes (HC 1923)

Improving government's planning and spending framework (HC 1679)

Disposal of public land for new homes: a progress report (HC 510)

Disposal of public land for new homes (HC 87)

Examination of witnesses

Witnesses: Melanie Dawes, John Manzoni, Charles Roxburgh and Nick Walkley.

Q1 **Chair:** Welcome to the Public Accounts Committee on Wednesday 12 June 2019. I should warn you that we may have votes during this session, so you may get the opportunity for a comfort break. Apparently a vote is likely at 3.30 pm, so I think we will have got through the first part of the session.

I am going to introduce the witnesses. We have two sessions today, so I will introduce the first bit, and then the second bit separately. The witnesses today, from my left to right, are: John Manzoni, the permanent secretary at the Cabinet Office; Nick Walkley, the chief executive of Homes England—welcome to you; Melanie Dawes, who is the permanent secretary at the Ministry of Housing, Communities and Local Government; and Charles Roxburgh, who is the second permanent secretary at Her Majesty's Treasury. Welcome to you.

The first part of our session today, which hopefully, if Mr Manzoni is relatively brief, will be quick—certainly before the vote—is about the use by Departments of consultants, particularly for EU exit work. The National Audit Office has helpfully conducted an investigation into how that has worked. You know that as a Committee we are very worried about the lack of transparency over some of the Brexit work, and the EU consultancy really underlines that. First, can you tell us why it took so long for Departments to publish their information about EU consultancy work? What was the big secret, and why did they not publish it?

John Manzoni: No—I think, Chair, there was no secret on this. The actual time, on average, I think came out as 119 days against a target of 90. There were 40 contracts.

Q2 **Chair:** I think that is a very generous interpretation, because there were some in the first tranche—the first nine suppliers—that took 237 days to publish, so let's be careful about averages here.

John Manzoni: No, I agree. Let me continue to explain. There were 40 contracts in total; 14 of them were late. Nine of those were from the Cabinet Office, and they were the ones that were 237 days. Five were from other contracts, ranging between 167 and 266 days. For the Cabinet Office, I am afraid that this was just an oversight. There was obviously a lot going on. I have not delved and gone back into the detail, but of the 14 contracts that were late—the rest, by the way, were all well within the 90-day timetable—

Q3 **Chair:** Yes, we noticed that when the National Audit Office came in to start having a look, they were suddenly published a bit quicker, which was an interesting coincidence.

John Manzoni: Well, the Cabinet Office ones were published in December 2018. That was late. These, by the way, relate to the £65 million-worth of Cabinet Office framework—the EU consultant specific lots that we set up. I have no explanation other than a mistake for the original ones being late. There was nothing to hide. As you can imagine, there was quite a lot going on.

Q4 **Chair:** You say that there was quite a lot going on, but we all know Government Departments. There is an awful lot of civil servants of all levels working very hard to do things. It is quite basic civil service activity to make sure that a deadline is met for a document that needs to be in the public domain. You say that there is nothing to hide, but you have made us have a closer look at it. How are you going to make sure that it doesn't happen again?

John Manzoni: I accept that, and I have no explanation of why these were late, other than that it was referred to to me as an administrative oversight. They were very late—I completely agree with you.

Q5 **Chair:** I think it came out because Sky Television decided to look into this, and they picked up on it. If they hadn't noticed it, would you have noticed it?

John Manzoni: I think we would have noticed it. I cannot say when we would have noticed it, but I think we would have noticed it. It is interesting because we set this framework up specifically in order to facilitate—and, by the way, to get control of—what was going on with consultants and EU exit. This is disappointing because the programme itself was particularly transparent and particularly effective. Other than reporting on it, we had a particularly good grip of it as it was going through. It is just disappointing that we have let ourselves down by not publishing them earlier.

Q6 **Chair:** When they were published, the redactions were extraordinary. It would be very difficult to find out what is going on at all. Why were they so heavily redacted?

John Manzoni: Departments will have been responsible for their own publications, but the redactions that the Cabinet Office require are the normal personal details—GDPR-type redactions—as well as supplier rates, which we do not publish, and in some cases some specific details of the proposals.

Q7 **Chair:** Have you actually looked at the redacted documents?

John Manzoni: I have not looked at them.

Q8 **Chair:** I would really urge you to, Mr Manzoni. I'm quite shocked that you have come here today having not looked at the redacted documents. There are some that are meaningless. There must have been an awful lot of very long addresses and names to be blanked out. You wouldn't know what they were about. We have had long-standing concerns about the lack of information on this. Documents that are redacted to the extent of ridiculousness do not help us do our work, and make us wonder what is being hidden.

John Manzoni: As I say, I don't know, because I was not in charge of the redactions.

Q9 **Chair:** Could you undertake to go over them?

John Manzoni: I will undertake to have a look at them.

Q10 **Chair:** You can see that maybe someone has overenthusiastically been overcautious.

John Manzoni: There might have been some enthusiastic redactions. I accept that.

Q11 **Chair:** We have seen a lot of papers from Government. It is our right, as Committee members, to have access to people, papers and records. We might want to have a look at these in more detail, and it would be helpful if you could have a look as well. You had these call-off arrangements, which is a welcome step in a way, but they came into place only in April 2018. Was that because of Brexit? We have been talking about these call-off arrangements for a long while.

John Manzoni: We have various management consultancy frameworks that are extant and in place. As it happened, management consultancy framework 1 was under redesign at a particularly critical moment, and it subsequently came in at the end of '18. The third lot of these EU exit consulting contracts and frameworks was done under management consultancy framework 2. Lots 1 and 2, which were brought in in the first quarter of 2018, were under the health framework under management consultancy framework 1, because that was the one that was still legitimate, valid and relevant. We used that in the first instance. Some Departments were certainly using consultants for exit before that. When the Cabinet Office started to say, "Actually, this doesn't make any sense" because there was quite a lot of it going on, that is when we stepped in.

Q12 **Chair:** Was there any resistance from Departments? We have had permanent secretaries sitting in front of us saying that they prefer their own way of calling off these consultancy contracts to a central framework. They have actually been quite candid about it.

John Manzoni: I detected no reluctance. Once it was set up, there were lots of reasons to use the framework. It was actually used quite extensively—there were 157 separate engagements.

Q13 **Chair:** What benefits has it brought?

John Manzoni: Time. We could do this from a couple of days to a couple of weeks, once it was set up. There are obviously specific skills that can be bought in. We did it in three lots. Lot 1 was about the early phase of thinking about what to do with Brexit—thinking and shaping. Lot 2 was a bit further down the track, where the projects were being shaped and starting to be delivered. Lot 3, which came later, was much more about delivery. Lots 1 and 2 were the ones that were primarily used. They were bringing specific skills, and sometimes it was helpful to bring an external perspective too. As you know, I have talked many times in this Committee about getting a policy Department into the mode of defining projects and delivery. Some of the actions that were going on were about helping Departments with that external delivery perspective, because many of these things had to be not only thought through, but delivered and set up as projects. That was what was being bought.

Q14 **Chair:** So you are not at all concerned that there was more thinking and shaping than doing through these contracts.

John Manzoni: I have said before in this Committee or others that it took us a while, frankly, to get to the doing. It took quite a lot of pushing to get to the doing.

Q15 **Chair:** We will not go into the details of the civil service skill set, but surely the thinking and shaping is exactly what the old-style civil service was good at, and it was the doing—

John Manzoni: It was a bit of both, actually. Even the thinking and the shaping—you can think, for example, of the medicines that need to be stockpiled. Even the organisation of the project to do it needs to be thought through. Who are the accountable people? How do we set up the governance and the accountabilities? It was that bit.

Q16 **Chair:** Was it really that there was not enough resource because of the pressure of Brexit? We have talked a lot here about skills in the civil service. Do you think the civil service does not have those skills, or do you think the pressure of Brexit meant that this was particularly important?

John Manzoni: My own view is that that activity has taught our system a lot about bringing together policy making and delivery. In some senses it has accelerated what we have been trying to do for a while. If you had the permanent secretary of DEFRA here today, she would say, "Actually, we learned a lot." Of course they were hugely impacted in a policy sense, but that Department had to learn a lot about delivery very quickly, and that activity was therefore an accelerant of that process.

Q17 **Chair:** We note that the NAO found that 96% of the work—by value—went to just six firms. Was that a surprise to you?

John Manzoni: Not really, because they are the big, global firms that have deep pools of the expertise that you would use. I will not name them here, but there are the big four global strategic consultants. One or two specialise more in the linkage between strategy and delivery, and we actually introduced one or two of those firms into this process, which I think worked very well. I was not actually surprised, because they are the sort of—of course, it is always nice to see other names.

Q18 **Chair:** Was there really any chance that any others would ever get a look in? Were there others bidding?

John Manzoni: Yes, there were. There were some names that we don't often see. In fact, of the first two lots, there was only one company that was disappointed that it was not included. It actually joined up and joint-ventured with another company. They didn't actually make it in the first two lots, but they made it in the third lot. In the third lot, in particular, there were a different group of names from the big global consultancies.

Q19 **Chair:** What do you put that down to?

John Manzoni: By the time we got there, there were some more specialist requirements.

Q20 **Chair:** So it was very specialist? We have heard that from other Departments that have specialist needs.

John Manzoni: Yes, because the projects have got to a level of definition by then and need that sort of help, so you get a different flavour of—

Q21 **Chair:** You know our concerns about the market shrinking in this sense. One concern that figure 3 of the Report highlights is the difference in the data between you and the Departments. In fact, we have since had correspondence from HMRC arguing about their definition, which rather highlighted the point, although I will not go through the detail of that.

However, this graph shows that there is a very different and widening gap between what the Cabinet Office data tells us is spent on consultancy and what Departments say, which is either massively under-recorded or your definitions are completely out of whack. Were you surprised to see this?

John Manzoni: This relates to, frankly, a long-standing problem. The data under "Cabinet Office" in figure 3 comes from the Bravo system, which is a Cabinet Office system that collects data from 220 other systems. Actually, it collects data under the heading "Professional Services", of which consulting is one sub-heading.

As you know, the Cabinet Office has a control on consulting, but there are many examples of activity going on across our system that are professional services—all of which, by the way, are captured here—so what you see in the "Cabinet Office" column, going up to £1.5 billion, is professional services. That includes things such as legal services, engineering services, some of our big suppliers into the Ministry of Defence, defence hardware and services. It also includes consulting and project management, as some of the things that would normally be included. But it is a much broader category.

We are on the problem; in fact, we spotted it at the end of 2017, which is when we tightened the consulting control. When we reissued the consulting control in the first quarter of 2018, we said, "Anything above £1 million, we need to examine." Then we said, "By the way, we need to sort out professional services and consulting in this control," because we knew it was a mess.

Q22 **Chair:** So, how much progress has there been? That was 2017 and we are now halfway through 2019.

John Manzoni: No, we did it in early 2018. I have to say that I'm afraid that that became the victim.

Q23 **Chair:** This is very frustrating. It was a very long time ago when I was in Whitehall as a Minister, but we were having exactly the same discussions then about these definitions and about who was keeping a track of payment and of whether a consultant effectively became a de facto member of staff. Yet, we see this complete disparity with what Departments are reporting. It looks like they are underreporting, to me. You have put a very good gloss on it, I have to say. You are making a valiant attempt to defend it, but it is a growing gap.

John Manzoni: I know; I agree with you. We have got to solve this. We are now absolutely on it. I have to say that we spotted it. We said in early 2018 that we would sort it out by the middle of 2018. I'm afraid to say that Brexit got in the way and we didn't sort it out, so we have got to come back and sort it out. It is difficult.

Q24 **Sir Geoffrey Clifton-Brown:** Mr Manzoni, is the answer here that you need one standard definition of what a consultant is?

John Manzoni: I think it is more to do with the professional services definitions, actually. The other problem is that—

Q25 **Sir Geoffrey Clifton-Brown:** Are you in the Cabinet Office, and all the Departments, working to the same definition?

John Manzoni: We haven't been. We are now undertaking the review. That is part of the problem.

Q26 **Sir Geoffrey Clifton-Brown:** Undertaking the review? Surely it is a pretty simple thing to agree what a consultant is, isn't it?

John Manzoni: It's not that simple, no, because it is all residing in different databases. It is a commercial system, a human resource system and a financial system.

Q27 **Sir Geoffrey Clifton-Brown:** I understand that. The systems need to be controlled by what the definition is. The accountants—the systems' inputters—need to be told what the definition is. Surely, it is fairly simple for the Cabinet Office to come up with what the definition is and then tell the inputters how they are to input it.

Chair: I think Sir Geoffrey is inviting you to dictate to Whitehall, Mr Manzoni.

John Manzoni: It is interesting. If I may reflect back, it is very interesting that when you begin to create a view from the centre, in many areas—which we have not had in Government for a very long time—it is a very difficult balance, because you quickly get frustrated that the view is not good enough. We do control anything to do with consulting. We have that control in the Cabinet Office, and we are very clear on what that is and track it very carefully. But now, we have got to get to understand—

Q28 **Sir Geoffrey Clifton-Brown:** Surely, if you do not have a standard definition, each Department and yourselves are comparing apples with pears.

John Manzoni: I think we are okay. I think the issue is that the NAO went in and looked at a different dataset. As I said, they looked at something completely different called professional service, and it is nothing to do with consultants—well, consultants are part of it. It is just a different set of numbers.

Q29 **Chair:** Okay. All of this is obviously around Brexit. We now have a date of 31 October for Brexit. When do Departments need permission to get underway for a no-deal Brexit, given that we are not making massive progress in Parliament at the moment?

John Manzoni: This one I was not expecting. The civil service is preparing, of course. I would say to you that on 29 March and 12 April, the civil service was pretty much prepared for what might have been an eventuality on both those two dates.

Q30 **Chair:** That is now out; that is history.

John Manzoni: Of course. Several things happen after that. Some readiness degrades. Some of the activities that had us in that place can be improved from here, because there is more time, so we can do better.

Q31 **Chair:** Customs and so on?

John Manzoni: Systems that might have been at some minimum viable product—we can do with some better things. Some things we could just take and say, "Actually, those look pretty good. Let's put them on the shelf. Be ready to take those down, as and when."

Q32 **Chair:** Let's just get down to more basic things. We had Bernadette Kelly, the permanent secretary at the Department for Transport, in front of us the other week. Having had the whole ferry saga, those contracts were cancelled and they are coming up to D-Day to let the next set of contracts. So, what are the critical dates for you in the Cabinet Office, by which you will have to give guidance to Departments that they can get on with preparing potentially for a no deal?

John Manzoni: One of the earliest ones happens to be the one you have just mentioned. It is a discussion at the political level.

Q33 **Chair:** But we are asking you simply, as a senior civil servant, practically—whatever the politics—by when? Which are the key deadlines when Departments will have to make decisions?

John Manzoni: I think almost the first deadline is the ferries, in order to create a framework that is not subject to legal challenge in the way that the one we did in a rush last time might have been. That is an imminent decision—I am talking days and weeks. That is the first one.

Q34 **Chair:** Given that we have a Prime Minister at the moment who will be leaving by 22 July and you don't know yet who the next Prime Minister will be, how much does that uncertainty about who will be the incumbent at No. 10—the Prime Minister of this country—make a difference to planning?

John Manzoni: That is under current discussion, and there are some things that obviously make some sense. That one, as an example, is a bit of a political decision, I suppose—it will attract attention just because the press like to do that—but it makes a lot of sense. There is no commitment to setting a framework for getting additional transport capacity across the short straits; there is no commitment at all, but—

Q35 **Chair:** So that is one you could get on with. Are there other things that you cannot get on with in Whitehall because you are waiting for a new Prime Minister?

John Manzoni: To be honest, I have not gone through the detailed list. There may be. I think there is a lot that we can.

Q36 **Chair:** Please assure us that somebody has gone through it and somebody in Whitehall has a detailed list?

John Manzoni: It is in progress, yes, and DExEU are compiling that list as we speak so that we can really be clear when all those dates are. That is all under way.

Chair: We have asked before for details of the titles of work streams. We eventually wrenched that out, but it took the deputy Chair and I going to meet David Lidington to get that information. We have wrestled for information about the work streams and there has been huge resistance. What are you prepared to share with us about that planning? We can do it on any terms you want; we understand that there may be some bits that it may not be sensible to put in the public domain, but increasingly we think there is very little, because most of it has been in the public domain more or less—

John Manzoni: There is a lot of information. In many ways, there is a lot of information in what we have published on gov.uk, getting everything ready. I will take a bit of advice on this because I will probably wander into a thicket—

Q37 **Chair:** If you want to keep going in, that is all right.

John Manzoni: My judgment is that there are many things that are already in the public domain.

Q38 **Chair:** So your approach is to be as open as possible—is that what you are saying?

John Manzoni: My approach is always to be as open as possible.

Q39 **Chair:** We will take you at your word, and on that basis it would be very helpful if we could see those non-redacted contracts. We can discuss with you the terms on which we as a Committee would look at that, but we are responsible for the—

John Manzoni: For the consulting?

Q40 **Chair:** For the consulting.

John Manzoni: Yes, sure.

Q41 **Chair:** It would be very helpful if we could see that, because they are so redacted that we cannot really work out what they are for.

John Manzoni: Okay.

Q42 **Sir Geoffrey Clifton-Brown:** Does the mechanism for the delivery of these work streams still exist as it was before 31 March? In other words, does the RAG system still exist? Does the DExEU collection, passing on to the Cabinet Office and the high-level delivery group? Is somebody monitoring all those work streams so that the ones that were at red are constantly being monitored?

John Manzoni: Of course there have been some personnel changes in all those things, and indeed it would be wrong of me to say that we are not examining that first intensive period. Right at the end of the period, it was enormously intense and we were looking at it almost every day. That has not been the case since then, but we are and we have been, under the new permanent secretary of DExEU; she has been looking at how she wants to arrange her teams to do all that. It has not been quite so intense, but all the machinery and mechanisms to do it are exactly the same. The civil service will be ready by 31 October, of that I am quite sure, but what we have not done is to maintain everybody at the level of running hot that they were on 12 April.

Q43 **Sir Geoffrey Clifton-Brown:** I thought after 31 March the civil service was told to stand down from doing those preparations for no deal.

John Manzoni: No, I don't think so. In fact, funnily enough, that conversation was just reflected again today in the Wednesday Morning Colleagues. There was a conversation on 21 May, as I understand it—I can't remember the details—which basically said, "No, maintain all sensible provision."

Q44 **Chair:** We might just ask Ms Dawes to come in on this, because Ms Dawes was at the colleagues meeting this morning. We always love to hear what is going on at the colleagues meeting.

Melanie Dawes: Perhaps I can add the perspective from a Department. A lot of what Departments were doing was obviously quite intense in the days and weeks prior to the deadline, and it will need to be again, but what we all did, under co-ordination from the Department for Exiting the European Union, was to very carefully look at our plans and work out where we needed to keep the resourcing.

For example, in my own Department's case we have kept some engagement going with local government, just not as regularly as before, and we have kept some staffing in our overall co-ordination cells, but just not as many people or as many shift patterns as we had before. We have put all those plans very carefully to one side, ready to inflate the balloon again, if you like, when we need to. We don't think that moment is right now, but we are obviously very aware of the 31 October deadline. What we do not want to do is to keep a lot of staff basically doing nothing for the time being, but we absolutely have not let our plans lapse.

Q45 **Chair:** But you have a new Prime Minister expected on 22 July—that is the date we are all working to. Would it not be too late when that incumbent is in post for you to make certain preparations? Perhaps your Department is not the best example.

Melanie Dawes: It will depend across Departments, I think. We have plans and we know the moment at which we think we will need to switch staffing back up again, and we know when we think we need to start the engagement again.

Q46 **Chair:** Can you tell us when that will be?

Melanie Dawes: We think it will be in early September. Most of what my Department is doing is engaging with local government and local resilience forums out there to understand the practical issues that could be presented by no deal. That does not mean we are doing nothing during June, July and August; it just means we are quite carefully balancing at what point we need to start to move the Department's effort from delivering our ongoing agenda at the margin into no-deal preparations.

Q47 **Sir Geoffrey Clifton-Brown:** I have just one more question for you, Mr Manzoni. The Report makes clear that Deloitte and Mott MacDonald were advising the Department for Transport on the ferry procurements. I do not know that the final figure will be, but there will be £70 million to £80 million wasted on legal actions in that respect. As the Chair has said, if we need to re-procure them, is somebody looking very carefully at how some lessons have been learned from that whole episode, so that we do not get into the same situation again?

John Manzoni: The answer to your question is of course. It would have taken only one dead person for the lack of medicines and we might be having a very different conversation. I am a believer that we did exactly the right thing, and I believe the Department for Transport did exactly the right thing. It is very easy to say, "That was a silly thing to do," but had you had just one dead person as a result of a lack of medicines—

Q48 **Sir Geoffrey Clifton-Brown:** I don't think anybody is saying it was a silly thing to do at all—that is not what I am implying. It was the way it was done. It may have been done that way for good reasons, because the timetable was compressed, but now you have a little bit more time and it could be planned in a different way this time.

John Manzoni: This was my comment earlier; this time, we will do it in a way that is less legally exposed. That is the point about the framework as opposed to a direct contract. That is the intent and it takes no financial commitment at this point, but because we have more time, it sets up in a more ordered way—

Q49 **Chair:** Going back to the last time, where was the hold-up in making that decision? It was pretty obvious that it would have to be made. Was it the Department for Transport? Was it the Cabinet Office? Was it elsewhere in Whitehall?

John Manzoni: I think that is a political question.

Chair: Thank you; that tells us what we need to know.

Q50 **Chair:** We move on to the sale of public land. Mr Manzoni has warmed up; the other witnesses may come in as the main act.

As a Committee, we have looked at this issue three times. We first looked at it in 2015, when the target was to release enough land to build 100,000 new homes. Things have not moved on since then. I will not go through all the detail of everything we have done—it is all available on our website and elsewhere. Now, the Government have a target to release enough public land for 160,000 homes by 2020, but the National Audit Office says that will not be reached. Alongside that, there is a target to secure £5 billion in proceeds from land release. The two targets seem to have the potential to conflict. We want to probe that a bit, as well as the progress you are making in building homes that people can live in.

Please bear in mind that we expect a vote in about 10 minutes, but we will get started. You do not need to repeat yourselves, and it would be helpful to keep answers brief. I have just mentioned what I think is a tension in the Government's approach to land disposals. Ms Dawes, how would you describe the Government's approach to land disposals?

Melanie Dawes: You have described the two targets. In some cases, it is the same land that is being released as part of the asset sales project and the land target. I have talked to all my permanent secretary colleagues about this and the tension that the NAO describes. It is there mostly at strategic level when the Government set objectives, where there may well be choices about the use of the land and whether it is for housing, for another kind of commercial venture, or for something that stays in the public sector, where the cash value may not be the issue—it may be lower. Those choices need to be made largely by Departments at the outset as they set their plans. The new strategic asset management plans that the Cabinet Office have introduced mean that those decisions are now going on in a much more grounded way than was happening before. That is the main point where those choices have to be made.

Q51 **Chair:** I suppose you are not releasing much land as a Department, because that is not really where you are at, but if a Department has a choice—it is deciding whether it would like to get the receipt or if there is pressure for housing—who arbitrates on who wins out on that?

Melanie Dawes: If it is a Department such as the Department of Health and Social Care, they will be thinking about what is in the local plan for where the site is and whether the local authority might prefer to have a site for a school. That will be part of the conversation. They will then discuss with the Treasury their overall financing plans for the period ahead. That is why I say this is a strategic set of conversations that needs to be put together in the round.

Sometimes, of course, sites just won't have a very high value, so there will be no choice to be made. In some cases, the best value in cash terms will be to release the land into the housing market rather than into any other kind of use. The important thing is that each Department looks at all its sites and makes those decisions, based on the options available.

Q52 **Chair:** How do you make all this join up, Mr Manzoni? You have this tension. You could have a site that is low value and could be good for housing, but the housing would be in completely the wrong area, where no one wants to live.

John Manzoni: We have a process in place to make sure that any such tension is flushed out for discussion. It wouldn't just go through without us being aware of that tension; that is the first point. The way that happens is that any site that is deemed to be surplus gets put on to a system—I think it is called ePIMS. It is therefore—

Q53 **Chair:** What is the mechanism for deeming it to be surplus? Who is the eventual arbiter of that?

John Manzoni: In the end, the Departments are the arbiter, but it is now overseen and checked by the property function—it wasn't, but it is. There are some pretty clear rules if it is not used for operational needs.

Q54 **Chair:** Just give us an idea of how many big arguments you are having about this.

John Manzoni: Interestingly, very few. I was told that there have been very few debates where something has flashed up and somebody says, "I need the cash," and the reply is "No, we need it for housing." I am not aware of any of those things that have actually happened. The sites go on to this database and spend 40 or 50 days there so that, in particular, DfE for schools and Homes England for housing, can be aware of those sites, and those discussions can take place. Nick may know whether there have been any arguments, but I am not aware of any.

Q55 **Chair:** Mr Walkley, you are championing housing here. Have you had arguments with Departments?

Nick Walkley: That is a great opportunity for my first contribution in the Public Accounts Committee. The way we get involved is to add some capability, and maybe to look again at a site and think whether more housing could be put in there, or whether there could be some rezoning. Thinking again about the planning might derive more value, because very often, outside certain low-value locations in the north, housing is likely to be the highest value option anyway. It is simply about having the right capability and capacity.

Q56 **Chair:** That sounds great, but in terms of walking the walk, can you give us an example of a site where you have won the argument that housing would be a better solution—an example of where you have come out of the discussion with housing on the site instead of something else?

Nick Walkley: I think the most obvious examples are health locations, where very often the low-hanging fruit—the spare site, or the easy piece of land—is already gone. We would engage with the health trusts to look at how you might reprovide the health provision. We would actually purchase the site in advance to allow the reprovision to go ahead, and then work with the planning authority because, of course, it will need redesignating as a housing location rather than a planning location. Doing all of that de-risking encourages the health authority or the health trust to take the step of announcing the closure or the reprovision elsewhere. It is that de-risking ahead of announcing decisions.

Q57 **Chair:** So it is quite granular stuff. You are helping to reprovide the health provision and the housing on the site.

Nick Walkley: Exactly.

Q58 **Chair:** How many times have you done that?

Nick Walkley: I think we are currently involved in 40 different locations doing that.

Q59 **Chair:** How many homes do you think that might produce?

Nick Walkley: I don’t have that number.

Chair: That was a bit unfair, because I set up that question, which you weren’t expecting, in that way. I think I will throw it over to Caroline Flint. I am aware of the time, but you can start, Caroline.

Q60 **Caroline Flint:** Which come first: price or housing—getting money into the coffers or getting housing?

John Manzoni: Most often the two are coincident. I think that is what you just said, isn't it? Most often they are coincident. There is not a tension between the two, because most often the highest value is for development.

Q61 **Caroline Flint:** Okay. We had a target of releasing land for 160,000 homes by 2020. What was the evidence base for that?

Melanie Dawes: It was a top-down target, so there was some work done—

Q62 **Caroline Flint:** What does that mean? Does that mean it was a political target?

Melanie Dawes: No, I mean there was some work done in the centre of Government—I believe in 2014, before I took up my post—that identified that that was a possibility. That was followed by a number of years of detailed work with Departments. As that work was done, we reached a point where it was clear that we were not going to be able to meet the target by 2020, although we did actually identify the sites.

Q63 **Caroline Flint:** So was there no evidence base for that target? You say it was a top-down target.

Melanie Dawes: There was some evidence. There was a scan done of the Government's estate. There had been actually rather detailed work about asset sales, which was led by my predecessor, Sir Bob Kerslake, as he was at the time. I think that is one of the reasons why the asset sales target was better grounded than the housing target, but it was just a top-down look at what might be possible. In the end, of course, it turned out to be a rather over-optimistic overall number for the timescale that was envisaged, although not for longer timescales.

Q64 **Caroline Flint:** So there was more work done on the asset target and the proceeds than on the housing target?

Melanie Dawes: Yes.

Q65 **Caroline Flint:** Which goes to my question. Which is the priority: assets or housing?

Melanie Dawes: I do not see Departments having to choose between those two on a day-by-day basis. There is a helpful figure in the NAO Report—figure 2—which shows the hierarchy of how the governance works, but the key is the point I was making earlier: Departments now have to have strategic asset management plans. That is the place where they make those trade-offs and think, "Okay, we've got our land. What are we going to sell? How much of it for housing and how much of it for other purposes?" They then look at the kinds of proceeds they might be able to generate and have that conversation with the Cabinet Office, with the Treasury in the context of their overall budgets, and then with us in the context of our housing objective. It is at the planning stage that that all needs to be flushed out, and there is now a process through those plans to do that better than before.

Q66 **Caroline Flint:** I suppose the Committee's concern—of course we have reported on this before—is that if you do not have a sense of the evidence on which you are putting forward targets, it is quite hard to keep on target and stress test that evidence base. Of course, you are off target. You are not going to reach the target of 160,000 homes by 2020 by a long way, and you have pushed that target back to 2025. Why do you not expect to reach the target? What has gone wrong?

Melanie Dawes: I agree with you that the better the evidence base, the more sound the target is. That is one of the things that has happened here: we did not have the detailed bottom-up work done by Departments. The work that was done in the spending review was really just the beginning for Departments. There are a number of reasons why we just have not been able to get the land released to the timescale. In about a third to a half of cases, it is because the land is still being used for operational purposes—MoD land still being used for military purposes, hospital land where the new hospital has not yet been built, and so on. In other cases, it is because of delays in the planning system, environmental constraints and so on. We have learned over the last few years that there was a degree of over-optimism in Departments—in my Department—

Q67 **Caroline Flint:** How much of a degree?

Melanie Dawes: Well, in the end, the ambition is not going to be met by the deadline, as you said. What we are trying to do now is to make sure—I hope our new annual report sets this out for you; we have done so as clearly as we can—that we still have that land there. We are still working towards 160,000 homes, but it will be to a much longer timescale than was originally envisaged.

Q68 **Caroline Flint:** You mentioned figure 2 on page 12 of the NAO Report. I have to say, having looked back at it, as you pushed me to do, that it does not really clarify governance in any real sense; it is just rather diffuse aims and decision making. Some might suggest it is a diagram that shows how everybody can dodge responsibility for delivering the target. What makes you so impressed by figure 2 that you feel this is going to achieve what others have not?

Melanie Dawes: I thought the description of the hierarchy that the NAO had given us in their Report was helpful. It just shows that there are a lot of programmes in this space. There are a lot of interventions. But for me this shows how some of that hierarchy works. I do not think there is a dodging of responsibility in here. Once you get into the programme delivery, we are clear where the SRO sits, which Department is in charge and so on; all that is documented.

Q69 **Caroline Flint:** The problem is outcomes, isn't it? You can have all the tick-the-boxes for the SROs for everything else, but the problem is outcomes, and it goes to a lack of strategy in terms of delivering housing through public land. We are not even talking about houses built; it is just disposal of land for housing.

Melanie Dawes: I do not think we have had a lack of strategy, a lack of effort or a lack of work here, but what is certainly true is that the original target of land for 160,000 homes will not be realised by March 2020; it will be realised to a longer timescale. We have learnt some lessons here about grounding the plans more in detailed analysis than was done before. A lot of new capability has gone into the system. We have followed up, actually, on a lot of the recommendations of the Committee in that respect over the last few years, and I think you can see that in the NAO Report. But I do accept that the target was set without a sufficient evidence base. You can see that is one of the reasons why we will not meet it on time.

Q70 **Caroline Flint:** Wasn't it predictable that the target would not be met?

Melanie Dawes: It was always going to be challenging. In fact, my Ministers would say that they would not be ashamed of having set a big ambition here.

Q71 **Caroline Flint:** It was always going to be challenging. I am imagining conversations with the Minister where you are saying, "Minister, this is really challenging. Are you sure you want to go for 160,000 homes?" Based on the fact you are extending the target to 2025, what would have been a sensible target for 2015-20? Do the numbers for me—I am sure your maths is better than mine.

Melanie Dawes: Well, we said in our annual report that we think we have a high probability of 69,000 homes' worth of land by March next year. We had released 38,000 by the end of December and we are up to—this is not a verified and fully finalised figure—45,000 by the end of March. So we have a lot to do this financial year, but that is currently what we are expecting.

Q72 **Caroline Flint:** Mr Mills, who I believe is a trained accountant—it us helpful to have people with those professional backgrounds on the Committee—whispered in my ear that a more realistic target for 2015-20 would have been 50,000. Would you say that?

Nigel Mills: I wouldn't make it too stretching.

Caroline Flint: Does that sound in the right ballpark, given what the outcomes have been?

Melanie Dawes: I think we will exceed that. We are projecting that we should exceed that. My Ministers would say—in fact they did say this to me the other day, because I asked them—that they make no apology for setting a very stretching target. I think that, having lived through this programme for the last 4.5 years, the impact of such a big, stretching target has put energy through the system. While it was more than we were able to achieve, I am not sure would have got as far as we have had we been a bit more cautious.

Chair: You have earned your damehood with that answer.

Melanie Dawes: It happens to be my view that sometimes you need to put energy in.

Chair: You're very positive about what landed on your desk.

Q73 **Sir Geoffrey Clifton-Brown:** Are your existing expectations realistic? According to figure 8, in three years from 2015 to 2018 you delivered 40,000 houses and you are now telling us that in the next year and a quarter up to the date in 2020 you will deliver the balance of another 29,000 houses. Is that really realistic?

Melanie Dawes: Nick might want to come in on this because he is close to some of the sites that are now very much in the system for release in the next nine months. We said 69,000 in the annual report—

Q74 **Sir Geoffrey Clifton-Brown:** By March 2020, 69,000 houses—and you have delivered only 40,000 so far.

Melanie Dawes: Yes. We have got a little bit more than that since the end of December, which were in the figures I was just quoting. But it is quite challenging. And it is an upper estimate, because we are not going to find that new land will come into the system at this stage.

Sir Geoffrey Clifton-Brown: An upper estimate.

Melanie Dawes: But we are trying as hard as we can, and there is a huge amount of effort going in across Departments and in Homes England in particular to deliver on this.

Q75 **Caroline Flint:** On page 22 of the Report, paragraph 2.8 highlights how a number of sites have obstacles to delivery. I think you mentioned that some are still in use, some are hampered by other things that Departments don't own or control, and others require decontamination. Given that you have identified this land, could you break down those three areas for me, to give me a sense of what percentage of those areas belong to each category? Then I can better understand where the potential is for development, as opposed to just thinking it is all going to be great.

Melanie Dawes: Yes. I think there will be a moment at the end of March next year when we can look back on the 2010 to 2015 programme. That will be a good time to be able to tell you about the sites we had in the programme at the beginning: what's happened to them, what's gone in and what's gone out and why, and where we are today. It's quite a moving picture for many sites, quarter to quarter, so personally I think it would be better if we could do that for you in the spring next year. It is something that we could do then.

Q76 **Caroline Flint:** I suppose what I find difficult, going back to the earlier discussion about who is checking and verifying what land is available, and what purpose it might be appropriate for, is to understand why you can't provide me with a breakdown of what percentage of the land that's available falls into those different categories. I find that difficult to understand, given that that should influence any strategy on this issue.

Melanie Dawes: We certainly do have the breakdown. If we gave it to you today, the programme would still have nine months to go; some sites will change their status between now and the end of March. We could give it to you now; it would be a fuller picture by next March, but if you would like it sooner than that we could do something along those lines.

Q77 **Caroline Flint:** It would be quite helpful for the Committee to have that understanding; that would be much appreciated. Why does land that already has homes on it count towards the target?

Melanie Dawes: We had a long debate in 2015 and 2016, when we set up the overall programme—you will probably remember that we published the programme handbook—about definitions of what was and wasn't included. What has been included in some cases are homes that the public sector previously had use of, but no longer needs and is therefore releasing into private sale. In the end, that is still adding to the available housing stock for ordinary private buyers and renters across the country. It is quite a limited number of cases; it's mainly MOD land. We have been quite tight on those definitions; it is a relatively minority sport.

Q78 **Sir Geoffrey Clifton-Brown:** You say it's a fairly small number, but of that 40,000 that you have delivered—as shown in figure 8—there are only about 25,000 that are new homes and houses. That existing number of houses is still a significant number in that total.

Melanie Dawes: So, 12,500 of the 40,500 homes are from sales that took place before 2011, but they are not all homes that were pre-existing. It was just that the sales were before the start of the previous programme. I haven't got the number of pre-existing homes in front of me—

Caroline Flint: I think it was about 4,500.

Melanie Dawes: From my recollection it was 4,000 to 5,000.

Q79 **Chair:** Does Mr Reason have those figures?

Simon Reason: 4,279: it's in paragraph 2.9 on page 23.

Melanie Dawes: So, it's 10% of what has been delivered so far, but that percentage will fall as other homes come through into the market.

Q80 **Caroline Flint:** Sir Geoffrey makes the valid point that of the 40,500, around 16,000 are either existing homes or predated this stage of the programme. The land had already been disposed of. That's correct, isn't it?

Melanie Dawes: Some of the land had already been disposed of.

Caroline Flint: That is 40,500 down to 24,000.

Melanie Dawes: There may well be some overlap between the 12,500 and the 4,500, but yes, you're right; 12,500 were on land that was sold earlier, which makes sense because it has been out there in the market for longer and is more likely to have come through to completions.

Q81 **Caroline Flint:** In terms of affordable housing and social housing, we have had some evidence submitted by the National Housing Federation. In previous exchanges on the issue, we have always been told that it is really important to support the private sector in disposing of the land towards housing. Why can't affordable housing and social housing be prioritised against the disposal of this land?

Melanie Dawes: I don't think we have said that we prioritise the private sector, but what we have said before—it remains the overall policy—is that we don't seek, in selling land, to determine a particular mix of housing on those sites. We leave that process to the local authority and the plan that they have set out, and to the developers, in terms of what they think they can achieve, rather than adding a constraint from central Government.

There are a few exceptions to that. The national health service now has a commitment to prioritise NHS staff for 3,000 homes; they are piloting that on five sites already. So that is a change. But in doing that, what they are doing is choosing, in a sense on a relatively exceptional basis, to change what would otherwise have been provided in the local area. The local authority are very keen on that, I should say, in those five site areas. But generally speaking, we are not seeking to add another constraint from central Government.

Q82 **Caroline Flint:** I am interested that you use the word "constraint" rather than—

Sir Geoffrey Clifton-Brown: Opportunity?

Caroline Flint: Opportunity. Thank you, Sir Geoffrey. Apparently, over 42% of all new homes built in England should be affordable, according to all the aspirations, but last year only 23% were delivered and just 20% of the homes due to be built on public sector land are likely to be affordable. Given we know that, in terms of planning applications for housing, the developer will often say of the affordable element after maybe a year or so, "I'm sorry. That's not economic any more. Can you reduce our planning constraints on that," wouldn't it make sense, in a way, to use public land as an opportunity? In some ways, that means that when it's a private development, in the way I have just described, you can balance out the pressures and expectations in a way that, at the end of the day, really just delivers results.

Melanie Dawes: I may ask Mr Walkley to come in and explain some of the way the negotiations go locally. When I say "constraint", it's just that, as we know—we had a recent hearing on this—the planning system is already complex and we already have issues with viability, particularly on some of these former public sector land sites, which often require quite a lot of investment. What we do instead, as you know, is to fund affordable housing at national level, with a pretty ambitious programme, so it's not that it isn't important to Ministers. There have been, as you know, a lot of interventions in recent years, including raising the local authority housing revenue account cap and so on. But we do that at national level rather than just trying to determine what is needed locally; we leave that to the local authority planning system instead.

Q83 **Caroline Flint:** But surely we have this oversight of this public land and it shouldn't be too hard for you to have a look at that and then, in working with local authorities, see where you can help them to meet—I am not saying it can happen in every circumstance; we are talking about lots of different types of parcels of land, but at least there should be a sort of synergy in terms of what you are doing through this strategy and relating that to local need and local plans, and maybe you could use the leverage you have to provide that more affordable element that currently, clearly, is not being delivered through just the normal applications to a local authority on private land.

Nick Walkley: We, in reviewing the objectives of Homes England, recognise the point you are making—absolutely. This is the experience of a permission then being negotiated down because of value reasons. So we are doing two things. First of all, we now extensively use building leases, rather than straight freehold disposal, when selling land. This means we get greater control over what actually gets built. In fact, in a recent consultation with developers, they were really desperate for us to negotiate down how tough the clauses are for not building what's required. We also tell local authorities now that we expect to deliver policy-compliant schemes, which means homes, not commuted sums, on the public land that we dispose of.

Secondly, where local authorities are supportive, we are now working with developers to bring affordable housing funding directly into schemes. We have just done three schemes with Galliford Try and Sovereign Housing Association, which has eased the financing of the scheme and, in one case, moved the proportion of affordable housing from 25% to 40%. That has advantages because the build-out rates are quicker, and we hope to do more of it—matching the local authority, the affordable housing grant and the developers together. But building leases provide that way of really getting at the point that you are making, about giving greater control over what gets built and the amount of affordable housing.

Q84 **Sir Geoffrey Clifton-Brown:** Mr Walkley, you know what happens in the real world, and we just had a very big housing case in my constituency where exactly this happened. The local authority, through its carefully developed local plan, which has taken years to develop, has a target for affordable housing. The site goes on the market, and when planning permission is applied for, the viability test is used to argue down from that percentage. Is there is any reason at all why, when public land is being sold, the target shouldn't always be what the local authority has in its local plan?

Nick Walkley: In the case of Homes England land, we now use building leases, rather than freehold disposal, to ensure that that happens.

Q85 **Sir Geoffrey Clifton-Brown:** To ensure that that happens in every case?

Nick Walkley: Where we use a building lease, exactly. Of course, when we dispose freehold on smaller sites, which often fall under an affordable housing threshold, it is much harder to control.

Q86 **Chair:** How long is a leasehold sale typically for?

Nick Walkley: It would be for the length of the development, and then we would—

Q87 **Chair:** Then you would release it, I see—it is for the short term?

Nick Walkley: Exactly.

Q88 **Caroline Flint:** Isn't there a worry about that, in terms of people buying properties but not having the freehold?

Nick Walkley: We ensure at the completion of every tranche that the freehold reverts to the homeowner. This is simply a way of controlling, for the development period, what gets built.

Q89 **Chair:** That is interesting. I am interested to know whether that is something that you invented, or is it used elsewhere?

Nick Walkley: It is used. It requires quite a large capital resource, because you are not going to get all the funding up front, and it requires quite a lot of skills to do the monitoring and to ensure that you de-risk the site to a point where—

Q90 **Chair:** Do you know of any other public bodies, local authorities or others that do it?

Nick Walkley: Some local authorities and combined authorities are doing this, but we are probably one of the larger users of that method.

Q91 **Chair:** Is it something you are trying to promote to local authorities and others?

Nick Walkley: This is not meant to be an advertorial; I do apologise.

Q92 **Chair:** We are just interested. If it gives you more control, but in the end we do not have leaseholders but freeholders, that is quite interesting.

Nick Walkley: Precisely. One proposal is that we create a centre of excellence for local authorities thinking about developments, so that they can learn from things that have worked elsewhere in the country. We could share that information more widely.

Q93 **Caroline Flint:** Perhaps there is another discussion there. I have to say, with my constituency hat on, that I am quite worried about the number of developments selling homes with leasehold arrangements, leaving those people with huge costs, and with a change of ownership of the management company over a period of time. That is a really worrying development given what we know about the more traditional flat or apartment sector, where this has been a problem. Maybe that is for another time.

It seems to me that pertinent to what Ms Dawes and you have said, Mr Walkley, is knowing what is actually really happening and what is being delivered. There seems to be some gaps there. The collection and reporting of data on the number of new homes has not really improved since our recommendations four years ago. You made the point about the annual report, Ms Dawes, but it has taken more than two years to deliver your latest annual report. Would both of you like to comment on that? If we do not actually know how the land disposal results in homes going up, it is all a bit of a problem, isn't it?

Melanie Dawes: There are two points there. First, on the fact that we didn't produce an annual report for two and a half years, I can only apologise. It is not what we would have wanted. I have agreed with our Ministers that we will publish data regularly, whether or not there is an annual report to accompany it, so you will have information on sites that are disposed of and the homes that are built.

Q94 **Chair:** Why did it take two and a half years? Was it under-resourcing in the Department? Did someone forget?

Melanie Dawes: The Department was not under-resourced. I was talking to my Ministers about this a couple of days ago. We had a number of changes of our Housing Minister, and each time Ministers came in very keen to get on top of this and to make sure that they knew exactly what was going on before they reported on it to Parliament and publicly. That meant that we had a number of times where Ministers came along and wanted to talk to their colleagues in other Departments. That was part of it. I can only apologise for the fact that we haven't produced it before.

Q95 **Chair:** I have to say that this is just numbers, really. It is great that Ministers are so interested, but to hold up an annual report that is just figures for us to be able to look at seems a bit unusual.

Melanie Dawes: I agree with you that the data need to be out there regularly, whether or not there is an annual report to sit on top of it that explains where we think we are in the programme. That is what we would like to do.

Chair: I am reading between the lines that the annual report is an opportunity for Ministers to grandstand a bit. I do not expect you to comment on that, but we, as politicians, may recognise the species.

Caroline Flint: Perhaps the annual report was delayed because the numbers were not that great, dare I say.

Melanie Dawes: May I answer your other question about the home builds? You pushed us very hard on that a couple of years ago and, as you know, our Ministers agreed that we would invest in that. You do have data on the number of homes that we believe have been brought to market—mostly that is new build, but not all of it, as we were discussing earlier—in the latest annual report. We will get data on the affordable homes planned in a few months' time, and I hope we will be publishing that with our next data.

Q96 **Caroline Flint:** But why is the data on the number of affordable homes built and the number of homes made available to key workers still not available? All this is plans or expectations; we want to know what has actually been built and which key workers are currently living in those homes.

Melanie Dawes: This is one of those difficult problems where it is very complicated and therefore quite hard to explain why it is very challenging.

Caroline Flint: I don't understand that, you see.

Melanie Dawes: I appreciate that.

Q97 **Caroline Flint:** Maybe I am missing something here, but we have an oversight situation on the disposal of land, to check and verify, as Mr Walkley said, whether it is about proceeds or whether it is putting it into the pot to build homes. Okay, fine. Why is there no follow-up happening so that building starts and completions are there and literally people with a key in the door? It is not that difficult, is it? I don't think it is. People are poring over stats on their homes and planning apps—

Melanie Dawes: That is the question I have asked many, many times. Again, Mr Walkley might want to come in on this. Let me tell you what we have done, because we wanted to put in place a system that we could use for the future. We let a contract with Ordnance Survey in the spring of 2017, and they have put in place a system whereby they have matched all the postcodes to all the sites that have been sold, and where that was a historic sale, we have had to do so much detective work simply to get back into the contract—you may remember that the departmental record-keeping in the previous programme was not very good, and that has not been easy.

We have been ensuring that we are properly matching the actual public sector land sale, which has nearly always been developed as part of a broader site, so Ordnance Survey have had to go back at a very granular level to check postcodes and historic boundaries. They have done that now. They are now able to give us completions, but we do not have data that tells us, for homes that are built in any postcode, whether that is an affordable home or a key worker home. We just know whether it is freehold or leasehold.

In order to get the affordable homes, we have had to go back into the planning system and look at the 106 agreements, which is what we are going to publish. We have been pushing this incredibly hard, but we are trying to do something that gives proper, good data that we can then release regularly into the future.

Q98 **Caroline Flint:** I know you are not necessarily the architect of all this, Ms Dawes, but I think people listening to this would find it really difficult to understand how something that is a public asset, owned across Government, is so lacking in any transparency or structures within it to hold people responsible for what is done, what is built and who is living there. This is an opportunity that should be a gift compared with trying to get houses built on private land. Wouldn't you agree that maybe if you had the possibility, you should just shut this programme down, go back to the drawing board and sort this out?

Melanie Dawes: I really don't think we should shut it down now. John may want to comment on this, because he has been working alongside it and scrutinising it with us over the past few years, but I think we have it on a much firmer footing. One of the reasons why the data has been so hard to collect is that we did not put in place the processes that would have made it easier to collect when we disposed of the land. Now that we have sold it, it is genuinely very difficult to go back into a planning system that is, of course, analogue and not digital, so it is very difficult to find data.

Q99 **Chair:** Sitting here listening to this, the idea that in the 21st century you have civil servants crawling through individual planning applications beggars belief.

Melanie Dawes: It tells you something about the nature of the planning system, which is a big challenge for us more generally; it is not a digitised system at all.

Chair: Not just that, but the way the scheme was designed; I think we would acknowledge that it was a set of ministerial promises that you inherited.

Caroline Flint: It seems to me that an obvious mechanism for having more transparency and tighter controls on delivery would have been an expectation that housing associations, community land trusts and other such enterprises could have been given ownership to build on more of this public land. I am sure you would get a better set of data coming back.

Q100 **Chair:** I wonder whether Mr Walkley has anything to add on this? You will know what lands you are dealing with. Are you able to do it better, or is there a different way that you measure it? Can you tell us any more about affordable homes?

Nick Walkley: We have a better grip where we have a building lease on what gets built, but it is worth saying that even where you have control over the specifications, planning applications on large sites move as demand and requirements shift. What is in the outline planning permission and what is in reserved matters on the first phase may not be exactly what gets built, because at that moment it interfaces very directly with the market. A common experience that we all see on a day-to-day basis is that what we expected and what gets built is different.

Q101 **Chair:** But completions was always a figure that was measured in housing.

Nick Walkley: I was making the point about affordable housing and the types of units. There is also a real-time element to this, which is challenging. Particularly for the historical data, I recognise, having run a local authority, that actually an awful lot is out of date. Local authorities themselves have not always been great at capturing that data. Even if it is online, it tends to be in PDFs, rather than being searchable. There is an enormous amount of data to be crunched to get to reasonable numbers, which I absolutely understand is deeply frustrating. The great thing about housing is that you can go and see it, but I don't think—

Q102 **Chair:** I have visited Nigeria a number of times. I once visited a state where the governor was told they hadn't built enough homes, so he went and physically counted them. He was trying to check for corruption there, but it sounds like we have a system here that is almost the same, where you have to physically— It would be quicker, Ms Dawes, to send your civil servants off to visit Don Valley, which I think you are doing. Maybe we could finding a housing estate for Ms Dawes to count houses on. If you are going through it manually, to that extent, it would be quicker to get someone local to count them, or for a housing association to say, "We have this many affordable, this many shared ownership, this many whatever." This is all reported.

Melanie Dawes: We now have a system in place and can turn a handle on every six months and give you data on where we are going. On the 40,500 homes that we have brought to market, we now have that for those sites. Some 90% of sites disposed of in both of the previous programme are now in that system. As we get further sites coming through, we will report on all of those.

Q103 **Caroline Flint:** Would you not agree that that should have been a principle at the start of this project in the first programme in 2011?

Melanie Dawes: It was something that our Ministers agreed with you on in about 2016. We have been working on it since then. However, because we had not done it at the beginning, it was harder to put it in place.

Q104 **Caroline Flint:** Does it worry you, Mr Manzoni, given that this was a project to help to build more homes, that actually being able to count the homes was not a first principle of the programme in the first phase?

John Manzoni: Of course it would be nice to set all these things up and to have the systems, but we struggle with this all over.

Chair: Well, this was a particular ministerial pledge, done in a hurry.

Q105 **Caroline Flint:** Now we have established that the Department does not expect to reach its target for the release of land until after 2025, have you made any estimation of how much longer it might then take for that land to be developed and the 109,000 brought to market?

Melanie Dawes: As I was saying earlier, we think we have a high probability—it is an upper estimate—of 69,000 homes-worth of sites being released by next March. That is the first tranche. There is then a further 95,000 homes, or thereabouts, that are in the system for release thereafter. Many of those, if not most, should make it over the line by 2025, but we are not putting a number on that at the moment.

Chair: Wisely.

Melanie Dawes: Some will be after that. We are just trying to be as clear, transparent and honest as possible, and any figure we gave you at this stage would change. Some of these sites are still in operational use, so they carry that risk. Some are still in the programme but are subject to quite important operational decisions, including around things like defence or NHS services, which Departments really need to take care of.

Q106 **Caroline Flint:** We are going to move to the proceeds side now. Turning to the Treasury, what was the rationale behind your £5 billion proceeds target?

Charles Roxburgh: That stemmed from the work that Ms Dawes referred to, led by Sir Bob Kerslake, who worked through what he thought a reasonable estimate would be. He recommended £4.5 billion, and then Ministers added a degree of stretch and set it at £5 billion.

Q107 **Chair:** So Ministers plucked a figure from thin air?

Charles Roxburgh: It was close to a 10% stretch on the £4.5 billion. We believe that we are broadly on target for that over this period.

Q108 **Caroline Flint:** Mr Manzoni, would you like to add anything to that?

Chair: We can almost hear you laughing there, Mr Manzoni.

John Manzoni: No, no. Charles is exactly right. This was a piece of work started in 2013.

Chair: We know the background.

John Manzoni: We are right now, as has been said, at £4.5 billion or just above, and we have every confidence that the £5 billion target will be met, as planned.

Q109 **Chair:** You have come from the private sector. Would that normally happen, where someone just adds another 10% on to it?

John Manzoni: Yes. I think it is the same sort of philosophy. These are always judgments. It turns out that this was a reasonable judgment. I know there are some things that came in and there are some things that weren't—

Q110 **Chair:** Mr Roxburgh, presumably Ministers sought advice about that judgment, or was it a figure plucked from the air? It is a nice round figure, £5 billion, isn't it? It seems neat and tidy to us.

Charles Roxburgh: I think there was a bottom-up exercise, which came up with £4.5 billion. I have also worked most of my career in the private sector and I think adding roughly a 10% stretch on that, to encourage people to try harder, look harder and go a bit more, is quite a normal discipline in the private sector. In this case, we are on track to meet it. In retrospect, that target turns out to be doable. As Mr Manzoni said, some things come in and some things don't happen.

Q111 **Chair:** Doesn't it disincentivise civil servants—such as Lord Kerslake, Ms Dawes or any others—from coming up with the real figure in the first place, if they think that Ministers will always add a stretch on? They might go the other way for contingency, just to cover their backs.

Charles Roxburgh: No. As long as there is a good grounding from the bottom up for the base number—in this case, Sir Bob's £4.5 billion—I think it is perfectly legitimate for Ministers, or chief executives in the private sector, to say, "Fine. Try a bit harder, see if you can get more and have a reasonable degree of stretch." It becomes a problem if the degree of stretch is so unrealistic that it becomes a target that people no longer have confidence in. This was one where a stretch of roughly 10% was achievable. It turns out to be within range and achievable, we hope. I think this has turned out to have stood the test of time.

Q112 **Caroline Flint:** Ms Dawes, how much of the proceeds raised so far actually relates to the land for housing programme?

Melanie Dawes: I don't—

John Manzoni: As of March—I don't actually have the link between the houses and the exact places—we knew we had £2.47 billion-worth of proceeds. On that basis we projected 38,000 houses. That is the linkage. We haven't matched site for site, but we were at £2.47 billion of proceeds at March 2018 and at that point we had had 38,000 houses. That is how it works.

Q113 **Caroline Flint:** The sale of the railway arches has contributed quite a lot, from what I can see, to this £5 billion target. That 70% of the sale relates to that area. Why is it that the money from the sale of the railway arches counts against the £5 billion target, 70% of the sale relates to airspace rather than land, and the Network Rail sale was not included in the Department for Transport's 2015 spending review proceeds target?

Charles Roxburgh: We are talking about the railway arches in a session next week. The origins of the Network Rail arches sale was the overrun that happened on control period 5. This was put forward as a way of beginning to close that gap. It absolutely meets the criteria for inclusion in the £5 billion target. The £5 billion target was not limited to housing; it was the sale of public land.

Q114 **Chair:** But it was land that was not going to be sold until there was a hole in Network Rail's budget, so it is a really big backfill to the £5 billion target. If there hadn't of been a crisis in Network Rail's—

Caroline Flint: Or the old War Office.

Q115 **Chair:** If those things had not arisen, would you be anywhere near the £5 billion target now?

Charles Roxburgh: With any target you have some things that come in at more than you expect and some things that come in under.

Chair: The Network Rail arches sale was a pretty big thing to come in.

Charles Roxburgh: Yes, and it meets the criteria for inclusion in that. We discussed with the Network Rail management here whether they would have brought it forward for sale in any case, as it is not core to their mission, which is running a safe and efficient railway. But we can talk about that when we have the senior leaders from Network Rail here next week, if that would be of interest to the Committee.

Q116 **Chair:** We will. But it is only because it was categorised as public sector that this was even in play, so it was not really in the original plans that it would have even been in play.

John Manzoni: Things are announced. We've had some things that were supposed to happen, which didn't happen, and some things that weren't supposed to happen, which did.

Chair: Not usually on this scale. This is a pretty big one.

John Manzoni: That is possibly true, although in 2013, when the plans were struck—I mean, a lot happens in six years. We also, for instance, had planned to build five prisons and sell a bunch of old prisons, and only two of those have been built, so those didn't happen, either. So some things went away and some things came in. I think it's—

Chair: Well, we'll be looking at the details on that.

Q117 **Caroline Flint:** I'm just trying to get my head around this. Obviously, there has been the £5 billion proceeds target from the sale of public land. If a large amount of that has been delivered through land and facilities that are not suitable for housing, but we are still on target, doesn't that beg this question? In terms of the land that is potentially suitable for housing, we can have a reduced assumption about how much money we should get from that and therefore we might want to prioritise social housing on it, because we have already met our proceeds target. Does that make sense?

John Manzoni: This is the whole point of the strategic asset management plans that Ms Dawes mentioned. When those two targets were set, they weren't set—I mean, Lord Kerslake set a disposals number, and the housing number was not done coincidentally and was therefore not related directly to the £5 billion target. Going forward, the strategic asset management plans do exactly that: they get a much closer linkage between the deliverability of the land, the potential value of the land and the potential use of the land. Again, this is a sort of example of—it's frustrating when we begin to create some coherence around this multiplicity of targets or mixed objectives and then we are not quite where we want to be. But I think that, in the last couple of years, as we have brought together the estate strategy with the strategic asset management plans—I am always saying this, but we can look forward to a much more cohesive, coherent and deliverable set of targets in the next round of target setting. And I think that's true for many things that happened in 2015.

Q118 **Caroline Flint:** Can I ask why sites are being sold for £1 or less?

Chair: We should refer people to figure 13 in the Report, on pages 32 and 33, which gives a useful summary.

Nick Walkley: One hundred and sixty of the sites were sold by Homes England. There are three significant reasons for a disposal valued at £1. The first, typically, is that the land does not have any development value. So it's likely to be very small parcels of land—as small as a verge. There are still quite significant numbers of those sorts of sites in the old new towns, which we are now tidying up, and we are ensuring that the freehold is held by the local authority rather than—

Q119 **Chair:** So basically you are passing on the maintenance costs to the council.

Nick Walkley: Exact—well, very often the council has been maintaining them and does not own the freehold. There is also land in development parcels that's specifically for community use, so, as a large scheme is built out—whether it be, as it is in one case, woodland that is to be protected and is being passed to a local community trust, or parks or an access road that will be needed in the future—those are sold for a pound because they have no development value. We will always ensure, where development is still ongoing, that there is a covenant and overage agreement in case use should change.

Secondly and quite commonly, this is land that in reality has a negative value because of very large remediation costs. We are talking about former colliery sites, former industrial land, where it's often the local authority that are looking to do large-scale regeneration and it is advantageous for them to be the freeholder. They will be meeting those remediation costs.

Thirdly, there is a smaller number of sites where the site has actually already been disposed of on a very long conditional lease and, contractually, we are committed to completing, after a period of time, a freehold transaction by way of a £1 sale. This is typically to meet policy objectives. The most obvious example is the former RDA sites of enterprise zones where the enterprise zone had a very specific set of output requirements relating to a series of businesses. Once the enterprise zone ends, one of course wants the business to continue and so the freehold is sold and the leasehold agreements fall away.

So there are specific reasons that normally relate to the use of the land, its inherent value or contractual commitments.

Q120 **Caroline Flint:** We have all got a constituency breakdown of plots of land that have been sold for a pound. I think I have one in mine and there are another five across Doncaster. On the specific agreements, are you able to provide the Committee with some more detail of where they are being sold for homes or where, for example, there might be existing homes there and how they are being used?

Nick Walkley: Yes, of course, because every single site is subject to a governance process that involves an independent valuation and documentation of the reason for that valuation.

Q121 **Caroline Flint:** We talked about data and the lack of it. Could you tell us a little more about how you intend to make use of the data that you currently get, to improve our understanding of what is happening on the ground, as well as any future changes? On the proceeds target, which Departments were expected to deliver on it, and how did you decide which Departments were the ones to focus on?

John Manzoni: For the original disposal targets that was, as we discussed, Lord Kerslake's review. That was divided into four main sites and some others; four main Departments and some others. That was a distributed target by Department. We are tracking how those Departments are doing. Some are meeting them and some are not.

As we've discussed, some Departments pop up; DfT comes in with railway arches and such things. Those are all being tracked and will continue to be tracked. As we set new targets through the strategic estimate management plans, which literally this month are being examined and discussed with each Department, we can have an overview for Government and a Department-by-Department set of targets, and we will know the next round of those. That is how that happens.

Q122 **Caroline Flint:** Does Treasury want to add anything to that? Where has the money received from the sale of land and property gone?

Charles Roxburgh: I will give you a general answer and then I will take it for Departments' specific assets. In general, across all the public finances, we don't match specific receipts with specific expenditures. We put it all into the consolidated fund and then we pay it all out, so we can't trace specific receipts to specific outgoings.

In the area of disposals, though, when we make settlements with Departments, there will be a discussion of what the Department is planning to sell and its disposal plans. That will be taken into account in setting their spending limits. Typically, they would be financing some of their own capital outgoings through the disposal programmes that they are overseeing. Therefore, they would have less draw on the public finances for the balance.

On specific large cases, there may well be a negotiated one-off discussion with the Treasury, to decide what the right treatment is for the proceeds from that asset. Sometimes, as happened with Admiralty Arch, that money came from the consolidated fund and would be used to reduce our need for more borrowing.

In other cases, for instance, with a large embassy site that the Foreign Office sold, it was agreed with the Foreign Office that they would use the proceeds from that sale to reinvest in the Foreign Office estate around the world.

Q123 **Chair:** There was £75 million. Which one was that?

Charles Roxburgh: That was the Foreign Office's Bangkok embassy, which was significantly more than that. That was a very large scale but was also in the context of the Foreign Office needing a very large upgrade to its international estate.

Therefore, the negotiation with the Treasury said that, "If you sell that, you can reinvest the proceeds over a number of years, in the upgrade to other major important embassies and other important renovations and maintenance on the Foreign Office estate."

That was one where the agreement was for it to be invested. By contrast, on the Admiralty Arch, the agreement was that that money would come back to the consolidated fund and be used for paying down the debt—not needing to borrow so much money.

Q124 **Chair:** Can I ask about foundation trusts? I know that the programme handbook says that foundation trust disposals are included for the homes target but, obviously, they are independent trusts. How does that work in terms of the relationship with the Treasury? If my local foundation trust, the Homerton hospital, sells land under this programme, it is public land. It counts in the target but surely it owns the money.

Charles Roxburgh: I will need to come back to you on that; I do not have the specific answer on foundation trusts.

Chair: What I am driving at is that we have the Network Rail arches potentially up the road. There are other cases where the money is in and straight out again and others where it is going as cash to the Exchequer basically.

Charles Roxburgh: The Network Rail arches, as we will discuss next week, is a complicated situation. That was sold for £1.4 billion. The agreement was that £500 million of that could be used to reinvest in maintenance, because that pushes up the deficit. The sale of the arches did not reduce the deficit. It did not count towards the deficit, for complicated classification reasons, we think; we haven't got the final answer from ONS yet. But the agreement was that £500 million would be reinvested in the maintenance of the railways and the balance—£960 million—would come back to the Consolidated Fund.

Q125 **Chair:** Do you have a sub-target within that £5 billion of receipts for what is reinvested in the service that has sold it, or in the Department that has sold it, and what is actually going to pay down the debt?

Charles Roxburgh: As I say, it is done Department by Department in the settlements, and then for some specific large assets we would agree with the Department the right way to handle it, balancing all the other pressures on the public finances. For that £5 billion, we don't have x% that we will put back into the Departments and y% to the Consolidated Fund. The settlements with the Departments at the spending review should be coming up later this year, looking ahead, and the major one-offs we would have separate negotiations about.

Q126 **Chair:** It still puzzles me. The Departments will be offering up land, but if I were a canny permanent secretary, I might be thinking, "Hmmm…unless I have got that deal stitched in with the Treasury and I'm going to get a certain percentage of this back, we might hold off that juicy bit of land in the corner that no one's noticed yet." Ms Dawes is appalled that I might have such thoughts; that is probably why I am not a permanent secretary, Ms Dawes, and you are.

Charles Roxburgh: We are working through the balance sheet review—we talked about this with the Committee before—to take a look at the entirety of the Government's assets and liabilities, and working with Departments, up to and within the spending review, to say how best can Departments manage those assets and liabilities for public value.

Within the Whole of Government accounts, there is £430 billion of public land and buildings. We can trace that through all the Departments and we will be having those discussions with them as to what they need and what is surplus, and then the Cabinet Office process will be helping to make sure that canny permanent secretaries do the right thing.

Chair: Maybe we will pick this up next week, as we are discussing the fascinating Whole of Government accounts, which we are looking forward to. Ms Flint, any last thoughts?

Q127 **Caroline Flint:** I am still not clear about what I feel are conflicting targets, in terms of what is the most important priority and what is the USP of having public land that Government have some massive oversight to intervene in? You talked about dealing with the market and I get that when it is private land, but really in terms of realising our home expectations, particularly in terms of affordable housing and social housing as a subset within that, this is such an opportunity here, to realise through public land a major step change in our investment in this area, which in some respects—I mean, do you really believe that applying market rules to this particular strategy is the right way forward?

Melanie Dawes: In the end, it comes down to a policy choice, and I absolutely recognise the question you are asking. What the Government could do is to say that on some or all of the public sector land sales we only want affordable housing developed and we want a very high level of affordable housing developed. The impact of that would be to reduce the sale proceeds, so you are right to be pointing to a trade-off in the cash and perhaps, if one is subjective, on affordable housing.

However, it isn't only that. I think the reason why the Government have chosen this balance is the local nature of the planning system, and really that it is better, and likely to be quicker and easier—there will be more synergy with the local planning authorities—if you work within the overall aspirations of those local authorities.

Then, as Nick has described, when we actually come to operationally commercially engage with the market, there are things we can do to make sure that we get that maximum for the local authority, but what we are not trying to do is to say, "This particular MOD site, or this particular hospital, must only be for affordable rent", because we believe that the best way to determine that on any site-by-site basis is the local authority planning process.

However, it is a policy choice, in essence; we could do it another way. It would have the impact of lower proceeds, and instead what we would do is put the grant in for affordable housing at a national level.

Q128 **Caroline Flint:** That is a very candid answer about the choices to be made. I would have more sympathy with your overall sense of how everything works if we had the evidence to show clearly that the private market and the local planning decisions and housing strategies were actually delivering, and we know that they are not. I think it is very important that you have stated on the record here that it is within the ability to set a policy choice. For example, you could set a target of 50% affordable housing for the remaining years of the public land for housing programme. That is something that the Government could put forward. Do you agree?

Melanie Dawes: It is something that we could do. It is just a policy choice. There is a slight risk. I am not saying it is a terrible idea; I am just saying that one of the risks is that you could end up with all your affordable housing on some slightly odd sites, which might not make for great communities. What Mr Walkley is doing through Homes England is bringing the expertise, which is significantly greater than it was a couple of years ago—there have been huge improvements in the agency—to make sure that when we do sell, we really are supporting the local authority to get the affordable homes built. As you say, if you just leave it to the private market, it is quite challenging to keep those numbers up in the way that we all want to see, even when the Government is putting in affordable grants.

Q129 **Caroline Flint:** You seem to be suggesting that the market on its own cannot deliver.

Melanie Dawes: The market on its own has never been able to deliver affordable housing. Significant investment from central Government and local government has always been needed. Even on individual sites, we can get into very different questions about viability, in the way that Mr Walkley has been describing.

Q130 **Caroline Flint:** I totally understand that not every piece of public land is going to be suitable. I don't think anyone is suggesting that every scrap should be used. Maybe I am going to contradict myself here. Given that targets that have been clearly unrealistic and undeliverable have been set, maybe having an aspirational target of 50% for social housing or affordable housing is worth a punt.

Chair: We are tempting you, Ms Dawes.

Melanie Dawes: I would rather like to get the programme on to a basis where we are aiming at something that we have got grounded plans to deliver. That is where we think we are now. I take your point that you could make some choices like that.

Q131 **Chair:** Mr Walkley, do you want to add anything else?

Nick Walkley: One comment. It is an important policy choice. The decisions for many of the larger sites would have profound implications for a whole local plan. I suspect that, where you are building 3,000 or 4,000 homes, you would need to think very carefully through the implication of that allocation for what other developers begin to do in other parts of the same location. They may begin to think, "Well, I don't need to do affordable housing now." One would need to do this with a degree of consent from the planning authority; otherwise one might begin to mess with judgments.

Q132 **Caroline Flint:** Here's a radical notion: given that we hopefully know, because we have scoped it out, where all these parcels of public land that the Government has some oversight over are, and we know in which local authorities they reside, is there any conversation going on at the moment about how potentially this nationally provided public land could fit in with the local housing plans and housing need surveys? We are ahead of it, so you don't have to say, "We are going to upset your local housing strategy," because we are going to talk to you about trading off our parcel of land, which might be quite helpful to you to meet your need.

Melanie Dawes: That is exactly what happens.

Nick Walkley: Absolutely, yes, but a change of policy would require a change in those conversations. That is the simple point that I was making.

Q133 **Caroline Flint:** So that is doable and probably worthwhile pursuing.

Melanie Dawes: It is a policy choice. We have brought Homes England's capability alongside Departments' a lot more in the last few years, and we have bolstered it with some really good expert people. The whole conversation about how to develop a site, I think Nick would agree, is a different one from a couple of years ago. It is not just a conversation about affordable homes. A lot of these sites need significant investment and a lot of remediation, so Nick is also bringing his portfolio of loans and other help that SMEs and other builders need, as well as affordable housing conversations. One of the reasons why we are beginning to get the movement is those much better conversations at a local level.

Q134 **Caroline Flint:** Is the Treasury up for a discussion about prioritising homes being built for need, over and above proceeds?

Charles Roxburgh: I forget precisely which fiscal event it was, but the Chancellor provided very significant funding for the expansion of the building programmes a year or so ago. If the Government's policy is to invest more in any aspect of housing, the Treasury will support that Government policy.

Caroline Flint: Has there been any cost-benefit analysis of a different approach—perhaps getting lower proceeds from the sale of land, as opposed to building homes for particular need? Has there been any cost-benefit analysis that says, "Actually, if we don't meet our target on housing, we will have more and more people without a home to live in, more problems with the private rented sector not being able to meet that, and communities being restricted in their ability to move to a better home"? Is there any cost-benefit analysis against the £5 billion proceeds target and the target for disposable allowance for homes?

Melanie Dawes: We have not done any cost-benefit analysis against the proceeds target, as far as I am aware. What we have done—and it has been reflected in the investment that we have had in my Department—is a lot of cost-benefit analysis of why we should be investing in housing in lots of different ways. We have had a very significant increase in our budgets, but that has largely been about national programmes, where Homes England has the flexibility to deliver to sites, depending on where it thinks it can get best value at a local level, rather than by doing it through the public sector land programme.

Q135 **Caroline Flint:** Does it keep you awake at night that once land is disposed of, it is gone? For your Department to create the homes that people need in the communities that they want to live in, if you do not realise the housing objective through the sale of public land, it undermines a once-in-a-lifetime opportunity for public sector land to make a difference in this area.

Melanie Dawes: What is a constant challenge—it does not keep me awake at night, but it is a constant challenge—is creating a housing market that will deliver 300,000 homes a year. That is the overall challenge. Within that, this programme is important, but it is a question of whether or not we invest that marginal effort on all of these individual sites, rather than on trying to mobilise the market as a whole. We try to put our effort across the whole of our housing programme, not just on these specific sites.

What you say about what happens once a site has been developed and a choice has been made about it is true for any building and development site in the country. I guess we have taken the view that the public sector land ones are not necessarily any more important than others—*[Interruption.]*

Chair: Order. I was hoping that we would have finished by now, but we will have to come back for five or 10 minutes.

Sitting suspended for a Division in the House.

Sitting suspended for a Division in the House.

On resuming—

Q136 **Chair:** Welcome back to the Public Accounts Committee on 12 June 2019, after that vote. I just wanted to pick up on a couple of things. One of the things that is in the handbook, Ms Dawes—maybe this is also relevant to Mr Walkley—is a list of "What is a home?" which we were quite interested to read.

Just because it is not in the Report, I will read it out: "A new market home; a new affordable home"—although we noted that it doesn't say social housing anywhere in this list—"new rental accommodation; new student accommodation; new essential local worker accommodation (for example, health service staff, military service personnel and family accommodation, and prison officers' quarters)…an Annington's home previously leased to the Ministry of Defence sold to the market; communal accommodation including care homes and sheltered housing; new park homes…" and "new permanent gypsy and traveller pitches."

Can you give us any indication, either Ms Dawes or Mr Walkley, about what percentage of the homes that you have highlighted in the figures today—which we talked about quite a lot—were care home spaces, for example? Do you have a breakdown?

Melanie Dawes: Unfortunately, I do not have a breakdown.

Chair: I am not saying you have one right now at this moment.

Melanie Dawes: For some of the reasons we were discussing earlier, I think it would be difficult to go into some of those subcategories.

Q137 **Chair:** That's partly why I thought you might have that answer. The danger is that in that total figure that we have talked about, whether it is 25,000, 40,000 or whatever you look at, if you added in a bit here—I mean, health service staff accommodation could be a room in a hospital. Would that count in that definition, Mr Walkley and Ms Dawes?

Nick Walkley: It has to be a dwelling.

Melanie Dawes: I think it has to be a dwelling, and I recall that there are specific rules about the number of bedrooms in relation to shared cooking and bathroom facilities. We have rules around that, so some of the single person housing will be like that; it will be rooms with shared facilities, but it will not be just a single room.

Q138 **Chair:** It says care homes, for example. "Communal accommodation including care homes and sheltered housing"—including, so it is not an exhaustive list.

Melanie Dawes: If somebody is living in a care home and it is their home, it may well not have kitchen facilities, for example, although they sometimes do.

Q139 **Chair:** But when I think of the housing need in my area, for instance, we've got families living in the living room because there is a whole other family living in the bedroom in a one-bedroom flat. That is a frequent occurrence in my constituency because of the shortage of housing. I do not think a new care home would be considered locally to count as new housing. It would be counted as a new care home and it would be measured on that basis, but I do not think it would count as new housing, because it would not be useful to the population in that sense.

Melanie Dawes: We can certainly see whether there is any data we can give you on the overall 40,500 that we counted so far—the number of those that are the categories that you just mentioned. We have included them. If all of the housing was of that type I would see your point; but I think for the most part this is a minority number.

Chair: I would hope not, but I think we just need clarification on that.

Melanie Dawes: We will see what we can do.

Q140 **Chair:** It says "a new affordable home". Under the previous Mayor of London's definition, which is quite pertinent, given where we are at with the potential new Prime Minister race at the moment, "affordable" in London is 80% of private rented, so it doesn't even necessarily include social housing. Does that definition of a new affordable home include social housing?

Melanie Dawes: Yes, it does.

Q141 **Chair:** But you haven't put that as a separate category of home, in this list.

Melanie Dawes: No. We are just saying there that those are the broad categories, but we are not defining in any new way what affordable means in relation to social rent or any other form of sub-market rent housing.

Q142 **Chair:** It seems that social rents have been wiped out of the record as something that is described, whereas—I will ask Ms Flint to pick this up—in my constituency social rent is about the only thing a lot of people can afford. If you are working three jobs on minimum wage even that is quite a stretch, to be honest, but affordable wouldn't be affordable at all. Is this a policy decision or a civil service decision to take the words "social housing" out of lists like this?

Melanie Dawes: No. For us, affordable housing is quite a broad church of different types of tenure—

Chair: We know that—

Melanie Dawes: It definitely does include social rent. In fact that has gone back into the programme for the first time quite recently.

Q143 **Caroline Flint:** In terms of the categories that the Chair has outlined here, in this document about the programme, under "What is a home?", was that a ministerial decision to have it laid out that way, or was that a civil servant decision?

Melanie Dawes: That is just a factual description of the types of homes we are counting for the public sector land programme.

Q144 **Caroline Flint:** So when you maybe look at a reprint is it possible, may I ask, therefore, if it is not political, that "affordable" is broken down into categories, so it is very clear what we are talking about, there? Because I think there is a danger here that social homes and what we understand—what the public understand—by what a social home is are in danger of being completely wiped out from the conversation. So can I ask that that happens? You have already said it is included in what "a new affordable home" means. Could you actually therefore break down what you have just said to the Committee about what you understand that to mean? That should include social homes, so it is there in black and white in the document.

Melanie Dawes: Yes, we can certainly say "affordable homes, including homes for social rent, shared ownership" etc.

Caroline Flint: I think that would be much appreciated.

Melanie Dawes: If what you are asking is can we, when we give you the information that we will shortly have on the number of affordable homes in that broad sense that we are expecting to be built on public sector land sites, break that down into the categories of types of rent, I will have to go and see. It is just a question of what that data shows.

Q145 **Chair:** Mr Walkley should be able to do that. Surely, Mr Walkley, you could do it, because housing associations will have to list whether it is social rented housing, whether it is in shared ownership, or whatever they are producing. They will list that in their annual report, so presumably they report that in to you.

Nick Walkley: They don't report to us any more because we don't manage the regulator.

Chair: It has all changed, then.

Caroline Flint: Maybe that is something—and I don't want to pre-empt the Committee—that we will think about in terms of our Report and what we might recommend.

Q146 **Chair:** Thank you. I just wanted to ask—a number of times you mentioned, Ms Dawes, the high turnover of Housing Ministers, and that that was part of the reason, potentially, for delay in the annual report. Is it a general problem about consistency of policy, having that high turnover of Housing Ministers? Housing Ministers last—what, about nine months on average, is it?

Melanie Dawes: I do not think it is a problem; no. We have always found our Ministers are very committed to this particular programme, and it is our job in the civil service to support new Ministers to get up to speed, and be able to make decisions as quickly as possible, and we do that. I think in this particular instance—and, as I say, I was discussing this with my Ministers earlier this week—it just meant that successive Ministers had just got on top of the brief, and then there were changes; but I don't think it is a generalised problem, no.

Chair: That is very diplomatic of you. We would like to go into that further, but I think perhaps now is not the moment. On this issue about the annual report, you talked about producing data. My slight concern about that is that data being produced may be a way of avoiding public scrutiny, because if an annual report is published people pick it up and notice it; if it is data it is people like us who might actually look it up, and we are small in number, if big in enthusiasm—but we have to think to look for it. I am slightly concerned, there. Can you just be clear? Are you going to commit to the annual report being one that is flagged, laid in Parliament and all the rest? The data will not be laid in Parliament and will not be in the public domain in the same way.

Melanie Dawes: The data will be published.

Q147 **Chair:** Yes, but published on a website—

Melanie Dawes: What we envisage is a proper statistical release, and I can certainly make sure that we send that to you.

Q148 **Chair:** Fascinating though your website is for people, they would have to be in the know to look for it and to know that it might be coming and to find it. If it is published to Parliament and published in an annual report, it is very obvious.

Melanie Dawes: Yes, we are planning to do both. What I am anxious to avoid is a situation where everyone is waiting for the annual report again for the data, so we are going to try to get round that by publishing it regularly—I hope every six months.

Chair: Okay.

Melanie Dawes: Then, in addition, Ministers have made the commitment to publish an annual report. It is still there. It is still something that we have decided, so I hope that they will want to continue with that.

Q149 **Chair:** Just one point for Mr Walkley to confirm. You were going to give us some examples of delivery on different sites and the numbers. You are going to send that to us.

Nick Walkley: Yes.

Q150 **Chair:** I just wanted to touch quickly on Grenfell. There was a ministerial direction by the Secretary of State, James Brokenshire, to pick up the slack where private developers have refused to pay, or where there has not been agreement about who will pay. First, where is that money coming from? Is it additional money? Is it from the Treasury or is it from your own resources?

Melanie Dawes: The money is available to us because of the reprofiling of some of our housing programmes. We have not talked about this in detail before, but in some cases we have been given allocations from the Treasury that are more front-loaded than in practice the market needs. That has given us some capacity in the short term, and that is what these funds have been found from, in the same way as the social housing remediation fund was found a year ago.

Q151 **Chair:** Will the £200 million be enough? Or is that a starting amount?

Melanie Dawes: Well, it is an estimate at this stage, but we believe so. We are going to have to get into the detailed bids from developers. We are hoping that we will continue to see the good will from developers who have already paid even though they didn't necessarily have a legal liability; they recognised that having put a building up or having been involved in its development, they had some obligation.

Q152 **Chair:** That was actually my next question. Do you expect to recover any funds? Some developers have been very clear that they are in the camp where, up front, they have just agreed that they will pay for it. Others are refusing or wrangling over who is responsible. Do you think you are going to get any money out of that latter group?

Melanie Dawes: It is a condition of all the funding we are giving here—because for the private sector fund we are giving it to the freeholders on behalf of the leaseholders—that they then try to chase that back through the supply chain. It is also a condition of the social sector fund—

Q153 **Chair:** It is great that it is a condition. How enforceable is that, realistically?

Melanie Dawes: It isn't going to be easy to get the money out in a lot of these cases, which is why we stepped in.

Q154 **Chair:** Will you name and shame them?

Melanie Dawes: In some cases, you are talking about buildings that were developed by commercial vehicles that have ceased to exist. Sometimes, I am afraid to say, it is offshore companies that are quite hard to trace. In the cases where you have got a household name developer involved in the construction of these buildings, often those building firms have stepped forward—not in every case, but in most of them.

Q155 **Chair:** Are you concerned that there is a precedent here? On one level, it was a completely responsible ministerial direction to ask for and to seek. Obviously, VFM rules meant you wouldn't be able to just agree it. We understand it is very difficult for those freeholders who would have been left in an invidious position had they had to fund it themselves, but it is setting a precedent, isn't it? You are backfilling private sector responsibility—well, not always private sector, but developers' responsibility. Do you think you are setting a precedent?

Melanie Dawes: The question of repercussion was the one that was most on my mind as accounting officer; you are right. I set out all the issues very fully in my letter. It was a longer letter than you usually see for ministerial directions because there were a lot of factors in play. I was satisfied on repercussion in the end because of the exceptional nature of the Grenfell fire and what we hope will be the exceptional nature of the ACM—aluminium composite material—cladding problem. My Ministers have been very clear that they see this as a one-off. We are also putting in place, and we are doing so through legislation, a much stronger situation for the future with the Judith Hackitt reforms, to make sure that insurance operates properly at the point where a building is moved from a developer to the new owners—the freeholder and the leaseholders—and we are clear who would pay for any problems that emerge, because that is not the case at the moment.

Q156 **Chair:** It is two years since the tragedy at Grenfell. How quickly do you envisage that all of this work will be done?

Melanie Dawes: In the social sector, the remediation is going well. We are more than halfway there. As I said in my letter, there was a very good response from social sector landlords, not just in the buildings that had

ACM cladding but looking across all their estates and checking, as they have all done, for other problems that they needed to address. There have been significant other problems—not problems that the Government have paid for, but significant other problems.

In the private sector, it has been slower. There was really quite a long delay before people woke up and smelt the coffee that they needed to worry about these buildings, and that they were not safe. It has taken a while to identify the buildings. It took about a year, through significant local authority action, to track them down. Now that we have done that, we have them in the programme structure and we are monitoring them through, but they are only starting now to form their plans.

Q157 **Chair:** There are examples, though, where buildings have been assessed in that early stage to be safe, and have then been reassessed in the light of new evidence and fire wardens appear. I have some in my constituency in that situation. It seems to me that there is an issue there, and a responsibility for the Government to make sure that there is very clear guidance, because people are living in their homes. To find that you suddenly have a fire warden when you didn't the year before can be very alarming.

One very grand council housing block that was built as a world-beating development now has fire wardens. Those tenants have moved in. Do you think that there is anything that you would have done differently, if anything like this happened again?

Melanie Dawes: I think, particularly in response to such a terrible set of events as we saw with Grenfell Tower, we always look back and see whether we could have done things differently. With hindsight, the degree of badly built buildings where safety just had not been taken seriously enough was higher than any of us expected at the beginning, so could we have moved faster, assumed a worse situation out there and put even more effort into it? Looking back two years later, possibly yes.

At the same time, I think most people's reaction two years ago when they saw Grenfell Tower on fire was that that should not have happened and that it would be a one-off. Sadly, that has proven not to be the case. We have tried to catch up with the situation, and to keep ahead of it, but I think we will always look back and think, "We could have done more here; we could have done more there." We are working very closely with the public inquiry. Many of us have already given witness statements to that inquiry, and I am sure that there will be things that we look back on.

Q158 **Anne Marie Morris:** Ms Dawes, you say that you now have everything in hand with regard to the private sector—as in, other properties that are affected—but my understanding is that we are still awaiting guidance to be issued that will not be out until July.

Melanie Dawes: We have been very clear now what the situation is on cladding for the future: we have banned all forms of combustible cladding—including combustible balconies, incidentally, in the light of the fire in Barking on Sunday—for buildings over 18 metres for the future. We are still looking at the whole range of building regulations, so we have quite a big programme of work that, as you say, is still coming through. However, on the question of combustible cladding we have already set out the new rules.

There are other questions, including the height threshold. In the light of Sunday's fire we have commissioned a technical report on that. It may be that the height threshold of 18 metres comes into play in the light of that, because it is disappointing that that building did not meet what is set out in the regulations, which is that a building should resist the spread of fire on its external walls. That potentially raises some new questions for us.

Q159 **Anne Marie Morris:** As I understand it, the Government are going to provide compensation both in the public and the private sector. How is that scheme moving forwards?

Melanie Dawes: I think you are referring to the scheme that I was just discussing. There have been two schemes, as you say. One is for the social sector, where a year ago we announced funding for the remediation of just the ACM cladding. That is already making quite good progress.

The new scheme, which is the one where I asked for a direction a couple of weeks ago, is for private sector buildings. For various reasons, they have a slightly different way that they score on value-for-money terms, but they are essentially doing the same thing—the Government are leaning in to fund the costs of removing the dangerous cladding and replacing it.

Q160 **Anne Marie Morris:** So on both those schemes, is it clear now what is available and how it can be applied? Are information packs available for both parts?

Melanie Dawes: Yes; certainly the social sector scheme is well under way. The private sector scheme was announced only a few weeks ago, so we are going through that, but it is very intense work. In fact, Homes England is involved in that with us.

Q161 **Anne Marie Morris:** In which case, Mr Walkley, is there going to be a deadline by which you are expecting compliance in the private and public sector?

Nick Walkley: We are not responsible for a compliance deadline. We are currently working through how the scheme will operate and how we ensure that payments are made appropriately through freeholders and to private bodies. It is rather more challenging than working with a housing association that has all the contractors and all the relationships. As the Permanent Secretary has pointed out, these are buildings that have sometimes changed ownership and there are a series of issues to be dealt with before issuing that funding.

Q162 **Chair:** It is a sobering thought that 26 or 27 years ago I was standing on Hackney Marshes watching tower blocks being blown down, because a visionary councillor at the time, Joannie Andrews, felt that they were unsafe and it was not the right place to build for people, and yet my borough is peppered with blocks—not too many, but some now with fire wardens as a result. It is interesting that you are looking very closely at the regulations, even further than what you have come up with so far about height. It is quite sobering really, and very difficult for boroughs like mine and other parts of London, and for Birmingham, which has a lot of tower blocks still, and Glasgow, where there are still high-rise buildings.

Melanie Dawes: Can I just say I absolutely agree with you that it is about how people feel in their homes? There are many buildings where they are safe, or where fire wardens make them safe to live in, but people are still anxious, for very understandable reasons. We have always had as the objective of the building safety programme that residents feel safe and not just that this is a technical issue of cladding and engineering and so on, so we still have a lot more work to do.

Q163 **Chair:** There are an awful lot of fire wardens in work as a result of this. The only upside you can think of is that someone is earning a living by doing that important job.

Thank you very much for your time and your indulgence. We had hoped to finish much quicker, but with the vote—it is democracy in action. I do not even know what the result was, but I will pick that up in a moment. The uncorrected transcript will be up on the website in the next couple of days and our Report will hopefully be out by the summer recess, depending on when the summer recess falls. I think we are seeing Mr Roxburgh next week, and Mr Manzoni—

John Manzoni: In July.

Chair: July. Such a long gap, Mr Manzoni. Thank you, Mr Walkley, for your first appearance in front of the Committee.