



Ministry of Housing,
Communities &
Local Government

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Meg Hillier MP
Chair of the Committee of Public Accounts
House of Commons
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15 April 2021

Dear Meg,

Local Government and the Pandemic: Supplementary information

Thank you for inviting me to the Public Accounts Committee session on Local Government Finance and the Pandemic on 18 March 2021. At this session I committed to provide further details on a number of issues, on which I am writing to update you.

Exceptional financial support (EFS)

Further to my letter of 17 March 2021, the Department has now agreed exceptional support arrangements for 2020-21 with Redcar and Cleveland Borough Council (RCBC). The Council will receive £3.68m of grant to provide support toward expenditure incurred as a result of the ransomware attack that the Council experienced on 8 February 2020.

As we have been clear, there are a range of reasons why a small number of authorities have approached government for additional financial support over the last year. In providing support to RCBC, Ministers recognise that the Council was subject to a criminal cyber-attack and the agreed package of support reflects this as a particular driver of the Council's financial pressures.

The support provided will be subject to two conditions requiring that the Council undergoes an external assurance review focused on its financial position, and provides the Government with an independent assessment of the work undertaken to recover from the cyber-attack and build future cyber resilience.

Further details of the support agreed have been published on gov.uk and can be found [here](#).

In my letter of 17 March I confirmed that in relation to one other authority that has requested financial support, the Secretary of State had concluded that the Council could manage its pressures for the relevant year (2020/21) without recourse to Government. In line with the Department's wider approach to the EFS process, we have not published details of this request, given no financial support was provided. However, I wanted to update the Committee that the authority in question, Runnymede Borough Council, has now published details of the request within its council meeting papers.

At the PAC hearing on the 18 March I also committed to write to the Committee with further details on the external assurance reviews that my Department will conduct as part of the EFS process.

As I mentioned at the Committee, in the cases of Croydon and Nottingham, Improvement and Assurance Panels have already been established to provide advice and challenge to the councils, and assurance to Ministers, in relation to the development and implementation of improvement plans to address the challenges identified through the non-statutory reviews. As part of this work the Panels will have an important role in supporting the Department to determine the precise approach to any further support provided for 2021/22 to these councils.

In relation to the other eight councils where support has been agreed, the Department intends to appoint an external organisation, with relevant expertise in local government finance, to deliver the external assurance reviews. These will be external reviews focused on the financial position of each of the authorities, and will report back to the Government with any recommendations, which may include but not be limited to recommendations in relation to their overall financial positions, their ability to meet any or all of the identified budget gap without additional borrowing, and their financial management systems and processes.

The Government intends to run a procurement process to appoint an appropriate organisation to carry out the reviews and I would be happy to confirm the identity of the successful bidder in due course.

Housing delivery

Significant progress has been made against the Government's ambition to deliver at least 1 million new homes in England by the end of the Parliament, and this is a key step towards us achieving our longer-term goal of delivering 300,000 new homes each year. Last year alone, around 244,000 homes were delivered – the highest number of new homes for over 30 years, and the seventh consecutive year that net supply has increased. The Government is also committed to building the right homes in the right places, in order to level up opportunities across the country.

The Department is measuring its progress against these supply ambitions using net additional dwelling statistics, which include all new housebuilding completions, as well as gains or losses from conversions and change of use and demolitions. These statistics are published annually.

It is important to note that the successful delivery of our 1 million homes ambition will depend in large part on the number of units delivered by private enterprise, which accounts for just over 80% of completions according to our quarterly housebuilding statistics. Furthermore, any delivery forecast needs to be considered within the wider macroeconomic climate. Market housing supply is highly susceptible to economic conditions and confidence within the housing market, and so the impact of Covid-19 on the broader macroeconomy and second-hand market for houses will have knock-on impacts on new supply.

Some of the Department's programmes will directly contribute additional supply, such as the Affordable Homes Programme (AHP). The Department is investing over £12bn in affordable housing over 5 years. This includes a new £11.5bn AHP which will be delivered over 5 years from next year (2021-2026), providing up to 180,000 new homes across the country, should economic conditions allow. This programme represents the highest single funding commitment to affordable housing in a decade.

The Government's role in infrastructure and land programmes is to provide critical funding to deliver infrastructure or assemble land. These programmes remove the barriers to local authorities and private enterprise delivering many hundreds of thousands of homes. Funds include the Housing Infrastructure Fund, Local Authority Accelerated Construction, Land Assembly Fund, Land Release Fund, Brownfield Land Release Fund, Small Sites Fund, Home Building Fund LTF, Brownfield Fund for MCAs and Single Land Programme. The last of these extant funds will be delivered by Financial Year 28/29 (apart from the Single Land Programme which is continually recycled), and are forecast to unlock circa 638,831 homes. These provide high value for money by unlocking significant numbers of homes, but the complex nature of infrastructure delivery means homes are delivered over a number of years.

Similarly, the Government's Planning for the Future reforms will support housing delivery in the longer term, through establishing a simpler, faster and more predictable system. These reforms will also ensure land is available for development where it is needed, which will have a material impact on our ability to successfully reach and sustain delivery of 300,000 homes a year. The Department is currently analysing the more than 40,000 responses to the 'Planning for the Future' consultation with a Government response to follow in due course. The changes to the National Planning Policy Framework have already supported increased housing supply, contributing to the high levels of delivery in 2019-20. All local authorities now have a standard method to assess the housing needs of their community, and the number of homes being delivered is published and open to challenge every year.

First Homes

Once the First Homes policy is introduced, it is expected that the overall value of developer contributions should remain the same. A policy compliant planning application should seek to capture the same amount of value towards affordable housing as would be captured under the local authority's up-to-date published policy. This value can then be re-allocated to a different affordable housing mix under the new policy, including First Homes. Therefore the department does not expect the introductions of First Homes to have a significant impact on viability, which is essential to ensure that development continues in the short term. As the Government considers the delivery of infrastructure and affordable housing more generally as part of wider reforms to the planning system, the proposal to create a new Infrastructure Levy will be designed to deliver at least as much onsite affordable housing as at present.

As noted in its [Treasury Minute response](#) to the Committee's report on Starter Homes, the department carried out an Equalities Impact Assessment for the introduction of the First Homes policy. This was first published in September 2020 and contains estimates of the delivery of affordable homes through s106, broken down by tenure, once the First Homes policy reaches a steady state of delivery.

In its Treasury Minute response, the department also noted that there had been a further consultation which may affect the delivery estimates of First Homes and that, if this was the case, the Equalities Impact Assessment would be updated accordingly. The department published the response to this second consultation on 1 April 2021 alongside the associated update to the Equalities Impact Assessment. The Equality Impact Assessment can be found online at the following link, with the delivery estimates set out in Figure 1 (page 8): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975121/EQIA_First_Homes.pdf

In this second consultation response, the Government states that it has listened to feedback about the potential loss of social rented homes in particular and decided to alter its policies to address this – instead of First Homes replacing other affordable home ownership tenures (such as Shared Ownership) in the first instance, local authorities and developers will now

be asked to ensure as a priority that the proportion of social rented homes, as required by the local plan, is maintained once the First Homes requirement has been met. The department expects that this will lead to more affordable housing units overall being delivered compared to the proposal outlined in the consultation and, most importantly, it is expected that any decrease in the number of social rented homes will be significantly mitigated.

The consultation response also sets out the Government's intentions for new First Homes exception sites, replacing entry-level exception sites, which will remove the site size threshold and allow a small amount of market housing to support viability, at the local authority's discretion. The Government also makes clear that these sites can also deliver a small proportion of other forms of affordable housing (including social rent) where significant local need is identified. As this is a brand new proposal the department does not have sufficient data to model the potential uptick in units for affordable or social rent through this means, but it is expected that the new exception sites could potentially deliver up to 8,000 units per year (across all tenures) once delivery reaches a steady state.

I am copying this letter to the Chair of the Housing, Communities and Local Government Select Committee and the Comptroller and Auditor General.

Yours sincerely,

A handwritten signature in black ink, reading "Jeremy Pocklington". The signature is written in a cursive, flowing style.

JEREMY POCKLINGTON