



Housing, Communities and Local Government Committee

House of Commons, London SW1A 0AA

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Melanie Dawes CB
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15 July 2019

Dear Melanie,

Thank you for the memorandum that you provided for the Committee alongside the Ministry's Main Estimate for 2019-20. There are some areas where the Committee would like further detail as well as some questions on the Help to Buy and Right to Buy schemes. Please see the questions below.

1. MHCLG's 2019-20 Estimates Memorandum notes that there is an unallocated provision of around £1,067 million for capital investment but that this will be for financial transactions not for capital grants. Can you provide further detail of what this budget could be used for – is it expected that Help to Buy investment will increase further during the year or are there other loans that the Ministry, or Homes England, are planning to make during the year?
2. Around the time that the Main Estimates were published the Secretary of State announced a "new fund, which is estimated at £200 million, will cover the full cost of remediating the unsafe ACM cladding systems in privately owned high-rise residential buildings". He explained that the "funding for the policy through our existing significant programme budgets".
 - a. Is there any reason why MHCLG were not able to agree this fund in advance of the Main Estimates so that details could be included in the Main Estimates memorandum?
 - b. What budget lines will the funding come from – will it form part of the unallocated capital budget (see Q1) for the 2019-20?
 - c. Can you provide more detail about how the funding will be used?
 - d. Will it be legally possible to force building owners to repay the costs of remediation work? What legal advice have MHCLG taken and what was its conclusion?
3. Resource DEL spending on the "Rough sleeping" programme is set to increase by £41 million (+80%) compared to the 2018-19 Supplementary Estimate. How many extra people do you estimate will be able to be helped with this additional funding and to what extent will this reduce the number of rough sleepers on the streets?
4. The Estimates memorandum explains that there is currently no budget allocated for the Coastal Communities fund and that this will be covered in the 2019-20 Supplementary Estimates. How much do you expect will be allocated for this fund and why is it not yet included in budgets when other elements of "City deals and growth deals" are?
5. The Help to Buy loan scheme is forecast to continue to make up the majority of the Ministry's investment in housing. The NAO's recent report notes that new-build properties typically cost 15-20% more than second-hand properties and that property owners could be at risk of

negative equity. This implies that Homes England could be exposed to losses if prices rise less than 15%-20% over a 5-year period.

- a. Does MHCLG have any value for money concerns about purchasing equity stakes in properties which the NAO highlight may be overvalued and at risk of negative equity?
- b. Does MHCLG or Homes England monitor the new-build premium at a local level for properties it is buying a stake in, and monitor price growth of these new-builds compared to other local second-hand properties? If so what does this analysis show?
- c. Does MHCLG consider that the Help to Buy policy has driven up the cost of new-build properties at all?

6. The Estimates Memorandum shows an estimated spend of £193 million on the Voluntary Right to Buy pilot – a significant increase compared to 2018-19 reflecting the planned extension of the programme. On 20 May 2019 you wrote to the Committee about the value for money case of the scheme.

- a. The note says that “funding VRtB is expected to result in a significant net economic benefit” but this benefit has not been quantified in the analysis that you provided for the Committee. Please provide a detailed quantification of the costs and benefits of the scheme e.g. for every £100 of cost (in the form of discounts and transaction costs) what is the value of the benefits (in the form of the value of homeownership, value of replacement homes etc).
- b. Does MHCLG collect any data to show that every house sold under Right to Buy results in a replacement property being built?
- c. Data on affordable housing supply shows that very few Right to Buy replacement properties are for social rent. How many of the houses being sold under Right to Buy are for social rent? Is it fair to assume that nearly all Right to Buy (including this pilot scheme) results in properties for social rent being replaced with affordable rent properties which have higher rent?
- d. The note explains that the average discount (which is transferred from the government to the housing association) was £60,370 in 2017-18 and that transaction costs are around £2,000. How do these costs compare to the others forms of support MHCLG or Homes England provides for housing associations to encourage them to build more affordable housing units?

I would be grateful if you could reply by Thursday 25 July.



Clive Betts MP
Chair, Housing, Communities and Local Government Committee