Dear Meg,

Thank you for your letter of 4 December 2017 about the Government’s response, in the Treasury Minute of 12 October, to your Committee’s report Housing: State of the Nation.

Recommendation 1

The Committee recommended that the Department should publish a ‘housing gap’ figure, to be updated annually, showing the difference between the latest rate of net additional housebuilding and estimates of the overall rate required to meet demand.

The Government disagreed with this recommendation. Ministers’ preferred approach is to publish annual housebuilding statistics for England as a whole, including net additions, as now; but with estimates of housing need to be determined at local authority level in accordance with stricter overall criteria. This allows for variation across the country in considering and assessing any shortfalls against delivery. Alongside this, transparency will be increased through the Housing Delivery Test, which will look at the proportion of homes delivered against the homes required in each area, to hold local authorities to account.

The information provided by the Housing Delivery Test will be published in a way that allows the geographical spread of delivery against need to be considered across the country, allowing data to be aggregated and analysed for England as a whole.

More generally, in the light of the stronger commitments for housing delivery set out in the Budget, our Ministers will be considering what if any further information they wish to publish in order to monitor delivery of the Government’s housing objectives.

Recommendation 2b

The Committee’s recommendation was for the Department to write to the Committee within six months with estimates of how many homes councils will be able to build up to 2020 under current financing arrangements, and with details on what other, more innovative measures councils can pursue to develop new housing.

I am afraid that I have little to add to the response which the Government provided in the Treasury Minute – unfortunately we do not have the information necessary to provide such an
estimate. We do not know how local authorities will use their Right to Buy receipts, which vary quarter by quarter based on actual sales. Also, in some cases, where local circumstances indicate that the local authority would be unable, or unlikely to be able to spend retained receipts within the three-year replacement window, individual authorities may choose to return some or all of their receipts to Homes England for them to commission delivery from housing associations. The vehicles that councils use to develop homes outside the Housing Revenue Account vary in number, size and constitution. We track the total stock of housing owned by Councils, but we do not prepare or publish forecasts.

In the Budget, the Chancellor announced that the Government will be enabling local authorities to bid for an additional £1 billion of borrowing within the Housing Revenue Account (HRA), to build council homes in areas of high affordability pressure. This sits alongside the commitments the Government made in October to a long-term rent deal for the social sector that provides a stable investment environment, and an additional £2 billion of grant funding to deliver more affordable housing for social rent in areas of acute affordability pressure.

As we take forward these new programmes we will be publishing information on the number of new homes which we expected to be supported as a result.

Finally, my apologies for the omission in the Treasury Minute of any reference to your request for information on other innovative measures for council house building. A short summary of the issues is provided at Annex A.

**Recommendation 3b**

While the Government accepted the Committee's recommendations, your letter challenged the Department to go further in publishing estimates of net additional contributions from each housing programme, and to explain the methodology in more detail by which we evaluate our policies.

As part of the consideration, mentioned in relation to recommendation one, we will consider what further monitoring and evaluation evidence could be presented on the net impact of different programmes. This will build on the existing information the department publishes, for example on output from programmes such as the Affordable Housing Programme.

**Recommendations 4a, 4b and 5**

The Committee recommended that, working with DWP, DCLG should commission research on how many non-decent homes in the private rented sector are being subsidised through housing benefit, the total amount of housing benefit this represents, and potential policy mechanisms for utilising this funding to raise the quality of the housing it subsidises so as to meet decent homes standards.

As we set out in the Treasury Minute of 12 October, both Departments agreed that we should continue to consider how to most effectively use Government's financial and policy levers to achieve our goals, including supply, quality and home ownership. Both Departments are working together to establish what evidence is already available about the relationship between Housing Benefit, housing supply, ownership and quality, to help identify any gaps, and what additional targeted analysis or research may be needed. Policy teams and analysts across both Departments will use this to inform policy development on how we can most effectively use Government financial and policy levers to improve the supply of good quality housing that is
affordable to all and in areas that best support the labour market, while ensuring value for money. We agreed that we would write to the Committee outlining our findings by summer 2018, and we are committed to meeting this deadline.

Since the publication of the Treasury Minute, the Housing Minister has been travelling the country listening to views of tenants ahead of preparing a Green Paper on Social Housing. He has heard concerns about their experience of living in social housing, which has included supply, quality and affordability of housing.

Paragraph 4.1 of the Treasury Minute confirmed that the Department would write to the Committee by the end of 2017 with data on how many non-decent homes in the private rented sector are occupied by working-age housing benefit claimants in England, and how much housing benefit this represents. This information is close to being finalised and we will send it to you very shortly.

Thank you once again your letter. I look forward to continuing to work with the Committee in 2018.

Yours sincerely,

MELANIE DAWES
Annex A

The Department welcomes innovations in the delivery of local authority housing. Effective innovations which we support include Local Development Corporations, local housing companies and/or joint venture models building mixed sites, which include marker housing for sale or private rents as well as affordable housing. Additionally, the sector is bringing together information on innovative delivery which is helpful in spreading experience and expertise. For example, the NHBC Foundation and KPMG have both released reports on the potential of modern methods of construction.\(^1\) The Local Government Association's 'Supporting housing investment: A case study guide' (2014) gives a good overview of the delivery options open to local authorities and the recent Smith Institute report 'Delivering the renaissance in council-built homes: the rise of local housing companies' (2017) provides a snapshot of current local authority activity in this area.\(^2\) The Town and Country Planning Institute have recently launched their report on 'New Models, Partnerships and Innovation' (2017) in local authority house building.\(^3\)

The Department is also encouraging take up of custom build and modern methods of construction, and we are keen to see local authorities make use of the opportunities which this presents. The Government has already put in place two major initiatives to increase access to custom and self build – the Home Building Fund and the 'Right to Build', including specifying the role local authorities can play. Under the 'Right to Build' legislation, local authorities have been required to hold a register of people who are interested in self or custom build homes in their area and they are required to make available plots of land that can be used for this. The Home Building Fund provides support to builders using modern methods of construction, which could include applications from a partnership between a private sector body which has majority control of the relevant site and a local authority, in addition to custom builders and new entrants to the market. The Department will also be launching a national housing design conference in the spring which will be a showcase for ideas, insights and best practice from across the country and across the world, kicking off a real debate about how we can raise the design bar for everyone.

Furthermore, we have created a working group to look at the assurance, insurance and mortgages for modern methods of construction which met for the first last month. The Autumn Budget also announced a £170m Industrial Strategy Challenge Fund for Transforming Construction which will be overseen by Innovate UK and BEIS. Further, the Budget also includes support for the industry to help ensure that there is a workforce fit to build these homes, providing £34 million to scale up innovative training models across the country.

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5. [https://www.tcpa.org.uk/Handlers/Download.ashx?idMF=84887d6c-08a1-4df4-b72b-0f3e56e212b4](https://www.tcpa.org.uk/Handlers/Download.ashx?idMF=84887d6c-08a1-4df4-b72b-0f3e56e212b4)