House of Commons

Public Accounts Committee

Oral evidence: Housing recall, HC 36

Wednesday 6 July 2022

Ordered by the House of Commons to be published on 6 July 2022.

Watch the meeting

Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Mr Louie French; Antony Higginbotham; Sarah Olney; James Wild.

Gareth Davies, Comptroller & Auditor General, National Audit Office, Adrian Jenner, Director of Parliamentary Relations, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1 - 96

Witnesses

I: Jeremy Pocklington CB, Permanent Secretary, Department for Levelling Up, Housing and Communities; Emran Mian, Director General, Regeneration, Department for Levelling Up, Housing and Communities; Richard Goodman, Director General, Building Safety, Grenfell and Net Zero, Department for Levelling Up, Housing and Communities.

Examination of Witnesses

Jeremy Pocklington, Emran Mian and Richard Goodman.

Q1 **Chair:** Welcome to the Public Accounts Committee on Wednesday 6 July 2022. Today we have officials from the Department for Levelling Up, Housing and Communities back with us. We want to ask them for updates on some of the key issues in their responsibilities that we have looked at recently, including the removal of dangerous cladding from high-rise buildings, support for Ukrainians whose home situation has broken down since they arrived in the United Kingdom, the wider levelling-up agenda and issues around local government audit and around planning, so quite a smorgasbord of issues in front of the Department and in front of us today.

I am very delighted to welcome to our session today visitors from the Australian public accounts committee and from the public accounts committee of Balochistan, which is in Pakistan. A very warm welcome to you all. As chair of the Commonwealth Association of Public Accounts Committees, I offer a particularly warm welcome to the UK PAC today.

I would like to welcome our witnesses. We have Jeremy Pocklington, the Permanent Secretary at the Department for Levelling Up, Housing and Communities, Emran Mian, who is the director general of regeneration at the Department. Your title has changed, Emran, has it not? It keeps having bits added to it.

Emran Mian: Yes, "regeneration" is correct.

Chair: "Regeneration" is a good summary. We keep meeting directors general with an extra word added to their title. I am not sure that I hope you are getting more pay, but you are obviously doing more work.

Richard Goodman is the director general of building safety, Grenfell and net zero, so quite a lot coming your way today, Mr Goodman.

Before we go into some questions ahead of the main session, I just want to declare that I am a leaseholder in a block with cladding, though I have not had any money from the building safety fund, because my developer, happily, has stepped up ahead of others to pay the bills, but I need to make sure I have that interest on the record.

Chair: I wish to declare my register of members' interests in the fact that I am a chartered surveyor. I also have property interests with leaseholds, although I do not think that any of the leaseholds are affected by the cladding issue.

Sarah Olney: Because we will be talking about the Homes for Ukraine scheme, I am currently housing a Ukrainian refugee and receiving £350 a month for doing so.

Q2 **Chair:** Before we get into the main session, I wanted to pick up with you, Jeremy Pocklington, as Permanent Secretary, this knotty issue that the Local Government Association has contacted you about, which is that the ONS estimates for March 2021 indicate, certainly in my borough of

Hackney, that there were fewer people living there than was indicated in the 2020 mid-year estimates. To give you the figures for Hackney, the ONS estimates that there were 259,200 people living in the borough in March 2021, a year after the pandemic started. Although that is 5.3% higher than the 2011 census estimate of 246,300, it is significantly lower than the 280,900 in the 2020 mid-year estimate, which was published last year. The ONS estimate for March 2021 is also lower than the GP registration data, which is a very good indicator of who is living in the borough.

Clearly, with Covid and so on, there has been a lot of movement of people. It would be very helpful to know what the thinking of the Department is about how you are going to determine allocation of funding, which figure you are going to use and what conversations you are having with the ONS and boroughs about that.

Jeremy Pocklington: The short answer is that we are looking at this issue closely. Ultimately, it is a decision for Ministers to take in terms of what the population estimate is that we should use for our funding. To expand a little more, if I may, is the data correct from the ONS? It is an issue for the ONS, but it would argue that it is the most authoritative picture available and that there is rigorous testing of the March 2021 data against alternative data sources. It invited local authorities to review provisional estimates and, of course, adjust for non-responses, but you are correct: it is an estimate at a point in time. The issue is what impact the pandemic has had, both temporary and longer term. That is an issue that we are looking at. We are consulting with and talking to the ONS about that. It is not straightforward. No one has a definitive answer to that question.

We are not currently using the 2021 estimate for our funding but, as the Committee will be aware, we will be publishing a consultation on local government funding soon. That will be for the next two years. It will be a two-year settlement. Ultimately, it is a decision for Ministers. We do not automatically move to the very latest estimate the moment we receive it, and we will have to make a decision in the round, looking also at other things, such as consistency with other data that we have.

Q3 **Chair:** When you say that it is a matter for Ministers, that can be read in two ways. It can be that Ministers make a definite political decision or that they are listening to clear advice and data and following normal protocols. What you are saying, in simple terms, is that you are not necessarily going to use the latest figure, but what would be the parameters around which figure you choose? How wide can you draw that decision?

Jeremy Pocklington: We look at these figures in the round. Local government finance at the moment is largely based on the 2013-14 population estimates. There are some exceptions for that for Covid funding, which is based on 2017-18 estimates, I believe. Ministers will look at the data. They will look at the consistency with other data that we have—for example, the index of multiple deprivation, which is another factor, as you will know, as part of the local government finance settlement. There will be choices that need to be made as to which is the most appropriate estimate to use for the local government finance settlement.

So that you understand the full range of factors, there is also a question about transitional arrangements, as you would expect in this sort of thing. It is something that we will address in the forthcoming consultation on local government finance.

Q4 **Chair:** In my borough, which is the example that I know best, there is a discrepancy in the figures of 21,000 or so. When the decision is made, will you be looking at areas where there is a very big difference in the figures that you could be using to see if that can be smoothed out?

Jeremy Pocklington: I do not want to go too far or pre-empt the consultation, but you are absolutely correct. In theory, there are, for example, transitional arrangements that you can use, but that is a little bit jumping ahead, if we go too far down that route. I do not want to give the impression that that is necessarily where we end up.

Q5 **Chair:** How much are you factoring in the fact that people moved around? Some areas will have had more people living there as a result of Covid; some will have had fewer. The ONS will have, presumably, factored that into some of its calculations. It is very difficult to be clear on how that could be calculated.

Jeremy Pocklington: I do not want to speak too much for the ONS, because it should talk for itself, but what it would say is that it is producing the most accurate estimate for that point in time. That is the job of the census, and the point in time is March 2021. That is, essentially, how the data is produced and used.

Chair: It is on your radar.

Jeremy Pocklington: Yes, absolutely.

Q6 **Chair:** When will the decision be made finally?

Jeremy Pocklington: We intend to publish the consultation shortly. We are working towards doing that pre-summer recess. I cannot give you a 100% guarantee.

Q7 **Chair:** That is fine. How long will the consultation be?

Jeremy Pocklington: I am afraid I do not have that to hand. It will be the normal consultation that we have with local government in advance of the local government finance settlement. It is starting next year. It is a two-year settlement, the first multi-year settlement since 2015, so it is a chance to bring a bit of stability to the sector. I would stress that the Secretary of State said last week that now is not the time for fundamental reform, given the pressures that local government are under.

Chair: Anyway, I think you have got the point that there are quite big changes in those numbers because of Covid, so we are hoping to see something on the real steady state rather than a figure that might be out of date.

Q8 **Sarah Olney:** I have been speaking to the chief executive of Kingston Council this morning. He was expressing concern that they have not yet had guidance about how to administer the £150 rebate on council tax. I gather that it is quite straightforward where people are paying their council tax by direct debit, but we have significant numbers of people who are paying it using other means. His concern is that he has not had guidance yet as to how it should be administered—if it is going to be a cash payment, for example. I wondered if you could comment on that.

Jeremy Pocklington: May I take that away and see if I can come back to that by the end of the session? I am going to see if we can get any message to me to give you confirmation. There are two different payments. There are the examples where people are clearly eligible but are not paid by direct debit, and then there is the discretionary fund as well. I think that you are talking about the former, but you may be talking about both.

Sarah Olney: Assume that I am talking about both.

Jeremy Pocklington: We will try to find out. If not, I will write.

Chair: There is certainly quite a lot of confusion and a lot of impact on constituents about how the money is received.

Jeremy Pocklington: It is important.

Sarah Olney: These are also the people who are going to need it the most—the ones who are at risk of missing out with the cash payments—so it is really important.

Q9 **Chair:** Good afternoon, Mr Pocklington. Can I ask you about the Cambridgeshire mayoral authority having its levelling up fund suspended on 4 July 2020? It was found to have significant weaknesses in governance arrangements and had its Government funding of more than £1.3 million suspended. The CPCA was due to receive £1 million in mayoral capacity funding and £375,000 in local enterprise partnership core funding, which the Department said it would be pausing. Can you give us an update on that and tell us whether that is likely to lead to further measures needing to be taken with that authority?

Emran Mian: There are a number of issues in relation to the governance of the authority that are a matter of public record. They have been reported on and, indeed, commented on in open meetings of the combined authority. As a consequence of those and some employment-related matters within the authority on which action is also being taken, we felt that the right action to take was to pause the capacity funding for the authority.

We have previously had conversations with the combined authority about its performance on some of the programme funding that we have with it as well, but on this specific occasion, it is in relation to the funding for running the combined authority, and we need to feel more confident that it is taking the right actions in relation to those issues before we can make a further funding decision.

Q10 **Chair:** Can you just be a bit more specific about the process? When is this likely to be resolved? Clearly, the authority needs this money, and it is probably being hampered in its day-to-day business without it. How long is this whole matter likely to take to be resolved?

Emran Mian: I do not have a precise timeline for you, I am afraid, partly because it depends on actions that the combined authority needs to take, but I certainly recognise your point about resolving this as quickly as possible for all kinds of reasons, not least for the operation of the combined authority, for the confidence of its constituent authorities and for the delivery of the programmes for which it is responsible. There is high premium on getting this resolved quickly. We will play our part in helping to resolve these issues quickly, but a lot of the action rests with the combined authority itself.

Chair: The only other thing to say about this whole matter is that at least the local audit picked it up. We will be concerned later with questions on local audit and whether matters like this are not being picked up, but that is nearer the end of the session.

Q11 **Chair:** I now want to move on to one of the key issues that we wanted to catch up on with you, Mr Pocklington, which of course is the difficult issue of the removal of dangerous cladding from tower blocks. Mr Goodman, I will probably direct most of my questions to you. There are still 50 buildings that have Grenfell-style cladding on them and have not had it removed. When is removal going to happen?

Richard Goodman: When I was last here, I gave you a brief on the eight hardcore buildings that were in the previous cohort. It is worth saying that two things have happened since. First, that cohort has reduced, so of the buildings that we knew about at the end of 2020, there are now only four without a start date. Some of those are subject to particular types of proceeding.

Q12 **Chair:** Are those particular types of proceeding legal proceedings?

Richard Goodman: Yes, and there are enforcement conversations happening in relation to those buildings. The number of buildings in the fund overall, though, has grown by 11 since I was last here. One of the reasons that the very high number looks static is not static progress, but the fact that, as we find more or building owners examine cladding that they thought was made of a different type of material and it turns out to be ACM, we then bring those into the fund.

Q13 **Chair:** So five years on, we are still finding more.

Richard Goodman: Yes.

Q14 **Chair:** Eleven more since you were last in front of us, which is not that long. Are you expecting that to go up more?

Richard Goodman: We will continue to find some buildings with ACM on them. We have a zero-tolerance approach to ACM, so small amounts of it on buildings will still trigger a building moving into the fund in the way that it might not do in future for the building safety fund, where it is risk-assessed in the round.

Q15 **Chair:** So a bit of decorative cladding would put it into the fund, but it would be relatively easy to remove it.

Richard Goodman: Exactly. For instance, sometimes the cladding has been assessed in a holistic sense for the building, and it is not until somebody starts getting into the work that they realise that it is ACM rather than a high-pressure laminate or a different form of metal composite material on the building.

Q16 **Chair:** The four without a start date are going through some sort of legal wrangle. Are the Government providing the legal support or is that for the councils?

Richard Goodman: We are not providing direct legal support, for instance, to individuals within such a building. We are talking to local authorities about enforcement action.

Q17 **Chair:** When you say "talking to local authorities", are you asking them to do the enforcement action?

Richard Goodman: Yes, because they are the people who do—

Q18 **Chair:** Are you funding them to do that?

Richard Goodman: We have doubled the funding to the joint inspection team, which undertakes that funding. We have offered training to 625 more local authority officers and taken another 75 through a deep-dive training front. That funding will increase as well. It has gone from about £1 million in 2021-22 to £2 million in 2022-23, and we are forecasting £2.6 million in 2023-24.

On enforcement generally, though, we have just radically changed the framework for it. We have invested in training and enforcement activity under the existing framework, where local authorities and fire and rescue services are the people who have to take that. The new powers in the Building Safety Act, which we expect to commence in relation to remediation orders before recess, will give stronger powers to compel the remediation of a building. Those powers will be more broadly distributed, so leaseholders, the Secretary of State and local authorities will have them. We are expecting to deploy that much tougher regime around enforcement to greater effect in the future than we have been able to in the past. There is nothing wrong with partnership working, but we have been very reliant on individual authorities and fire and rescue services taking their own view on buildings, in a way that we are now enabling other people to do.

Q19 **Chair:** One of the challenges in a borough like mine, which has a lot of buildings that were not all, happily, with ACM cladding but with non-ACM cladding, is that the enforcement work is increasing because of the number of the buildings with cladding, and that is taking resources away from the other responsibilities that those teams have. You have said that you have given more money, but are you looking at this on a borough-by-borough basis, so that those who have a particularly high need are getting the right resources and not letting other householders or renters fall short of the support that they need?

Richard Goodman: Ministerial colleagues have had conversations with the GLA and the boroughs around enforcement. More than half of the affected buildings are within London. There is further investment from the Department in building control, on which I am afraid I do not have the numbers immediately to hand, which are often the same teams that are undertaking enforcement.

In the next phase of the building safety fund, part of the recovery unit that we are building will be designed to intervene directly on buildings when we know that they are stuck.

Q20 **Chair:** Just talk that through. I have been meeting a lot of my residents in recent weeks. They are feeling very frustrated, because they are stuck. They are getting good support in many cases from my local council, but they are stretched. When you say that you are going to go in and give support, is that to the council that is enforcing or is it to those residents, if there is a residents' association, so that you can hold their hands through this process?

Richard Goodman: It will be both. The first thing to say is that the best way of fixing these buildings is for the people who built them to fix them. They will do it quicker than we can, frankly. They are the people who are now statutorily at the top of the ladder. They should be fixing it.

We have opened a number of conversations with freeholders and, of course, with developers to help make that happen. That is the quickest and best route. We realise that some buildings will get stuck. We are giving leaseholders the tools to be able to do that themselves, but we are not expecting them to do it themselves, if I can put it that way. We are building a team in the Department that will increasingly pursue freeholders and developers to remediate those buildings.

We also expect local authorities and fire and rescue services to do that, because they will encounter these buildings in the course of discharging their duties under the Housing Act in the case of local authorities, and under the Fire Safety Order for fire and rescue services.

It is also better if a building does not get to that stage, so we are investing upstream to help freeholders who, frankly, are sometimes not quite sure what they are doing to get better at what they do. We have client-side support allocated to 306 out of the 1,163 buildings in the building safety fund, which is about a quarter of buildings. We are expecting to increase the proportion of that provision in the existing stock in the future as it moves through. We have £182 million of pre-tender support for just over 400 remediation projects in order to try to get people onsite.

What I am really saying to you, in I hope not a roundabout way, is that not every freeholder is the same. Some of them are unwilling but perfectly capable. That is where we would expect to take enforcement action and we will be triaging buildings to do that. There are others who are less capable but quite willing, where we can give them the support to get their building fixed.

Q21 **Chair:** That sounds great on one level, but let us take first of all the ones who are unwilling. One in my area seems to have offshored all its money; there is a fair assumption that it probably can pay but will not. This is costing the leaseholders concerned more in legal fees as they try to pursue it. What practical difference will having this unit in DLUHC make to residents like that? That is one group in my patch, but there are plenty of others around London and the country.

Richard Goodman: The first practical difference is that we will increasingly pursue those buildings directly, so we will save them the hassle of doing that overall. The second practical difference is that this is a route through to first-tier tribunal. I do not want to sound technocratic about it, but fundamentally that tribunal is designed to help residents to engage on property disputes. It is much lower cost, quicker and more straightforward to navigate than, for example, the civil liability remedies that we have created for developers, which are, effectively, through the county or the High Court in existing civil procedure claims. There remains advice and guidance from LEASE.

One thing that I am very conscious of is that we have not yet switched this on. That will happen before recess. We will need to produce better guidance for leaseholders about practical steps. There will be a portal to understand where your building is at. I am very conscious that the information that we give to leaseholders has improved. It is still not at the stage that we would like it to be.

Q22 **Chair:** That is good news. So before 21 July, which is our recess date—you are nodding, for the record—there will be something on your website giving leaseholders, if they have a recalcitrant developer, a step-by-step approach about who they can refer that to in your Department and who will then take action—or will it go to the local authority?

Richard Goodman: I do not want to commit to a name in the Department, but it will set out how the framework will operate. As we open further schemes, there will be more guidance to leaseholders about how to get support in their building, if they are stuck. It will not automatically be a leap to a remediation order, so I do want to set expectations. It is not the case that if a leaseholder says to the Department, "Can we have one?" one will follow, because that may not be the best thing to do. It may be about the supply chain. It may be that something is stuck somewhere else. It may be that the developer needs to pick the building up. There may be all sorts of reasons why it is not instant, but that is a facility that we will be growing in the Department, and a tool that we expect local authorities—and freeholders, for that matter—to increasingly have recourse to.

Q23 **Chair:** Local authorities seem to be a valuable partner in this. Where they are already doing enforcement, they know. They tell you very quickly their list of developers that will not cough up.

Richard Goodman: Yes. Another feature is that we have had 47 developers sign the pledge so far. Those are the main homebuilding developers, which account for about half of all new supply each year. That is not the end of the people who need to contribute. There will be more developers or mixed developers, and others that will come within the purview of that scheme. It will be obvious from previous conversations that we have had in this Committee that it is not always straightforward to find out who they are. Where we find out who they are, we will be seeking to get them to undertake their obligation across all of their stock, not just for the building that is right in front of us.

Q24 **Chair:** You will publish that on your website as they sign up.

Richard Goodman: Yes.

Q25 **Mr French:** On this thread, which is really interesting, a lot of what you said will be greatly welcomed by thousands of leaseholders around the country, but on the developers' pledge that you have just mentioned, and this toolkit, if I can call it that, for leaseholders, which you are looking to put on to the Government website, can we just be clear? Will this be only for those who are deemed to be in the higher risk high-rise cladded properties, or will that advice be available for those who might be in properties just below 11 metres?

Richard Goodman: The regime in the Act is different for buildings under 11 metres. They do not have access to, for example, the medium-rise and high-rise schemes. They do, however, have access to the changes that we have made in civil liability. They do have access to the waking watch replacement fund, which we have provided £60 million for. We have had only £30 million of demand for it.

On buildings under 11 metres, we are very keen to learn about the details of these buildings; I know that my team has been in conversation with some of your constituents about a building in your constituency, about which I would be happy to write separately. As we have got into them, for instance, I am aware of a number of buildings that made speculative applications to the waking watch replacement fund, fearing that they would be caught in a safety risk that, in fact, was not material and did not materialise.

It is perfectly fair to say that there is still work to do to build the confidence and competence of the assessor sector as a whole to look at those buildings on a truly risk-based basis, rather than leaping to an assumption that a building that has timber cladding on it is dangerous, because that is a false assumption to make. We need to continue to do more to help that risk be properly understood.

Q26 **Mr French:** For the record, that meeting last week was greatly appreciated by everyone in my patch. I am not going to talk about it too much because I do not believe in talking about casework in Committee meetings, but the time and the officials were appreciated.

On those takeaways and digesting the differences and issues that you are seeing in those more medium-rise buildings, do you have a timeframe that you are looking at in terms of gathering the evidence base to see where there are consistency issues that are being flagged for the below-11 metres blocks?

Richard Goodman: We are taking them on a case-by-case basis. Where you come across cases, if you could write to me or to ministerial colleagues and alert us of them, I would be very appreciative of it. We are talking about handfuls here that we have come across so far, rather than any more than that.

On the assessment sector as a whole, PAS 9980 is the new standard that we discussed before. We are trying to build our understanding of it. It was 18 months in the making, so it is reasonably well trodden in the sector. There are a number of avenues that we are pursuing on that front. First, the Department is in commercial conversations with 80 providers at the moment with a view to boosting capacity in the market, in order to make it easier for people to get their valuation and their assessments, because we know that there are bottlenecks in that supply chain currently.

We continue to do our work with RICS on building the competence of assessors. I was really pleased to see RICS explicitly link the EWS1 form standard to PAS 9980. That will help to drive consistency in the market as well. It is coming back to its valuation guidance and has committed to do that during the course of this year.

We are hosting a conference in July with the main assessor community to help build understanding and confidence in how the standard applies on a day-to-day basis. There will be more to do as we move into the autumn, but we are very conscious that, having introduced the new standard, we now need to build the ability of the sector to apply it in a consistent and rigorous way.

Mr French: You have answered the other question that I was going to come on to, so that is great.

Q27 **Chair:** Mr Goodman, thinking about the Chair’s example of the offshore fund that probably owns the building, they may or may not have liabilities but, if they do, what actions are the Government taking to chase up those offshore owners that, had they been onshore, would have been liable? Because they are offshore, they are not. It is difficult to do, but what action are the Government taking?

Richard Goodman: You are right that it is difficult to do. I do not want to pretend that the new statutory framework is a panacea. I can see that there will be scenarios, as now, where some freeholders get stuck. It is important to remember that no leaseholder is going to be landed with a bill in that period of time, and they cannot be landed with a bill for anything related to cladding.

We have made some quite fundamental changes in the Act to the way that special purpose vehicles operate in property development. We have given the power to create, effectively, what are known as remediation contribution orders, which is a way for the first-tier tribunal to, effectively, say who is responsible for what apportionment of liability in a particular building.

We have also created a new regime known as building liability orders, which effectively allows the High Court to extend liability behind the original company to associated companies. To put some colour on that in terms of what it means practically, if you have an offshore company that is associated to a UK-based company, the offshore company cannot ringfence itself from the UK company in the way that it has previously been able to. For example, it covers sister companies as well as subsidiaries. That, for obvious reasons, is done on a case-by-case basis by the High Court, because otherwise it would fundamentally change the nature of how people invest in property, but it is done in the interests of justice to make sure that, where there are connections back into the UK or to other companies, complex corporate structures are much harder to use in order to evade liability.

Q28 **Chair:** How does that work in the Chair's case? Let us take that example. It becomes, effectively, a shell company that is capitalised from one of the tax havens. How are we going to go after them?

Richard Goodman: That would be subject to proceedings. There could be a number of ways in which that would happen. Either the tribunal might issue a remediation contribution order that specified the nature of the liability to be met; alternatively, through the building liability order, the High Court could attach that liability to a UK company rather than the offshore company.

There are still going to be buildings where the money gets stuck, but fundamentally we have put the money into the state funds or through the developer funds to fix those buildings. The number of occasions where a building gets genuinely stuck because nobody can pay for it should be vanishingly small. Where that happens, again we would be happy to look on a case-by-case basis, because we do not expect it to be particularly common, but we can see universes in which that that gets furred up.

Q29 **Chair:** I am not sure that I am entirely catching this, because if the company has no money it would be a question of trying to force that other, larger company in a tax haven to repatriate the money simply in order to pay for the cladding. I would think that, knowing the nature of some of the owners of some of these offshore companies, they are not going to do that.

Richard Goodman: I am saying to you that it is true that the offshore nature of ownership is not a straightforward area to navigate, but it is also true that, where these companies have investments in the UK—and they are often a network of investments or they are related to each other—the network of investments is not safe if the duty is not discharged in relation to the particular holder of that asset. In any event, we are funding the remediation of that work in the vast majority of cases, so that should be a vanishingly rare edge case.

Q30 **Chair:** But it underlines how long some of this could take and why the original ministerial direction was made by the late James Brokenshire to put money in for the ACM cladding. He did tell us at the time that one property had had 89 owners, so the legal trail could be quite a long one. But you will be pursuing that for the taxpayer, even though you will be paying. Leaseholders will get the remediation paid for by the taxpayer, but you will be pursuing these people to the ends of the earth or to whichever tax haven they happen to be in.

Richard Goodman: Yes, but we put an obligation on the people who are best placed to make that pursuit in the first instance. That is not us having slopey shoulders. For instance, they have documentation about the building and know who built it. What we will do is step in with funding and get that building into a scheme, rather than wait for legal proceedings to pan out and hope that everything comes for the best.

Q31 **Chair:** Will leaseholders have some protection from those legal proceedings because the Government will take some of that burden?

Richard Goodman: Yes. Just to be clear about it, those are mainly proceedings that would be undertaken by the freeholders against which leaseholders are already protected, so those ancillary costs from remediation cannot be passed back to a leaseholder.

Q32 **Chair:** There is a danger of blighting buildings, but anyway I want to do some quickfire questions, Mr Goodman. On the building safety fund, I have had different answers about when it is going to reopen. When is it going to reopen?

Richard Goodman: I cannot give a cast-iron date, but I expect it to reopen before recess.

Q33 **Chair:** Fantastic. That is good news. Have you smoothed out some of the challenges? It has been costing quite a lot in legal fees both ways to get access to it. Have you done anything to change it since you closed it?

Richard Goodman: The main change in the reopening of the fund was that it will be much more clearly based around PAS 9980 and the assessment there. It means that you have to get your assessment in place—back to our smoothing out of the assessor market—but it should make life much easier for applicants, because that is a template pattern for the work that needs doing. It means that we will pay for slightly different things than we have paid for before. For example, the PAS may recommend that you have a smoke alarm and a sprinkler rather than taking everything off the walls.

That has a couple of advantages for the people living in those buildings. First, it is generally quicker if you can do that. The second thing is that it is much less disruptive, so it means that you are less likely to have your building wrapped in a wrapper for 18 months while somebody takes the cladding off.

Q34 **Chair:** That is good news. I cannot go through these questions without asking about the EWS1 forms, because this is a real burden for residents. Government have withdrawn the consolidated advice note you gave that triggered the mortgage lenders requiring EWS1 forms, but try telling that to some mortgage lenders, because many of them are still not lending on many properties with EWS1 forms. What are you doing to try to unstick that?

Richard Goodman: There was a statement from lenders in March, which made it clear—and I appreciate that this felt like small beer for many affected people—that they would lend on buildings that are in a remediation plan and have a start date, and on buildings that had an EWS1 form that said that did not need to take place. That was a good first step.

Both RICS and the lenders have been clear that they are now going to take time to digest the protections in the Building Safety Act. It is fair to say that our perspective on that is that it should significantly change the nature of the approach that lenders take to these buildings, because we have made it impossible to pass on bills that could be impaired against the asset on cladding, and we have capped those for non-cladding defects.

Understandably, the lenders have wanted to take the time to stress-test what those statutory provisions look like and to have conversations with RICS about their valuation guidance, but I am expecting the lenders to refresh their approach on EWS1 forms and lending criteria over the course of the summer.

Q35 **Chair:** One of the challenges is just with all the noise around this. If you have a development that is affected, it affects the value of the property, so many people are still trapped in properties, unable to sell because of the work that has to be done, and the uncertainty about whether there has to be work done. All of these changes to the rules do not help that situation. What comfort can you give someone who is just trying to maintain the value of the asset that they have invested in already and trying to move house, sometimes overseas? That is one of the challenges where they have real difficulty. They have to move for a job.

Richard Goodman: The Government's position is unambiguously that they want to bring that situation to an end. We do not want anybody to find themselves in a position where they cannot get their flat mortgaged. I have confidence that the nature of the statutory provisions that we have put in place to prevent assets being impaired to any significant value at all, and not at all for cladding defects, will change the approach of the lenders to lending. That is their decision. We are working very hard with them on it. I cannot give an answer yet to leaseholders that says, "Here we are, free and away," but I expect there to be material changes to that over the summer.

Q36 **Chair:** You are in discussions with lenders. How long would you expect it to take for that to filter through to the mortgage lending market, just roughly?

Richard Goodman: The RICS valuation guidance, which will be the key chunk of this, will need to go out to public consultation. That process will take a number of weeks. If it starts in the summer, it will, realistically, end early autumn time.

Chair: We are talking about September/October time, roughly.

Richard Goodman: That is my working assumption. I do not want to give you cast-iron dates, because this is fundamentally a choice for the lenders, but we are working extremely hard with them to help them take confidence in the strength of the provisions that we have put in to protect leaseholders.

Q37 **Chair:** In terms of progress, residents in blocks between 11 metres and 18 metres tall are still waiting to have their dangerous cladding removed. Just looking around my borough, you can see some where scaffolding is up. Five years on, that is not completed, so those who have not yet got any scaffolding up are still down the line. This is taking a very long time. Only 30 that have so far applied to the building safety fund have had their non-ACM cladding removed. What are you doing to try to make sure that we get a step change in progress, whether it is a shortage of surveyors or types of building material? It would be a good time to invest in scaffolding, probably, and certainly in London, where there is a lot of high-rise. How are you going to make sure that is stepped up?

Richard Goodman: There are several things. First, without repeating myself, we are working very hard to relieve the immediate pressure on people who are in those blocks, so that the longest pole in the tent, if you like, is not the remediation of the building. That is critical to do, but we are working very hard to give people their freedom back—freedom from being a mortgage prisoner and freedom from bills, which we have delivered as of 28 June.

In terms of the building safety fund, since I was last here, we have allocated another £500 million to projects. We now have over 1,100 buildings in the fund, compared with 800-odd last time I was here. Over 250 of those have now started, which is about twice as many as last time, so it is moving through. It is not fast enough, though.

I have mentioned the changes to the enforcement framework, so I will not rehearse that. The client-side support and the pre-tender support is central to supporting those buildings through the fund.

In terms of the 11 to 18 metre buildings, we are very conscious about taking a risk-based approach both within the buildings themselves and to the stock overall. We are working with the NFCC to ensure that the highest-risk buildings—for example, those that are in simultaneous evacuation—are given the most intensive support and put to the very front of the queue over the next several months in order to make sure that those buildings are prioritised and given our most intensive support. The reality is that we are doing a lot of work with the PAS assessor market, which I mentioned.

The fact that we now have an answer to the "who pays?" question will help supply chains to scale, but that is going to take some time. It is an inflationary market. There is a tight labour market. We continue to be in discussion with the sector about that. That will ensure that the most urgent buildings are dealt with first, but we will have to continue to scale the capacity.

Chair: Of course, none of us would sit here and say, "Do not deal with the most urgent and the most unsafe first," but that does mean that, if you have a little bit of cladding, your building is less unsafe and you are down at the bottom of the queue. You are a very long way off and you may be paying your capped amount for other fire remediation works that, again, were not the fault of the people who bought the building. They are trapped because they have to pay up to £15,000, but the work will not start because it is down the queue, for example. Is there any way that you are looking at trying to unstick that bit of the resale market, so that those people can escrow or put that money aside, so that it is not coming off the value of the building?

Richard Goodman: There are three things in relation to that. First, I do not think that those people should be held mortgage prisoners any more than anyone else is. That is work that we need to do with the lenders to unlock the market to that extent, but that is the principle that we are working to.

The second is that the PAS will help, because, for instance, where only a fire alarm or a sprinkler needs to be fitted, the lead-in time to do that is massively shorter. It is quicker and we can fund it more quickly. It does not require the same degree of assessment work.

I am sorry; I have forgotten the final part of your question.

Q38 **Chair:** Let us say that you are living in a block where there are some firestops or fire doors missing—things that are not cladding—but you are having to pay for that. Because you cannot get the work done, this is money hanging over. Some estate agents, apparently, have been saying that there is a 20% haircut on the value of a property, which for some people, especially if you are a shared owner, for example, is a real big issue, because it is all the money that you have in the world.

Richard Goodman: That should not be happening. There is work for us to do across the sales sector as a whole to restore confidence in buying and selling flats. We need to conclude the conversations with the lenders first.

I would like to come back on the leaseholder ladder, though, because I worry sometimes that we assume that leaseholders are going to get a bill for £10,000 or £15,000 where that should really be very unlikely. There is a very clear ladder in the Building Safety Act now. Developers pay first if they are the freeholder. Then it is them and their associated companies against which you can get a remediation contribution order. Then it is the landlord, if they have a net worth of more than £2 billion. Then they should be recovering from others. Then they have a duty to pursue. Then there is no cost if your flat is worth less than £175,000. In no circumstances can I see the estate agent rationally calculating 25% of that loss of valuation. Then you hit the fixed cost gap.

Now, there are exceptions to that, where the cap is higher if your property is over £1 million or £2 million, but there is a long ladder of costs to go down before people should be hitting that.

Q39 **Chair:** The problem is that it is hanging over them until they know that they have got to their rung of the ladder.

Richard Goodman: We need to do more work with the lenders to relieve that immediate challenge.

Q40 **Chair:** I am not being critical, but that is easy to say but hard for Government to do.

Richard Goodman: It is hard to do, but I am confident that we will see change over the summer, and I am confident that the nature of the leaseholder protections means that the real impairment that somebody can have against their asset, first, is capped, and, secondly, there are quite niche circumstances in which they can bite.

Q41 **Chair:** The key thing is that it needs to be crystallised as soon as possible, because not knowing whether you are going to be liable is almost as bad as knowing; it just leaves a blight.

Richard Goodman: Yes, but the liability, in its absolute worst-case scenario, should be £10,000 out of London and £15,000 in London, spread over a number of years. In the context of most of the flat sales, that is a very thin amount of capital.

Q42 **Chair:** London may be different from other parts of the country, certainly, because of land values. Nevertheless, it is a big issue.

Again on some quick issues, Help to Buy was a big driver behind some of these developments in parts of the country. Do you know how many Help to Buy leaseholders are living in flats with dangerous cladding?

Richard Goodman: About 2,000. I am aware of some press coverage about cases where sellers have struggled to get valuers. That is a real problem. We recognise that and it comes back to the work that we are doing with RICS and others to build that market. There are some cases where those have been referred to Homes England. There are about 80 of those, where I know that people have been waiting for some time. The Permanent Secretary has asked Homes England to take a take a fresh view of that stock and review its position on it.

Q43 **Chair:** When you say "review its position", these are people who cannot sell or remortgage, so they cannot redeem the Help to Buy loan and, of course, the interest rate on the Help to Buy loan was deliberately high in order to encourage people to redeem it.

Jeremy Pocklington: If I may, there are a relatively small number of cases—a little over 80—that have been referred from the provider of Help to Buy, Target, to Homes England. Homes England is reviewing how best to take those forward. We have to balance the interests of the leaseholder with those of the taxpayer as well, and get the appropriate balance there.

Where the valuation is within 10% of the purchase price, Target has autonomy to make those decisions. In the vast majority of cases, that is what is happening, but there is a small number of cases that I recognise will be causing difficulties for the leaseholders, and we need to resolve those as quickly as we can.

Q44 **Chair:** I am just making sure that I have covered everything that my various residents have raised with me over time. I am heartened that there is going to be some progress, but it is worth highlighting that this is five years since the tragedy at Grenfell, and a lot of these things have been very slow in coming. There was some early flurry of activity and then we have seen a dead patch in the middle, really, with residents still living in limbo.

I appreciate, Richard Goodman, that you not been there all the time through, but looking back, what would you have wanted to do more quickly now you know what you know, and what lessons are you going to make sure are in place? This is building safety on a big scale, but there are other building issues that could arise over time in the Department. What would be your note to your successors about what to do if something like this happened again? I am not saying something like Grenfell, but a similar systemic, wide-ranging, national issue.

Richard Goodman: The first thing that I would say, which reflects the Department's evidence to the inquiry, is that we must be much more alert to risks in the system and work to prevent any of them materialising in the way that they have materialised in relation to building safety. We are working very hard with the regulator to do that. That requires the industry to step up significantly as well. The regulator has now taken responsibility for our industry safety steering group with Judith Hackitt.

If I look at what the fire brigades tell me on planning consultations and what the building safety regulator tells me happens on gateway one, there are still half of buildings that are moving through that process where they are raising concerns, some of which are significant. The very first people—this is borne out by evidence that we have seen in recent months as well—who need to fix that are the people in the industry.

We have a stewardship role, which we are building in order to push the industry into that pattern of behaviour, but that is the very first thing that we should do. It is no secret that the question of who pays to fix remediation has been the biggest thing in building safety for some years. I am very pleased that we have given a strategic solution to that. Whilst I accept that many leaseholders still live in a very stressful situation, I am very pleased that we have been able to bring relief from bills. I am very pleased that we have been able to unlock parts of the mortgage market, albeit that there is—

Q45 **Chair:** That is what I am saying. It is good that we have progress on that, but looking back, apart from the safety aspect, what about the consumer side of it and the impact on leases? What could have been done differently and more quickly? Do you think that that was recognised as quickly as it needed to be?

Richard Goodman: I do not want to revisit the policy decisions of previous Secretaries of State.

Chair: Especially the rate they are moving on.

Richard Goodman: Particularly when I was not there, because that would not do justice to either them or my predecessors. If I can answer your question by thinking about the lessons that we are taking into the future, we are getting much better, although we have further to go, at helping leaseholders, as the end consumers of this process, to understand what they can and cannot do, and being more responsive to their needs.

We are better than we were at looking across the whole system. It is never the case that one thing in building safety unlocks the system. It is always insurers, financial services, builders, building owners, supply chains, assessors, lenders—you name it. We are getting better at working across the system as a whole and at being more responsive to issues when we identify them, and chipping away at the parts of the system to bring the system in line overall. We will continue to take those lessons into the medium-rise scheme and into the future, but we recognise that there is a lot more to do.

Q46 **Chair:** You have gathered from just this Committee, and, I am sure, from the other MPs you deal with, that we are funnelling a lot of concerns from a lot of constituents, so we will continue to do that.

I wanted to move briefly on before, I am afraid, I have to leave the meeting to go and question the Prime Minister, to talk about the right to buy extension—benefits to bricks. When did you first know about this proposal, Mr Pocklington?

Jeremy Pocklington: There has been ongoing work around variations around right to buy policies for a number of years.

Q47 **Chair:** There is something on the shelf, is there, in the Department?

Jeremy Pocklington: This is a policy that we have regularly discussed with our Ministers in that time.

Chair: So you were not surprised when it was announced by the Prime Minister.

Jeremy Pocklington: No. It reflected a normal process in Government before announcements are made.

Q48 **Chair:** How is it going to work? I do not suppose it can work in constituencies like mine, Ms Olney's and Mr French's, because of the prices of property. Benefits to bricks will not pay a mortgage in Hackney.

Jeremy Pocklington: Forgive me. There are different policies here, and I just think that it is quite important to clarify exactly which policy you are talking about. We are responsible for the extension of right to buy to housing associations. I am not responsible for DWP's policy. I am not the accounting officer for that policy, so I will refer to right to buy.

We are now in the process of designing the detail of the policy following the announcement, and drawing heavily on our pilot for the voluntary right to buy in the Midlands.

Q49 **Chair:** Had you consulted with housing associations before it was announced?

Jeremy Pocklington: We have had regular dialogue with the housing associations regarding the pilot. We have now begun detailed discussions with housing associations and the National Housing Federation following the announcement.

Q50 **Chair:** So you had not discussed it much particularly with them before the announcement, which perhaps is revealing. In 2016, when this was first discussed with housing associations, and they voluntarily agreed to go into right to buy because of the challenges of them being in the charitable sector, the deal was that it was going to be a replacement on a like-for-like basis, which I do not think has happened. What is the deal on the current right to buy extension proposals?

Jeremy Pocklington: The Secretary of State has been clear that the new proposals will have replacement rates that are one for one and like for like. You are correct that the Midlands pilot has proved challenging to achieve one-for-one replacement, but we do not yet have final data on that. There are three years to manage that replacement process.

Q51 **Chair:** That is three years for the new scheme as well.

Jeremy Pocklington: We need to set the terms of the new scheme, so we will know for the pilot only when the final report comes out in 2023, which I think is the timescale for that. The point is that we are going to need to learn from the pilot in order to ensure that we can achieve one-for-one and like-for-like replacement.

Chair: I am going to turn to Sir Geoffrey Clifton-Brown, because there are challenges replacing like for like in places like the Cotswolds. I would apologise for leaving, but I am off to question the Prime Minister.

[SIR GEOFFREY CLIFTON-BROWN *took the Chair.*]

Q52 **Chair:** Mr Pocklington, this is a pilot and it is cash-limited to £500 million, I gather. How many units will you be able to deliver within that total?

Jeremy Pocklington: We have not set out the overall quantum of the new scheme or the number of units. That will be set out in due course.

Q53 **Chair:** The Chair referred to high housing price areas, of which the Cotswolds is certainly one, and it will be more difficult to replace like with like in those areas, so that is probably going to involve some element of Government subsidy, is it not? Otherwise, it just will not happen.

Jeremy Pocklington: The scheme will require subsidy from the Government, as the pilot did, in essence to fund the difference between the market value and the discount and to fund the replacement. That is something that we are working through at the moment.

Q54 **Chair:** Can those who look at these matters out there have any assurance that there will be definitive like-for-like replacement any more successfully than any of the other schemes where they certainly, as the Chair made clear just now, have not delivered that?

Jeremy Pocklington: It is something that we are working on very closely with housing associations. What I would draw your attention to is that, more broadly, it is very different in the case of local authorities, but the Department has taken steps to increase the replacement rates for council houses, with a number of changes last year that, for example, gave councils longer to use their funds in order to ensure replacements. Of course, in some parts of the country, it is easier to do that than in other parts of the country, where it can be challenging to do that.

Q55 **James Wild:** Just on the right to buy for housing associations, is it the intention that this will apply in rural areas? There are some restrictions at the moment on right to buy, as it currently exists, for council houses. Is that the intention?

Emran Mian: It is our intention to look again at that issue, so that it is as wide an offer as possible. The challenge that the Chair mentioned in relation to replacement is likely to be particularly pronounced in rural areas, because of the availability of sites in which to construct new supply and bring those through the system. Reflecting on the kinds of changes that we have made in the local authority sector, allowing more time, for example, for replacement to come through, is something that we are going to have to look at in relation to housing association right to buy as well. Then there will also be a judgment to be made about the level of funding to allow that to happen.

Q56 **James Wild:** Is it the intention to consult on this model?

Emran Mian: The first stage is to get into a much more detailed conversation with housing associations, which we are beginning. It is only with that dialogue that we can really hope to design a scheme that delivers on all of its objectives in terms of home ownership as well as not reducing the stock of social housing, where Ministers have been really clear that the stock of social housing needs to be retained and replaced like for like and one for one.

That is the conversation that we have begun now with the housing associations, and we recognise that there will be different issues to counter in different parts of the country, and different issues with different types of housing associations potentially, with those that are small versus those that are large.

The pilot helped us a lot to learn about the issues in relation to this, but the pilot was geographically limited to the Midlands, and so it could be that, as we have conversations with housing associations in other parts of the country, there are other issues that we identify that we need to tackle as part of designing the scheme.

Q57 **Chair:** I do not mind which of the two of you answers this question, but if I was currently living in a housing association as a tenant and I was seriously thinking about buying my house, when is this scheme likely to get up and running?

Emran Mian: I do not think that we have committed at this stage to a firm date by which it will begin. It is critical that we work through the detail of how we would make it work with housing associations, so that all of the objectives of the scheme can be launched. The other thing that we need to do alongside that is to create a mechanism by which if you are indeed a tenant in a housing association property, it is really clear to you how you would go about exercising your right to buy.

That needs us to think about the consumer side of it. What is the process that a tenant would go through? How would they apply for it? Who would they apply to? What is the conversation with the mortgage lender that needs to take place? Again, there are some useful lessons for us on that from the pilot, but that definitely needs some further work as we look to roll it out.

Q58 **Chair:** Can I press you a little more on timing? Are we likely to be talking about three months or six months? What sort of time parameter are we looking at?

Emran Mian: The reality is that it is probably likely to be longer than six months.

Q59 **Chair:** Longer than six months?

Emran Mian: Yes.

Chair: That will be disappointing to some, I am sure.

Q60 **Mr French:** I just have a couple of follow up points on that. I appreciate that colleagues have tried to cover the more rural aspects of this policy. I say this is a Greater London MP and someone who believes in the merits of home ownership. My grandparents benefitted from the right to buy scheme many years ago under Mrs Thatcher. There are complexities here, particularly around housing stock within London and the competition for it. To give you an example, I saw from an email this morning that the Capital Letters project has been extended with funding from the Government and your Department. How are you looking at how that would work within a south-east or London perspective, given the stress on housing stock already?

Emran Mian: I absolutely recognise the stress on the housing stock in the capital. Alongside that, I would say that we should all recognise that housing associations based in the capital have a really strong track record of delivering new supply as well. We cannot count on that absolutely in what is a very challenging delivery environment now. The added dimension here is that in order to achieve all the objectives of the right to buy scheme, we need to see new supply alongside it. We are moving into an environment now where it is going to be that bit more difficult to deliver a new supply, with the inflation in the supply chain, but housing associations in the capital have a really good record on supply.

We are seeing that come through again as we begin to roll out the affordable housing programme in the capital. Conversations are happening now between the Greater London Authority and housing associations about delivering against the affordable housing programme. All of that said, securing the additional supply that would be needed to deliver right to buy in the capital is going to be very hard.

Q61 **Mr French:** Just on that point about the housing association—it links to the previous questioning of Mr Goodman—is there much work and discussion around the impact on housing associations of having to do remediation work on their own cladding exposures and how that links through to their own balance sheet in terms of being able to build more houses? I am sure there is, and I hope there is. Is that work ongoing? I assume it is.

***Emran Mian*:** Those discussions are certainly ongoing, as you are alluding to, within housing associations themselves and on the boards of housing associations in terms of the relative balance between them. What I would add to what you have described is about investment in the existing stock in terms of the quality within the fabric of the building, as it were, in addition to the safety of the building. Many housing associations need to address issues about the quality of the stock itself, and lots of them have programmes on that. That is another call on their capital expenditure.

There is a set of judgments here that housing associations themselves need to make, but I might pass over to Richard to comment on the building safety dimension specifically.

***Richard Goodman*:** We remain in conversation with social housing providers. There are some safety nets in the building safety fund already. At the moment we pay, effectively, for what would otherwise be the leaseholder-apportioned share of what a social housing provider might take. If there were a case where a social housing provider would be financially unviable because the nature of the build, then we will pay for that as well.

We are not aware of any in extremis cases from registered providers at the moment about the nature of their building safety liabilities. We are in conversations with them about how we collect better data and also about how we develop a monitoring regime for what happens on building safety works, which, as Mr Mian was saying, needs to be looked at in the round across all of the work that is happening in social housing. It is a very live conversation. Of course, we have already put £400 million in on the ACM fund, of which I think £277 million has been allocated to social housing. It is a live conversation.

Q62 **Mr French:** Thank you; that is very helpful. I suspect I am not the only MP that raises casework about the quality of housing stock from some of the housing associations. Can you just remind me, Mr Goodman, of the total bill we are expecting, and the money allocated for cladding across the piece here? From the notes, I think there was a £3.5 billion commitment from Robert Jenrick, the former Minister. I believe there is a £1 billion commitment on building safety. What is the latest running total?

***Richard Goodman*:** The taxpayer liability is £5.1 billion. That is effectively made up of the ACM fund and the money that will move into the building safety fund. This has increased by a bit over £1 billion; we have set aside £2 billion worth of provision for direct self-remediation. There is £3 billion hypothecated to the levy, which will run over a number of years. Effectively, if you look across developer contributions and existing taxpayer contributions, you are looking at £10 billion. We continue to work with the social housing sector about what we think the nature of their liability would be.

It is worth saying there are some opportunities. "Opportunities" might be putting it too strongly, but the provisions that we have put in place to allow the pursuit of the original contractors, for instance, or of the construction product manufacturers are open to registered providers as well as to other private landlords. We work with them about building the PAS supply chain as well, because obviously where there is a cheaper, more cost-effective way of making a building life-safe, we are very keen for housing associations as much as anyone else to take advantage of that.

Q63 **Sarah Olney:** I want to talk about the situation in Ukraine and the British Government's plans for housing Ukrainian refugees. I am pleased to say that, as of about a month ago, when I spoke to the leader of Richmond Council, my constituency has taken in proportionately quite a high number, but that means that we are starting to see some of the disadvantages and some of the downside.

One of the very pressing problems is that those refugees who have arrived here under the family scheme are now finding, in many cases, that the housing situation has become unsustainable. I have heard of one constituent living in a one-bedroom flat who, on an entirely natural impulse, invited six members of their family over. That is obviously not a sustainable situation. They are now looking for housing in Richmond, where we already have very long waiting lists and all of the issues with social housing we have just been talking about. We have a very large number of people in Richmond who are happy to offer homes under the Homes for Ukraine scheme. I am very happy to say that that has been working very successfully.

It would be really helpful if those who have arrived under the Ukraine family scheme were able to access some of the services under the Homes for Ukraine scheme. The homelessness issue is the biggest pressure, but those who brought relatives over on the family scheme cannot access the same funding. As I said in my declaration at the beginning, you get £350 a month if you are offering accommodation under Homes for Ukraine. I wonder if you could tell me what the Department is doing to address these very pressing issues, so that we can as a nation continue to offer our support for Ukrainian refugees?

***Jeremy Pocklington*:** First of all, can I thank you and your constituents for your very generous support as sponsors under the Homes for Ukraine scheme? Just for the record, I should note that the family scheme is the responsibility of the Home Office, but I will come back to your question, because we obviously need to look at the position in the round. Indeed, we have established a joint unit between my Department and the Home Office to look at both schemes.

The family scheme is essentially an extension of existing family scheme arrangements run by the Home Office. It does not come with the same funding that we have for the Homes for Ukraine scheme. The Minister responsible has been clear about his position on that. He wants to look at that, but I think the reality is that the family scheme is an extension, as I say, of an existing scheme.

You are right that there are a number of cases of breakdown in terms of relationships between the family member and those that have arrived from Ukraine. In total, I am aware that local authorities have accepted homelessness duties in relation to 660 households. That is the data that I have. Over two-thirds, 70%, are from the family scheme rather than the Homes for Ukraine scheme. The position at the moment is that local authorities, consistent with their housing duties, are looking to rehouse those families. At the moment, they do not have access to the Homes for Ukraine scheme, because they arrived under a different scheme, but we keep the situation under review.

I need to also touch on the situation for the Homes for Ukraine scheme, because that is related. At the moment, what has been happening has been the same. Local authorities have been, essentially, using their existing statutory homelessness duties to rehouse households in the case of relationship breakdown in the Homes for Ukraine scheme. We have started rematching arrangements under the Homes for Ukraine scheme, which is the logical, sensible thing to do. I am very grateful for the generosity of sponsors. It is still relatively early days in that, and we now need to focus on ensuring that can work for the Homes for Ukraine scheme. The numbers are improving in terms of rematches, but that is the thing that we need to focus on first, in terms of making the arrangements work.

We continue to look at the position as it relates to the family scheme, but I do not want to give you the impression that we can necessarily quite get the same arrangements in place for the families for the family scheme.

Q64 **Sarah Olney:** Is there any chance in the meantime of those who have accepted refugees under the family scheme being able to access anything like the same financial support? That is critical to helping some of these arrangements continue to be sustainable.

Jeremy Pocklington**:** That is unlikely in terms of the additional support we have offered to local authorities and the thank-you payments that we have offered to sponsors. Obviously, those who are arriving under the family scheme are still able to access benefits, et cetera, and have those rights. It is an extension of an existing family scheme, and family schemes run by the Home Office do not offer the additional £10,500 and £350 payments. I do not think those payments will be extended, but the majority of people are now arriving under the Homes for Ukraine scheme, which is a scheme where those payments are available.

Q65 **Sarah Olney:** Is there any chance in the next month or so that some accommodation might be reached where, if they have come under the family scheme and have become homeless, that they could then become eligible for the Homes for Ukraine scheme, or you do not see that as being realistic?

Jeremy Pocklington**:** That is unlikely. We keep reviewing the position and looking hard at it, but there are constraints on what we can do for the family scheme, given that it is an extension of other family schemes offered by the Home Office. The Minister responsible, Lord Harrington, has been clear that he wants to look at the issue.

Q66 **Sarah Olney:** One of the biggest barriers that we are experiencing in

Richmond Park for welcoming Ukrainians into the community is the lack of English lessons. There is obviously unprecedented high demand. What is the Department doing to support local authorities and local education providers in expanding their provision of English classes? It is really important in terms of helping them access employment.

***Jeremy Pocklington*:** I presume you are talking about adults. For children, we have provided additional funding.

Q67 **Sarah Olney:** The issue is specifically around adults; it is less to do with children. We are not having too many issues with finding school places, and there is already existing provision within schools to help with English as an additional language. The big issue is adults, and particularly to enable them to access employment.

***Jeremy Pocklington*:** It is a very important issue. For adults, that will be funded out of the existing adult education budget, which is funded for these sorts of purposes. Adults should contact the council or the further education college. If there were particular issues in relation to your constituency, I would suggest that the unit in my Department should have a conversation with your local authority in relation to that. The adult education budget is the budget that provides funding for this.

We know that about a third of those arriving under the Homes for Ukraine scheme can speak fluent English. About 30% speak basic English, and the remainder do not speak English. It is an incredibly important priority to make sure that English language provision is taken up, because we want the Ukrainians who have arrived to be full members of society where possible, and to join the labour market where appropriate. The ONS is collecting data. I am afraid I cannot give you this in advance of the ONS publishing it; there are rules around that. We think there has been quite good take-up of English language classes. If there is a specific local issue, I suggest we take that up after the hearing.

Q68 **Sarah Olney:** I want to come to another aspect of homelessness—rough sleeping. I specifically wanted to ask about the rough sleeping strategy. When do you think it will be ready?

***Jeremy Pocklington*:** Soon. I am afraid it is one of those things where I cannot give you a precise date, but it is in the final stages of preparation. I am afraid I cannot give you a precise date.

Q69 **Sarah Olney:** Fine. Can you give a ballpark—this year, next year?

***Jeremy Pocklington*:** It will be sooner than that. I cannot guarantee it will be out by recess. It is one of those things where Parliament probably needs to be sitting to issue the strategy. That will set out our plans to ensure rough sleeping is prevented wherever possible, and that, if not, it is rare, brief and non-recurrent. An issue for this Committee has been how we are defining ending rough sleeping, and that is going to be our definition.

Q70 **Sarah Olney:** In advance of the strategy being published, can you tell me how it is going to define what you mean by ending rough sleeping?

***Jeremy Pocklington*:** That is it. Our definition is that we want rough sleeping to be prevented where possible, and, if not, it should be rare, brief and non-recurrent. We have worked closely with the sector around that. It is obviously not possible to prevent rough sleeping on every single occasion. Forgive me; I know how the Committee works, but we are also already working with a number of areas on what sort of data framework we are going to need to underpin this definition that we have.

Q71 **Sarah Olney:** We have actually already seen some success in reducing the numbers rough sleeping. I am wondering what you can say about what you have learned. What are the practices and policies you have put in place that have been successful?

***Jeremy Pocklington*:** We have seen success. It is essentially down by just under half, 49%, since 2017. 2,440 is the last snapshot data, which is an eight-year low. What would we say? It is a combination of two things. First of all, it is about having our programmes that are now maturing. We have a good evidence base around some of those that work. We have good evidence that the rough sleeping initiative provides value for money and that it works. We will, again, shortly be setting out allocations for the rough sleeping initiative for the remainder of the spending review period. That will be very welcome, multi-year allocations for an important programme that provides accommodation wraparound support at a local level.

We have talked previously about the rough sleeping accommodation programme—RSAP—and we now have delivered 3,400 of the 6,000 units that we plan to deliver by the end of the Parliament. It is a real moment and real opportunity to create a new type of accommodation that can support rough sleepers for a period when they are coming off the street, before they move into further, longer term accommodation.

In terms of the key lessons, as well as the importance of the programmes, the second area is the partnership working that began in the pandemic. I am delighted with the work of teams in my Department. They have done a fantastic job, but it has been a bigger partnership than just central Government. It has been central Government, local government, the charitable sector and other Departments and services at a national and local level. The relationships that we formed in the pandemic, drawing everyone in, have continued and made a difference, because we know that rough sleeping is so often caused by health problems, drugs, family breakdowns and how prison leavers are managed.

I was on a visit to Manchester recently, and the improvement of the relationships between the combined authority in Manchester and the local prisons makes a difference, and we need to see those continue.

Q72 **Mr French:** Just tying in slightly to the rough sleeping and the Ukrainian issue, we have been very fortunate that we have had a number of people open up their homes to Ukrainians in Old Bexley and Sidcup, but there is one issue that I have been made aware of, and I just want to make sure I have this right. There is an issue in terms of the support package being able to reach said people, i.e. the Ukrainian people who have fled here, where they do not have a national insurance number. Is that correct? Are you are aware of this issue where payments sometimes are not processed quickly because they do not have all the numbers, in terms of identification?

Jeremy Pocklington**:** That might be about access to the benefit system for Ukrainians. I am afraid I would have to take that one away. Unfortunately, it is not directly the responsibility of my Department. We are responsible for payments to the local authorities and the thank-you payments.

Q73 **Mr French:** I will pick that up separately; that is fine. Just on this issue around numbers and the local government and the impact on councils, are you seeing much of an impact, particularly around no recourse to public funding coming through from the latest Ukrainian scheme, or people turning up at councils across the country seeking help?

Jeremy Pocklington**:** I think Ukrainians have access to recourse to public funds. They are eligible for access to public funds, whether they have arrived through the family scheme or the Homes for Ukraine scheme. No recourse to public funds applies to other nationalities. Unless there is specific case—again, at a certain level this becomes a Home Office responsibility—it is not an issue.

Q74 **Chair:** I will move on to an issue that this Committee has had a long-held interest in, which is the number of houses that are being built. What more can you do to meet the ambition of building 300,000 houses by the mid-2020s?

Jeremy Pocklington**:** What is the overall picture? We have recovered well from the pandemic. A leading indicator for 2021-22 is the energy performance certificate data, which is 238,500. We have recovered well. The previous year, in terms of net additions, 216,490. I need to be honest. There are clearly going to be headwinds in the market. Supply chain constraints and economic uncertainty might produce headwinds in supply.

We are continuing to pull the levers that we can in terms of investing in housing directly through the affordable homes programme, continuing the delivery of programmes to create land for infrastructure through the housing infrastructure fund, and continuing to diversify the market, including through the levelling up home building fund. We are using the funds that we have in this spending review.

On top of that, the final thing to note is the Levelling-up and Regeneration Bill. You will be very familiar with it. There are measures in there as well to, in essence, speed up and simplify local plan making. They will all help.

The final thing I would say for my Secretary of State is we have to be very careful not to focus too much on just the numbers. It is about the right homes in the right places. I am sure you would have already heard him emphasise the importance of beauty, infrastructure, democratic accountability, the environment and good neighbourhoods.

Q75 **Chair:** To pick out just one of those—environment and net zero—what progress are you making in implementing the decent homes standard so that we are not going to need to retrofit new homes being built today to meet the net zero target of 2050?

***Richard Goodman*:** We have now introduced the interim uplift for the future homes standard. That will take about 30% off the emissions baseline. The next stage will be the final uplift, which is earmarked for 2025. Part L came into force, having announced it in December, last month. We intend to consult on the full technical specification for the final standard next year, with legislation in 2024, ahead of full implementation in 2025.

Q76 **Chair:** Just clear up for us what measures you are actually taking to meet the 30% target at the moment? What new standards have come in to meet that target?

***Richard Goodman*:** The technical specification has just come into force, which effectively makes changes around ventilation, glazing and underlying fabric standards.

Q77 **Chair:** My constituents and others keep raising with me that actually one of the most important things we need to do, particularly with high fuel bills, is to insulate homes properly. What do these standards actually contain to make sure that homes are better insulated? I am sure double and triple glazing is part of it, but just simple things like the deeper lagging in the roof and lagging around the hot water tank can make a lot of difference to people's fuel bills.

***Richard Goodman*:** That is right. It is those sorts of specifications. I am afraid I cannot give you the full rank of technical specification off the front, but it does also cater to adaptation changes. For example, overheating is relevant to underheating. Overall, the standard is geared to 2025 to move the sector to low-carbon heating systems, which is obviously the big change on the net zero front that we want to see, as well as improving the efficiency and reducing the costs for consumers in the interim.

Q78 **Chair:** We could discuss that a lot more, but we are a bit short on time today. Mr Pocklington, can I move on to a subject that is dear to my heart, planning, the new Levelling-up and Regeneration Bill and in particular the infrastructure levy? Are you sure that that the infrastructure levy is going to secure the same number of affordable homes as the existing section 106 system, which I think is still going to be retained in some respect?

***Emran Mian*:** Ministers have been really clear that the infrastructure levy must ensure that we see the same level of affordable housing being delivered as part of new development. How do we make that the case?

There are a couple of things here. The first will be the provisions that we have as part of the legislation, which is where local authorities can require that a part of the infrastructure levy is provided in kind, i.e. essentially through the delivery of affordable housing as part of a wider development, which is very similar to section 106 requirements currently.

The second part of it will come down to setting the right level of infrastructure levy so that we can see the right level of delivery of affordable housing, as well as the other infrastructure improvements that we want to see funded through the infrastructure levy. Our view is that the infrastructure levy can be used to unlock higher levels of developer contributions than section 106. The reason for that is that it provides greater certainty up front and the payments are made on the sale of developed units. There is greater certainty from the developer's perspective up front, but also you are securing the revenue over a period of time rather than trying to secure all of it up front.

We need to test that that is how it works in practice. We have said, as part of the passage of the Bill, that we will take, essentially, a test and learn approach to the roll-out of the infrastructure levy. That means a consultation soon about the details of the infrastructure levy. We also need to look at issues such as whether there should be a different level set for brownfield sites compared to greenfield sites. We need a consultation, and then a test and learn approach, where, essentially, we look to a small number of local authorities to go first in trialling the infrastructure levy, learn from that, including as to whether we see the right level of affordable housing being delivered, before rolling it out more fully

Q79 **Chair:** As you know, I have been having discussions with your Housing Minister, who has sadly resigned today, around the methodology and the definitions of gross development value, which I think acts as a disincentive to add value in environmental and design schemes. Can I take it that the consultation will include those aspects?

***Emran Mian*:** Yes.

Q80 **Chair:** I would like to go on to levelling-up activity. What are you doing to co-ordinate levelling-up activity across Government Departments generally, and between different levels of government?

***Jeremy Pocklington*:** We are making good progress at implementing the system reforms that we set out in the White Paper. These are anchored around the 12 missions in the White Paper, and clearly set out in the technical annex. We have established a Cabinet Committee, which meets frequently, chaired by my Secretary of State, to review progress and to bring Departments together. We have established accountability for each of the missions around Ministers and senior officials. We have boards in place. We are putting in place trajectories for the missions so that we can understand the scale of the ambition and what we need to achieve the missions.

Q81 **Chair:** They will be published.

***Jeremy Pocklington*:** We have said we will publish an annual report to Parliament on progress of the missions. We have not made a decision on when that first report will be, but transparency is obviously important as part of this sort of system. That will be legislated for in the Levelling Up and Regeneration Bill.

Q82 **Chair:** Thank you very much. We are of course all ambitious for it to achieve as much as possible. How confident are you that the levelling-up missions under your Department's control are actually achievable?

***Jeremy Pocklington*:** There are four missions for my Department: housing, pride in place, wellbeing and local leadership. The first two are the responsibility of Mr Mian; perhaps I will take the last two first and then invite Mr Mian to comment on housing and pride in place.

Local leadership is about offering everyone the opportunity for a devolution settlement. We are making good progress. Negotiations are underway with nine areas for county deal arrangements. We are making very good progress in places like York and North Yorkshire. We are also having good discussions with Greater Manchester and the West Midlands about deepening their deals. It is eminently possible to go further. Ultimately, it requires consent, but we think the devolution framework that we have set out sets out a very clear framework and attractive offer for areas.

Wellbeing is more exploratory as a mission. Let us not understate how challenging that is. It is right to focus on it, because there are parts of the country such as London that score very well in terms of economic outcomes, but where wellbeing is lower. Having a more exploratory mission is the right thing to do—we are bringing greater definition to talking to experts too, as part of our work there—but it is obviously different in nature to some of our other missions.

***Emran Mian*:** The housing mission is in two parts. The first part is around increasing the number of first-time buyers in every part of the country. The second part is about reducing the proportion of non-decent homes.

The very helpful thing on both parts of that mission is we are used to tracking progress on both of those things. We are in a good place in terms of data. There is a mission around the quality in particular, and there is data being published tomorrow, the latest set from the English housing survey, which will allow us to see the latest progress on that.

As you know, we have recently published a White Paper on renters' reform, to seek to extend the decent home standard to the private rented sector, which is one of the key ways in which we can make further progress around the decency part of the housing mission.

On the pride in place mission, we have a very significant amount of programme activity on pride in place. There is the funding that we provide to support local authorities, and in Northern Ireland other partners to regenerate high streets and town centres. There is lots of activity underway.

The measurement side is more difficult on pride in place. It is a bit more like the well-being mission that the Permanent Secretary referred to. There is less of a track record of creating data on pride in place and the things that really move people's perception and their pride in their place. That is an area where we are currently talking to a number of academics and other experts, in terms of how we go about measuring pride in place and what the theory of change is that the academic evidence would take us to on how you move pride in place.

I am quite confident about the investment programmes that we have in place, but there is more work to do on getting the measurement framework right.

Q83 **Chair:** My local authority keeps asking me when we are going to get a decision on phase three of the levelling-up grant?

Emran Mian: Would that be the levelling-up fund where local authorities would bid to the Department?

Chair: Yes.

Emran Mian: As I expect you know, we have published the prospectus and the technical notes for bidders to the levelling-up fund. We will hope to very shortly open the online application form by which authorities can bid. We have said that that will be open for two weeks from the moment that it opens, to allow local authorities to upload all of their bidding information. We have already provided the guidance on what the bid information ought to be

Q84 **Chair:** Given that very tight time schedule, they are going to have to really have shovel-ready projects.

Emran Mian: The purpose of providing the guidance in advance—indeed, we followed up by holding webinars and having lots of individual conversations with local authorities, where they have sought them—is to give them as much information as possible in advance about what it takes to make a bid. Of course, some places have experience of this because they bid as part of round one as well. We have also been taking people's feedback about round one—where we could improve the process of applying, we could simplify the guidance. We have tried to act on that as part of round two.

My feeling is that local authorities have their bid documents more or less ready, but, recognising that filling out an online application form itself will require effort, we want to leave that open for two weeks.

Q85 **Chair:** According to the NAO Report, your Cities and Local Growth Unit is going to grow from 420 to 750 personnel, presumably in recognition of the need to scale up. What are you doing? Where are you on that journey to

750 people?

Emran Mian**:** We have been scaling up the team here. The reason for scaling it up is two-fold. The first is to allow us to assess what is often a very large number of applications for the funding pots that we provide. The second is to provide really effective management of money once it has been provided to bidders. That is the reason for scaling up. We are running a very wide range of funds at the moment. That is why the team has been growing.

At the same time, we have said, as part of the levelling-up White Paper, that there are real opportunities for simplification here. The next movement for us is we have a set of funds that we are running at the moment, which we are committed to running in a particular way. We have to ensure that we are properly staffed up to be able to do what we have said we are going to do, but we then need to move to simplify those arrangements in the future.

Q86 **Chair:** We are all keen to make sure that this not only delivers the money and delivers schemes, but that actually those schemes are better quality in terms of the sorts of things that we have been discussing just now. What feedback are you able to give with that number of people to local authorities where their bids have not succeeded?

Emran Mian**:** I am confident that every unsuccessful bidder from round one will have had a feedback conversation with the team. If members of the Committee are aware of any bidder that feels they have not had such feedback, it would be great to know about it, because we would like to address that. It has been important to us to ensure that we are providing that feedback, not least because we knew that there was going to be a future round. It is important to put places in the best possible position to bid as part of the future rounds.

Q87 **Chair:** Given the scale of the grants that we have just been discussing, which you are now managing following EU exit, and new domestic funds for levelling up, what are you doing to address the weaknesses in your grant management function and ensure effective grant management? That slightly mirrors what I have just been asking. It must be a massive job, and they are very diverse applications. If I was sitting as one of those people, I am not sure how I would manage one type of scheme against another and come up with a fair judgment.

Emran Mian**:** There are similarities between some of the different funds that we run at the moment. As a consequence, we are able to treat some of those similarities and turn them into functions. For example, we have a single team of assessors who do the assessment process for applications, regardless of which fund people have applied for, because that felt like the most effective and most efficient way of growing that expertise about assessment itself.

When it comes to grant management, we have done the same thing. We have a grant management centre of excellence, a team of people who are trying to learn from each fund that we are doing and ensuring that we are applying uniform standards to grant management across all of our different funds. We are not reinventing the wheel in relation to each fund. We are trying to functionalise as much as possible.

We are also relying quite a bit on support and challenge from the Infrastructure and Projects Authority, which provides that function across Government, looking to learn from that. A number of our programmes are already on, or are in the process of moving on to, the cross-Government major programme and project portfolio. There is a level of scrutiny and assurance that comes with that. That has been really helpful to us in getting these projects set up in the right way.

The other area in which we need to develop further, in the same way as on funding simplification, is relying more on the first line of defence, which is the local authority system itself. Local authorities are used to managing large sums of money. It is right that we provide a level of oversight, but at the same time our oversight should not interfere with or look to duplicate the oversight that a local authority already provides as part of its usual oversight of its public finances.

Q88 **Chair:** Mr Pocklington, can I move us on to the last subject, which is the vexed subject of local government audits? As I indicated in one of my opening questions regarding Cambridgeshire, thank goodness the local government audit did pick this up. The worry is, with the amount of audits that are behind schedule, which we will come on to in a minute, that some of these things at certain local authorities are going to be missed, or are certainly not going to be picked up for a longer period of time than is necessary, particularly as there is no obligation on a local authority to actually complete a local government audit.

***Jeremy Pocklington*:** It is a very important issue, and I am completely aligned with the Committee about the importance of audit. We are taking every step to try to bring the market to a more sustainable place, but it requires us to act with every part of the system, taking forward Sir Tony Redmond's report. If you would like, I could talk about what we are doing. Would an update on what we are doing be helpful?

Chair: That would be really helpful, particularly given the fact that you gave £15 million towards audits last year. I do not know whether that is going to be reoccurring this year or not.

***Jeremy Pocklington*:** What are the facts? First of all, for 2020-21, the latest figure we have is that 58% of audits have been completed. It is obviously still not enough, but we continue to make progress. The first thing that you alluded to is the procurement and our support for that. The public sector audit appointments of procurement for the next round is underway. As you know, we changed the weighting, to weight quality over cost. That is 80-20, whereas it was 50-50 in the last procurement. We have also increased the number of lots.

Proposals are due on 11 July. Next week is when bids are due. It is obviously commercially sensitive, but we are getting ready for a range of possible outcomes. I do not want to say more about that procurement, given where we are in the process. We have provided £45 million over the next three years. We are continuing to provide the funding, the £15 million for a previous year that you refer to.

In terms of the system reforms, we are working very closely with the Financial Reporting Council. It will take on the system leader role. It will take that on in shadow form in advance of becoming ARGA. I know the legislation there is delayed a session compared to what some expectations were. The FRC has appointed Neil Harris as the director of local audit. That will be a key role to support this sector. The chief executive, who I spoke to last week, also obviously has valuable experience in local government. We currently chair the liaison committee, but we will hand that over to Neil and the FRC in due course, once he is up to up to speed.

It is also about skills in the system. The FRC has published new guidance for key audit partners; there is a lot of complexity in detail, but essentially that is about allowing more people to take on audit work in local government without reducing audit quality. We are establishing a technical advisory service. We are market-testing for that. We will launch the procurement of that in the autumn. That is creating a service to advise auditors on the complexities of local government audit. This is about improving skills in local government as well. CIPFA has published guidance for local audit committees. The LGA is continuing its work on financial resilience as well.

The next thing is standards and approach. CIPFA has established a task and finish group to identify a short-term solution for the key issue of infrastructure assets, which has caused quite a lot of the complexity and the delays in the market.

Finally, we have extended the deadline to 30 November for this year. We are taking action on all fronts, consistent with what we said we would do in December, but this is a very challenging situation, as I have said to this Committee several times before.

Q89 **Chair:** That is really helpful. How up to date is that 58% figure? Is that right up to date?

***Jeremy Pocklington*:** It is the last published data. It may be May, but I may be a little bit out on that.

Chair: We had figures a little earlier on, where, by January, it was 55%. This is a more up-to-date figure than I have.

***Jeremy Pocklington*:** Yes. It may just be a little more up to date.

Chair: A lot rides on those proposals that will be published next week.

Jeremy Pocklington: The bids are being put in next week to Public Sector Audit Appointments. Those bids will need to be evaluated over the summer. We will not get the outcome next week.

Q90 **Chair:** That is still quite worrying, because 58% completed still means 42% are uncompleted, and some of those are over two years old. As you say, hopefully these bids will be of good quality and in sufficient numbers, but given that I think 70% of the audits are done by two of the big five audit companies, this is still a very narrow field of auditors that are actually able to take on this work. The situation is very fragile, is it not?

Jeremy Pocklington: It is fragile. This is a moment of quite extreme commercial sensitivity, so I do not want to comment more on the bidding process, given a number of firms will be deciding what their bidding strategy is right now. Obviously we are working closely. We will be in contact with the PSAA, as will the FRC, over the coming months, and we are preparing for different possible outcomes.

Chair: I understand that, but nevertheless, on a general basis, I would like to gently probe that a bit. Given that figure that I have said—70% are carried out by those two big firms—it implies one of two things: either the local government audit is too complicated, which I suspect it is, or there is not enough money in it, which I also suspect is the case. There are lots of medium-sized audit companies out there that could do this work, but they are deterred from doing so.

Jeremy Pocklington: First of all, we are putting more money in. Secondly, we have changed the weighting, to focus on quality, recognising that it is complicated. That is not just due to local government. That is wider changes in the audit market as well, ultimately stemming from Carillion, as you know. The third thing we have looked at, or the PSAA has looked at, is the technical aspects of the bidding process, such as the number of lots, for example, in order to maximise the attractiveness for more bidders. There has been a lot of engagement with the market to get to this point, but we will have to monitor it closely over the coming weeks and months.

Q91 **Chair:** What particular help are you giving to those local authorities where they are way overdue, two years overdue? They obviously need a lot of help because there is obviously something going wrong there, more likely with their auditor, although maybe with the local authority itself.

Jeremy Pocklington: It can be for a range of reasons. It can be because of a single knotty problem that is incredibly challenging to resolve, where otherwise there are not particular concerns or red flags elsewhere. It can be a capacity issue. It can be a disagreement. There are a whole range of factors.

As you know, my Department has increased its oversight of local government over the last couple of years, ultimately stemming from Covid but continuing beyond the pandemic. Where authorities do not have up-to-date audits, that is a factor that we take into account in our engagement with local authorities.

Q92 **Chair:** Do you then have a team within your Department that is capable of going around those local authorities, or indeed their auditors, to say, "I see you have a particular problem with this, but actually we know elsewhere it has been solved by this method"? Are you using best practice?

***Jeremy Pocklington*:** We can point local councils to where they can get relevant support, the Local Government Association or CIPFA. I do not have a hit squad of local government auditors, unfortunately, who can provide the most technical level of support, but we will do everything we can to ensure that local authorities are getting the support they need. It might be a risk factor for us, thinking about our oversight of local government as well. We have talked about a lot of issues over recent years, and audit is backward-looking rather than forward-looking, but audit has revealed a number of issues, for example in Nottingham, that do raise concerns for the Department.

Q93 **Chair:** In your opening list of things that you are doing, you spoke about one of the issues, which is skills. Skills is always at the root of all these problems, and certainly technical issues like auditing. What more are you doing to make sure that more people are properly qualified in local government in auditing?

***Jeremy Pocklington*:** I have outlined a number of the things that we are doing, but rather than repeating all those things, do you mean what else we are doing?

Q94 **Chair:** I meant specifically on skills. If the audit companies do not have enough skilled people, they cannot do them.

***Jeremy Pocklington*:** We have said we will work with a small number of audit firms on an industry-led workforce strategy. This is a very challenging problem, and we need to address it at every stage. For example, the new key audit partner guidance will help bring more people into the market. The technical advisory service that we are establishing will also help.

We are also looking to establish a local audit qualification, which is not designed for completely new entrants in the industry, but it is a top-up qualification for qualified auditors considering becoming key audit partners. It has to be an area we are working at, and we are continuing to do everything we can, but it will take time; you do not become a local government auditor overnight.

Q95 **Chair:** I get that. Sir Tony Redmond concluded that prompt action was needed to address the fragility of the local audit market, and we have already discussed that. It would be useful to know when the Audit Reporting and Governance Authority will be set up. What progress are you making?

***Jeremy Pocklington*:** We are working very closely with the FRC to establish the system leader role in advance of ARGA. An awful lot of that can be done before ARGA is set up. ARGA is ultimately the responsibility of BEIS, as you know. We are not legislating for ARGA this session. The legislation has been deferred to the next session of Parliament, but we can do most things in advance of that. We cannot do everything in advance of that. In particular, we cannot transfer the code from the NAO to ARGA in advance of primary legislation. We can make progress on most things. It does not inhibit us, but it places greater importance on really strong liaison and partnership working between all the different bodies over the coming period.

Q96 **Chair:** Does that delay not just cause further uncertainty in this whole local government auditing sector? Is it really necessary to take that long? Presumably, this primary legislation is going to be standalone legislation, or is it going to be attached to another Bill?

***Jeremy Pocklington*:** I think it is standalone legislation, but the legislation is not the responsibility of my Department. As I say, the key thing is we can do most things in advance of that legislation to establish the system leader role. That is what we are doing. We are taking all the action that we possibly can in advance of that legislation.

Ms Olney, may I come back to your question from the start of the hearing? By the magic of technology, I have an answer.

Chair: Very good. You have the answer. Inspiration has come to you.

***Jeremy Pocklington*:** Inspiration has come. We have already issued guidance to councils on the council tax rebate payment process, covering both things, the cash payments and the discretionary payments that we talked about. That was done in February this year, and we are in regular contact with councils. Given the confusion, though, I have asked an official—again, with the magic of technology—to contact Kingston Council to confirm that they are clear and they understand the process.

Chair: Thank you very much. That is really helpful.

Mr French: Hopefully I can help on this exact issue. I spoke about this in private before you came in. There is a brilliant blog out from Citizens Advice today about that council tax rebate and how people get the help. I would recommend it. If anyone has not read it, they should read it, because it is good.

Chair: That is really helpful. Thank you very much. Can I thank our witnesses very much indeed? It has been a bit of a canter through quite a large number of issues, but it was always going to be the case. These catch-up sessions actually are very useful because they catch up on our previous reports, our recommendations to you and your replies. Thank you very much, all three of you. You have been very knowledgeable and helpful this afternoon. May I wish you a very good weekend.