HOUSE OF COMMONS

Levelling Up, Housing and Communities Committee

Oral evidence: Departmental Annual Report and Accounts 2021-22, HC 962

Monday 9 January 2023

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Watch the meeting

Members present: Mr Clive Betts (Chair); Ian Byrne; Mrs Natalie Elphicke; Kate Hollern; Andrew Lewer; Nadia Whittome.

Questions 1-121

Witnesses

I: Jeremy Pocklington, Permanent Secretary, Department for Levelling Up, Housing and Communities, Catherine Frances, Director General: Local Government, Resilience and Communities, DLUHC, and Emran Mian, Director General: Regeneration, DLUHC.

Examination of witnesses

Witnesses: Jeremy Pocklington, Catherine Frances and Emran Mian.

Chair: Welcome, everyone, to this afternoon's session of the Levelling Up, Housing and Communities Committee. It is our first meeting of the new year, so happy new year to everyone. At this time we will of course think about those who probably have not had as happy a start to the year as they may have wished—people in financial struggles and particularly those people who have been homeless. We also think especially of our guests from Ukraine, who have spent Christmas and their new year away from their homes and loved ones. We will all think particularly of them on this occasion.

Before we consider the Department's annual report and accounts—we have the officials in charge of the Department with us today—I will ask members of the Committee to put on record any interests that may be relevant to this session. I am a vice-president of the Local Government Association. We will go around the table.

Ian Byrne: I employ a councillor in my office.

Kate Hollern: As do I.

Nadia Whittome: I have nothing additional to my list.

Mrs Elphicke: I am a vice-president of the Local Government Association. I should also say, as I am covering housing and house building in this session, that I sit as an unremunerated director of the Housing & Finance Institute, a not-for-profit body focusing on accelerating housing delivery.

Q1 **Chair:** Thank you. As I said, this afternoon's session is about the Department's annual report and accounts. To answer questions on that we have with us today the senior officials at the Department, including, of course, Jeremy Pocklington, the permanent secretary. Jeremy, welcome to you and your colleagues. Could you introduce yourself and your colleagues for those who are listening?

Jeremy Pocklington: I am Jeremy Pocklington, the permanent secretary at the Department for Levelling Up, Housing and Communities. On my left is Catherine Frances, the director general for local government, resilience and communities, and on my right is Emran Mian, the director general for regeneration in the Department. May I second the thoughts that you set out at the start of the hearing, Chair, and wish the Committee a happy new year as well?

Q2 **Chair:** Thank you very much.

Obviously, one of the big issues that councils up and down the country are facing is how they manage financially. That has been a struggle for councils for a number of years. They have had the biggest cuts of any part of the public sector over the last 10 years or so. And life isn't getting any easier: as the Local Government Association told us recently, councils are looking at a potential shortfall—just because of extra inflation—of about £3.5 billion next year. What are you hearing in the Department about this? What mechanisms do you have in place to make sure that you pick up concerns from individual councils early enough to prevent defaults from happening?

Jeremy Pocklington: What is our assessment, based on what we are hearing? Our assessment, in looking at the sector as a whole, is that the financial position is sustainable. It has been strengthened by the additional resources that were made available in the autumn statement. But we are hearing that councils are still facing pressures. Not all of those are money related, but some of them are. They come from inflation and increased demand for public services—in particular, social care—and, like other parts of the economy, councils are struggling in a tight labour market: there is an issue with recruitment at all sorts of levels.

But in terms of the core financial position of local government as a whole, I would highlight the actions that we took in the autumn statement, which made available an increase in the core spending power of local government of £5 billion between this year and next year, and will see an average cash funding increase of 9% for local authorities.

Q3 **Chair:** There are two elements to that, aren't there? I will come on to look at the particular councils in trouble in a moment. Overall, increases are always welcome, but that funding was very much directed towards social care, for pretty obvious reasons. That really means that, for the rest of services, councils are having to carry the whole burden of extra inflation beyond that which was forecast in the previous spending statement in 2021, doesn't it?

Jeremy Pocklington: The first thing I would say is that all councils will benefit from the cash guarantee that was set out in the provisional settlement. That means that all councils will see a 3% increase in the cash available to them, before they make any decision on council tax—so before any council tax decisions. That is councils at all tiers, unitary or not. So yes, we have targeted resources at upper-tier authorities—authorities with social-care responsibilities—for, I think, understandable reasons, but all councils will benefit as well.

Secondly, the additional resources we are making available through additional flexibility on council tax, moving to 3% plus 2%, will also provide additional resources that will benefit authorities. However, I do not want to sound complacent or take away from the fact that authorities of course continue to be under some pressure.

You also raised, in your opening question, the issue of councils in particularly tight circumstances and what we are doing about those. Would you like to move on to that?

Q4 **Chair:** I will just put one other question, Jeremy. You talked about flexibilities. The problem with council tax flexibilities is that the flexibility is much more helpful to those councils in certain parts of the country where council tax raises a lot more money than it is in other, poorer parts of the country, isn't it? The flexibility is not as helpful to those perhaps in the most need.

Jeremy Pocklington: I recognise that, but I would say that, looking at the resources we have made available as a whole, we are providing significantly increased resources to councils in the most deprived areas. Looking at how our formulae work as a whole, across the settlement, I think the proportion of funding has increased from 14% to 17% to councils in the most deprived areas, but I will bring in my colleague, Ms Frances, to confirm that.

Catherine Frances: Basically, as you rightly say, what a council is able to spend is a combination, obviously, of the business rates—which were raised nationally, and we then distributed half those rates among councils—the council tax base locally, and the grant. The combination of those things means that authorities in the decile at the most deprived end of the scale are getting 17% more to spend per household than authorities at the other end of the deprivation curve. That is a function of a combination of things, but what runs through the formulae by which we allocate funding is always an assessment of the actual demographic need in an area and various other drivers, which include proxies for deprivation and measurements of deprivation.

Your point is well made. If you have a different council tax base, you definitely have a different element of leverage there, and a different kind of opportunity to raise money that way, but we have tried to offset by using a lot of grants this year. We have also put in additional equalisation grants, which we have done every single year when we have put an adult social care precept on council tax so that, if you are in a part of the country where you have a lower council tax base, that helps to offset the differentials there.

Q5 **Chair:** Helps to offset—so it does not fully offset it?

Catherine Frances: It does not fully offset it, no, and of course it is all then dependent on what decisions individual councils actually take to use their flexibility, and we do not yet know what they are going to do. We will know about that by the time people have had time to process what comes through the local government finance settlement. The Department has only issued it provisionally so far, but we are taking a final view on that, and then we will find out in early March.

Q6 **Chair:** At this stage—the interim proposals, if you like—those councils that can raise more council tax through any percentage increase will still end up better off, even after the mitigating grants are taken into account.

Catherine Frances: Well, not really because, as I said, if you are a household in the most deprived decile of councils, you will get that much more—17% more—than if you are in a household in the less deprived deciles. What you have is a combination of allocations—so a combination of council tax, which is varied by your local base, and equalisation kicking in, and then you have our assessment and our formulae that allocate individual grants but also redistribute the stock of business rates. It is quite a mixed picture across the whole—

Q7 **Chair:** Where can we see a view of the totality of that picture to enable us to know what is happening?

Catherine Frances: I think the best place is the local government finance settlement, which is an enormously technical document, and all the associated annexes to it.

Q8 **Chair:** Right. Is there any way that you can do a comparison between a relatively affluent council that raises its council tax by the full amount and a poorer council that raises by the full amount? Is there any way to see a picture including the council tax, the equalisation amounts, the extra grants and so on altogether, to show how much extra those councils get?

Catherine Frances: I think almost all elements of those will be contained in the local government finance tables, with all the technical annexes. If you want and if it would be helpful, we can signal to you where those bits lie so that you can see the different elements. There is a lot of documentation.

Q9 **Chair:** If you could pull the elements together, that would be even more helpful.

Catherine Frances: Well, we cannot pre-empt what a council will do on its actual council tax.

Q10 **Chair:** Given the figures from the permanent secretary, which assume that councils are going to put their council tax up by 5%, as I understand it, surely we can do what I am asking for on the same assumption, can't we?

Jeremy Pocklington: Yes.

Q11 **Chair:** Thank you. Permanent secretary, let us move on to what you helpfully indicated was another issue that we need to explore: that of individual councils that may come knocking on your door asking for help. How many at present are you engaging in conversation with?

Jeremy Pocklington: We have statutory interventions under way with five local authorities at the moment, and three local authorities have non-statutory interventions under way. We obviously talk to a very wide range of councils about their financial position as part of our extensive oversight of the sector. This year, we are aware of only three section 114s that have been issued in 2022-23: in Thurrock, Croydon and Northumberland. Just to give you some comparison over recent years, eight section 114s have now been issued since 2020-21. We talk to a wide range of councils all the time to understand their financial position, but there is a smaller group that we are either intervening in or having more detailed discussions with.

To give the context, we provided exceptional financial support, which is support outside of, if you like, the local government finance settlement, to I think 11 councils in total in recent years. Some of those are very small amounts of money. Sometimes we provide it in principle but then the councils do not actually need it.

The final thing I would say is that there are three councils that I think are in a more serious position than the others. The Committee will be aware of them: Slough, Croydon and Thurrock are in a different category to the other councils we have been talking about.

Q12 **Chair:** All those councils you have given financial help to, is that in the public domain?

Jeremy Pocklington: It is all in the public domain. I have set that out in tables for Committees before.

Q13 **Chair:** So we know the councils that you have given help to, the ones that have gone for 114, which is more serious, and the ones you have just mentioned, which are the most serious, but are there other councils coming to you and saying, "During the course of the coming year, unless we get some help, we could be going for 114 as well"? It is surely at that stage that the Department has a real role to play.

Jeremy Pocklington: The thing that has happened here is the autumn statement. The additional resources we made available in the autumn statement will really make a difference to the financial position of local authorities next year. I do not want to be complacent about this. I do not want to underplay the impact of inflation on the sector, but we think councils will be able to set a balanced budget—that is the process that they have under way now—given the additional resources they have in place. If councils have particular problems, our message always remains that they should come and talk to us and we will do everything we can to provide assistance, but I think the overall position has changed as a result of the autumn statement.

Q14 **Chair:** Is there any council talking to you at present about the fact that they may be needing additional assistance in the next 12 months?

Catherine Frances: There are lots of councils talking to us about their financial status. We would not want to put on record anyone who is saying, "We may or may not hit problems," because often what you find is that those councils then say, "We are working through those. Help us work through those," and then, "Actually, fine, we are sorted." With apologies, we do not tend to talk about anyone who is going through those processes or conversations with us.

I am not aware of anyone who is about to issue a section 114, if that is the question you are asking. As Jeremy has said, they will just work that through themselves. Of course, for their officers to issue a section 114 for the council is a significant step. If it helps the Committee, my sense is that when we look at the councils who have done that over recent years, their underlying financial position has of course been the issue in many cases, but the causes of that are quite diverse. The causes are often to do with poor governance, quite strong commercial exposure, investments and things that are quite volatile on a market basis, and some fundamental issues around how they are managed as organisations, rather than just pure financial pressure. It has been mixed in different contexts.

Q15 **Chair:** Were any of the councils that issued a 114 a surprise to you when they were issued?

Catherine Frances: No.

Jeremy Pocklington: No.

Chair: Ian, you wanted to follow up.

Q16 **Ian Byrne:** Thanks, Chair. I have a couple of points. When you talk about councils going into the realms of areas where they maybe should not have exposed themselves, would you believe that austerity would be a reason for that?

Catherine Frances: I think there is a combination of factors here. Quite a lot of councils have invested in properties where they think it is actually a value to their own economic growth or a value to their own housing stock or something. Those sorts of investments have generally, when they are managed well by a council, proved to be quite robust and quite resilient.

You will probably know that if you want to access public work loans borrowing now, you can still do that—it is not a problem—because it is not an investment for yield alone. There are a small minority of councils who have invested in investments where, when you probe a little deeper, it looks like it is more for yield. If you ask them about why they have done that, they give a range of answers. We have taken a range of steps over the last few years to tighten up on that. You now cannot access the PWLB if you are investing for yield alone—our Department scrutinises councils' plans and provides assurance to the Treasury and conversations with the councils where they are doing that. We have also tightened up on lots of our regulations around councils taking those sorts of decisions. You may or may not know we have issued consultations.

Q17 **Ian Byrne:** As a second point, I am obviously going to talk about Liverpool at the moment. We have a £73 million black hole. Jeremy talks about more money being put in, but we as a city are now in dire straits. We have budget meetings coming up over the next couple of months where councillors are going to have to look at making really heartbreaking decisions—potentially shutting down sports centres in some of the most deprived areas in the country—which will have a huge knock-on impact.

We talk about levelling up and we talk about resilience. I have noticed that one of the Department's overall objectives is: "A sustainable and resilient local government sector that delivers priority services and empowers communities". That could not be further from the truth of what is happening in Liverpool. There have been half a billion pounds of cuts since 2010 and there is £73 million to find now, when it is on its knees. One in three in my city are in food poverty. How does that level of cuts go towards the aims and overall objectives of the Department? I struggle to see how that aligns.

Catherine Frances: When we are talking about councils themselves, the resilience of the sector is a multifaceted piece of work for us. On the one hand, it is about making sure that the resources right—are they sufficient? Do they look okay? That varies council to council, it varies tier to tier and it varies in lots of different ways, depending on local decision making.

One of the features of local government spending, and one of the features of looking at patterns such as who has large reserves and who does not, is that it is hugely variable, council to council, reflecting, in many ways, local decision making, as well as wider patterns. We have a first resilience objective, which is actually about making sure that the sector is okay from that perspective.

I know it is very challenging in some councils and I do not want to detract from that, but there are some quite positive indicators as well at the moment. Over the last years of the pandemic, the sector as a whole has taken some quite interesting steps. They have chosen to add to their unringfenced reserves. That is not the experience of councils who are in real difficulty, but it is the experience in the round. We have said we want to get into that with the sector to understand more about what is going on, because it is variable.

There is that resilience side of things, and then in the context of Liverpool—I do not want to get into the depth of the council's business—one of the reasons why there is a commissioner set in there is the findings of really significant issues with how the council was run. That form of intervention—which people have mixed views about but from a Ministry perspective we think is very important—is about shoring up the framework and the operating strength of councils locally so that the local population can rely on them.

Ian Byrne: I would not argue with that, but I would argue that they have not got the actual money to create that secure framework to make themselves resilient. I am not sure how we can reach the objectives that we all want of strong, resilient councils that empower communities and make sure that the communities are safe and well—we see the importance of that. It is impossible for me to align what is happening and what I see in my city with what you have said.

Q18 **Mrs Elphicke:** I want to follow up the point that Ian has just made, but with reference to a different kind of council. Obviously, Kent County Council has been one of the councils that has indicated significant strain, particularly with the obligations for social care.

A number of councils have suggested to me that they are rowing back on what they are able to provide and stripping right back to the bare bones of their legal statutory obligations in order to manage within the financial framework. Given the importance of local government, I wondered how concerned you were about that and how it was perhaps informing your view of local government's financial resilience at this time to fulfil its objectives.

Jeremy Pocklington: Our assessment in the Department is that the position is sustainable, looking at the sectoral level. Yes, local authorities did face quite significant cuts in expenditure during the coalition era, but we are now in a position where for several spending reviews, added to by the autumn statement, we are now in a different pattern where the pressures on local government are recognised, and the Government, in successive fiscal events, has acted in response.

The overall position remains one in which we recognise that often tough decisions have to be taken. What we look at in the Department is what proportion of local authorities' income is being spent on statutory services. "Non-statutory" is perhaps a better word than "discretionary", and we look at what proportion of councils' income is spent on non-statutory services, perhaps not at a sectoral level—it is hard to simplify in that way—but when we look at groups or types of local authorities, that is something that we focus on.

Q19 **Mrs Elphicke:** What do you think is a healthy percentage?

Jeremy Pocklington: I would not want to set a target: it is more about identifying trends in the sector. Over a longer period, it is of course absolutely right—and this is not news—that the proportion being spent on statutory services has increased. We also look at reserves, and that is a complicated issue. We have said that we need to see more transparency on reserves, because some councils do not have reserves and their position is obviously very different. Reserves have increased in the last couple of years.

Chair: Moving on to financial reform, we turn to Kate.

Q20 **Kate Hollern:** There were some interesting statements there. Certainly the message we get from councils is that they do not feel as resilient as they did in the past. There was a fair funding review and business rates reset launched in 2016 and promised to be delivered in 2020. For a variety of reasons, it has been delayed. Can you explain why it has been delayed, and has anyone done an impact assessment of the effect on local councils in delivering sustainable services now?

Catherine Frances: I can come in on that. You are right that there is a commitment to a fair funding review and a business rates reset of the growth essentially. Ministers have taken a decision to basically prioritise stability over the next year, which we are just starting, and the year beyond. They have done that partly by acknowledging the changing environments we are in, both workforce and inflation environments, and by having to input a lot of money in the autumn statement, as Jeremy has said. There is an extra £5 billion of spending power going in there. But Ministers have made a decision.

We have spoken a lot to councils about this. In a sense, there is a volatility associated with changing formulae and redistributing. It is quite hard to do that. We have taken a call that it is best to prioritise, by saying, "This is the predictability. Now please get on and plan." Our Ministers have also been clear that they think local government finance reform is something that should not be off the table and should be in the next Parliament. I think our Secretary of State appeared in a parliamentary Committee and flagged that he was asking us to look at that in more depth, but the certainty, I'm afraid, that we are not doing the fair funding review is in place at the moment.

Your other question was about impact assessments. There is not an impact assessment in place in the way that you describe, because as you do some form of formula redistribution and a fair funding distribution, you have to make decisions about exactly what the end point is in order to start working through the assessment. What we know is that lots of the formulae, if they were changed, would move significantly.

For example, one of our adult social care formulae is based on population data, which is really out of date—from 2013, I think. But because we have not taken decisions about what we would do in a fair funding review, there is no set impact assessment. I don't mean to be flippant when I say this, but we do hear from the sector that most people assume it might move in their favour. That is something you would have to work through when you were doing it.

Q21 **Kate Hollern:** That was a promise made to local authorities—that they would be fairly funded. Are you happy for unfair funding situations to continue? We are now in 2023, aren't we?

Catherine Frances: I do not think we have an unfair funding situation. We just have an interesting hybrid of locally raised tax and redistributed funding, where we have mechanisms in Government to do so, either using grant or redistributing the around half of business rates that local government keep. You have this interesting and very unusual hybrid in local government spending, with the combination of local decision making and local tax base and all those other things.

Q22 **Kate Hollern:** Grants are not a guarantee. If you are dependent on small pots of grants or funding, it is very difficult to plan, but anyway. The annual report and accounts do not mention any work to simplify and reduce the number of competitive funding pots. What work do you have under way, and would you expect to complete it?

Jeremy Pocklington: I will take that question, if I may. This is obviously an important issue. It is something that we hear, and I am sure it is something that you hear from a lot of councils. We set out very clearly in the levelling-up White Paper our ambition to reduce the number of funding pots.

There are four things to say. First of all, we have already started on that journey of simplification. The levelling-up fund in itself brought together several different funding pots, including the local growth fund, the getting Britain building fund, the DfT pinch point funding, the towns fund and the UK shared prosperity fund, which brings together the European regional development fund, the European social fund and the community renewal fund. So we have already begun that process of simplification. The UK SPF—the shared prosperity fund—is a simpler model of delivering this, with indicative allocations rather than a competitive approach, which is something we have heard from many stakeholders. We have begun that process, but we have more to do.

To my second point, what we do not want to do is change funds that have already been announced and agreed. That would create more complexity. We should carry on delivering the future high streets fund, the towns fund and those projects we are funding. Let's continue with them. Thirdly, what we have said is that we will set out further plans for funding simplification shortly. The Parliamentary Under-Secretary indicated that we would be doing that early this year to provide greater flexibility to local authorities and to make it easier to navigate. There will be fewer smaller competitions with simpler bidding process. The reality of where we are in the Parliament is that some of these things will really come to a head in the next spending review, whenever that is. I suspect that will be early in the next Parliament, but it is not a matter for me; it is a matter for the Treasury.

My final point is that it is not just about the pots themselves: there are wider things that we can do that will really make things easier and simpler. In the autumn statement we set out our ambition to work with trailblazer devolution areas—Greater Manchester and the West Midlands—

on plans for a single capital pot for the next spending review. That could really make things simpler for our most capable mayoral combined authorities. So this is something we have heard very clearly and we have started taking action, but there is more that we need to do.

Q23 **Kate Hollern:** Are you concerned that cash-strapped authorities are having to spend thousands of pounds and officer days constantly bidding for small pots of funding? We were promised a simpler, more transparent plan, but that does not appear to be happening. We have heard from many councils that on average it takes £30,000 to put in a bid, and we are not quite sure of the success rate of those bids. Is it not a concern that resources that are already very tight are, in my opinion, being wasted because there is not a clear, simple process for councils to access the funds that they need?

Jeremy Pocklington: We are aware of the issue that you raise, and in particular that the councils that are perhaps most in need of the additional funding may be least well placed, at times, to access the funds. We have provided capacity funding to support councils in the preparation of bids. The levelling-up fund is an example of that, and we have further money that is going to support the delivery of those funds.

As the Secretary of State has set out, we do think there is a role for competitive funds, on a smaller and more simple scale, to encourage innovation and best practice in the sector, but we need to do more. I would say that it is not that we have not done anything: as I have indicated, on the model that we have moved to—with the levelling-up fund and the UK shared prosperity fund being our primary funds—we have already taken action, including through, as I say, a simpler method of allocating the shared prosperity fund.

Q24 **Kate Hollern:** Are you saying that, although it is not in the report, work to simplify these processes is actually happening?

Jeremy Pocklington: Absolutely.

Q25 **Kate Hollern:** Would it be possible to provide an update on that?

Jeremy Pocklington: We have said that we will set out the detail of our plans. When we do that, I am of course very happy to share that with the Committee.

Q26 **Chair:** When you do that, could you also share with us what other Departments are doing? The complaint from local councils is that it is not just your Department that requires all this bidding but virtually every Department that they come into contact with.

Jeremy Pocklington: We will set out our assessment of the wider landscape. Of course it is not just DLUHC; there are other Departments with funds as well, so we have to approach this from a whole-of-Government perspective.

Q27 **Chair:** If you could take a whole look at that when you report to the Committee, that would be helpful.

The Department's annual report has a list of objectives; they seem to change every year, don't they? It is very difficult to measure what has happened over the last five years because very few of the objectives—the priority outcomes, strategic priorities, strategic objectives; they are called slightly different things as well—are the same from one year to the next.

Jeremy Pocklington: We keep the objectives under review to make sure that they reflect the work of the Department in a way that is up to date. You are absolutely right that they have evolved over time. I would say that quite a lot of the core focus has remained unchanged over recent years—for example, the importance of a sustainable local government sector tackling rough sleeping, and we continue to make progress on building safety—but there have been some changes and I would particularly highlight two.

The first is the increased priority that we attach to levelling up, including through the change to the Department's name. The second would be the strategic objective, relating to the role that my Secretary of State has as Minister for Intergovernmental Relations, of ensuring that the benefits of the Union are clear. To an extent, the changing of objectives reflects how the Department has changed.

We also operate within a system set by the Cabinet Office: the outcome delivery plan. That is where the framework comes, from which we operate like other Government Departments.

Q28 **Chair:** Anyone reading the objectives might think that they are all very laudable, but they are impossible to measure aren't they? "End rough sleeping"—if that is what it means, absolutely; you can probably measure that. But "Raise productivity and empower places so everyone can benefit from levelling up." It is apple pie and motherhood isn't it? Everyone is going to agree, but how do you actually measure it?

Jeremy Pocklington: The strategic objectives are set at a strategic level, but we do have metrics that underpin them; they are set out in the outcome delivery plan.

For levelling up, I would refer the Committee—I have a copy here—to the technical annexe to the levelling-up White Paper that we published last February. That sets out in considerable detail the metrics that over time we will look at when we are considering levelling up and the levelling-up missions in particular.

We use a range of metrics. You are right that some of what my Department does long term is ambitious and hard to measure on a year-by-year basis, but wherever possible we do use a range of metrics.

Q29 **Chair:** One of the suspicions is that you will change to adapt so that you can score success more easily by putting down the objectives that you know you are going to achieve. One of the suspicions about the mission statements and the levelling-up White Paper is that the Department has the right to change them every year, so if you are not doing very well on one you change it to another.

Jeremy Pocklington: I do not think that is a fair characterisation, Mr Betts, of what we are doing, but I do recognise that these are long-term objectives. But some of the metrics that we are talking about in this and other Committees are hardy perennials that I know we will come back to year in, year out, whether we are looking at rough sleeping or at the progress on delivering building safety or on our housing objectives. These facts and figures are often not published by Departments—we often talking about national statistics with a lot of independent scrutiny.

Q30 **Chair:** So the priority outcome of "A sustainable and resilient local government sector"—you would measure that, would you, and fail if any council had to issue a 114?

Jeremy Pocklington: We have to look at the sector as a whole. A key part of our role is to look at whether the sector as a whole is on a sustainable basis. It is obviously for individual councils to manage—

Q31 **Chair:** How do you measure that outcome?

Jeremy Pocklington: We look at a range of tools and techniques to do that. I refer you to my colleague Ms Frances if you want to explore that in more depth.

Q32 **Chair:** Yes, or you could give us a note on that—it is up to you.

Catherine Frances: We are happy to. The way that we look at the sustainability of local government is that, first, whenever we do a fiscal event or spending review, we simply bring together the accumulated assessment from different Departments of service pressure. Adult social care is a good example; there is a very good, robustly checked model in the DHSC, working with independent partners, to outline what we think is happening both demographically and in terms of acuity.

We plug all that into the system and work out how much we are going to raise with the council tax option and with business rates, which are going up by measurements set out by the OBR, and then grant as well. We put that all together. That is the input approach. Then we look at the sustainability of the sector. As Jeremy said earlier, we have a tool where we try to look at the proportion of expenditure that is on those statutory, unavoidable services—debt servicing and things like that—and we look at that relative to reserves.

I appreciate the difficulties that councils have faced, but it is also factually the case that over a couple of years of the pandemic they have added considerably to their reserves as a sector, so we look at that. Then we do deep dives and look at individual councils. We have a responsibility to make sure that we can ensure that they are delivering public services soundly. I don't think the issuing of a section 114 in a council is a sign of a weakness. In a sense, it is a sign of the system kicking in where it is supposed to kick in. If a section 151 officer thinks there is something unlawful happening, or difficult happening, or that a council is not restraining its expenditure, that is a legitimate part of the system. It is not a very happy part of the system, but it is a part of the system.

Q33 **Chair:** It doesn't sound very sustainable. Never mind. We would probably have a slightly different approach.

Let's move on to how the Department manages all this. You have a lot of challenges. Grenfell obviously imposed a new and very different challenge on the Department, which is still ongoing. We will come on to look at that in detail. Has the Department got the skills it needs and the capacity to address all the issues, particularly if more councils start coming forward and saying, "Can we have conversations to help us through our financial difficulties?"

Jeremy Pocklington: In 2020, my first year as permanent secretary, I reviewed the capabilities in the Department and established a capability strategy, and I continue to ensure that that is up to date and that we are delivering against it. What that identified was the importance, given the changing role of the Department, of increasing our skills in digital, data and project delivery. They were probably the key areas that we identified.

We have continued to invest and recruit in those areas, so we do have the skills that we need. But, like others, we are operating in a very tight labour market. For example, getting digital skills is a huge challenge for my Department, as it is for every organisation in the country. That won't be a surprise.

We have continued to build up our sectoral expertise as well, in really important areas like building safety, which is a very complicated area, and local government. I don't think you would ever say that work is ever done, given the natural turnover in all Government Departments, but I think we have made progress over recent years to ensure that we do have a better sectoral understanding, as well as some of the capabilities I have highlighted.

Q34 **Chair:** Does the Treasury give you the flexibility you need to pay market rates for some of those challenging areas, like digital?

Jeremy Pocklington: Obviously, we operate within the wider civil service frameworks, but we did introduce a pay framework for digital skills. I am going to give the jargon—it is the DDaT pay framework, which the Treasury approved. That is what we are using. Some—I don't think all—other Departments have introduced something similar, so that we can pay something closer to the market rates for digital skills. We have also had success in recruiting people out of London in that area. There are other attractions and other ways that we can attract the skills that we need.

Q35 **Chair:** A lot of your work, of course, takes place with other Government Departments, on a whole variety of different subjects. How does the Department go about that on a day-to-day basis? Does that work all the time?

Jeremy Pocklington: We have very extensive work across Government. One way of thinking about DLUHC is that, at times, we are a central Department, a bit like the Cabinet Office in a way, often co-ordinating and leading across Government. An example is levelling up, which is fundamentally a cross-Government mission. Mr Betts, you have alluded to the fact that it is about how other Departments, as well as DLUHC, spend their money. The local government finance settlement is another example of something that is absolutely cross-Government.

We have a combination of approaches. I don't think we can take the same approach in every area in the Department. For levelling up, for example, we have an inter-ministerial group, chaired by my Secretary of State, bringing together the relevant senior Ministers across Government. We also have officials groups that support that.

In another area, we have taken a different approach. On Ukraine, we established a joint team with the Home Office, given the scale of joint working that was required. We have a joint team reporting both to me and to Sir Matthew Rycroft, the permanent secretary at the Home Office.

We have mapped the interdependencies across the Department in our outcome delivery plan. If I may offer some personal reflections, I think that governance, the mapping and the ministerial groups are all essential. What really matters to make a difference is aligning outcomes between Departments and across Government—building those strong and effective working relationships at different levels across Departments and with local government.

Q36 **Chair:** Where are the biggest challenges in achieving that? Which areas, which subjects?

Jeremy Pocklington: It would be hard for me to identify the one area that is more challenging than the others. We are dealing with a range of very demanding issues in the Department that are very different in nature. Ukraine was an immediate response to a fast-emerging situation in the early part of last year, when we needed to establish a plan very quickly, perhaps bypassing some normal governance arrangements across Whitehall, whereas levelling up is a long-term programme that takes place over many years, and the local government finance system is a well-established process, similar to a spending review, which we are well used to operating. They have very different flavours, depending on circumstance.

Q37 **Chair:** So, no particular problems.

Jeremy Pocklington: As I say, they feel different in the nature of their challenges. They each present their own issues for the Department; I would not want to pick one out.

Chair: Very careful, permanent secretary. We will move on to look at aspects of housing.

Q38 **Mrs Elphicke:** Thank you, Chair. Good afternoon, permanent secretary, Ms Frances and Mr Mian. As the Chair indicated, I will turn to questions on housing, the housing market, housing targets and the role of Department in monitoring and securing the performance of Homes England. To start with the housing market overall, does the Department have an annual target that it monitors for house building, or does it look only at the outturn on a year-by-year basis?

Jeremy Pocklington: We look at a range of housing market data on different timescales. The gold standard, if you like, or the key metric that we are looking at is net additions, which I think are published in the November for the previous financial year—the most recent data is 232,000 net additions in 2021-22—but we look at a range of other data as well, including starts and completions. We also look at what is happening regionally. So, it is a range of data that we look at.

Q39 **Mrs Elphicke:** That sounds more like outcomes than a target approach. Do you have a target that you work to, expect or measure against?

Jeremy Pocklington: Homes England has targets that are set out in its annual business plan. My colleague Mr Mian can perhaps talk about those in a little more detail. On the Department and our overall approach, the Government—as you know, this was in the manifesto—have an ambition to build 1 million more homes this Parliament. That is something we are very focused on, as well as the long-standing ambition to create a market that can deliver 300,000 homes a year.

Q40 **Mrs Elphicke:** I am keen on establishing that. This is a key industry. Like "levelling up", "housing" is in the name of the Department. To clarify, that sounds like you are not setting a target or monitoring your expectation of housing market performance. Homes England has targets for performance, but that is different from monitoring housing market performance.

Jeremy Pocklington: Those ambitions and commitments that I have mentioned are important—building 1 million more homes this Parliament is something that the Department actively monitors—but we do not have a quarterly target or something like that that we are focused on. We set the targets for Homes England, which are an important part of the governance, and we hold Homes England to account for the delivery.

Q41 **Mrs Elphicke:** Looking forward, market commentators are suggesting that there may be a very severe contraction in house building in the coming period. It has been suggested that this might be close, or at least not far off from, the sort of situation that we saw in the financial crash. Are you concerned about the situation that is developing in house building at the moment? What steps are you taking to prepare and address it?

Jeremy Pocklington: May I bring in my colleague, Mr Mian?

Emran Mian: There is a range of forecasts at the moment for what might happen to the housing market over the next couple of years. The OBR forecast suggests that house prices will decline by somewhere in the region of 6% over the next year. There are other forecasters who think it will be more or less. The OBR is also expecting a drop in house building volumes. We are not seeing that yet in the numbers. The most recent numbers we tend to get are how many energy performance certificates have been registered. Those continue to show quite a positive trend, building on the really positive bounce back we have had since the pandemic in house building, but we are definitely concerned about how that might play out over the next year. You will have seen, and there has been reporting on, what some of the larger house builders have been saying about their planned activity over the next couple of years and how they are beginning to take steps to potentially target lower volumes. That does concern us.

The question for us then becomes about what things we can do as a Department through our programmes and working with Homes England to ensure we can keep housing delivery going at the best level possible. The delivery of the affordable housing programme is a really big part of this. I think at any time when there has been a downturn in the housing market, the delivery of affordable housing has been a really important counter-cyclical intervention. I think in that context it is great that we have a really substantial funded affordable housing programme—about £11.5 billion to be spent between the period of 2021 to 2026. Making sure we get maximum value for that is going to be really important.

Homes England also has available to it loan facilities for small house builders and medium house builders and then site specific for where infrastructure might need to be funded up front. Again, we would be expecting Homes England—I know they are planning to—to use those loan facilities really actively to help people get over any financing bumps they might be facing.

Q42 **Mrs Elphicke:** You said you were concerned about the headwinds in the market at the moment. What is your assessment of what the current shortfall might be without intervention or extended intervention from Homes England? Could you put a rough figure on it, maybe to the nearest 5,000 or 10,000? If we look at the over 232,820 net additions position last year, what is your current working assumption on the outturn for this year?

Emran Mian: I think it is possible that in the next year to report—as Jeremy said, additional builds will report in November—based on the EPC data so far, we would expect the number to go down a little bit on 2021-22, but it may not be such a big drop as some of the forecasts are suggesting.

Q43 **Mrs Elphicke:** So, from 232,000 to 200,000 or 180,000?

Emran Mian: I think it is hard to be as precise as that.

Q44 **Mrs Elphicke:** Well, that’s not very precise, is it? We are looking at a difference of 50,000.

Emran Mian: Even when you look at what the different house builders are saying, they are all taking different positions.

Q45 **Mrs Elphicke:** But what do you think? You are analysing the market—what do you think? What is that number? I just gave you a range of a difference up to 50,000 homes. What do you think is likely to happen, on your working assumption at the moment as a Department?

Emran Mian: I think probably the best core forecast at the moment is the OBR forecast, which would take us down by, from memory, something like 40,000 homes on the previous trajectory. Again, the OBR itself flagged that that is just a forecast. Alongside flagging its forecast, it flagged the forecasts that other people have made.

There is just a lot of uncertainty in the market at the moment, so it is particularly difficult to pick a central forecast. The key thing for us is to monitor a range of data, so that the approach we take in this downturn—if a downturn is what we are going to have—is as active as possible. So, in addition to looking at, for example, the EPC data, which is really good, real-time data, we are looking really closely at what each of the house builders is saying. Both directly and through Homes England, we have lots of conversations with housing associations, local authorities, developers and providers of finance into the market, to give us a more qualitative feel for what's going on as well.

The other clear indicator we have is about how the spend on our programmes is going. We will be able to see, from whether we are sustaining spend on our programmes, what that then indicates in terms of how many starts are being made and how many completions are being made. That is especially true of the programmes that are run through Homes England, where we have targets about starts and about completions.

Q46 **Mrs Elphicke:** That is very helpful, thank you. Let's move on to the role of Homes England. In 2021-22, Homes England missed its targets on starts, on completions and on unlocking housing capacity—three absolutely essential roles of Homes England. If we look at what was happening in the general market at that time, we will see that completely the opposite situation happened. Overall, not just on the net additions but on new build completions, the market increased from 191,000-odd to 210,000 over the same period, so there was an increase of over 9% while Homes England failed to meet those targets. And it didn't just miss those targets by a little. The cumulative number for those targets—the starts, the completions and the unlocking—is more than 52,000 homes. If we equate that to the contribution of house building to GDP—let us say £150,000 for each home—it is the equivalent of a loss to GDP of about £7.5 billion. Do you think it is acceptable that in a market that was clearly performing, the Department has not delivered that absolute boost to GDP and met that need for affordable housing and that need for housing as a whole?

Emran Mian: I would say three things in response. The first is just to recognise that the year that you are referring to, 2021-22, was absolutely a very challenging year in terms of delivery across our programmes.

Q47 **Mrs Elphicke:** But it was for the market, and the market outperformed—the market outperformed the OBR. Homes England failed to meet your own targets. That's not good enough, is it? It's not good enough to say it's about the market or it was challenging, because it was challenging for everybody, and the housing market performed but Homes England didn't, even with all those tools that you have mentioned.

Let's look at how it is performing overall. The Public Accounts Committee has said that it expects there to be a shortfall of 32,000 units—homes—in the affordable housing programme within the current period. We have just mentioned the importance of the counter-cyclical push for housing in a market like this. What steps are being taken to ensure that the organisation that is the Government's housing delivery acceleration agency is not just accelerating but actually delivering the homes that are needed for the country?

Emran Mian: As I say, my first point is that that was a very challenging year, and we have worked really closely with Homes England on what we need to do in response to, as you say, a year that had very disappointing results.

The second point I would make is that the programmes we are talking about, the programmes that Homes England run, are all multi-year programmes. The affordable housing programme, for example, is a programme that has a five-year length. So there is lots of scope for us—working really closely with Homes England and putting into delivery the kind of pressure that I think you are asking us to put in—to make up that difference in future years, and that is absolutely our focus. That is the benefit of having a multi-year programme: we don't lose the money; we are able to continue investing and trying to improve performance.

The third point I would make is that the reason why we continue to feel confident about Homes England delivering this is that that year, I think, was exceptional in terms of their performance. When you look at it with a slightly longer perspective, they have been hitting their targets pretty consistently.

Q48 **Mrs Elphicke:** I am sorry to stop you there, but the targets are set by the Department. They were not a little off the targets; they were significantly off the targets—targets that you set for Homes England, as the permanent secretary just commented on. You are setting these targets, they have not delivered, and as a result it is not multi-year GDP; it is GDP that was lost here and now to the country. It is a loss of housing that is needed, right here, right now, for people who are in housing need. It is a loss of affordable housing, which is not being delivered at a time when people need it most. I do not think it is acceptable to just say that it is a multi-year programme and that somehow Homes England can catch up.

This will be my final question. Moving on to the tools that they have at their disposal, Homes England does have some very technical and expert teams. We have been very impressed by the quality of a number of people within Homes England. But they have also seen a fall of £3 billion of departmental spending on housing between 2021-22. Do you think that they have the right tools in terms of funding and the guarantee support, or otherwise, to successfully fulfil the role that they were set up to do—the role they have successfully fulfilled in the past? If Homes England thought, unlike the rest of the market, that last year was challenging, my goodness, the next 24 months are going to be difficult.

Emran Mian: Exactly, and this is why the fact that they have been able to hit their targets in previous years is important. I think it is testament to the tools and skills that they have at their disposal. If you go back just two years, they exceeded two of their targets by significant margins and were very close on the other two—the margin was very small. To take your point of comparison, which I think is the right one to take, if you look at the year immediately following the pandemic, the house building industry as a whole saw a 27% drop in completions, whereas on Homes England-funded programmes, that drop was only 13%. So in the year immediately following the pandemic, Homes England outperformed the industry significantly. That is what gives us the confidence—

Q49 **Mrs Elphicke:** But these are annual targets. We are not discussing a multi-year target; we are discussing an annual target which was significantly not met in a year when the housing market as a whole outperformed the OBR estimates. I think we have explored that, but I ask you to consider whether the Department having its own view on the likely performance of house building is a good idea for a Department with housing as its responsibility. Secondly, I think it would be useful to really explore how Homes England is going to fulfil its objectives in supporting the housing market at this really challenging time.

Chair: We will move on to homelessness and the cost of living problems.

Q50 **Nadia Whittome:** Good afternoon to the permanent secretary, Mr Mian and Ms Frances. I am going to ask a few questions around homelessness, the private rented sector and heat networks. First, on homelessness, I know that it is one of the five departmental priorities to end rough sleeping by 2024. Given that there has been changes in Ministers since the strategy was published, is that still the goal?

Jeremy Pocklington: It remains the strategic objective of the Department.

Q51 **Nadia Whittome:** How are you defining ending rough sleeping?

Jeremy Pocklington: We have set that out in the strategy. The bigger point I will say is that the strategy remains the strategy. For the first time, that includes a definition of ending rough sleeping. It is that rough sleeping will be prevented wherever possible, and when it does occur it will be a rare, brief and non-recurring experience. That is a definition that has been worked on with a range of experts, including the What Works Network. It is obviously impossible to stop every person rough sleeping all the time, but we are trying to establish a definition around which stakeholders can align themselves. It is obviously going to be more challenging due to the economic circumstances that we have—I think the Secretary of State was very clear about that when he appeared before the Committee in November. But it remains absolutely our mission as a Department. As I think you will be aware, we are investing £2 billion over three years in this area, in addition to other resources that are available.

Q52 **Nadia Whittome:** You have alluded to this point. What is your assessment of the impact that the cost of living crisis might have on that target?

Jeremy Pocklington: I will bring in my colleague, who leads on rough sleeping.

Catherine Frances: We don't have a central single estimate of that, partly because, if you think about the autumn statement, it addressed some of the fundamental drivers in terms of cost of living. There are both the energy packages that have been provided, but also the benefits uplift for UC and for disability benefits and benefit caps and things, all rising with CPI. We anticipate that will have a significant impact here. But we are very, very far from being complacent as a Department on this point.

The rough sleeping strategy included a really important new programme, the single homelessness accommodation programme, which builds new accommodation, primarily focused on people who have multiple complex needs, individuals or young people. We have rolled forward our rough sleeping initiative, which is the flagship initiative, until 2025, and we are on course as a Department, in terms of delivery, to deliver the rough sleeping accommodation programme, where we have done almost 4,000 units, by October. But we really need to keep this, and this whole system, under review.

What we have done recently is to top up the homelessness prevention grant that local councils get in year. We have added £50 million to that, to bring the total to over £360 million. Just before Christmas, we also allocated the next two years of homelessness prevention grant to local councils—that builds on some of the conversation that we were having earlier—so that people have enough certainty to plan and to make sure that they are able to work with their partners in a sensible way.

We may come on to this later—we are also aware with homelessness more widely that there are people movement pressures. Just before Christmas, we took a range of steps to support people from the Ukraine and also Afghanistan, which I can talk about a bit more widely.

Nadia Whittome: We will come on to that later.

Catherine Frances: Absolutely. So far, it is quite a wide suite of work that we are doing there, keeping it under very tight review.

We won't know what will happen to the rough sleeping numbers finally until we get the formal statistics, which will come out in February, but we are really focused on it as a Department.

Q53 **Nadia Whittome:** The strategy references enabling local authorities to fully meet their statutory duties. What is the Department doing to enable that?

Catherine Frances: On homelessness and rough sleeping, quite a lot of this is around giving them adequate funding to do so. It is that £2 billion that Jeremy was talking about, over three years, and wider homelessness intervention.

Q54 **Nadia Whittome:** Is that new funding?

Catherine Frances: Yes—it is a mixture. It was all set out in the rough sleeping strategy, in September.

Q55 **Nadia Whittome:** How much of it is new funding?

Catherine Frances: The £200 million for the single homelessness accommodation programme was new at that point. There have been announcements about the future of the rough sleeping initiative—I can't remember exactly which years have been pre-announced—but it is all set out in that document. It has also brought forward some funding looking at the complex needs of individuals who are leaving prisons, and people with various other complex needs. It is all set out in the document.

Q56 **Nadia Whittome:** So potentially as little as £200 million out of £2 billion.

Catherine Frances: No, it is a multi-year settlement. You should look at the published material. It is all there.

Local authorities have a range of obligations set out in statute, as you know. We collect data, which is an official statistic. It operates at a bit of a lag, unfortunately. The most recent data, which ran to the midway point of last year, which we released just before Christmas, shows quite a stable number of people who are homeless or at risk of homelessness. But what we are keeping a very close eye on is whether that changes in coming months. We have to be driven by that data as it comes through.

Q57 **Nadia Whittome:** Coming back to the funding, have you made calculations as to how that new funding compares with how much funding has been cut since 2010?

Catherine Frances: I don't think we have a direct comparison of that nature. I am not aware of one.

Q58 **Nadia Whittome:** Are you able to do that?

Catherine Frances: We can have a look at what we can produce and compare for you. I am not quite sure whether there will be anything directly comparable.

Nadia Whittome: That would be useful.

Jeremy Pocklington: Let's set out the long-run evidence on funding for homelessness.

Catherine Frances: Yes.

Q59 **Nadia Whittome:** Moving to the private rented sector, I have a couple of questions. What trends are you seeing in the use of the private rented sector to house people who are at risk of homelessness and also in the proportion of temporary accommodation that is being rented or leased from private landlords?

Catherine Frances: The data that I have in front of me today, I am afraid, is about the proportion of temporary accommodation that comes from the private sector. The answer to that is that is relatively stable at around a third. It has remained stable in all of our statistics.

Q60 **Nadia Whittome:** There has actually been a fivefold increase in 10 years. Why do you think that is?

Catherine Frances: I am not sure which statistic you are alluding to.

Q61 **Nadia Whittome:** The statistic from the briefing document.

Catherine Frances: Would you mind just reading it out? It might just make sure. There are so many subcategories of the homelessness numbers.

Q62 **Nadia Whittome:** This is from the DLUHC live tables on homelessness and it is on page 22.

Catherine Frances: What I think we should do is commit to coming back to you on the detail of that, because the headlines are relatively stable on homelessness and rough sleeping to June. Within that, there are a couple of figures that have moved more significantly. One of them does relate to the private sector, so, in particular, the number of people who are owed a prevention duty, where that prevention duty has been triggered by the end of a short tenancy, is one of the figures that changed quite considerably. That increased over 60% on the same quarter of the previous year. I do not know if that is the figure that you are alluding to.

Q63 **Nadia Whittome:** This is what the figures from your Department say: "The number of households living in temporary accommodation rented from private landlords rose from 4,860 in the first quarter of 2012 to 23,380 in the first quarter of 2022—a nearly fivefold increase in ten years."

Catherine Frances: Can I take that away? The figure that I have is that there is stability, and I want to get you a proper answer that goes back all those years.

Q64 **Nadia Whittome:** That would be useful. How about the use of the private rented sector to house people at risk of homelessness? What trends have you seen there?

Catherine Frances: That is the same trend that I am talking about—relative stability. I think what I should get you is a proper breakdown of that to answer all of the question fully in depth. We can go back to the page number that you are referring to in the document as well.

Q65 **Nadia Whittome:** Have you made a risk assessment of what impact rising rents are likely to have on homelessness prevention and your objectives there?

Catherine Frances: We model cost of living impacts and likely forecasts looking at homelessness and rough sleeping. As I said earlier, that was profoundly affected by the moves in the autumn statement to shore up household incomes in terms of universal credit, and so on and so forth. I am not sure that we specifically model rents as a stand-alone factor in that. Again, we can do some further work on that and get back to you on that technical question.

Q66 **Nadia Whittome:** Thank you very much. My final question is around heat networks. This is an area of particular interest to me because, in Nottingham—the city that I represent—we have the largest district heat network in the UK. Five thousand households are using them in the city centre and St Ann's alone—an area of the city that I represent. Constituents are telling me that they still have not received support from the energy bill support scheme, so my question is: how is the Department ensuring that people and organisations that use heat networks are getting the same support with their energy bills as domestic customers, and what timescales are you working to?

Catherine Frances: The energy bill support scheme is a BEIS-led scheme, rather than a DLUHC-led scheme, but we are helping them with the alternative payment mechanism—things such as helping with the guidance. Having spoken to them very recently, they are now piloting how to get the allocation to people who are on alternative payment mechanisms, rather than the core mechanism, just right. They are piloting it, I think, in four places and they anticipate that they will roll it out in January.

Q67 **Chair:** Can I just pick up an issue there? One or two housing associations have said to me: "Why can't we just apply on behalf of our tenants?" A lot of the tenants who live in this sort of accommodation—sometimes in supported accommodation of various kinds—are not natural users of IT or applying by computer, which is the initial way people are supposed to apply for this help. Why can't the housing association, where it is a registered landlord or a council, apply on behalf of their tenants?

Jeremy Pocklington: I am afraid it is a BEIS scheme. Unless either of my colleagues can answer—you are going well beyond the remit of the Department, but I am very happy to ask BEIS—

Chair: We have just had a conversation about joint working in Government—

Jeremy Pocklington: I am very happy to ask BEIS colleagues about this specific—

Chair: But will you talk to them? Clearly, it is their scheme, if you like, but most of the people are tenants of registered landlords.

Jeremy Pocklington: Indeed. Let us have that conversation.

Q68 **Chair:** While you are at it, could you have a conversation with BEIS about why, when particular help is given to individuals on benefits—extra help to help with their energy bills, which is welcome—if you are on universal credit, you get it, but if you are on housing benefit because you have not migrated to universal credit, you do not? Is that fair?

Jeremy Pocklington: We will take that one away as well. That is also—a number of Departments will be involved in that, but we will—

Chair: Again, it is not a DWP benefit. That is the explanation that we have been given.

Jeremy Pocklington: We will take that away.

Q69 **Chair:** Yes, okay. It would be seen as a really fair and helpful step if it could be looked at. You will come back to the Committee on that?

Jeremy Pocklington: We will do.

Q70 **Andrew Lewer:** Another programme that is RAG-rated as red is planning reform. The first ever atomic bomb test took place in New Mexico in 1945, and the first functioning nuclear power station was operating by 1951. So, why is planning reform a seven-year programme?

Jeremy Pocklington: The top-line answer is that it is because we are not asking local authorities to update their local plans ahead of when they were previously planning to do so. This is a large, complex programme, but if they have adopted a plan in the past two years in advance of this programme, we are not saying, "You have to do it earlier than you were previously planning to do it." That is why this programme will take a number of years—because we are working with a number of local authorities. It is also a whole system that we are changing here.

Just on the facts of the rating, it was rated red; it is now rated amber. It is still a very important programme and needs to be monitored closely, but I think that the latest IPA rating is amber.

This programme is actually about the digital planning reforms that we are introducing, rather than all the wider planning reforms that we may want to cover with this Committee, including the wider settlement legislation. It is about establishing data standards for the sector. It is about digitalising the data for plan making using open data. It is about modern management software that will bring real-time savings. It is about improved local authority engagement, really. Those are really the four key elements of it. It is a multi-year programme, but why is it that long? It is because we are working with local authorities on the existing timescale that they have to update local plans.

Q71 **Andrew Lewer:** So you have refined down, really, much tighter than may be suggested by the tabulation of this, the programme's objectives and its milestones. Is it going to be difficult to get any further with your improved RAG-rating quickly, given that multi-year work with different authorities?

Emran Mian: The reason why we have been able to improve the rating is because it is the Infrastructure and Projects Authority that provides the rating, and, in its judgment, we now have a better definition of what we are trying to achieve and a clearer plan for which local authorities are going to adopt these digital tools.

A few years ago, I reckon that on a reform programme of this sort, once the legislation was through, we would have declared victory and said, "The programme's complete." We do not think that that is appropriate here, because it is all about people adopting the legislation, actually using the digital planning standards, having digital plans and using digital techniques to consult local communities on their plans. That is the reason why it is going to take a while to work its way through.

Not everybody will have made a plan in the next year or the next two years, so that is why it will take the longer period to get there, but we are already seeing the first local authorities adopting the digital planning tools that we are talking about. We already have somewhere in the region of 25 local authorities using the initial planning tools that we created. That includes stuff to better consult local communities. That includes tools that put all the sites that are identified for development into a machine-readable format, which makes it much easier for community groups, developers and social housing associations to see what plots of land are available for development in an area. Basically, the plan is to go to more local authorities year by year and see more of them adopting these tools.

Q72 **Andrew Lewer:** You are referencing which local authorities are going to do it. Does that mean that a local authority could just decide not to bother?

Emran Mian: I am not sure what the answer to that is, so I don't want to mislead the Committee. I do know that we haven't picked up from any local authorities that they would want to bypass this. It has been universally thought of as helpful to the planning process. To give you an example of why, it means that consultation processes can be done much more simply, because you are able to reach more people digitally. Currently, about half of the planning applications received by a local planning authority are rejected because the person making the application hasn't provided all the relevant information, but a planning officer has had to sit and go through the application before making that decision. As soon as you bring that into a digital format, you won't be able to press "submit" until all the fields are correctly filled. That will mean that a planning officer saves massive amounts of time.

In our conversations with local planning authorities, we see that they get those benefits. There are inevitably issues around them wanting to take the time to train people to use what might be very different tools to what they have used before. There are inevitably issues around them wanting to align bringing in tools like this with their own local plan-making processes, which is why it takes the time. However, I don't think we have been picking up a significant sense that people just won't engage at all. We have had quite the opposite—more people have wanted to engage in the first phase than we were initially expecting.

Q73 **Andrew Lewer:** I would say the most visible demonstration of a digital programme and the digitisation of planning reform was the ability for planning committees to meet virtually, but that is now not possible. Does that figure at all in your rating of the planning reform programme, or is it a separate issue altogether?

Emran Mian: It is a separate issue. It is not part of what we describe, and what is reported in the annual report, as the digital planning programme.

Q74 **Andrew Lewer:** This is a rhetorical question. You can perhaps see why people would be slightly sceptical about overall progress towards digitisation and planning. The most obvious manifestation of it, which everyone has heard of and seen happening, rather than just people involved in the local planning process, is now not happening.

Emran Mian: I recognise that. However, at the same time, from our initial engagement with local authorities that are beginning to take up these digital planning tools, we know that the benefits for them are about, for example, saving lots of local planning officer time in terms of just having to validate an application, because that can be done automatically through a digital tool. They are seeing the ability to engage with often a much wider range of people from the local community because they are able to do it much more quickly. People are able to do it on their phones. Those benefits are coming through, regardless of how the planning committee meets in the end.

Q75 **Andrew Lewer:** We have had quite a change to permitted development rights. New permitted development rights have come though, and this Committee has spent quite a bit of time looking at them. Have you monitored the uptake of those new rights, and have you learnt anything from that?

Emran Mian: As part of providing the annual statistics on how many housing completions there have been, we now report how many of those have taken advantage of one of the permitted development rights rather than going through the classic planning permission approach. From memory on last year's figures, somewhere in the region of 10,000 completions were on the basis of a permitted development right. We are definitely keeping that under review. If there are any other specific issues that you want to highlight, we can take them away.

Q76 **Andrew Lewer:** When the Committee has looked at this, there have been some views that it has assisted in getting some places going—getting some places unstuck that might not have been. There were also some significant concerns about inappropriate buildings in inappropriate places, and the impact on town centres and so on, as a result of this right. There was some creative tension between what you might call the planning fraternity, which did not like the idea of any planning relaxations at all, and the genuine concerns about things that aren't very suitable going through. Have you had any feedback about that yet? Is it something that you might want to bear in mind and look at in the future?

Emran Mian: We absolutely have had feedback of that nature, and I think your characterisation of the tension is very accurate. As an example of that tension, there is quite a lot of comment about the size of some of the flats that were being built, taking advantage of the office-to-residential permitted development right. Responding to that, we adjusted the space standards that needed to be adhered to, even following that permitted development right. It remains a permitted development right, but the development has to respect the national space standards now, whereas that was not the case right at the very beginning. I offer that as an example of where we have seen that it is had an adverse effect and we have wanted to correct for it.

Q77 **Andrew Lewer:** That is a good example. Finally, has the Department made any calculations about the impact of Ministers' statements about the removal of housing targets from your overall programmes for housing growth? Has there been any work towards thinking about how local authorities give permission for house building if they are not under any pressure to do so from a national target?

Emran Mian: On 22 December, we published the consultation document on changes that we are considering to the national planning policy framework. As part of that, we have invited consultation responses on the approach that Ministers have described in the House, in the context of the Levelling-up and Regeneration Bill, to housing targets and how they are used in local plans. We now have the opportunity to take that feedback and get an understanding from as wide a range of stakeholders as possible about how they think it will play out in practice.

Alongside the Bill, we also published our impact assessment of the changes in the Bill. As you know, one of the central aims of the legislation, in terms of planning, is to get more local plans in place. Currently, fewer than half of local planning authorities have an up-to-date plan. The evidence that we cited in our impact assessment shows that local planning authorities that have a local plan in place have on average significantly higher housing delivery than those that do not.

The aim of the legislation is to get to a place where we can see more local plans coming into place. What Ministers described in the House is the flexibility that we are now consulting on about the application of housing targets. That will support the aim of more plans being laid, and being laid more quickly, and that in turn will support overall housing delivery, because on the whole we have found that when a plan is in place, you tend to see higher housing delivery.

Q78 **Andrew Lewer:** I don't think it will, but that is a political statement. The other political statement, which has a departmental responsibility attached to it, is: if this removal of national housing targets could lead to problems with housing delivery—I think it will—it ought to be fairly high on the Department's risk register and assessments. Is that something that the Department will consider bearing in mind?

Emran Mian: That is absolutely why we are consulting on it. We want to get the widest possible range of views about what people think the effect of this will be. There is one place where I would quibble just a bit: we are not removing the housing targets. What the consultation document describes, and what Ministers described in Parliament, is an approach whereby if a local planning authority does not believe that it can meet local housing need without development that would be wholly out of character with the development that already exists in an area or development that would encroach on the green belt, it can plan for a lower number than what local housing need would otherwise require them to plan for. It is not a removal of the targets; it is, under certain specified conditions, some flexibility around the application of the housing target.

Andrew Lewer: I look forward to Ministers fleshing out what that actually means in some detail with you in the next few months.

Q79 **Chair:** We may come back to that as a Committee, absolutely. There is quite a lot of flexibility—having read through the consultation—apart from in urban areas where the urban uplift is there in almost absolute terms. Can you explain the 35% figure? How has it been calculated?

Emran Mian: The 35% uplift for the 20 largest urban areas will continue to apply. The reasoning behind it, essentially, is that in urban areas you already have dense development and there is the scope to continue that density when you are developing in new spaces, for example, on brownfield within an urban area. The same flexibilities that the consultation document describes for other areas also apply in areas where the urban uplift is there. The 35% uplift gives you the starting point but if the only way to meet that target is, for example, having development on the green belt that is not locally supported, there would be flexibility against the urban uplift.

Q80 **Chair:** Or on green fields that are not in the green belt.

Emran Mian: No, the policy is specifically about the green belt and about development that is out of character with development in the area. Of course, national parks and areas of outstanding natural beauty are also mentioned.

Q81 **Chair:** How was the 35% figure calculated? You have given an explanation for it in general terms. How was it calculated?

Emran Mian: The judgment behind it was essentially that. It was a judgment around continuing the identification—

Chair: There was no calculation. It was a figure plucked out of the air.

Emran Mian: But it was about ensuring that when you look at local housing need in the round across the country, you are able to plan for somewhere in the region of 300,000 homes per year.

Q82 **Chair:** For each of those areas, the figure does not relate to anything other than a general 35%. It is there, and we have no calculation to support it.

Emran Mian: The base on which the 35% is applied is calculated in the same way as for any other area, so it is using the methodology for local housing need and then the 35% uplift comes on top of that.

Q83 **Chair:** For each of those areas you have done a reassessment of the housing need in those urban areas to get to 35%, have you? It just happens to be the same in every one of those areas?

Emran Mian: No, the base is calculated using the same local housing need methodology as everywhere and then you add 35% on top of that.

Q84 **Chair:** How is 35% calculated? How does it relate to local need in those areas?

Emran Mian: The 35% applies to all the 20 urban areas.

Q85 **Chair:** So it is not related to need in each individual area then.

Emran Mian: No, the base is calculated using need; the 35% is not.

Q86 **Chair:** The 35% uplift is not related to local need, is it?

Emran Mian: The 35% is a judgment based on the fact that because there is already a level of densification in these places, there can be further densification. But the new planning policy that we are now consulting on says that where an area would have to either countenance development that is out of character with what is already there or develop on green belt to achieve the uplifted 35%, there would be flexibility.

Q87 **Chair:** It is interesting that the 35% is not related to need in those individual areas.

Emran Mian: The 35% itself is not.

Chair: Let us move on to building safety.

Q88 **Ian Byrne:** Just before the questions, I want to touch on a report in *Inside Housing* this week, which said that the regulator has expressed concerns about 60% of the plans coming through the gateway. What does it actually say that since Grenfell 60% of planning applications that have gone in are still deemed unsafe?

Jeremy Pocklington: I have not actually seen the article in *Inside Housing*. I will look at it, but it does indicate the scale of the challenge that we have and that we need to see a change in culture in the industry. While progress has been made, I am afraid that too often we are not yet approaching building residential buildings, particularly high-rise residential buildings, with the attention and care needed to ensure they are—

Q89 **Ian Byrne:** What do we influence industry to make those changes? That is really worrying seven years after Grenfell.

Jeremy Pocklington: As I say, I cannot comment on the specific number that you have—

Ian Byrne: If possible, once you have read the article—

Jeremy Pocklington: I am very happy to offer some reflections on the article if that would help. The Building Safety Regulator has a work programme in place to engage with all aspects of industry, including to ensure that the standards are being met, but I also think that there is a role for leaders within industry itself to drive the culture change that we need to see.

Q90 **Ian Byrne:** We should also say that if that report is true, it shows that the gateway is actually effective.

Jeremy Pocklington: Indeed. On the positive side, it would show that the gateway is biting and that change is happening as a result of implementing the model originally set out by Dame Judith Hackitt.

Q91 **Ian Byrne:** But the culture still has a long way to go. Let me go back to the question: how much money for building safety remediation is there in total, where does it come from, and what is it being spent on?

Jeremy Pocklington: The top-level answer is that the taxpayer—the Exchequer—is committing £5.1 billion for building safety. I think that is the same as the number I used with the Committee last year. That is £4.5 billion allocated for the building safety fund and £600 million for ACM remediation. But we are now close to reaching agreement with developers for their contribution as well. Developers will provide support through two mechanisms: first, the building safety levy, which is expected to raise £3 billion over 10 years—we have been consulting on the detail of that—and, secondly, a pledge from developers to remediate buildings that they have developed themselves over the past 30 years and to reimburse funds from the building safety fund so that they can be recycled to other buildings to ensure that we can tackle the problem.

Q92 **Ian Byrne:** How many developers have made that pledge?

Jeremy Pocklington: We have agreement with the 49 largest developers. We are now working on the next tranche down, but the top 49 developers gets us a long way into the sector. We think that pledge is going to be worth £2 billion.

I want to be complete in my answer, because it is a very important issue. We need to talk about the position of housing associations as well. They were funded for ACM remediation—the type that was on Grenfell. As I think you will know—this position has been consistent for a long time now—we are asking them to use their own resources to remediate other buildings, with two exceptions: first, we are providing support to private sector leaseholders within a housing association development; and, secondly, we will provide resources where the viability of the housing association is at risk. That is the overall picture.

In terms of delivery and the schemes that we have operating, there are three schemes to highlight. The first is the ACM scheme, which is very long standing. There are 487 buildings, 95% of which have at least started remediation, and 463 of the 487 have completed the remediation of the cladding. We are making good progress on that.

The next tranche—sorry, there are a lot of facts and detail here—is the building safety fund, which is looking at high-rise buildings over 18 metres for other types of cladding. The latest information is that 1,034 private sector buildings have made a full BSF application, and a smaller number—

176—of social sector buildings where there are private sector leaseholders. We are now only getting a very small number of additional buildings coming through for the building safety fund—we reopened the fund—which is quite interesting. Of all the buildings here, 260 have now started remediation and a further 83 have completed. So there is progress, but there is further to do; these are complex projects.

To complete the picture, the pilot for the mid-rise scheme opened on 30 November. That is looking at buildings in the 11 to 18-metre range.

Q93 **Ian Byrne:** That was a comprehensive answer, but let's cut to the chase: how many buildings are currently unsafe?

Jeremy Pocklington: We are focusing our time and attention on buildings that are highest risk, so I think you need to include risk in answering that question, rather than just focusing on raw numbers. We know that, in general, ACM is the greatest risk. There is a lot of evidence to suggest that, and I have outlined the significant progress that has been made there.

Where it relates to our other funds, we tend to prioritise those buildings that we think are highest risk, and that is what we'll be doing with the mid-rise scheme. We're focusing our attention and our money in what will be a programme over many years on areas of greatest risk. But, obviously, given the numbers and progress that I mentioned, this programme will take many years to complete.

Q94 **Ian Byrne:** Have you got a percentage or proportion for the buildings that have been identified as unsafe and been made safe since Grenfell? Have you got that number?

Jeremy Pocklington: I cannot give you an individual number. We divide it into different cohorts, based on risk. I have given you the numbers for ACM. For non-ACM high-rise buildings, as I have said, we have identified about 1,000 in the private sector. We think there are a similar number in the social sector that will require some form of remediation or remedial work.

I have given you the updated information on the building safety fund, which is mainly about the private sector. We don't have perfect information on progress in the social sector. I know it looks like I am not answering your question; that is because we don't have that perfect information.

Q95 **Ian Byrne:** Why not?

Jeremy Pocklington: As we introduce the mid-rise scheme, we are reviewing our data collection as a whole. We recognise that this Committee and others will be interested in that, and we have decided that we will put in place structured and transparent reporting with the social sector self-funded programmes. The answer to the question, "Why not?", is that they are self-funded and the responsibility is on the housing associations, many of whom—not all—are taking this very seriously and remediating their buildings on a risk basis and on a proportionate basis.

However, we will be gathering more information, and we need to do so in a way that is proportionate and not bureaucratic.

Q96 **Ian Byrne:** What lessons from the administration of the building safety fund will you apply to the new fund—the buildings of 11 to 18 metres? What lessons have been learned, and how do we make the new fund better?

Jeremy Pocklington: A good question. I would say three things. The first is that we are designing at the start for a volume-based process. We will see more buildings for the mid-rise scheme. We have asked Homes England to be our delivery partner on this, and the Greater London Authority has agreed with that—as you may know, GLA take the lead for our other funds within their area.

The second thing is that we are using public accessible standard 9980 as the absolute basis of the fund. We have started to make that transition for the building safety fund. However, the key point—this sounds very technical—is that this is an expert-led review of the fire risk appraisal of external walls, and it will allow proportionate mitigation. Particularly for mid-rise buildings, I think the answer may not be full remediation of all the cladding. It may be smoke alarms or something else that is more appropriate and less disruptive and that ensures that that building has the layers of protection that are necessary for it to be safe. However, that is an expert judgment that needs to be made.

The third thing is that we will also be paying, within the fund, rather than separately, for remedial work such as smoke alarms.

Q97 **Ian Byrne:** Just to finish, many people have shared concerns with us about how the Building Safety Act is working in practice, particularly in relation to identifying who was liable to pay for the remediation, and we have heard the horror stories on this Committee. What challenges has the Department been experiencing with the waterfall approach, and how do we fix them?

Jeremy Pocklington: The Committee will know that we have had several years of debate—debate in Parliament—about the right approach. We have agreed a major change in the approach in the Building Safety Act that provides significant protection to leaseholders but transfers greater responsibility to freeholders, landlords and often developers as well. The leaseholder protections have only been in place since July. We are working intensively with freeholders and managing agents, who are really important in this, to make sure they understand and meet their responsibilities. The best are doing so and recognise them, but it is fair to say that not enough freeholders recognise the changed position and their responsibilities for fixing these buildings. Often money is available from the building safety fund or the mid-rise scheme for much of the cost, but people do have new liabilities and responsibilities that they need to meet.

Q98 **Ian Byrne:** How do you make sure the Department actually listens to the people who are caught up in this? How do you make sure their voices get heard?

Jeremy Pocklington: We have established a unit that is helping us drive and use the powers we have established in the Act. We have applied for a remediation contribution order. We are ourselves using the powers in the Act and hoping to build understanding so that other people can use the powers in the Act. We are obviously working very closely as well with representative groups to make sure we share those understandings.

If charges are being presented to leaseholders that are not in those very limited circumstances allowed for in the Act, then the law is being broken and leaseholders should contact Citizens Advice. LEASE can also provide support, and there are lots of groups providing support to leaseholders, but there is a lot more to do. The Department is really leaning in and putting its shoulder to the wheel in driving the change in culture that we are going to need in the sector. It is a huge challenge.

Q99 **Chair:** What happens when the waterfall fails, you get to the bottom and the freeholder cannot afford to pay?

Jeremy Pocklington: We have made further provision in the Act, which is, first of all, to enable freeholders to recoup resources from developers and others. We are providing maximum responsibility there.

The second thing we have done in the Act, which again shows the seriousness with which we are taking the issue, is to look at the resources of the parent group as well—so it is not just the freeholder. That will really make sure that leaseholders have every single protection in place. You are then, we hope, into a vanishingly small tail, but we will continue to monitor this closely.

Q100 **Chair:** And that tail will then be picked up by the Department?

Jeremy Pocklington: Our focus at the moment is to ensure that freeholders meet the responsibility. We have further layers of protection in place. We are providing the funding for cladding for high-rise buildings, and funding through wider developers for mid-rise buildings. We think that is the right thing to do. These additional layers of protection are really about non-cladding costs.

Chair: We may explore those further with Ministers in the next few weeks. Let us move on to levelling up. Kate Hollern.

Q101 **Kate Hollern:** The annual report and accounts list six different sources of levelling-up investment. In your assessment, how much funding is available for levelling up across Government Departments?

Jeremy Pocklington: The first point to make is that levelling up goes much further and wider than just grant funding from specific funds, important though they are. This is a very important point of principle for the Department. The 12 missions set out in the levelling-up White Paper are focused on a wide range of things, including boosting employment, productivity, investment in R&D and local transport connectivity. This is not just about specific grant programmes. It is about overall Government spending—for example, what does BEIS spend on R&D and where does that go?

The second point is that it is not possible at the moment to give you a perfect answer to the question of how much funding is provided for levelling up. We do not yet have that technology. It is about the grants that we provide, and it is also about the grants that other Departments provide. DFT provides a £2.5 billion transforming cities fund, and DFE has education improvement areas. Those are all supporting levelling up. It is also about the core funding of public services and government more broadly.

So I cannot give you an answer to that at its true global level. For the Department itself, we can say that DLUHC oversees approximately £7.8 billion-worth of funds that have been allocated since 2019, but that—things like the levelling-up fund, the UK shared prosperity fund and others—is just one aspect of wider levelling up.

What we are doing about the technology challenge is focusing on improving spatial data on Government spending. That is a long-term programme, so I am afraid that we do not have perfect information today. It requires the whole of Government to work with the Office for National Statistics to improve that data, but we are starting to make progress. Obviously, we will update the Committee on that, but it is not possible to give a simple answer to that question.

Q102 **Kate Hollern:** It is a bit concerning, isn't it, that we do not know how much, regardless of the banner it comes under? That makes me wonder how you can monitor performance and the achievement of the outcomes set for levelling up. If you cannot measure it, how can you monitor it?

Jeremy Pocklington: We set up our long-term framework for measuring levelling up in the levelling-up White Paper, the best part of a year ago. I referred earlier to the annexe to the White Paper, which sets out the metrics that we will use over the long term—we need to get the Levelling-up and Regeneration Bill through Parliament first, because it will provide the statutory underpinning. That will provide the framework for assessing progress over the long term, looking at a range of data on GVA, transport connectivity and a whole range of metrics set out there.

Focusing on the outcomes, therefore, is a big part of it, but you are referring to things like the inputs as well, which is the spending that we provide. Obviously, we closely monitor our funds—other Departments monitor their funds, and we bring that together—but we also need to improve the spatial data, as I said.

Q103 **Kate Hollern:** Basically, we are saying that we do not know how much levelling up is, that everything seems to come under the one banner, and that any improvements that come will be attributed to levelling up, because we do not know how much is being spent and we therefore cannot monitor outcomes. That is a bit concerning, isn't it?

Jeremy Pocklington: That is not what I said at all. I do not agree with that.

Q104 **Kate Hollern:** So tell me how much.

Jeremy Pocklington: At risk of repeating my answer, the Department is spending £7.8 billion of our funds, but if you look at levelling up as a whole, you need not just to look at what we are spending through individual grant programmes, but to make an assessment of what other Departments are doing. You also need to look at wider expenditure of public services and wider programmes, such as what BEIS spends on R&D. We monitor that. We set out in the technical annexe what the metrics are that we will be measuring, so I cannot accept your suggestion that we are not measuring levelling up; we are measuring levelling up—

Kate Hollern: But you could not give me an answer about how much is being spent—

Jeremy Pocklington: We are measuring that. We have an extensive framework that we are putting in place. Assuming that the Levelling-up and Regeneration Bill is passed, we will be producing an annual report on that as well. So, if I may, I need to take issue with that statement.

Q105 **Kate Hollern:** But in your first response, you did not say the £7.8 billion; you went into all sorts of Departments. On the six sources of levelling up, you are now telling me it is £7.8 billion. I asked how you are going to monitor that, and I accept that the data is not quite there yet and may need to be developed further. Given that projects are in the pipeline or have already been allowed, how many will fall out of the programmes due to inflation?

Jeremy Pocklington: Inflation is obviously something we are looking at closely and working with delivery partners on. What we've done is engage closely, particularly with local authorities, on the delivery of our funds. We are introducing flexibilities within the funding that we have allocated to allow delivery partners to, for example, rescope projects to bring in other sources of funding, where appropriate, so that they can be delivered and we can keep, as far as possible, the original purpose and intention of that.

Can I give you an example of the sort of thing we are doing? In Mablethorpe, we provided funding for the Campus for Future Living project. That is the main project we are funding. The local authority is rescoping another project. It has additional match funding—not from us—to deliver that so that it can focus more resources on the original project. It is not possible to do that everywhere, but that is the sort of thing we want to see.

There is an exception where we are providing some additional funding, which is the community ownership fund, where the projects are small scale. We are providing additional funding because we don't think community groups will have that same ability to look elsewhere or to rescope projects.

Q106 **Kate Hollern:** But you do accept that, due to inflation, some projects will either fail to meet a criterion or fail on the imagined or predicted outcomes?

Jeremy Pocklington: What I have said is that some projects might need to be rescoped. In a perfect world—in a fiscally unconstrained world—you might compensate for all costs but, unfortunately, we obviously have to live within our means. We are looking as far as possible to rescope projects or to find other sources of funding or other creative solutions.

Q107 **Kate Hollern:** It's challenging, isn't it?

Jeremy Pocklington: It is challenging, of course it is.

Q108 **Kate Hollern:** We have some good examples from some of the Mayors, but IPPR North suggests £1 in every £13 allocated will be lost to inflation. There are challenges ahead.

I will move on. The devolved Administrations have all calculated that the allocation of the UK shared prosperity fund has led to a shortfall compared to the EU funds it was designed to replace. How did your Government calculate those allocations, and why do they differ from the calculations of the devolved Administrations?

Emran Mian: We were calculating the allocations to deliver the commitment that Ministers made, which is to match the amount of EU funding that has been available in every nation, and indeed in every region of England.

Our calculation was based on, I think, probably two important considerations. One was that there is still European funding in the system for the next three years, as a consequence of the withdrawal agreement, so we've continued to pay into the EU budget in order to ensure that those funds are still available to us. We have taken that into account.

The other thing that we've taken into account is the fact that the European funding itself was not a stable amount year on year. What we did was work out the average annual spend of the European structural funds, and that's what we have sought to match. It is on that basis, and we have published all this on gov.uk. It is on that basis that we've been able to meet the commitment that Ministers made to match European structural funding in every nation of the UK and in every region.

As to the difference that arises, there are a number of different calculations in place, so different things are going on with the different calculations. One of the things that doesn't match is that sometimes a calculation is based on the highest year, rather than on the average across a number of years. We don't think that's the right basis on which to do the calculation. The calculation should be done on the average across a number of years. The European structural funds were seven-year programmes, so the right approach is to do the average across the seven years.

The other thing that, as far as we can tell, has led to a difference in some of the calculations is the exchange rate that is applied. On some of the calculations, a different exchange rate has been applied—it is not for me to speculate, but perhaps that is to yield a different figure from the one we have used. Again, we have used an exchange rate figure that we think is uncontroversial. We have published exactly what that is—from memory, I think it was €1.18 to every pound. We have done it on that basis. There are a number of different reasons why the calculations may be different. I hope it is helpful to lay out the way in which we have done it.

Q109 **Kate Hollern:** There are huge differences, aren't there—for example, in Scotland? Over three years, UKSPF—£212 million; EU funding allocation over three years—£549 million. The exchange rate is not going to account for that difference, is it?

Emran Mian: I think there are probably two other things going on there. One is that the other calculation—not the HM Government calculation—does not take into account the existing European structural funds that will continue to be spent in those years. Essentially, our approach is that we have taken account of the tail of EU structural funds and tried to bring up the amount of UK shared prosperity fund accordingly, so that in each year we achieve the average of the European structural funds across the seven years.

As the European structural funds decrease over the end of the transition period, the UK shared prosperity fund demand rises. That fund rises to £1.5 billion across the UK in the last year of the spending review, but in the first year of the spending review it is only somewhere in the region of £250 million. That is because you have the rest being made up by the tail of European structural funding.

The other difference going on there is that one figure is counting the money that was paid out by the European Union through the common agricultural policy. Of course, we are replacing that separately, not through the UK shared prosperity fund. We do not think that is the right point of comparison, because that is a separate funding stream.

Kate Hollern: You would think—

Chair: We would like to move on quite quickly.

Q110 **Kate Hollern:** Okay. You would think the devolved Administration would understand if it was that simple, wouldn't you?

Emran Mian: There is complexity here, which is why my answer was so long. That is why, for transparency, we published all the detail of how we have come up with the numbers that we have and the basis on which we think it entirely proper to say that we are matching the amount of European structural funding. We have published the full detail of that.

Kate Hollern: I will leave it there.

Chair: There are still one or two key issues we want to cover, so I ask colleagues to be focused on a couple of questions on each, and if you could also be focused with your answers, that would be helpful to us all. On to the Ukraine schemes, Nadia.

Q111 **Nadia Whittome:** Just one question from me on the Ukraine schemes. The number of homeless Ukrainian households has quadrupled since

June. We heard directly from Ukrainians who were having difficulty accessing the private rented sector. Ministers have recently informed us that Department officials are currently working with the National Residential Landlords Association on supporting Ukrainians to access the private rented sector. How is that going, and what options are being considered?

Jeremy Pocklington: We recognise the importance of the issue you have raised. First, in December we announced significant new funding—a new package of measures relating to the Ukrainian scheme, including an uplift to the thank you payments from £350 to £500 for Ukrainians who have been here for more than a year.

Secondly, we announced a local authority housing fund, which is £500 million of new funding to reduce local housing pressures. That will be allocated quickly to local authorities to support those who have arrived either through the Ukrainian schemes or the Afghan scheme.

Thirdly, we provided additional UK-wide funding of £150 million to help Ukrainians to move into a home and reduce the risk of homelessness. We are working with local authorities and landlords to find out the best way to use that money and facilitate the speedy transition to the PRS if that is what is appropriate. Many local authorities are, for example, providing deposits, providing advances for rent or acting as guarantors for the deposit. But there is more to do, and we need to keep focused on this.

A further issue, which we have not completely cracked yet, is how to provide references for Ukrainians who may not have friends and family that they have worked with in the country. We are continuing to work to identify solutions to these sorts of problems, but I want to reassure the Committee that we are very focused on doing everything we can here.

Q112 **Nadia Whittome:** It is great to hear some of the things you have been doing, particularly around thank you payments, although they obviously do not help Ukrainians into the private rented sector. What I could glean from what you said is that local authorities are providing deposits, being guarantors and providing advances, but those are all additional burdens on local authorities. What options have you discussed with the National Residential Landlords Association?

Catherine Frances: I think that the additional thing to mention in playing that back is the new £500 million local authority housing fund. That is using councils as interlocutors, but then they are also the people on the ground locally who know who their local sponsors are and know who their local Ukrainian guests are. That allows them to access supply, which will make it easier for people to move into the PRS.

As Jeremy has said, a lot of this is about good practice on the ground, and then our making sure that different councils are sharing that best practice. Our Homes for Ukraine team, which is a joint unit between DLUHC and the Home Office, has a group of people whose job it is to interact with councils. At times, they push councils and say, "Are you doing this, this and this?" But more often than not, given the huge collaboration in this area, they share best practice, and say, "Does everybody know that this is the best practice and best way to do it?" The suite of things that Jeremy has talked about are the main ones.

Q113 **Chair:** The £500 million is not just for Ukraine, though, is it?

Jeremy Pocklington: No. I think I was clear in my answer to that.

Catherine Frances: Ukraine and Afghanistan.

Chair: Right. We move on to the issue of adult social care.

Q114 **Ian Byrne:** Since the annual report and accounts were published, the Government have delayed social care reforms to give more time to prepare for them. Can you give us updated timescales for introducing the cap on care costs, the new capital limits, section 18 in respect of residential care and the fair cost of care?

Catherine Frances: I can do that, and I will try to do it. It is important for me to say at the start that the Department of Health and Social Care is definitely the lead Department on social care reforms, but I certainly can answer your question.

Q115 **Ian Byrne:** How are you working with them? That was a key part of the report.

Catherine Frances: Indeed. The capital changes, all the changes around caps and limits, and section 18(3)—all the issues you alluded to—are all delayed by two years, effectively from autumn '23 to autumn '25. In the autumn statement, we then made a set of quite significant financial changes, which run through local government. I am very happy to take you through them. Essentially, we have used funding that was due to go to local government to introduce charging reform—£1.3 billion next year and £1.9 billion the following year—and made that available for the flagship social care grant. Councils can use that for adult and for children's services. We then allocated an additional new adult social care grant of £400 million in the first year—next year—and £700 million the year after. That is ringfenced, and it is for councils both to work with providers and to try to boost their available places locally.

On your question about fair cost of care, the DHSC has pulled in just over £160 million that is currently being spent on fair cost of care and added it to that £400 million, and has written to councils to explain how it should be used. The reason we have done that is that the fair cost of care development locally has facilitated a good conversation between councils and their providers, and no one wants to step back on that.

The third new element is that we have discharge funding. There have actually been further announcements today from DHSC on the NHS side. We have £300 million going in next year for discharge funding from councils, which is being matched by £300 million from the NHS. That has been supplemented today by an additional announcement of an extra £250 million, and we have £500 million the following year. That is quite a raft of big changes in social care funding, but essentially it is utilising the funding that had been allocated for the delayed reform programme to run social care effectively at the moment, and putting extra money in the system both for discharge and for market development. There are quite a lot of moving parts.

Q116 **Ian Byrne:** There's a lot of information there but what we can see graphically is that the issue with the NHS now is that it is on the verge of collapse. I was speaking to senior leaders within the NHS and they were saying that the adult social care element is absolutely crucial to where we are now. With regards to the £162 million a year not rising to £600 million and the reforms, what impact will that have? It is crucial to the future of this country that these reforms are delivered.

Catherine Frances: It is important to disaggregate these things. If you think about the reforms to adult social care charging, yes, they are an absolutely critical set of reforms, but what they are about is who takes responsibility for paying for provision. Essentially, they are about a transfer of that payment mechanism. However, on the new funding that has gone in, the fair cost of care funding has been held at that £162 million carried forward, but in addition you have £400 million of new funding going in for the adult social care grant.

In addition to that, you have £300 million going in on the local government side next year for discharge, and that has been added to £300 million being provided by the NHS. In addition, the Government have today announced a further £200 million plus £50 million on the NHS side. In total, that is a lot of extra money focused absolutely on the immediate issues of discharge—pulling people out of hospital, where that is appropriate, to good step-down care. At the same time, putting money into—

Q117 **Ian Byrne:** How confident are we that these extra moneys will relieve what we are seeing now?

Catherine Frances: They are all in ring fences or directed through the BCF—the joint funding mechanism with the NHS. We think that it should do the trick but it is obviously an incredibly challenging environment for NHS, councils and adult social care providers to be working in. We work really closely with DH, ADASS and the LGA on this.

Chair: Let's move on to net zero.

Q118 **Mrs Elphicke:** There is one question from me on net zero. Obviously net zero is important overall, but it has much relevance to housing and other community-based responsibilities. I am mindful of the comments of the governance assurance panels exercise in relation to the annual report and accounts, where "a clear and more coherent approach" to the net zero strategy was recommended. Could you give some assurance to the Committee that work is under way or has been concluded? If that is not possible today, given time constraints, a written update would also be welcome.

Jeremy Pocklington: Perhaps I should set out a bit more detail when I respond to the Committee. The headline is that we established a new DG-chaired board to bring together the different elements of work in the Department on net zero. We organise ourselves around the overarching Government objectives and strategies, whether that is heat and buildings, British energy security strategy or climate change adaptation plans. Rather than having a separate DLUHC strategy, we want to be aligned with the rest of Government, but we have improved our ability to spot linkages in the Department as well, but I will set that out.

Q119 **Chair:** You will be relieved that we are nearly at an end. In the "must do better" column when you are looking at the Department for the next year, could responding to our Committee reports be one of the things on your list? Responses to reports are supposed to come within eight weeks, but we have been waiting since August for a response to the social care report we did, since July for a response to the social housing regulation report and since July last year for a response to the report on permitted development. The gold star—or the opposite to that—is that we have been waiting since 2018 for a response to our report on planning and fracking. We are owed responses to four reports; they are either very late or unbelievably late.

Jeremy Pocklington: Understood. The Department of Health and Social Care will respond to your report on adult social care. We need to make sure that it is an important responsibility of the Department that we respond on time. I do not know about the fracking report, I am afraid.

Chair: It even predates your role.

Jeremy Pocklington: I was probably responsible for fracking at Energy at that time. I would have to look into that one. On permitted development, I think our response was due at the end of August; that tied up with LURB. On the response to the report on the regulation of social housing, I hope the Committee will understand that we just want to review our response in the light of the very tragic events in Rochdale to make sure we are doing everything we possibly can.

Q120 **Chair:** Sorry, but I don't think we have had a response on permitted development.

Jeremy Pocklington: That is my information. Maybe we should check with the Clerk.

Q121 **Chair:** No, it has obviously got lost in the post; please don't blame the strikes. It would be helpful to have responses to those. Sometimes it would be useful to just have a note from the Department to say, "We are aware that we are slipping on time, but this has happened. Can we explain the reason for our delay?"

Jeremy Pocklington: Understood. That is the approach we have with other Committees. We will adopt that approach with this Committee as well.

Chair: I would hope that it would be general adoption. Thank you very much, Mr Pocklington and your colleagues, for being with us this afternoon and answering a range of questions. There are a number of items that you are going to come back to us on that are quite important to the Committee. We look forward to those further responses in due course. Hopefully we will not be waiting for four years, like for fracking, to get the responses. Thank you very much indeed.