



Public Accounts Committee

Oral evidence: DLUHC Recall: Homes data, Local economic growth, Local Government funding settlement, HC 1053

Monday 23 January 2023

Ordered by the House of Commons to be published on 23 January 2023.

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Members present: Dame Meg Hillier (Chair); Olivia Blake; Sir Geoffrey CliftonBrown; Mrs Flick Drummond; Peter Grant; Sarah Olney; Nick Smith.

Marius Gallaher, Alternate Treasury Officer of Accounts, was in attendance.

Questions 1 - 81

Witnesses

I: Jeremy Pocklington CB, Permanent Secretary, DLUHC; and Emran Mian, Director General for Regeneration, DLUHC.



Examination of witnesses

Witnesses: Jeremy Pocklington and Emran Mian.

Chair: Welcome back to the Public Accounts Committee on Monday 23 January 2023. We now have witnesses from the Department for Levelling Up, Housing and Communities for a quick update on some of the issues we have been covering in the last year or so, including building safety and local government finance.

I should highlight that we will be coming back to look at some of the local government audit issues in the next few weeks as a separate session, so we will not be going into that in massive detail today.

Q1 Olivia Blake: Mr Pocklington, you will not be surprised that I am asking about housing targets, given our interest in this before as a committee. Will the advisory approach highlighted in the Levelling-up and Regeneration Bill deliver sufficient homes?

Jeremy Pocklington: It is important to be clear what we have set out in the consultation on the National Planning Policy Framework. In that consultation, we say that local housing need and local plans remain the right starting point for assessing our approach to housing, but we are proposing to be clearer on the circumstances in which local planning authorities can make the case for a lower number for that local authority where they face genuine constraints.

For example, we will not require a green-belt review; we are proposing to allow for over-delivery in previous plan periods to be taken into account; and we are proposing not to require excessive new development where that would be of uncharacteristic density. That is what we are proposing to do through the consultation on the NPPF.

Why are we doing that? Does that mean we are letting go of the ambition? We remain of the view that it is the right ambition, but it is not about having housing at any cost. These need to be the right homes in the right places with local support.

Ultimately, we know that local authorities with up-to-date plans have higher levels of new supply than those with no plan or those with plans that are out of date. Local consent creates the conditions for development. The problem with the current system is that only 38% of local authorities have an up-to-date plan—58% of plans are out of date, and others have no plan at all. As we set out in the impact assessment that we published in December alongside the LURB, on average, areas with an up-to-date local plan have development that is 14% higher than areas without an up-to-date plan.



HOUSE OF COMMONS

There is a complicated chain of logic there, but we think the measures will, in the long run, enable us to get the supply that we need, and the ambition remains.

Q2 Olivia Blake: Do you feel the Department will be able to ensure that houses are getting built where they need to be built? Local support and local consent have stopped a number of developments under the planning framework, such as wind farms. What kind of strength will that have in this? Will you be able to intervene if there are issues?

Jeremy Pocklington: The key to getting housing is having a local plan in place. That is the lesson the Department has taken from the debates in recent years. If there is an up-to-date local plan in place, it gives the consent and the background that we need to get the housing in the places that we need. The standard methodology will remain. We are not proposing to change that, but we are making the variations I have already outlined.

Do you want to ask about onshore wind in particular? If you do, I will bring in my colleague.

Olivia Blake: I just wanted to use it as an example.

Jeremy Pocklington: It is a separate example to housing, but it is important.

Q3 Olivia Blake: Finally on this, do the local planning authorities have the capacity to manage these new local support and consent roles they will play?

Emran Mian: At the moment, we find that it is taking local planning authorities a very long time to make local plans. Some of that is due to the desire, quite properly, to consult extensively locally. The consultation necessarily takes a period of time.

The other thing that often ends up happening is that local plans run to hundreds of pages. As part of the Levelling-up and Regeneration Bill, we think having some of those development management policies laid out at national level, without in any way seeking to depart from the discretion or choice that local planning authorities have, would simplify local planmaking and allow those plans to be shorter and potentially to be developed more quickly.

Perhaps the other thing you are getting at is that local planning authorities have been suffering under capacity constraints. That is absolutely true. That has come through during the pandemic and in many places has remained the case. We are seeing that also in terms of how long sometimes it is taking to get planning applications through the system. Our Ministers are beginning to talk quite widely in the sector and to local planning authorities about how we can address that.



Q4 Sir Geoffrey Clifton-Brown: Good afternoon, Mr Pocklington. Your very careful answer on the NPPF about housing planning permission falls down when it comes to the 58% that do not have a plan or whose plan is severely out of date. What are you going to do about those councils?

Emran Mian: Again, our approach here is to simplify the plan-making process. The Levelling-up and Regeneration Bill is designed to do that. The idea then is that, as a consequence of those simplifications, we will see more places put plans in place more quickly.

The other thing that has come through in the parliamentary discussions and in separate discussions with stakeholders is that the perceived inflexibilities in the planning framework are part of what makes it more difficult for a place to get a plan in place—for example, the requirement to have a green-belt review or the requirement, as some places experience it, to countenance development that is out of character with development that already exists in a place. That is exactly why we have consulted on making those changes to the planning framework, again with the theory of change that, if we are successful in making those changes, it will make it easier for more places to get an up-to-date plan in place.

Q5 Sir Geoffrey Clifton-Brown: You are still relying on the carrot rather than the stick. What are you going to do about those laggards that just will not go to the trouble of making a local plan?

Emran Mian: Ultimately, as you know, Ministers have intervention powers in relation to places that do not have an up-to-date plan. Our focus is very much on doing the facilitative things that will lead to more places having a local plan in place.

Q6 Chair: I want to move on to the issue of housing safety and the cladding issue particularly. It is now five years post Grenfell. We are coming up to six, of course, later this year. On the latest stats we have from the end of September 2022—maybe you can update us, Mr Pocklington—there were 24 buildings where no work had started at all on removing the most dangerous cladding. Is that still an accurate figure and, if so, why has nothing happened?

Jeremy Pocklington: It is an accurate figure. It is an area of great concern to everyone. These are high-rise buildings with ACM cladding.

Chair: Of course, there is other cladding.

Jeremy Pocklington: I am sure we will come to the other categories. Of 487 buildings, there are 24 buildings that are yet to start. Two of those are vacant, which is material; there are 22 buildings of particular concern.

In every single case, there is very close account management happening in the Department. Nine of those buildings have a start date in the first half of this year. We have taken great effort in recent times to make sure



HOUSE OF COMMONS

we are monitoring those start dates very closely. Fourteen of the buildings have full enforcement action underway. It may not always be appropriate to have absolutely the full enforcement under the statute. If there is close dialogue and an understanding of what is— **Chair:** The important thing is that it is done.



HOUSE OF COMMONS

Jeremy Pocklington:

The most important thing is that there is a clear pathway to it being done. These are the very complicated cases, some of which only appeared more recently. I do not want to take away the concern from high-rise buildings with ACM.

Q7 **Chair:** Can you give us an idea of who the owners of these buildings are? Is it local councils, housing associations or private developers?

Jeremy Pocklington: Often they are individual private developers with no other connection to the Department. There are some in the social sector, a very small number, with particular problems around them as well. Often these are the examples where the freeholder has disappeared.

Q8 **Chair:** Is this not why the late James Brokenshire, when he was the Minister responsible, gave a ministerial direction to your predecessor to put out that first amount of money to start work on the ACM cladding? He had said to me personally that one development had 89 owners. Trying to track down who was legally responsible would take so long that he made that judgment and gave that direction in order to get this moving. Here we are in 2023 and we still have 24 that have not—

Jeremy Pocklington: Absolutely, and the cladding remediation work is all funded for these buildings, as you will know.

Q9 **Chair:** If the funding is there, what is the problem?

Jeremy Pocklington: There are many, many issues. It is the hardest possible cases that remain. Quite a number of them have appeared relatively recently. Most of these buildings are not buildings that were known about three, four or five years ago. They have appeared more recently than that.

Q10 **Chair:** Are you expecting to find more?

Jeremy Pocklington: The in-flow has ground virtually to a halt for ACM. I could not tell you when we most recently found an ACM building. We are still finding some other high-rise buildings—we will come on to that—that are not ACM. We think we are there or thereabouts for ACM buildings, but we are continuing to monitor this very closely. It is incredibly important work.

Q11 **Chair:** Then you have all the other types of cladding that are on blocks. Many of those in the queue have not been fully assessed yet. In terms of work being done, there are just not enough people out there to do the work. Some people are in blocks with very little cladding but, because they are not as unsafe as others, they are down the bottom of the list waiting for work to be done. That is putting a blight on their homes. It seems to me that, after the initial failures of the whole consumer market and the regulatory failure that has taken place across many bits of Government and the private sector, this falls squarely within your Department. There has not been a clear and proper timeframe and plan for how to make sure skilled people are available to do this work.



HOUSE OF COMMONS

Jeremy Pocklington:

We are working very hard to build capacity in the sector. I will set out how we are doing that, including providing resources from the Department to do this. We provided £41 million of funding to support capability and capacity in the sector.

Q12 **Chair:** Just talk us through that. What does that mean? Are you training people?

Jeremy Pocklington: Some of that goes to local authority building control in order to recruit new regulators and to train up existing staff so they can do more. We provided £26 million to fire and rescue authorities both to recruit new specialist staff and to train existing staff.

On top of that resource, we have provided resource to the Royal Institution of Chartered Surveyors in order to train surveyors to carry out external wall assessments—the fire risk assessments that we need to do. In addition, the Home Office is providing resource as well. It has provided £50 million to the National Fire Chiefs Council to improve capacity and capability. This is something we are actively doing.

There is a shortage of specialist fire engineering expertise, which is for the most complex cases, but what we need to do—we are taking steps to do this—is ensure that is directed towards the highest-risk buildings and the highest-risk problems. We need to train professional surveyors to undertake the more basic assessments so we can progress quickly.

Q13 **Chair:** It takes about three years to train a very high-end fire safety surveyor. The tragedy of Grenfell happened in 2017. Even if you had started to train those people in 2018 or 2019, we would have those people on the ground now.

Jeremy Pocklington: We have started.

Q14 **Chair:** When did you start? We are way behind. I should declare an interest because I live in a block with cladding. In my constituency, there are hundreds of people stuck in blocks where materially no work has started because of all of these problems around the skills to do it, the surveyors to survey it in the first place and then, of course, all of the programme planning and scaffolding that has to come after you have got through those first phases.

Jeremy Pocklington: Those are all incredibly important. The supply chain constraints are very challenging. We have been working on this for a number of years. There is a very serious problem as well. The group you are missing are freeholders and managing agents. They are the key to unlocking the challenge we have with the sector, making more rapid progress and making sure we have plans in place and are accelerating the remediation of these buildings.

Q15 **Chair:** Without the right people to do the work, there is going to be an ongoing challenge. Are you talking to the Migration Advisory Committee about specialist roles that might need to come to the UK?



HOUSE OF COMMONS

Jeremy Pocklington:

We have had a large range of conversations with experts in the field to work out what is the best thing to do. It takes many years to train up the expertise. We are talking to universities, for example. **Chair:** We are nearly six years in.

Jeremy Pocklington: As I say, we have taken a lot of action. Just because we are six years in, it does not mean we should stop; we need to redouble our efforts to ensure we have the capacity and the capability we need. The most immediate challenge we have at the moment is freeholders taking their responsibilities seriously to ensure there are adequate plans in place for their buildings. That is the key issue we have.

Q16 **Chair:** I am not letting freeholders off the hook, but if there are not the people in the system to do the work, this is something Government can drive in other areas with incentives. This is “dead cert” work. There is a lot of work in this area, sadly, to be done. If you train in one of these areas, there is quite a lot of work to be done. You are not going to be out of a job any time soon, if you are in any of the specialist professions taking off the cladding, doing the fire safety surveying and so on. Why is it, nearly six years on—

Jeremy Pocklington: We have been investing in this over a number of years.

Q17 **Chair:** You have been, but it is not delivering, is it? I could give you a tour of my constituency. I never name the blocks because constituents have concerns about that. I could give you the tour and show you, block by block, where there is a plan but they do not have the people. There are a lot of barriers to this. Just the ones where it is the lack of capacity in the construction sector to do the work make up a very big proportion.

Jeremy Pocklington: It is a really big challenge, some of which is specific to building safety and some of which is part of wider challenges in the construction sector and its supply chain.

Q18 **Chair:** I am not unsympathetic to other people with construction issues, but the people living in flats with dangerous cladding cannot sell them. They are stuck.

Jeremy Pocklington: I share that concern, but we are making progress. If you look at the building safety fund, 260 buildings have started remediation and a further 83 have now completed through funding from the building safety fund. We are now seeing the acceleration we need in this wider cohort of buildings.

Q19 **Chair:** It does not feel like it is accelerating.

Jeremy Pocklington: We also have action under way in terms of allowing people to sell their homes. You will be aware of the recent statement from the major lenders as well, which is an important step forward.



HOUSE OF COMMONS

Jeremy Pocklington:

Q20 **Chair:** I met the Minister last week. He told me that five had signed up



HOUSE OF COMMONS

and that you were hopefully expecting a sixth by 9 February. Has there been any progress?

Jeremy Pocklington: That is correct. We are expecting further progress. We are monitoring the impact closely. We are delighted by the statement, but we want to see the action and the real experience on the ground changing as well, of course.

Q21 **Chair:** Do you have any sense as to whether those mortgages will be at a higher rate because they are lending on buildings with cladding?

Jeremy Pocklington: We do not have any reason to expect that, but we are monitoring this closely and looking at the data from individual banks and the sector.

Q22 **Chair:** Then 49 major developers have agreed in principle to provide letters of legal comfort. Having seen some in my own constituency, I know they are quite variable. These 49 have not even signed up to the legal letters. Where are you with that?

Jeremy Pocklington: The 49 largest developers have pledged both to remediate their buildings and to reimburse taxpayers for their buildings within the building safety fund and the ACM fund. We published a draft contract last July. We are on track to issue the final version of the contract this month, in the coming days. We expect developers to sign this as soon as possible. If they do not—

Q23 **Chair:** Yes, if they do not, what is the consequence?

Jeremy Pocklington: We will introduce—we took the primary powers in the Building Safety Act—the responsible actors scheme. We will set out more details through secondary legislation. Those that do not do the right thing and disadvantage developers that are doing the right thing will face serious commercial consequences in the form of restrictions on commencing planning permissions and securing building control approvals. Sir Geoffrey referred earlier to the carrot and the stick approach.

Chair: That is the big stick. That affects people who want to do further development.

Jeremy Pocklington: We need to create a level playing field so that developers that do the right thing are not being penalised.

Q24 **Chair:** My point was—Ms Blake may just amplify this—that you might have a developer that has built one block and is never planning to build any more. Not allowing them to redevelop is not the same disincentive if they were not planning to anyway. If a developer that is regularly still developing, that stick may make a difference.

Jeremy Pocklington: We also have powers under the Act to apply for remediation orders. We have established a unit in the Department that is already bringing cases and creating a system to enable others to bring



cases. We have taken very strong powers in the Building Safety Act to maximise our chance of recovering this.

Q25 Olivia Blake: I want to ask one question about what I am going to call small landlords, if you know what I mean. These are people who own two or three properties, perhaps in different buildings that are differently affected.

I met with one on Friday who is concerned about losing their own home because they are counted as in the “unqualified” group, which means there is no cap on the costs they will bear on the properties they own. Do you feel this is fair, especially in light of the fact that the “unqualified” status follows the property when it is sold on to those landlords who do not own a whole block of properties?

Jeremy Pocklington: We are focusing the greatest protections on those most in need, which is the logic behind protecting qualifying leaseholders from all non-cladding costs and below-threshold non-cladding defects and interim measures. It is hard for me to talk in more detail about this. I would have to look at the case in more detail to give you a more detailed answer about what they may or may not be entitled to, I am afraid.

Olivia Blake: I will write to you about that, if that is okay with you, Chair.

Q26 Sir Geoffrey Clifton-Brown: I want to clarify the figures you gave at the beginning of this session on these most dangerous buildings—the ones that are over 18 metres with ACM cladding. You agree with the Chair that the number is 24; 22 are occupied and two are vacant. You said that nine were under active contract to do something, and 14 are being considered. That is 22. What is going to happen to the two vacant blocks?

Jeremy Pocklington: There might be some overlap between the numbers there, so I do not want to precisely tell you they are all separate. We continue to focus on vacant blocks, but we are not prioritising vacant blocks over occupied blocks for obvious reasons. The public safety risk is not as high. We still want to see those buildings remediated as soon as possible.

Q27 Sir Geoffrey Clifton-Brown: Will they be remediated or demolished?

Jeremy Pocklington: I cannot tell you about those two particular cases. I am very happy to write to you with more specific detail on those cases.

Q28 Chair: Do you have any idea when all of this work will be completed? People are really living in desperate conditions in many cases.

Jeremy Pocklington: To complete remediation of ACM high-rise and nonACM mid-rise buildings will, I am afraid, take many years. I am afraid I cannot give a date to the Committee. We are focused on risk and remediating the highest-risk buildings as quickly as we can. We have also taken steps to free up the mortgage market and ensure that those people who are affected, with whom I have every sympathy, are able to—



HOUSE OF COMMONS

Q29 **Chair:** Insurance premiums have gone through the roof and they still remain very high for many blocks. That itself has been eye-watering for people, let alone increases in mortgages, the inability to re-mortgage, being stuck on variable rates and so on.

Jeremy Pocklington: That is another hugely important issue. We are very conscious of that. The FCA has recently published a report with actions, which will be followed up with the sector. We are continuing to look at what else needs to be done. You are right: the increase in insurance is unacceptable.

Q30 **Chair:** We have raised this as a committee a few times now. I know the wheel of Whitehall moves more slowly than we would all like and of course you have lots to do.

Jeremy Pocklington: What is new is the FCA report and the actions in that report.

Chair: You are hoping for some action this year.

Jeremy Pocklington: We want to see progress as quickly as possible on the issue of insurance.

Q31 **Chair:** In many respects, these are not appreciably more dangerous than they were.

Jeremy Pocklington: Indeed, the prevalence of fires has not increased.

Chair: Yes, but they now feel as though they have to insure for the whole building if there is a fire in one flat, not just the floor or the neighbouring properties. Realistically, the evidence of fires does not bear that out, does it?

Jeremy Pocklington: That is correct. The other complication is that there are other things happening in global insurance markets as well. What we are seeing in relation to building insurance for these buildings is not acceptable. Premiums have increased too far. That is why we want to see the actions in the report being taken, and we are continuing to look at what else can be done.

Chair: Households are very squeezed and really struggling, especially with all the other increases in costs.



Jeremy Pocklington: We are very conscious of that.

Q32 **Sarah Olney:** There was an inquiry last year into the death of two year-old Awaab Ishak in Rochdale, which I am sure you all know concluded that the mould in the flat he was living in with his parents directly contributed to his death. That has really shone a light on the condition of some housing, particularly in the social housing sector.

What is the Department doing to address the considerable challenge, as I see it, of poor-quality housing, particularly around mould but also with regards to insulation? What I am seeing in my constituency—I am sure we are not alone—is an enormous backlog of repairs, particularly resulting from lockdown, when a lot of maintenance was not done. It is becoming a very serious issue. As I say, I am picking this up in the social housing sector, but there are also significant issues in the private rented sector. I

would like to hear what the Department is doing about it.

Jeremy Pocklington: The first thing I want to say is that the case of Awaab Ishak is tragic. Everyone deserves to live in a home that is decent, safe and secure. It has affected everyone in the Department, as I am sure it has in Parliament as well.

We already had work in train in the Department on this issue of housing quality, but we need to redouble our efforts. We are thinking about where to go further in response to this case. The work we had in train partly relates to the social sector. The Social Housing (Regulation) Bill significantly strengthens regulation, introducing proactive consumer regulation for the first time, proactive inspections and stronger sanctions, including unlimited fines. It also strengthens the support for the Housing Ombudsman through greater funding, removing the democratic filter.

We were already consulting on reforming the decent homes standard, but it is the private rented sector as well. Again, we had action in place. We have talked in this Committee about the reforms to the private rented sector that were under way. We set out that we will use the forthcoming legislation to apply the decent homes standard to the private rented sector for the first time.

Even those actions are not adequate. We have set out that we will do more. The Secretary of State has indicated his willingness to look at amending the Social Housing (Regulation) Bill to give effect to some of the ideas behind Awaab's law, setting clearer time limits and expectations around when refurbishment for things like damp and mould will take place. We will set out more details on that soon.



HOUSE OF COMMONS

The Regulator of Social Housing has written to social rented sector landlords demanding urgent action and seeking a better and more up-to-date understanding of the situation. My Secretary of State has sent a direction letter to all local authorities instructing action on this and asking for data by the end of this month. We have also withdrawn the affordable homes programme funding from providers that are systematically in breach their consumer standard.

We have a number of actions in place. I am sorry; there is a lot here. The Secretary of State said in response to the coroner that we would review the decent homes standard to make sure we were sufficiently clear on the issue of damp and mould, review the housing health and safety rating system, and provide clearer guidance to the housing sector, including being clear that it should not hide behind the legal process in any way in responding to complaints from tenants. Of course, we already have plans to establish a new ombudsman for the private rented sector.

There are a number of actions. This is an important issue. I just want to check whether I have missed anything.

Emran Mian: Jeremy has laid out what we are doing in terms of going further than the current regulatory regime. The thing to be clear on is that the Regulator of Social Housing found that this particular housing association had failed in terms of the current regulatory regime. Rochdale Boroughwide Housing failed on the home standard and on the tenancy standard in terms of how it dealt with the family in question. It failed on the existing regulatory standards, but we also want to go further in terms of the regulatory regime for the future.

Q33 **Sarah Olney:** Why was it, then, that Awaab's family were still living in a flat where the providers had failed the regulatory regime? What was there to protect them? What was there to protect him?

Emran Mian: The housing association failed to do what it was supposed to do. Its systems had faults in it, so the faults that were reported by the family and, indeed, by others who had been in the flat, including health professionals, were not acted on by the housing association. There were significant failures of governance within the housing association, which is why the regulator found that it had failed the standards.

We have learned from this, as Jeremy was saying, that there is unfortunately a need to re-emphasise to housing associations the existing regulatory standards, which is why we have asked the Regulator of Social Housing—indeed, it has now done this—to write to all housing associations on that point.

We see the same issues in the private rented sector as well, which is why the Secretary of State has issued a direction letter, where the enforcement duty sits with local authorities, to ask them to step up their efforts. We are waiting on local authorities to come back to us on that.



Q34 **Sarah Olney:** If the housing association was failing, why had no action been taken against it?

Emran Mian: The housing association should have taken action itself.

Chair: We have got that, yes. That is not the question Ms Olney asked.

Emran Mian: The case had come to the Regulator of Social Housing already. Indeed, the housing association referred itself to the regulator. The regulator waited for the coroner to complete their work before going in and checking against the regulatory standard. The regulator took the judgment that that was the right sequence in which to move. The consequences for the housing association now are that we have blocked it from getting funding from the affordable housing programme.

Q35 **Chair:** No, Ms Olney was not talking about now. This is about before. The family had gone through a legal dispute. They had been living there before the child was born.

Emran Mian: Yes. Unfortunately, the housing association paused going in to deal with the repairs because legal action taken had been taken, which was also a gross error on its part.

Q36 **Sarah Olney:** Given that it has been identified that the housing association was failing, what more could the family have done—I am sorry to be emotive—to save their son?

Emran Mian: The failure here is on the part of the housing association. The duties on the housing association are very clear.

Sarah Olney: Nobody else stopped it from failing until it failed this child.

Emran Mian: It did not take the actions it ought to have taken. The responsibility falls squarely on the housing association. That is what the coroner concluded.

Q37 **Chair:** Mr Mian, the way you are describing it makes it sound like it is just this housing association. You would be very welcome to come and visit my constituency. I have constituents who would happily open their homes to you. My phone is full of pictures of damp in homes because that is what I am picking up on my Saturday morning doorstep surgeries.

I am out and about in people's homes. Across all tenures, I am seeing damp and mould. Some of it has not been dealt with by the landlords, of different types, but a lot of them are social landlords. They are issued with things about their lifestyle. It is difficult, living in a small flat with lots of people, cooking and everything. We know that can have an impact on mould, but that is not an excuse for it not to be dealt with.

It is not just this housing association. The pausing of action pending a legal case with a tenant is a very common practice in my experience. Your heart sinks, as an MP or a councillor on the doorstep, because once it has gone to legal, we get no answers because it is going through the legal bits of the council, the housing association or whoever.



HOUSE OF COMMONS

This is an endemic problem. As Ms Olney has pushed on, you have to go through court or other people. Shelter has been very helpful, but it cannot enforce. There is no enforcement body. Sometimes it is councils that are doing this as well.

What is the Department doing? The lack of money is an issue. Some of these homes are frankly not fit for purpose any more. They ought to be demolished and rebuilt, but that is pie in the sky in the current climate and would cost billions. In a good climate it would be difficult. What is the Department doing to rectify this?

Emran Mian: It is not absolutely clear that the lack of funding is the thing that is holding housing associations back.

Chair: It does not help.

Emran Mian: In fact, over the last six or seven years, we have seen significant reductions in the number of non-decent homes in the social rented sector. The number has been declining. It definitely has not been declining quickly enough.



HOUSE OF COMMONS

Q38 Chair: Mr Mian, you are dancing on a pinhead. Many of the homes I visit have passed decent homes. They have had the decent homes investment. They have had the new bathroom, the new kitchen or the new security doors, but they are still damp. They have had new windows. In fact, that can sometimes contribute to worse damp.

It is a big problem partly with the housing stock and partly with the management by some landlords. Some are at least more sympathetic than others, but most of them are dealing with the problem, which is a constant problem. Even if they go in and paint over it, damp proof it or whatever, it comes back.

Emran Mian: I was observing that we have seen some in the sector address these issues, which is why the proportion of non-decent homes in the sector has been declining. In the last year, we saw a record level of spend on repairs in the social rented sector. From memory something like £6 billion was spent on repairs and maintenance in the sector.

There are housing associations that are getting this right. Where I was departing from what you said was that the issue is financial capacity. There are housing associations that take the right steps and identify the financial capacity to be able to address these issues. Sector-wide, the spend on repairs and maintenance is going up.

Unfortunately, far too many housing associations are failing to take the right steps. Rochdale Boroughwide Housing is just one such example. There are others. The Regulator of Social Housing is all too often having to find against housing associations in terms of this.

We have also been increasing the funding available to the Housing Ombudsman so it can take on and resolve cases more quickly. The Housing Ombudsman has been really clear. Housing associations regularly use this line with the Housing Ombudsman that the issue is the lifestyle of the tenant. The Housing Ombudsman published a report that said, "It's not lifestyle"—that was the title of the report. The culture change has happened in parts of the sector, but it is clearly not widespread enough.

Chair: It is maybe not lifestyle; it is overcrowding. Again, you are very welcome to come and visit. You have four children to a bedroom, parents living in the living room or sometimes two families living in a flat. That does not help. Sometimes they move out of the bedroom with the damp because they do not want their asthmatic child sleeping in there. Effectively, there is an unused room. This is the reality week in, week out, from my experience. I know Ms Olney has some of that, too.

Q39 Sarah Olney: I wanted to come back to the point you raised that the Chair picked up on about nothing happening when a legal action is started. I do not know, but it sounds as if that has been a contributory factor in that particular case. The housing association refused to take action because



there was a legal action. Is there anything the Department can do to give guidance to housing associations that, where essential repairs are required, it is not appropriate to suspend activity because of a legal action?

Emran Mian: We have done exactly that, and we have written to legal advisers to tell them we have done exactly that as well. There should be a consistent message across the sector to all housing associations that the fact legal action has been taken is a consequence of them failing to do their job. They should not and must not use that as an excuse to continue to not do their job.

Q40 **Chair:** Just quickly on the housing revenue account, we can all understand why Government took a view on reducing the increase in social housing rents because of the cost of living, but that has had a big impact on housing revenue accounts, which rather plays into the previous discussion about the ability to maintain properties. Have you modelled the impact of the rent freeze on housing revenue accounts? That is now a loss of money that is going to go on year after year after year and a reduction in money when prices are going up.

Jeremy Pocklington: We have published an impact assessment in relation to that. I do not know if it covers that specific question.

Chair: It is quite a pertinent question for local authorities.

Emran Mian: As part of our consultation on social rents, we looked at the impact, across the sector, for housing associations as well as local authority, of what capping rents would be. We laid out those numbers as part of the consultation. As you will recognise, it was a very relevant consideration to see what financial impact we would have.

Q41 **Chair:** Yes, particularly for the housing revenue account, given the way it operates. There is not a lot of other money sloshing around that can do that. Housing associations have a bit more freedom because they can potentially borrow on the private market. For councils with an HRA, they are now stuck with that reduction—it is a reduction from what it would have been—baked in.

Is this something you are going to look at in local government settlements?

Is there any way you are going to ameliorate the impact? Over time it has an impact on maintenance and repairs. Over time it will reduce the quality of stock, which is pretty important for the Department.

Emran Mian: This is exactly what we were trying to trade off when we published the consultation document and when Ministers made their decision. Indeed, we consulted on three options, around 3%, 5% and 7%.

Q42 **Chair:** Yes, we do not need to know the details. Are you going to be looking at this long term to see what the impact is going to be? My borough has lost about £13 million as a result, over four years.

Emran Mian: Of course, the effect of capping at 7% rather than one of the lower numbers is that there will be more revenue coming into the sector compared to the other—

Q43 **Chair:** We appreciate it was a Hobson's choice. It was a difficult decision. The point is that over time we would hope that money might come back into your Department. Do you have in your mind that this is having a long-term impact? It is easy to take the money out and then forget about it. I am just really putting a pin on your seat—more than that, perhaps.

Emran Mian: Continuing to monitor financial health across the social housing sector is really important. We need to continue to observe, as a consequence, what they are spending on new supply, what they are spending on repairs and maintenance and what they are spending on dealing with legacy building safety issues. The Regulator of Social Housing publishes really detailed information on that, but we continue to look at it as well.

Q44 **Olivia Blake:** I just want to talk a bit about levelling up. Mr Pocklington, in one word, how is levelling up going?

Jeremy Pocklington: It remains the central mission of the Department. It continues to be at the heart of the decisions we take.

Q45 **Olivia Blake:** Do you agree with any of the following three statements? Andy Street said levelling up is "broken"; Philip Rycroft said it is



“completely crackers”, which is a phrase I would not normally use; and finally, going back to my own city of Sheffield in South Yorkshire, according to Oliver Coppard it has “categorically failed to deliver”.

Jeremy Pocklington: I do not agree with those statements. The Department is continuing to take action, as are the Government, across the missions, for levelling up. As a result of the actions that we have taken, over 50% of the population now has a devolution deal. We have made considerable progress on that over recent months with the deals in the east midlands, Norfolk, Suffolk, Cornwall and, to be confirmed very soon, the extension of the deal in the north-east. We are making progress on other missions as well. You have just had DCMS in here. The gigabit-capable broadband mission is another mission where considerable progress is being made.

In the Department, we are continuing to deliver our funds. I am sure we are coming on to the question of the levelling-up fund. We have recently announced the £2.1 billion-worth of funding, so we are continuing to take action on this. You are absolutely right that the economic circumstances are challenging but, in terms of the action that the Department is taking, this remains a focus.

Q46 **Olivia Blake:** I will come to the bids very shortly but, just on the delivery, do you feel that your position to look across all 12 of the missions is robust enough? Do you think that levelling up has been taken as seriously as it could have been across Government?

Jeremy Pocklington: We have set up the structure and the framework to oversee levelling up across Government, as we set out in the White Paper. We have an inter-ministerial group that holds Departments to account, chaired by my Secretary of State. For the missions, we have established the architecture that you would expect to see in Whitehall with clear governance and SROs for the key missions, and we are continuing to monitor this carefully.

I have already highlighted some examples of actions that the Government have taken to support the missions, but it is absolutely right that some of



the missions are long-term. They are challenging and economic uncertainty will not help in the short term.

Q47 **Olivia Blake:** What difference is this making?

Jeremy Pocklington: I have already highlighted and given you some examples of decisions and actions that we have taken, including on, for example, devolution, continued progress on broadband and the delivery of our digital mission. R&D spend is another highlight of where the Government have made progress and are spending more of their R&D spend outside of London and the south-east. We are continuing to make progress, but this a long-term programme and a long-term mission.

Q48 **Olivia Blake:** Coming to the bids, do you think that the sector has confidence in levelling up and the bidding rounds?

Jeremy Pocklington: We have set out a clear process for the levelling-up fund. Last week we published an explanatory note, which set out how the decisions were taken. We are providing that transparently.

Q49 **Olivia Blake:** In that case, if that guidance was clear, why did authorities not know bids that had been submitted for round 1 would not be eligible in round 2?

Jeremy Pocklington: I am aware of the issue that you raise and the decision that the Government took was that they wanted to look at the bids in the round. That was a decision taken once it was understood about the quality of the bids and the number of the bids that we had received. Ministers took the decision at that point to take account of previous investments. That is one of the five wider considerations they take into account.

Q50 **Chair:** This was after councils like Birmingham, for example, had spent a lot of money putting together bids.

Jeremy Pocklington: I understand the disappointment of unsuccessful applicants and the effort that they have put into it.

Q51 **Chair:** It is not that they were unsuccessful. There was no point in them bidding in the first place.

Jeremy Pocklington: As I say, that was one of the wider considerations that Ministers took into account when it came to final decision-making.

Finally, I would note that we have indicated that there will be a third round of the levelling-up fund in due course.



Q52 Olivia Blake: Personally, I think that we have seen a lot of raised expectations and eyebrows, and a lot of money spent by councils going into these bids, running into the hundreds of thousands of pounds. What additionality has all of this added to the mission of bringing economic growth to our communities?

Jeremy Pocklington: The levelling-up fund funds a range of important projects: transport projects, making it easier to access towns and to get to work, and projects to improve employment, to improve culture and for the regeneration of towns. You have seen the projects. Your question may also be alluding to the evaluation of the frameworks. We have in place an evaluation framework and I may bring my colleague in, if you would like, to set out more details of how we are evaluating the projects.

Emran Mian: Ultimately, across the two rounds of the levelling-up fund—just taking the levelling-up fund on its own—we now have over 200 projects across transport, regeneration and culture. We are asking each of those projects to report every six months on how they are doing on delivery, including the outputs and the outcomes that they are achieving, against a framework that we have published for everybody to use. We have similar arrangements in place on the other aspects of levelling-up funding that we distribute from the Department.

Q53 Olivia Blake: Looking at the regionality of this, the *Yorkshire Post* reported that Yorkshire received just half of what the south-east received in the last round of bids that we have just seen. Do you recognise that this—again, with the misinformation that was put out to people around the bids that could be accepted by round 2—will have a huge impact on people’s confidence to bid for round 3, if we are to see a round 3? Is this not a time for the Department to rethink this approach of bids?

Jeremy Pocklington: Yorkshire and the Humber received funding in round 2 of £22 per capita and, across rounds 1 and 2, I think it is £56 per capita. That is compared to London, where it was £17 per capita and £24 per capita in total from rounds 1 and 2.

I am very aware of that debate. I would just note that, in making regional comparisons, it is important to do them on a per capita basis. If you look at the population data across the regions, it is not equal. Yorkshire and the Humber is 8.2% on a population basis, whereas London is 13.1%. That is why we prefer to use a per capita basis. The information I have given has been published.

Q54 Olivia Blake: Where is the list of bids that were unsuccessful and will you commit to publishing it?

Jeremy Pocklington: We have published data on the thematic split and the regional distribution of unsuccessful bids.



Q55 **Chair:** That is not the question. Will you be publishing the list of unsuccessful bids?

Jeremy Pocklington: We have no plans to publish that list of unsuccessful bids. I am not sure it would be right and appropriate for the Department to publish it. What we will do is provide feedback to those individual local authorities—

Q56 **Chair:** It is not exactly like it is a state secret. Councils were parading that they were bidding for this money. We could seek it out through FOI. Would it not be sensible for the Department just to publish it?

Jeremy Pocklington: We are providing aggregate data. Those local authorities may well be involved in their own negotiations to find an alternative way to take forward that project. We need to work with those local authorities to provide feedback, as well, about the opportunity provided by the further round.

Q57 **Chair:** That does not stop you publishing that they bid and did not get it. It is just a fact, is it not? In fact, we could probably trawl through local newspapers, websites and FOIs to get it, so it is not secret information.

Jeremy Pocklington: We are being transparent about where the unsuccessful bids were in the country and what the thematic split was. We are providing that data as well.

Q58 **Olivia Blake:** How transparent do you think the selection process has been to authorities? I noticed that there were some authorities that had put multiple bids in, which were seemingly all unsuccessful, and others put one in and were successful. Why was there such a discrepancy in people knowing what a good bid might look like and what would be acceptable to the Department?

Jeremy Pocklington: We have set out in the explanatory note that we published last week what the decision process was and how the decision was taken. Mr Mian will be able to provide further detail if you would like.

Emran Mian: On the same day as the announcements were made we published an explanatory note, which follows on from the prospectus we published when we were opening the bidding rounds, so places were clear on what criteria they were going to be assessed against. Then, we published an explanatory note on the day the decisions were announced, explaining the process by which those decisions were made.

I am happy to go through that in detail. It runs to several pages. We have tried to be as transparent as possible about the basis on which the decisions have been made.

Q59 **Olivia Blake:** Have you aggregated the total cost of bidding for the sector to apply for this money?

Emran Mian: We do not ask places to say how much they have spent on preparing a bid. We have recognised places in the highest need—the



HOUSE OF COMMONS

places that we identified as being category 1 in terms of need. All of those places were given capacity and capability funding in order to prepare bids, and now there is also capacity and capability funding on offer, some £60 million, to support authorities in delivering their projects.

Q60 **Olivia Blake:** Where the capacity spending was done, have you done any assessment of whether it helped them with their bids and was good money to be spending?

Emran Mian: We gave capacity money to all of the category 1 places and something like two-thirds of the money that was announced in round 2 has gone to category 1 places.

Q61 **Chair:** We have made a recommendation to you in a previous report that you agree principles for selection before disclosing shortlists to Ministers, but that seems to have changed again because the criteria were not published beforehand. They were not set. Ministers could change the criteria, so that, if a bid had won in round 1, it would not win in round 2.

Emran Mian: We have not changed our approach on this point.

Q62 **Chair:** No, you have not. That is the whole point. We would like you to change your approach. The certainty is important.

Emran Mian: This is an issue on which we have disagreed with the recommendations from the Committee.

Q63 **Chair:** Yes, you have disagreed with us. That is what I am saying, but you have done almost egregiously worse this time by saying, "If you won in round 1, you do not win in round 2." That was not clear to people at the point that they bid, so they wasted time and money bidding for a round 2 bid when they had already won in round 1.

Emran Mian: We said in the prospectus that one of the considerations Ministers would take into account was previous Government investment in an area but, equally, the spread of successful projects across the country. As a consequence of both of those considerations, the Minister has ultimately decided—and, again, we have said this in the explanatory note—not to allocate funding in round 2 to places that were successful in round 1.

Q64 **Chair:** That is my point. The principle of that was agreed after local authorities had already put the bid in and spent time and money on it. You can put it in as many words as you want that you will take into account previous Government investment, but if it is a very good project that is very desperately needed, that does not stop people putting the bid in. They did, and it became apparent very quickly after the bids came in that they would not be successful.

Emran Mian: Ultimately, in terms of the amount of money that we had to allocate, we were considerably oversubscribed. There was over 500 bids. The first decision the Ministers made in that respect was to increase the amount of money to be allocated in round 2. Our original assumption



HOUSE OF COMMONS

had been that we would allocate £1.7 billion. In the end, Ministers decided to allocate £2.1 billion, so we allocated more funding. Nevertheless, there were difficult choices to be made about which projects to support.

Q65 Peter Grant: Looking at one possibly very strong indicator of need, unemployment, in the Glasgow South West constituency, on the latest Government figures, 3,545 people are claiming unemployment-related benefits—6% of the adult population. Across the city, in Glasgow North East, it is very slightly better: 3,520 or 5.8% of the population. In Richmond in Yorkshire there are 1,095 people unemployed—1.7% of the population.

The two Glasgow constituencies I have quoted have unemployment rates 3.5 times worse than Richmond in Yorkshire. How can it be levelling up if Richmond gets £20 million from levelling-up money, and Glasgow South West and Glasgow North East get nothing—in fact, the whole of Glasgow gets nothing? By what stretch of the imagination is there a criterion of need that puts Richmond in Yorkshire above anywhere in Glasgow?

Emran Mian: In terms of assessing need, for the purposes of the levelling-up fund we have constructed an index and, again, we have laid out in detail all the inputs to the index. That includes unemployment, but it also includes a range of other metrics.

Q66 Peter Grant: Can you give me one of the metrics where Richmond is higher?

Emran Mian: Because, ultimately, the fund is there to support transport projects, cultural projects and regeneration projects, we chose metrics that reflected that focus. For example, we take into account the travel to work times, how far away a place is, the quality of its transport links. That is the kind of metric that, as you can imagine, rural areas often score very, very poorly on and that can change their position in the index.

The specific successful project in Richmondshire is in a town that has a very high need for regeneration. Actually, that town scores very highly—or low, if you like—against the levelling-up fund metric on regeneration, and so the project that we have supported in Richmondshire is a project that scored very well through the assessment process. It is there to promote regeneration in a small town that was assessed according to the index as being in strong need of regeneration.

Glasgow did not get any funding in round 2, but it did get funding in round 1.



Q67 **Peter Grant:** At the end of this process, do you intend to produce a geographical breakdown, by either constituency or council area, that shows how much money has gone to each area compared to how much money they got under European Union funding? I remember right at the beginning we were given a definite promise that the levelling-up funding would replace or better the funding that we got under the European Union. Do you intend to produce that analysis?

Emran Mian: The levelling-up fund is not a direct replacement for European structural funds. That is the UK shared prosperity fund and, on the UK shared prosperity fund, we have laid out at length—I am very happy to go through the details—the way in which it does replace the amount of money in each nation and each region that was previously coming through the European structural funds.

Q68 **Peter Grant:** You mentioned two adjustments earlier on. One was to discount any bids that had already been considered previously, and another was to try to look for a desirable—however that was defined—spread of successful projects across the United Kingdom. Do you accept that, inevitably, that undermines the number 1 stated aim, which was to target areas of need?

It might well be that the areas in greatest need in round 1 are still the areas in greatest need in round 2. If you immediately discount them, you are deliberately bringing in criteria that will move the investment away from where it is most needed to where it might fit a different set of criteria.

Emran Mian: I am not sure I do accept that. I would say two things in response. First, taking into account those considerations you have just described, we said in the prospectus for the levelling-up fund when we launched it—both in round 1 and in round 2—that those were relevant considerations for Ministers when they were making decisions.

Secondly, when you look at the levelling-up fund index itself, we used it to categorise places that were in the highest need, and actually two-thirds of the funding in even round 2 has gone to those places—places that were in the category 1 of need.



Q69 **Olivia Blake:** Can I just ask one question, going back to the transparency and capacity question? Barnsley was successful and got £10 million, yet the council's funding has been cut by 50% in the last 12 years. Do you think that even councils that have been successful have seen a true benefit from this programme? Or is this tinkering around the edges?

Emran Mian: So £10 million is what Barnsley bid for in this round. It was a good project. It scored well and that was why it was successful. We are pleased to be able now to work with Barnsley on that. In terms of the wider local government finance settlement, separately there through the autumn statement we were able to take decisions that increased the core spending power of local government.

Chair: Recollections may differ.

Q70 **Olivia Blake:** Coming on to the sustainability of finance, we have heard quite a confident comment about section 114 notices. Are you really not expecting any new section 114 notices?

Jeremy Pocklington: We will keep in close contact with a range of local authorities about their situation. I am not, today, imminently expecting any. I am not aware of a firm decision of a local authority to issue a section 114 notice, but our door is always open and we obviously are in dialogue.

Q71 **Chair:** When you say "this year"—all the comments have been "this year"—do you mean this financial year or this calendar year?

Jeremy Pocklington: All I am saying is that I am not aware of an imminent—

Q72 **Chair:** Your Ministers have said that they do not expect any this year. Do we know if that is this financial year or this calendar year?

Jeremy Pocklington: I would have to look precisely at the quote from our Ministers, I am afraid. There have been three section 114s this financial year, which you are aware of, in Thurrock, Croydon and Northumberland. There have been seven in the last few years, and the message remains, "Come and talk to the Department if you are in trouble."



Q73 Olivia Blake: What proportion of councils or local governments are on that path? How confident are you that local government finances are sustainable?

Jeremy Pocklington: Our assessment is that, as a result of the decisions that we have taken in the autumn statement, the financial position of the sector as a whole is sustainable. It has been strengthened by the action we took in the autumn statement. We are not complacent. There are very real pressures the sector is dealing with—inflation, increased demand, particularly for social care, and the tight labour market—but, as a result of those actions we have taken and the steps in the provisional settlement, we are making available an increase in core spending power of £5 billion between 2022-23 and 2023-24.

On average, local authorities will see a cash funding increase of 9% next year. There is a cash funding guarantee—

Q74 Chair: Is that including the council tax increase?

Jeremy Pocklington: It is an increase in core spending power, so I am deliberately using the term “making available”. It does depend on that, but all local authorities will receive a 3% cash funding guarantee, which is an increase in their core spending power, before the council tax increase.

Q75 Chair: Okay, so the 9% is inflated by the council tax.

Jeremy Pocklington: All local authorities with social care responsibilities are seeing an increase in their core spending power of 9%.

Chair: That includes the council tax.

Jeremy Pocklington: It is a very significant increase, but there is also a very significant increase in grant funding and retained business rates as well.

Q76 Olivia Blake: On business rates, there has been funding made available for the new burdens, obviously because of the changes to business rates that have been announced. How long will that new burdens money last for, for councils?

Jeremy Pocklington: I think you are referring to the mitigations around the business rates revaluation, which is £13.6 billion over five years that we have set out.

Chair: Do not worry. If you say you do not know, that is fine.

Jeremy Pocklington: This is a highly technical area and I think I need to understand your question in a bit more detail to tell you more.

Chair: We can have an exchange of letters on this point.

Jeremy Pocklington: Do you want to write to me?



Q77 **Olivia Blake:** Yes. Thank you. Are we ever going to see the review of local government finances?

Jeremy Pocklington: The policy statement that we published in December confirmed that we are not planning to take forward the relative review of needs and resources—the so-called fair funding review—and the reset of business rates in this spending review period. The Government remain committed to improving the local government finance landscape in the next Parliament.

Chair: Jam tomorrow.

Q78 **Olivia Blake:** Just on reserves, then, your own director of local government has described reserve data as “baffling”. Please could you explain how sighted you are on the true picture of reserves in councils and whether you have a robust picture of what is happening?

Jeremy Pocklington: We want to see greater transparency from local authorities in terms of reserves. Reserves have increased quite significantly over the last two years: looking at the sector as a whole, I think it about £11.4 billion. In many cases, those reserves are earmarked for something important, but the increase is very significant. It is not always, of course, in councils where the pressures are greatest, so the priority that we have under way is to improve our transparency and understanding around reserves.

Q79 **Olivia Blake:** If you could put a percentage on it, how confident are you that you have good understanding?

Jeremy Pocklington: I have said that we need to improve our transparency around reserves and that would benefit the sector as a whole, as well as the Government and this Committee.

Chair: Thank you very much. There is so much more we could go into. You will be glad to know, Mr Pocklington, that we have reached the end of the road for today.

Q80 **Sir Geoffrey Clifton-Brown:** I would be grateful if you could just send us a note setting out that £5 billion figure, because we are getting confused here with centrally managed grants and council tax. I think the total revenue expenditure by local authorities in England is budgeted at £112.8

billion in 2022-23. That is apparently 1.7% lower in real terms than the 2021 budget, so it looks as though they are actually getting a cut, not an increase.

Jeremy Pocklington: I am talking about core spending power, which is our best measure of resources available to local authorities. That is increasing by £5 billion, but I am very happy to set a note out. I will also, given the issue has been raised, be clear about what is a new grant or grant that is now available as a result of decisions that have been taken, including delaying charging reform in adult social care, and what is



HOUSE OF COMMONS

council tax. A significant part of it is retained business rates as well. That is, I think, £1 billion going through the settlement funding assessment, through RSG.

Q81 Sir Geoffrey Clifton-Brown: Going back to Ms Blake's question, we are hearing that it is unlikely there is going to be any wholesale reform of local government expenditure in the next two years. Is that the case? Treasurers are budgeting now. They need to know.

Jeremy Pocklington: I think I have answered that question. The headline message is one of stability over the next two years, so we are providing as much certainty as we can through the policy note that we set out in December, shortly before the provisional settlement. That provides a lot of certainty for planning for the next two years. We are prioritising that stability over some possible reforms.

Chair: We have said repeatedly that council tax increases are not the same as core funding capabilities. These are new phrases that have come into the lexicon in recent years and were never thus described. Some areas of the country, of course, have a lower council tax base, so the percentage increase is a lot less money for them.

We have had that argument before, so I will not repeat it again now. I thank you for your time. The transcript of this session will be up on the website uncorrected in the next couple of days, and thank you to our colleagues at Hansard for that. We will be considering in a moment how we are going to respond to the points you raised today. Thank you very much.