

Housing, Communities and Local Government Committee

Oral evidence: MHCLG annual report and accounts 2019-20, HC 1216

Monday 19 April 2021

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Members present: Mr Clive Betts (Chair); Bob Blackman; Ben Everitt; Rachel Hopkins; Ian Levy; Andrew Lewer; Mary Robinson; Mohammad Yasin.

Questions 1 - 80

Witnesses

I: Jeremy Pocklington CB, Permanent Secretary, Ministry of Housing, Communities and Local Government (MHCLG); Alex Skinner, Director of Local Government Finance, MHCLG; Emran Mian, Director General for Decentralisation and Growth, MHCLG; Matt Thurstan, Chief Financial Officer, MHCLG.

Examination of witnesses

Witnesses: Jeremy Pocklington CB, Alex Skinner, Emran Mian and Matt Thurstan.

Chair: Welcome, everyone, to this afternoon's session of the Housing, Communities and Local Government Select Committee. This afternoon we have a one-off session, looking at the annual report and accounts of the Ministry of Housing, Communities and Local Government for 2019-20, the year before last. We are looking at the accounts and the expenditure, as well as other matters that are relevant to that.

Before we go on to introduce our witnesses, I want members of the Committee to put on record any interests they may have that have particular relevance to this inquiry. I am a vice-president of the Local Government Association.

Bob Blackman: I am a vice-president of the Local Government Association and I employ a councillor in my office.

Ben Everitt: For the next couple of weeks, I am a councillor.



HOUSE OF COMMONS

Mary Robinson: I employ a councillor in my staff team and I serve on the Cheadle towns fund board.

Rachel Hopkins: I am also a vice-president of the LGA. I employ a councillor and I am sort of still a councillor until 6 May, but I have resigned.

Andrew Lewer: As well as being a vice-president of the LGA, I am on the Northampton Forward board, which is a towns fund board, and there is my register of interests.

Chair: We can move on to our witnesses. We have with us Jeremy Pocklington, who is the Permanent Secretary and the senior civil servant in the Ministry. Jeremy, you are welcome this afternoon and you have brought some colleagues with you. Would you like to introduce your colleagues to the Committee and to others who are watching?

Jeremy Pocklington: Thank you, Mr Betts, for inviting us to the Committee this afternoon. I am joined by my director general CFO, Matt Thurstan; my director general responsible for the stronger places agenda, Emran Mian; and my director of local government finance, Alex Skinner.

Q1 **Chair:** Generally speaking, the questions will probably be directed to yourself, Permanent Secretary. If you want to pass them on, that is fine, but there may be some particular issues that members will want to direct specifically to your colleagues. Thank you all for joining us this afternoon.

We are talking about the Department's money, what it has spent, whether it has spent it in the right way, whether it has spent enough of it and whether it has enough of it. Looking at the 2020-21 estimates that we have now, we see that the spending of your Department on housing and communities was at its lowest level since 2016-17. Why is that and has this impacted on your ability to do the necessary work that your Department does, which obviously has considerable importance in making sure the country has enough homes and making sure that local government has the resource it needs to provide very important public services?

Jeremy Pocklington: The Department expenditure is of course very important, but the numbers presented at face value from our latest estimate could provide a slightly misleading picture of the resources that are committed through our communities budget. An example of that is our decision to suspend the affordable homes programme for an additional year, reflecting the fact that some sites have taken longer to deliver due to Covid over the past year, hence the need to allocate money forward, not all of which is showing up yet in our estimates. I will hand over to Mr Thurstan to explain that in more detail.

Matt Thurstan: In terms of the supplementary estimates that we have had, the largest change was a reduction in our DEL capital spend. As Jeremy has said, a large portion of that was a reprofile of the affordable homes programme due to Covid delays. We have also had some reprofiles in relation to the building safety programme; that was due to



HOUSE OF COMMONS

an extension of the timetable and deadline for applications. Also, as we have looked into the various buildings that are looking to be remediated, some of those are at an earlier stage of remediation than we had currently planned. There is a reprofiling there that is in line with the delivery plans. They are the key elements.

Q2 Chair: “Reprofiling” is a very nice word but it can hide various different measures. My understanding is that, yes, there has been £1 billion of capital from the capital budget moved back to this financial year, 2021-22, but that £2 billion has also been handed back to the Treasury. Rather than reprofiling, has that actually been lost now?

Matt Thurstan: Within the overall £2.8 billion that was reduced in terms of the supps, it is probably slightly misleading in terms of the initial amount surrendered to the Treasury. We started the year with an unallocated capital budget of £1.8 billion, of which, throughout the year, £600 million has been reprofiled or reallocated to other activities. £1.2 billion was handed back to the Treasury from that initial £1.8 billion.

£700 million has been reprofiled into later years for the affordable homes programme. In terms of reprofiling, because we are not certain yet in terms of what years that will fall into, that has been classed as a surrender, but we have an agreement with Treasury that, depending on the spend of the affordable homes programme, we will make a general fund claim—a reserve claim—either in 2021-22 or 2022-23. Some of the amount reprofiled and surrendered will be claimed back through the general fund in future years as well.

Q3 Chair: How much has been handed back that has not been reprofiled—in other words, which the Treasury has just taken?

Matt Thurstan: In terms of how much has been handed back, I would say it is about £1.2 billion, which is mainly driven by the unallocated budget that we started the year with in terms of £1.8 billion.

Q4 Chair: Do you think that there might be some people sat at home rather concerned about the housing crisis we have in this country and the number of homes that we need to build, wondering why the Department has £1 billion that it cannot manage to spend and that it has handed back?

Matt Thurstan: I appreciate that it looks like big numbers on the face of it but, in terms of the way we ran the budget, we started the year with an unallocated amount of £1.8 billion. That is partly due to the uncertainties around key initiatives such as help to buy. We have obviously had an unprecedented year in terms of Covid and the impacts of that on the affordable homes programme. It has not reduced the amount we are planning to spend. We are still committed to spending the full £9.1 billion on the 2016 to 2021 programme; it has just been reprofiled into later years because of the impact of Covid and other implications.



HOUSE OF COMMONS

Q5 Chair: You said that some has been sent back. It has not been reprofiled to another date; it has been sent back, has it not? Could you not have found anything to spend it on?

Matt Thurstan: We started the year with £1.8 billion that was unallocated. We have found a variety of elements to reprofile that against or to reallocate that against. We have allocated £600 million of the £1.8 billion. We just have not been able to find elements for the whole amount. Part of that is also a contingency around help to buy, which we hold because it is a demand-led, uncertain element of spend. We have tried to reallocate the money but there has been an element that has been handed back. That is correct.

Jeremy Pocklington: It is important to emphasise that a significant part of this is due to help to buy, which is a capital DEL financial transaction spend, where the Department budgets on a prudent basis, through a DEL budget, what is in effect a demand-led scheme, as you know. It is not surprising, in a sense, that, based on a prudent budget, there was an underspend against that element of our budget.

I understand that the headline figures can suggest otherwise but the reassurance for the Committee is that we have not been cutting our housing budget. Quite the contrary—we have been ensuring that we can deliver them, if necessary extending the years in which they are being delivered, due to the extraordinary nature of the year that we have had.

Q6 Chair: Looking forward to this financial year, does the Department now have sufficient money to deliver all the programmes that it plans to?

Jeremy Pocklington: Yes, we have sufficient budget for this year.

Q7 Mary Robinson: The Department has been allocated £9.5 billion in Covid-19 support for 2021-22. How will this be revisited if the effects of the pandemic continue beyond the summer?

Jeremy Pocklington: We have spent a very considerable amount on Covid during the last financial year, mainly through our support for local government as well as some other additional support for other areas of the Department's budget. For this financial year that we have just entered, so 2021-22, we have also provided some additional support for key departmental priorities for the first quarter, until June. Local government has a £1.55 billion un-ringfenced grant. We will continue to provide support through the sales, fees and charges scheme for the first quarter of the year.

We are also continuing to fund some other priorities, including our support for rough sleepers through the work that I know this Committee has recently discussed.

We continue to monitor progress on the pandemic, together with colleagues across Government. We do not have any plans to extend our support beyond this quarter but it is something that we will need to keep



HOUSE OF COMMONS

under continuous review through this financial year. If necessary, we will want to look again at our plans. We hope that, if we can make progress on tackling Covid, we can move on to focus on some of our wider agendas as well, such as our support on local growth or levelling up, and continue our efforts to deliver some of our big housing programmes as well.

Q8 Mary Robinson: We are all very optimistic and we are hoping that this is going to be the end of the pandemic but we do not know for sure. If it did carry on after summer, would there need to be a reallocation of funding towards Covid support, given that you have this £9.5 billion that is set to be spent, presumably, on the initiatives that you have already planned?

Jeremy Pocklington: I do not want to get too far into hypothetical questions. We do not have specific plans in place in terms of exactly what decisions we would need to take. I can assure you and the Committee that playing our part in tackling Covid, and supporting local government in particular, has been an absolute priority and will continue to be a priority for as long as needed.

Q9 Mary Robinson: The Institute for Fiscal Studies has found that day-to-day funding for unprotected Departments, including MHCLG, is set to fall by 3% in real terms between 2021-22 and 2022-23. How is the Department planning to accommodate these budget reductions?

Jeremy Pocklington: Could I please clarify whether that is in relation to the funding for local government rather than the Department?

Mary Robinson: We are anticipating a fall of 3% for unprotected Departments.

Jeremy Pocklington: The Department's budget for this year has been set, for 2021-22. For future years, that will be a matter for the spending review. We will need to see what the outcome is for the Department whenever that takes place later this year. I would not want to speculate in advance of that.

Q10 Chair: You do not have a concern, Mr Pocklington, that the Department will fall back to being an also-ran in terms of expenditure for future years.

Jeremy Pocklington: I certainly do not see things in those terms. The Department has quite a significant number of priorities that are important to the Government, including housing, levelling up, community renewal, the hugely important work we have underway on building safety and our support for tackling the problems of rough sleeping. We have quite a number of very important priorities for the Government, aside from our responsibilities for local government.

Q11 Chair: We would all agree very much with that. If you are not to be an also-ran as a Department, would you need to see your expenditure rising in line with the general average of public expenditure?



HOUSE OF COMMONS

Jeremy Pocklington: I am not going to put numbers on that, Mr Betts. You know that a Permanent Secretary would not do that in advance of a spending review. What we will do is ensure that we are ready to participate in the process when that takes place later this year, which will obviously be an important moment for the Government.

Q12 **Rachel Hopkins:** The local government finance settlement provides a potential increase in core spending of 4.6%, although much of this is dependent on council tax rises of up to 5%. How confident is the Department that the financial settlement in 2021-22 provides sufficient funding for local authorities?

Jeremy Pocklington: We think that the local government finance settlement is sufficient for 2021-22. We are not complacent and I do not want to downplay the pressures that local government has been under over the past year and over historic years as well. You are right that the settlement enables a 4.6% increase this year. That is, in part, contingent, as you say, on increases in council tax but it enables local discretion and local decision-making to determine what is appropriate.

Q13 **Rachel Hopkins:** More than half of local authorities will not be increasing council tax bills by the full 5% in 2021-22. Do you have an estimate of the actual budgeted increase in local authorities' revenue expenditure for 2021-22?

Jeremy Pocklington: I will bring in Mr Skinner at this point to give you the latest information that we have.

Alex Skinner: In terms of the actual increases in council tax, the statistics that we published at the end of March show that, at the moment, local authorities are intending to raise council tax by 4.4% in 2021-22. 384 out of the 406 precepting authorities are taking advantage of the ability to raise council tax.

The only other thing I would mention in addition to Jeremy's comments is that, on the adult social care precept, one of the things we recognised in the circumstances was to say that local authorities had the flexibility to decide whether they wanted to take the 3% this year or next, so I would not take the fact that some local authorities have not increased it by this year as a sign that they will not. It may be that they have decided that it would be better to wait to do so next year and they have the resources to meet the pressures this year.

Q14 **Rachel Hopkins:** In light of that, have you done an analysis of the impact on core spending power? If the potential increase was going to be 4.6%, now that you have a greater understanding of which authorities have decided on what level of council tax increase, what is the impact on core spending power? Do you have a figure?

Alex Skinner: There is a small reduction in core spending power but one of the things that was announced at the settlement was that we were also providing £670 million of support for local council tax. That explains



HOUSE OF COMMONS

the main proportion of the potential drop but, as I say, the £670 million largely offsets that. As you say, there is a small reduction from 5.14%, which was the number that came out with core spending power.

Q15 Rachel Hopkins: Are you still saying there is then sufficient for local authorities based on those reductions?

Alex Skinner: We made 5.14% available. All local authorities need to take a decision about how much they want to raise locally. That is a decision they have to make but all of them need to do so in alignment with the legislation, which says that they need to ensure that they have sufficient resources for the year ahead. Yes, I am confident that they have the resources that they need and that they have taken decisions that they believe are right locally.

Q16 Rachel Hopkins: This is my final question, and I will point again to my previous declarations of interest, given I have been a councillor in one of the local authorities affected and I am obviously an MP in that area now. At the Public Accounts Committee session on 18 March, you said that, in principle, financial support granted to nine local authorities for 2021-22 was subject to an external review of the authority, the details of which you would set out in a letter on 15 April. Can you let us know when these reviews will be completed and when authorities will have certainty over the level of support they will be receiving for this financial year?

Alex Skinner: That will happen over the summer. All local authorities will have the answers to that by the summer and we will be issuing the capitalisation directions for 2021-22 then.

Q17 Rachel Hopkins: Just for my understanding, the reviews will be completed by the summer and they will have clarity over the support they are getting by summer.

Alex Skinner: That is the intention. We are out to procure the expertise that we need in order to do those external reviews right now but the plan is definitely as I have just set out.

Q18 Rachel Hopkins: When does autumn start?

Jeremy Pocklington: I know this issue is of great interest to this Committee as well as the Public Accounts Committee, so we will of course keep the Committee updated on this.

Rachel Hopkins: That would be helpful, thank you.

Q19 Chair: Is there not a bit of a problem? The summer ends in September, which is halfway through the financial year, and authorities will not know what they have to spend and what resources are available until halfway through the year. Is that not a bit of a problem for those authorities?

Alex Skinner: We will be staying in close contact with all of those authorities over the course of the summer but, as you have noted, formal confirmation and the capitalisation direction will be in the summer. I



HOUSE OF COMMONS

could not tell you the exact date of that now. It depends on how quickly we are able to get the procurement in and how quickly local authorities are able to work with us in order to conduct the reviews and confirm them.

Q20 Chair: The summer does not end until September. Assuming your timescale is correct, it could be, as I said, halfway through the financial year before authorities know exactly what their budget resources are.

Alex Skinner: Yes, it could be but, to be clear, one of the objectives of the external review is to ensure that the settlement that we agree for local authorities is sufficient to allow them to undertake the activities that they need to this year. For example, this year, some of the external reviews that we did for 2021 were concluded very late and that worked for the local authorities concerned. Yes, we will do everything that we can to do them as soon as possible, but I do not anticipate that potentially waiting until later in the summer will be a problem.

Chair: We will be interested to hear from the authorities in due course, no doubt.

Q21 Mohammad Yasin: The Department's financial monitoring data shows an aggregate funding shortfall for local authorities in 2021 of £100 million. How did the Department support local authorities to manage that shortfall as they approached the end of the financial year?

Jeremy Pocklington: That is correct in the sense that that is approximately our latest estimate of the gap between the support that we provided and the overall pressures that local authorities faced. I would not use the word "shortfall" myself; you would perhaps not be surprised to hear that. It was never our intention, plan or strategy to ensure that local authorities were compensated for all their pressures. The strategy was to ensure that local authorities were supported for the expenditure pressures associated with Covid. The recent NAO report, for example, shows that we have more than accomplished that, at least at the system level, by quite a considerable margin.

We took a different approach on the income side. That was legitimate. We never said that we would compensate for all income losses. Councils are well used to managing volatility. On sales, fees and charges, we asked councils to take the first share and then we took 75% of everything after the first 5% of losses. As you may know, we have spread irrecoverable tax losses over three years and, again, we will take 75%. We have asked authorities to manage their losses from commercial income. It is right that they should manage that volatility but we have had the exceptional financial support scheme, that we have already touched on, in place as a safety net for those that needed additional support.

We have monitored the situation closely, including towards the end of the financial year, and, using your basis, that gap between the overall support that we have offered and the overall pressures that local



HOUSE OF COMMONS

authorities have faced has shrunk as the end of the financial year has approached. The NAO's estimate a few months ago was that that gap was about £600 million, and it has now come down since then. We will be able to have extra support in place through the exceptional financial support scheme, should that be needed. All authorities have now set a budget for 2021-22.

Q22 **Mohammad Yasin:** The IFS found that 106 councils have received more funding than they have forecast for in-year pressures, with the remaining 233 councils being underfunded by a total of £800 million. How is the Department mitigating the uneven distribution of the Covid-19 support?

Jeremy Pocklington: This is essentially the challenge of the local government finance system. In essence, our approach for the majority of the funding was to fund at the system level through a formula-based approach with that safety net for councils that needed additional support. We produced a Covid relative needs formula that Mr Skinner can talk about in more detail. It has been relatively well received by stakeholders and complimented by the IFS, if I remember correctly. Inevitably, that is imperfect. The alternative approach would have been to do a cost recovery approach but we do not think that works at a strategic level. It creates the wrong incentives and it does not reward efficiency and being careful with money even during a pandemic, so we thought that the formula approach was the better approach to take.

Q23 **Mohammad Yasin:** Many local authorities have spent all their reserves, which can be really damaging for the future. As you know, it is very important for local authorities to have some money in reserve that they can use in difficult times. How will the Department support them to get the reserves back in the future years?

Jeremy Pocklington: The first thing to note is that it may well be appropriate for local authorities to have used reserves during this financial year. There were unexpected cost pressures, and using some available reserve for that may well have been a sensible decision to take locally. It is for individual local authorities to determine what is the appropriate level of reserves.

Overall, reserves have not fallen and are not forecast to fall perhaps as much as might be expected. The Office for Budget Responsibility's forecast is that, adjusting for timing effects and other technical issues, local authority reserves are only forecast to fall by £400 million into this year, and they have many billions available in reserve. We want to minimise pressures on local authorities but this system has managed to essentially ensure that the pressures are managed appropriately.

Q24 **Mohammad Yasin:** What assurance and help have they had from the Department? Is there any help for those local authorities whose reserves have gone to nil?

Jeremy Pocklington: It is for local authorities to make that decision. For those local authorities that are in an exceptional financial position, that is



HOUSE OF COMMONS

where the exceptional financial support scheme could have provided support this year, if local authorities did not have available reserves to provide additional support. Up until now, we have provided support to 10 local authorities through that scheme.

Q25 Andrew Lewer: Thank you for being here. In response to the Redmond review's central recommendation to establish an independent regulator for local audit, the Department said it would issue a full response by spring 2021. When can we expect to see that full response?

Jeremy Pocklington: The Department issued an initial response, as you know, before Christmas but, on this recommendation, we have said that we will set out further details of our approach later in the spring. I am afraid I do not have a date to give to the Committee today, but we are working hard on this and we envisage being able to give further details in the not too distant future.

Q26 Andrew Lewer: The full report is still on its way. Can you tell us whether a consensus has been reached on whether an independent regulator will be set up to oversee local authority financial audits?

Jeremy Pocklington: The first thing to emphasise, which has at times not quite been reported correctly, is that we agree with what Sir Tony has said about the importance of establishing the functions associated with a system leader and a stronger regulatory function for local government audit. We are now exploring all the options to do that. As you probably know, we have said that we are not minded to create a new body that could re-create the Audit Commission but we are looking at alternative options. We are liaising closely with the National Audit Office, the FRC and others as part of this process.

Q27 Andrew Lewer: Is there an independent element in terms of further discussions about how it is going to look?

Jeremy Pocklington: We are considering the importance of independence as part of this. With audit, it is important that it is independent. That does not necessarily mean that it needs to be in a standalone body—it could be associated alongside another body—but you need to ask from whom it would be independent and for what purpose. In principle, independence is obviously important.

Q28 Andrew Lewer: It sounds like you would be asking that question, with detail to come. In terms of what this is actually for, how concerned is the Department about the number of local authorities that are now not reporting by audit deadlines? What more do you think the Department could do to support or encourage local authorities to publish on time?

Jeremy Pocklington: It is an area of concern. Local government audit is important and underpins value for money, quality of investment and sustaining confidence in local authorities and local democracy. Timely audit is, of course, important, so the number of authorities that are late with their audits is of concern. Covid has obviously been an extraordinary



HOUSE OF COMMONS

factor this year but, fundamentally, it is the weakness in the audit market that Sir Tony identified.

We have provided an additional £15 million this year for councils to provide more funding to the sector so that councils can ensure that they can meet the true costs of providing local government audit. We are also moving quickly with Sir Tony's recommendations that can have the most impact quickly such as enabling fees to be varied as the costs of audit change mid-process. I am under no illusions: this is an area of concern and it will take considerable time to address it.

Q29 Andrew Lewer: You have referenced financial support there. Is there expertise and additional officer support within the Department that local authorities can access as a result of these efficiencies in the reporting?

Jeremy Pocklington: We do not have a cadre of experts in the Department supporting individual local authorities on their audit. We are working more closely with the system as a whole, so not just the NAO and the FRC but CIPFA, PSAA and others, to ensure that the overall system is pulling together and is deploying all its tools, skills and expertise to ensure that authorities can get the support that they need in advance of the new system being up and running. We are also engaging with the key providers of local government audit.

However we establish the system leader function, that inevitably takes time, unfortunately; creating those sorts of bodies does. We need to take action now, in advance of that, given the scale of the challenge that we have.

Q30 Chair: Mr Pocklington, we are trying to lay aside the ghost of the Audit Commission, which is almost run out by Ministers and officials when reform of audit is suggested. Nobody wants to go back to the Audit Commission and everything it did. Would an overarching body not help with what you have just said in response to Mr Lewer, giving the Department a better view of what is happening within local authorities? The National Audit Office, for example, cannot go into the finances of an individual local authority in the way that a new body might be able to and pick up what is happening in those individual authorities and get a better overview, which would help the Department in assessing early where things are going wrong in local authorities.

Jeremy Pocklington: You are accurately describing some of the most important functions of what a system leader may need to do to provide that real oversight as well as regulating the sector and being responsible for the code. We need the ability to really know what is going on and have that oversight of what is going on in the market.

This Government feel very strongly about the Audit Commission, but I will not rehearse those arguments here. It is not a disagreement on the importance of establishing the sort of function that Sir Tony



HOUSE OF COMMONS

recommended; it is about how we go about it and where that function is located.

Chair: I am sure we will be looking with interest at where this ends up as a recommendation eventually.

Q31 **Ben Everitt:** Permanent Secretary, I listened earlier to your explanation relating to the demand-led nature of the funding and why an underspend is not an underspend and so on. I am looking forward to the recalculation of that across further years. Looking at the budget allocation in the most recent spending review, there is £6.2 billion for 2021-22 and £7.7 billion for 2022-23. Is that enough to support help to buy, the affordable housing programme and the national home building fund to build those 300,000 net homes a year by the mid-2020s?

Jeremy Pocklington: The help to buy programme is a very important home ownership programme but it is not the only programme that we have to support the huge challenges we have with housing markets in this country. The money you have referred to is a more targeted version of the help to buy scheme, which is operating for this financial year and the next financial year, and the aim for this programme is to support approximately 70,000 first-time buyers to buy a home. That is in addition to the longstanding scheme that is tapering out at the moment.

We have many other schemes as well to support housing, including the affordable homes programme and support for housing infrastructure. In the recent Budget and spending review, there was confirmation that financial transaction spend would continue to support loans to housebuilders as well.

Is this sufficient? The ambition to create a market to build 300,000 homes a year is very ambitious. We were progressing well against that ambition before the pandemic. The latest numbers, as you may know, were 244,000 after several years of considerable growth and the highest in decades in terms of where we had got to. There remains a degree of uncertainty at the moment in terms of where the market is. It has remained a bit more robust than has been expected but we will learn more in the coming months as the stamp duty holiday comes to an end, for example, and some of the bigger macroeconomic interventions come to an end. That will then leave us in a better place to make an assessment about medium-term prospects.

Ultimately, the delivery of the 300,000 homes ambition depends a lot on delivery from the private sector and the position of the volume housebuilders. We have our programmes and interventions. We have an ambitious agenda for planning reform. We also want to disrupt the market to bring more innovators and new types of developers into the market in order to give us the best chance of meeting the ambition, or creating the market that could deliver that.

Q32 **Ben Everitt:** That is quite a comprehensive answer to a very complicated



HOUSE OF COMMONS

question. What you are essentially saying is that the allocation for the £6.2 billion and the £7.7 billion thereafter is not solely for those three programmes. It is not just for help to buy, the affordable housing programme and the national home building fund; it is for other stuff as well. Is that what you are saying?

Jeremy Pocklington: The only thing is that I do not quite recognise those numbers in my head. I will just see if Mr Thurstan does or not.

Matt Thurstan: No, I am not sure I recognise the exact numbers—apologies—but in terms of answering your broader question, you are right in that those broad funds are to cover more than just the specific programmes that Mr Pocklington has called out. I think that is the budget that we have over the period but we are very happy to come back with some specifics if that would be helpful.

Q33 **Ben Everitt:** That would be very useful. We have heard a lot about the 300,000 target in this Committee but not a lot about the detail of how we are going to get there. It would be useful to break down what we are doing in terms of these programmes and to expand on what you meant about creating the market to build 300,000 homes a year, Permanent Secretary. I realise that we have not brought our sleeping bags so we will not have the time to do that today. This Committee constantly hears about the 300,000 target but without that detail behind it.

That leads to the question that I opened with, which is whether this is the amount of money that is going to get us there. If you can get back to us on that, that would be very much appreciated.

Jeremy Pocklington: I am very happy to write with more detail, setting out the different programmes that we have.

Q34 **Ben Everitt:** We have had the evaluation of the help to buy scheme so we know how we are going there but we have not had anything on the affordable housing programme or the home building fund. A lot of money is involved in this and it is mentioned as a key part of the solution to getting us to 300,000. Is there any reason why the Department has not undertaken those evaluations?

Jeremy Pocklington: We continue to monitor performance of the affordable homes programme and we publish statistics on a regular basis showing progress against our budget and against the number in the affordable homes programme that we are funding and that is being funded through developer contributions. There is a lot of transparency around that.

It is a different type of programme; it is essentially a budget, so it does not have the same evaluation as help to buy, where the challenge is evaluating the supply impact of a demand programme. That sort of question requires a fuller evaluation. The affordable homes programme needs very close monitoring and transparency around performance.



HOUSE OF COMMONS

Q35 **Ben Everitt:** I totally get that. Are you saying that we need to let more time pass until we can see whether, ultimately, these programmes, working together, are achieving the Government's objectives?

Jeremy Pocklington: We do. It is worth updating the Committee on the new affordable homes programme, for example. This is essentially the programme for the 2020s, as it were. That has only relatively recently opened for long-term partnership deals and continuous market engagement through Homes England, and I think through the GLA as well. We will know more in the summer, for example, about housing association appetite for long-term partnerships with Homes England through the latest affordable homes programme. Inevitably with a subject like this, you learn more as the months go by. It is a complicated multi-year ambition that we are dealing with.

Q36 **Ben Everitt:** It certainly is, but we have the lessons from the past and all the previous interventions in the housing market. Have these been incorporated into the learning and into the future housing programmes? We quite often tinker around the edges of the housing market and one intervention somewhere has an unintended consequence elsewhere. Very occasionally, if we concentrate mainly on the demand side, we push up prices, and of course the demand side is much easier to do because it does not involve building any new houses. Have we learned lessons from previous housing schemes, and are we building that into the future schemes? I am thinking specifically with an eye on levelling up.

Jeremy Pocklington: We very much focus on what we can learn. The continuation of help to buy, for example, is partly underpinned by our evaluation of the previous scheme. What our analysis, and the analysis of others like the National Audit Office, showed—perhaps to some economists' surprise, as they had thought it would push up prices because it is a demand scheme—is that it has not really had the impact on prices that some had anticipated and it has led to quite a significant amount of additional supply coming forward. Obviously, what happens depends on where you are in the cycle. We do use evaluation and we do learn from the past.

Another example of that in recent years would be ending the cap on the housing revenue account—the HRA cap—for local authorities. Everyone who works in housing knows that the last time lots of houses were built, local authorities played a stronger role. A lot has changed since then—the creation or the growth of housing associations is part of it—but ensuring that local authorities can play their part is one of the reasons why we lifted the HRA cap.

Q37 **Ben Everitt:** I agree entirely. We need a mixed portfolio of housebuilding. It does not matter to me especially who builds them, as long as they get built. When we talk about the local authorities and their role, looking at the Department data from 2019, the equity loans under help to buy resulted in an average loss for the Department in 26 local authorities. That essentially is a massive financial risk in equity loans on



your books as a Department, is it not?

Jeremy Pocklington: It is a very significant financial asset and there is risk associated with that. We monitor it very closely. Mr Thurstan may want to say something about how we monitor risks around help to buy. Ultimately, it is priced to ensure that, at least in cash terms, we are getting a return. It is not primarily the motivation but it is something we monitor very closely. Mr Thurstan might be able to give a sentence on that.

Matt Thurstan: It is absolutely a large financial risk for the Department. For context, we have just over £16 billion in terms of assets in relation to the help to buy scheme. We work very closely with Homes England in terms of their assessment of managing the portfolio, stress testing the portfolio and so on and so forth. We monitor it very closely through a number of key events including when we pull together the annual report and accounts. It is very closely looked at and assessed by the likes of the NAO and so forth.

You are right that it is absolutely a large financial risk to the Department, one we monitor and are very aware of. If it is helpful for context, we have around £16 billion at the moment in terms of that asset.

Q38 **Ben Everitt:** How has Covid affected this? Previously, we knew that the buyers under the previous iteration of the scheme were confident in their ability to make the interest payments but less confident about repaying the equity loan. Has the Department considered the impact of Covid-19 on the ability to repay the loans?

Jeremy Pocklington: At the start of the crisis, we enhanced our stress testing, essentially, using stress tests that the Bank of England and others were suggesting, to ensure that we understood what the performance of the book would be under various scenarios. As it turns out, house prices have not actually fallen significantly over the past year. I do not know if Mr Thurstan wants to say anything in addition to that.

Matt Thurstan: That is probably the key point. In terms of the NAO opinion on the accounts for 2019-20, you will have seen that there is an emphasis of matter in terms of the valuation of help to buy. It is very heavily linked, as Mr Pocklington said, to the house price index. There were issues there in terms of Covid, because that reporting was suspended. We have been through that and there was not a material impact in terms of the valuation of the book. We will be going through that process again for the 2021 accounts as well.

There was an emphasis of matter. We may have one again. That is the process we have been through.

Q39 **Ben Everitt:** Essentially, the whole thing is pinned on continuous house prices—no market failure or slump in prices—with the additional housebuilding that it is intended to stimulate.



Jeremy Pocklington: It is a very conscious decision of the previous Conservative Administration, but continued into this Conservative Administration, to use the Government's balance sheet, through MHCLG, to support our housing objectives. Help to buy received a lot of attention; the equity loan will be tapered away and the Treasury has announced the mortgage guarantee scheme today, but there are a range of other programmes as well, some of which we have touched on.

In terms of different approaches, the scale of that support across not just affordable homes but wider housing delivery is something that has really stuck out in the last few years.

- Q40 **Ben Everitt:** In terms of all of these schemes put together and the risk that we are holding on the public sector balance sheet, what will be the definition of success over time as these houses start to get built—300,000 a year by mid-2020s? What would be the definition of success for the Department in terms of its balance sheet, its approach to risk, its interaction with the market and the role of the private sector?

Jeremy Pocklington: We monitor each of the schemes very closely. We will be carrying out, for example, another evaluation of the new help to buy scheme commencing later this year. We want to maximise the number of people that we can support and to do so in a way that minimises risk to the Department and the taxpayer and that maximises value for money. That is all set out through a business case process in the usual way.

We do not have a specific financial target for help to buy in terms of the return that we are seeking to achieve. We are forecasting what the return is and monitoring it very closely.

- Q41 **Chair:** I just want to follow up Ben Everitt's question to make sure we get the information we want. Let us look at the 300,000 target, which everyone wants to see achieved; that goes without any dissent at all. In the letter back to us, can you set out, for each of your programmes, what the contribution towards that 300,000 will be, so that we can see the building blocks towards achieving the total?

Jeremy Pocklington: I am very happy to do that. It is an incredibly complicated picture. You probably have not had a chance to read it but I have written to you on 15 April with a first attempt to do that but there is more information that I can give about our programmes. There is a further decomposition on our programmes that I can give you, which I am very happy to do.

The challenge, as we have discussed, relates to the fact that a lot of the delivery of the 300,000 depends on the private market but then you can see what we are supporting and then what the private market needs to do.

Chair: That will be very helpful. Thank you for that information you have sent and for the further information to come. That is appreciated. We will



now move on to the issue of building safety and cladding remediation, which I am sure you are aware is a really important matter.

- Q42 **Bob Blackman:** Thank you in advance to our witnesses for, hopefully, clarifying some of the issues involved in the data here because there is quite a lot of data and quite a lot of complication. Can I start off with the position on ACM cladding? As we understand it, the Department has approved £438 million out of the £600 million originally allocated for the removal of ACM cladding. How much of that money has actually been spent as opposed to just being allocated so far?

Jeremy Pocklington: I do not have that precise number to hand, I am afraid. I will see if Mr Thurstan does. I have outcome data in terms of actual performance.

Bob Blackman: I am coming on to that in a minute.

Jeremy Pocklington: I do not have to hand how much money has actually left the door, as it were. That may be the case with some of your other data requests as well.

Bob Blackman: We will probably come to a comprehensive view of data that we would like to see at the end of our session here.

Jeremy Pocklington: We will get to that, I am sure. If you could tell me precisely what data you have, I will tell you what I have.

- Q43 **Bob Blackman:** We have data from the Department in terms of what you have allocated but that does not say how much has actually been spent on the work. The key question for all of us is how quickly we are making these buildings safe.

Jeremy Pocklington: Let me respond on that key point, because I am more interested in outcomes than money. For the ACM fund, 95% of ACM-clad buildings that were identified at the start of 2020 are now remediated or work is underway on them.

- Q44 **Bob Blackman:** Can I just be clear on this? The data that we have from the Department as of 31 March says that 92% of high-rise residential and publicly owned buildings have either been started or completed; 358 buildings, which is 76% of all buildings, no longer have ACM cladding systems; and 247 have been fully completed. That suggests that there is still a way to go here.

Jeremy Pocklington: The difference between 92% and 95% is that I was talking about buildings identified at the start of 2020. Very occasionally, a building can still appear. The number that have appeared has reduced very significantly over the past year. It was steadily increasing in the years after Grenfell and it has now plateaued. It is possible for often a very small amount of ACM cladding—because we have a zero-tolerance approach in effect, as you know—to be identified, and then it gets added to our numbers. That explains that difference.



HOUSE OF COMMONS

Q45 **Bob Blackman:** Could we just be clear how many buildings have been fully remediated? I do not want the percentage but the actual number, because this is important. As you say, new buildings are being identified, so if we know the exact number, then we can monitor the data as it is reported.

Jeremy Pocklington: We publish this data monthly. I am very happy to send you the latest pack. You probably have it in front of you, by the sounds of things.

Q46 **Bob Blackman:** I have data as of 31 March, so I am assuming that is the most up to date.

Jeremy Pocklington: You have the latest data in front of you.

Q47 **Bob Blackman:** You are saying you are on track to complete 95% by the end of 2021. Is that fair?

Jeremy Pocklington: No. The ambition is actually stronger than that. The ambition for ACM-clad buildings is to complete this programme by the end of 2021. It may well be that in a very small number of cases that may not be possible, but it is right to have that ambition to complete that by the end of this year.

Q48 **Bob Blackman:** Given where we are, when do you estimate that 100% of ACM cladding will be remediated?

Jeremy Pocklington: The ambition is for the end of this year.

Q49 **Bob Blackman:** Clearly, at the moment the situation is, as we understand it based on the data I am looking at, only 53% have been fully remediated, which then suggests that 47% have not been.

Jeremy Pocklington: We are making good progress. The progress is moving more quickly. Once work has actually begun on the buildings, it is possible often to make progress quickly. I cannot offer an absolute guarantee. It is not possible. Some of these sites are very complicated.

Bob Blackman: I understand that, particularly the private sector ones. We understand that.

Jeremy Pocklington: There are the private ones and some near trainlines that are real safety challenges, as you know. The ambition is for the end of the calendar year.

Q50 **Bob Blackman:** You will know that we have done an inquiry into the position on high-risk residential buildings. Our estimate is the total cost of remediating all those high-risk buildings, including all the fire safety defects, is going to be up to £15 billion. The Government have committed so far £5.1 billion. Of the buildings that are now deemed unsafe, not only due to ACM cladding but non-ACM cladding and other fire safety defects, how many does the Department estimate will be covered by this £5.1 billion?



HOUSE OF COMMONS

Jeremy Pocklington: You have the ACM buildings. We have talked about those. The next category of buildings that we are going to come on to are high-rise buildings above 18 metres that do not have ACM cladding on but have other forms of dangerous cladding on that need to be remediated. They are covered through the building safety fund that you will be familiar with. Perhaps the most useful thing I can do is update you on our latest progress with that fund, because that provides the key data that you need.

Bob Blackman: Please, if you could.

Jeremy Pocklington: For the building safety fund, it is now the case that more than 600 buildings are proceeding with a full application. This is progress on where we were with the hearing last month that you had with Lord Greenhalgh on this issue. That has taken time, because many building owners did not have the basic eligibility information that we need, but we have made good progress on that now. 600 buildings are now proceeding with a full application. We have also started to allocate more significant amounts of funding for that. £319 million has been allocated to date, of which £241 million is for full remediation works and £77 million is for the initial funding for preliminary works and to ensure that proper tenders can be in place. We are making very good progress on that fund, which is the next programme that we are doing.

I am going to come on to the next fund now, which is for mid-rise buildings between 11 and 18 metres. As you know, we are working up a financing scheme to cap the amount that leaseholders need to pay to support the remediation work to £50 a month. That would be instead of the upfront costs, which we all know can be significant. We are working very hard at delivering that scheme.

What we are doing as part of that, which will help to assist you with getting the best possible understanding of the scale of the challenge, is we are well underway in getting further analysis of prevalence of different types of cladding on the mid-rise stock, to complement the work and the understanding that we have on the high-rise.

Q51 **Bob Blackman:** Could I just interrupt? For various reasons, the Government and the Ministry have decided that the high-rise buildings are the most important ones to make safe, and we understand that. Removing the cladding and making that safe will be covered, and the Minister concerned came in front of us and made that clear. In the exchanges of correspondences we have seen what is included in that fund but equally what is not included in the fund. Clearly, we have a potentially huge amount of money that is going to be required for fixing safety defects in these high-rise buildings. I will look at the high-rise buildings first and then we will come on to the medium-rise buildings, because that is a different issue.

What we are hearing is that leaseholders are being faced with huge bills for fire safety defects and a conditionality being placed on, "You will not



HOUSE OF COMMONS

get the funding to do the cladding unless you agree to do the fire safety defects as well". Potentially, for a lot of people living in these high-rise buildings, the fire safety defects are more expensive than the cladding issues. Can we clarify what the conditions are here that are being imposed by the Ministry?

Jeremy Pocklington: I read the transcript of your hearing with Lord Greenhalgh. First of all, I completely understand the huge challenges that leaseholders face; we all do. This is one of the most enormously distressing, complicated and challenging issues that any of us have dealt with and certainly that I have dealt with in my career. We made a very conscious decision to focus our funding and our grant funding on the biggest public safety risk. That is cladding on high-rise buildings. There is a lot of evidence to support that. It is supported by our expert panel with experts like Dame Judith Hackitt.

Bob Blackman: We have had the benefit of Dame Judith in front of us, certainly since I have been a member of this Committee, several times.

Jeremy Pocklington: Cladding is a potential accelerant for fire rather than some of these other issues, which are designed to stop the spread of fire, though they could still be important. There is a very clear rationale for what we were doing and the approach that we have taken. From our perspective, there has been some misunderstanding of this concept of conditionality that you raise, although I am very happy to look at any individual examples that you have.

Q52 **Bob Blackman:** Are there conditions? If you are telling us that these reports of conditionality being applied are incorrect or should not be happening, that is something that will be good news for leaseholders. On the other hand, it is not the message we are receiving from all over the country.

Jeremy Pocklington: It is sometimes the case that managing agents are deciding that other associated works should happen at the same time, but it is not coming from the Department.

Q53 **Bob Blackman:** I just want to be absolutely clear on this. The Ministry is not saying, "In order to qualify for this funding, all the work has to be done at the same time".

Jeremy Pocklington: We are not saying that.

Q54 **Bob Blackman:** This would only be managing agents or building owners that would be saying, "While we are doing all this and we have the scaffolding up", or whatever they are going to put up, "we want to carry this out. We think this is the most effective means of doing it". It is their decision. It is not a condition of the grant aid from the Ministry.

Jeremy Pocklington: This has been misunderstood.

Q55 **Bob Blackman:** I just want us to be clear. If you are giving us that evidence, that will be incredibly helpful.



Jeremy Pocklington: I am very happy to write with more detail, just to absolutely set this out in more detail, but I have given you the broad picture there.

Q56 **Bob Blackman:** It is very helpful. I am not wanting to put you on the spot, but the reports we are getting from leaseholders all over the country suggest that there is a really serious fundamental concern here. Absolute clarity from the Ministry will be very helpful indeed.

Jeremy Pocklington: Let me take that one away. I understand the issue. We think we have been providing more clarity on that, but let me take that away. If there is more clarity I can provide, I would of course be very happy to help the Committee.

Q57 **Bob Blackman:** The other issue is one of funding. The £5.1 billion is extremely welcome and it is the fundamental thing that most of us were calling for, but our estimate to fix all the tall buildings—not the medium-rise—is £15 billion. The Government are not coming forward with that money at the moment. What is the Ministry's position over this extra potentially up to £10 billion? Where is that coming from?

Jeremy Pocklington: I have not got more to add to this than what the Minister said at the hearing only last month. We are focusing our funding on the areas of greatest public safety risk; it is also our understanding that the evidence suggests that is where the greatest individual costs fall to leaseholders. We are also looking to ensure that developers can contribute as much as possible. The Treasury will be setting out further details of the tax that will raise £2 billion over 10 years before the Queen's Speech. We welcome the further contributions that some developers have made in recent weeks and months. We need to see as much support as possible to tackle these very challenging problems.

Q58 **Bob Blackman:** Now moving on to the medium-rise position, as you quite rightly said, the Government have said they are setting out a plan for this loan scheme, which is potentially very complicated or appears to be complicated, because we were promised that the loan scheme would be published at the same time as the Budget; it has not been yet. We have not seen any details of this. When can we expect to see the details of this forced loan scheme?

Jeremy Pocklington: We are working very hard on the loan scheme and we are working closely with legal experts, residents' groups and others on the detail of that. We will set out further detail as soon as we can, but I have not got a date to give you today.

Q59 **Bob Blackman:** The real concern is going to be that there are enormous numbers of people living in these medium-rise buildings who are saying, "How is this going to work? What is going to happen? Is my building safe?" and there is no comfort at all. I understand completely you are working on it, but, actually, having some idea of when this will be published is going to be vitally important for not only leaseholders but also building owners. If you cannot answer today, we understand, but we



HOUSE OF COMMONS

would want to hear when this is going to be done.

Are there any comparable schemes being looked at by the Government on these types of loan schemes? We were not able to find any.

Jeremy Pocklington: First of all, the importance of rapid progress is understood. We all understand the challenges faced by leaseholders on this issue. I want to stress my understanding of that.

It is not uncommon for Governments to provide loan schemes, but this is being designed for the particular circumstance that we have in front of us, so we are not necessarily working off a particular model from another Government scheme. You will know that the ambition is that the loan can be attached to the buildings. There is a degree of innovation around this, to minimise the impact on individual leaseholders. It is logical to want to do that, but we are not designing this off another scheme that is ready to go, as it were.

Q60 **Bob Blackman:** Has the Ministry got an estimate of the upfront costs associated with remediating unsafe cladding on the buildings between 11 and 18 metres high?

Jeremy Pocklington: We are working to strengthen our understanding of this particular sub-population of the bigger challenge. For many of these buildings between 11 and 18 metres, it may be the case that remediation is not the appropriate course of action. It may be that the better action is one of mitigation in order to manage the risk. As you may be aware, that will be an important focus; it is something that has not been focused on quite enough yet. The work on publicly accessible standard 9980 will set out the industry standard and the industry approach to this. Particularly for these mid-rise buildings, as I say, it may be more appropriate to take an alternative course of action.

Q61 **Bob Blackman:** There are surveys and other things that have to be undertaken before the costs can be assessed. How much of that is going to be picked up by the taxpayer and how much is going to be down to the building owners to identify the costs that are going to be there?

Jeremy Pocklington: We have set out what our approach is through the financing scheme. We want to minimise the effect on leaseholders. Taxpayers' money is constrained, hence the finance and the cap. We want developers also to do the right thing and support the remediation or the mitigation of these buildings, as some of them have done for high-rise buildings. They deserve credit for that when they have. Unfortunately, not enough have. The ask is the same on buildings between 11 and 18 metres as well.

Q62 **Bob Blackman:** Finally, we were told that details of the new developer levy and tax system that was announced on 10 February were still being finalised when the Minister came in front of us. When can we expect to see the details of this scheme, because this is going to be vitally important, so that we can monitor how this is going to be paid by



HOUSE OF COMMONS

developers and how it is going to all work, to make sure it is fair to all concerned?

Jeremy Pocklington: The Treasury has said it will set out more details for consultation before the Queen's Speech.

Q63 **Bob Blackman:** How much is the estimate that the developer levy will raise? £2 billion is expected on the tax, but how much on the new levy?

Jeremy Pocklington: I do not have more information to give you today on the levy. We will set out more details in due course. It is part of the Building Safety Bill.

Q64 **Chair:** Just on the loan, Mr Pocklington, we have asked this question before and we have had different answers. If a loan is being raised, some organisation or some individual must be responsible for it. Which organisations and which individuals are you assuming will be responsible for it?

Jeremy Pocklington: I read the transcript of your hearing with Lord Greenhalgh and the director general. Unfortunately, I do not have more to say than they said at that hearing. The ambition is that for the scheme the loan will attach to the building. Ultimately, leaseholders are repaying through the £50 a month cap, as you know. We need to set out more detail on this, but that is the strategic aim of what we want to do through the financing scheme.

Q65 **Chair:** I will take that as a "don't know".

Jeremy Pocklington: No, it is not a "don't know". That is the strategic aim of the financing scheme.

Q66 **Chair:** A building cannot be responsible for paying a loan back.

Jeremy Pocklington: We will need to set out further details, as I say, in due course.

Q67 **Chair:** At this stage you do not know.

Jeremy Pocklington: We are working through the detail.

Q68 **Chair:** At this stage you do not know.

Jeremy Pocklington: I am saying that I am not in a position to share with the Committee until we have worked through all the details.

Chair: You cannot say.

Q69 **Ian Levy:** I believe the Government have allocated £1 billion of the £3.6 billion to the towns fund, which covers 45 towns, and £830 million to the future high streets fund, which I believe covers 72 areas. What measures do you have in place to make sure that this money will be spent correctly and that value for money is achieved?



HOUSE OF COMMONS

Emran Mian: First of all, just on the overall numbers, the £3.6 billion that you quoted includes the future high streets fund as well.

Q70 **Ian Levy:** That is the towns fund and the future high streets fund.

Emran Mian: That is right. On the future high streets fund, places have now submitted their final business cases, so we are really clear now on what projects they are moving forward with. We have asked each place to work with us to identify some baseline metrics, against which we are going to judge the impact of the projects that they are taking forward. We are doing that now as part of our monitoring and evaluation strategy, and then we will regularly look at those metrics to see what impact the projects are having. The responsible authority for managing the money in each case will be a local authority, and so we will use the usual mechanisms that we do for managing the grant with the local authority, and ensure that it is being spent on the purpose for which it is being given.

On the towns fund, you mention the figure that has been allocated. That has been allocated to around half of the towns that we hope to work with in total. We are working through the other town investment plans at the moment and we will shortly make decisions on them.

Of the towns that have already had a town investment plan confirmed, the next stage for them now is to work up more detailed business plans on the individual projects within the town investment plan. We will take a further look at some of those business cases where the project is particularly complex or where the project has a particularly high value and then, having done that, we will essentially monitor every six months how they are doing on delivery of their town investment plan.

In practice, our involvement is much more regular than that, because a member of the team typically sits on the town deal board as well. Colleagues from the Committee who have been on town deal boards hopefully will have seen members of the Department sitting as part of those town deal board conversations. That will continue to be the case and we will continue to have a really close dialogue with the town deal board, as well as with the lead local authority. Every six months we will monitor more formally how the town is doing in terms of delivering against the investment plan.

Q71 **Ian Levy:** Lovely. I believe that in response to the PAC report on town deals the Department said it would publish the details of its monitoring and evaluation strategy in the spring of this year. Do we have any dates for that?

Emran Mian: We will hopefully be in a position to do that very shortly. We are just in the process of consulting with some academics and some other experts on this right now. We felt it was really important to go through that process, because there are people who have a long history of studying these issues and looking at the impact of projects like this at



HOUSE OF COMMONS

the local level. We are doing that at the moment and then hopefully, shortly after the local elections and purdah coming to an end, we will be able to set out more details on a monitoring and evaluation strategy.

Q72 Ian Levy: Things like the towns fund and the future high streets fund are fabulous projects to bring life back into the high street, but I am just wondering if there are any lessons that we could learn from this first round of allocations before anything else goes ahead for future applications. Is there anything that has jumped out and you have thought, "No, we have done that wrong. We could have tweaked that"?

Emran Mian: All the applications for the towns fund are now in. We asked places to say when they wanted to submit, because we recognised that different towns were at different states of readiness. Some had already been doing some of this work about a masterplan for their town centre or other area and they were ready to submit immediately. Others still have that work to do. We now have submissions from all of the towns in already.

What is coming through really strongly from the plans that we have, many of which are already published because the town deal boards themselves have decided to publish the plans, is a really clear theme around places thinking about their town centre as an integrated whole. They are not just coming to us to talk about an individual project. They are coming to us to talk about a set of interrelated projects.

We have also seen really good collaboration between the different members of the town deal boards. It was quite a deliberate decision on our part to create these town deal boards to mobilise a coalition in each of the towns and to bring together the MP, the local authority, some of the key private sector individuals and companies in the area, as well as the other agencies. We have been really encouraged by seeing that happen and by seeing that play through in the town investment plans themselves.

There is a real mix of projects in there, which include, for example, bringing more further education into the town, bringing more private investment into the town and really rethinking the retail space in the town centre. Lots of areas are finding really significant challenges around retail space. They are thinking about how to either revitalise the retail space or to reuse it for other purposes, so those themes are coming through really strongly. The key for us now is going to be ensuring towns are well set up to deliver on those plans and that we have what we have just talked about: really good plans in place to monitor and evaluate whether the interventions are having the desired effect.

Ian Levy: In Blyth, we were fortunate that we won our bid with the future high streets fund. I sit on the board for the town deal as well. You are right: that whole joined-up approach is what we need to move this forward. Thank you for your answers; I appreciate that.



HOUSE OF COMMONS

Q73 Chair: Mr Pocklington, the Department has decided to set up a new headquarters in Wolverhampton. How was Wolverhampton chosen and is there an expected budget to fund this move?

Jeremy Pocklington: Thank you for an opportunity to talk about this. We set out our intention to establish a second headquarters in Wolverhampton. That was a very logical choice for us. The first thing to say is we had already committed to be part of the northern economic campus, which has now been confirmed in Darlington, so it seemed logical to look for a location in the West Midlands, given the connectivity and given Homes England already having a presence in the area.

We looked at a range of options. It is a Government priority to focus not just on the larger cities but also on medium-sized cities and larger towns. We looked at labour markets, housing markets and transport connectivity, and Wolverhampton was a logical decision for us to make. We are now working to establish our plans in more detail. I will bring in Mr Thurstan on that in just a moment. Just for the full picture, it is worth also noting that we are not just an England Department now; we are also establishing small teams in Scotland and Wales, and will in due course in Northern Ireland as well. You asked about Wolverhampton and the budget; I will bring in Mr Thurstan on that point.

Matt Thurstan: In terms of budget, there are a number of elements to the costs and benefits of moving roles out of London. This is part of a broader initiative to move roles out of London for the Department. The first and probably most significant element of cost will be the new estate. We have a budget. We have factored that into our admin budget for this year in terms of the estates costs, although, in terms of the medium to longer term, we would expect an estates saving as we look to reduce our space in London, which is significantly more expensive than office space in, say, the West Midlands. The estates cost is the biggest part.

We are also exploring with colleagues in the Department who would be interested in voluntary relocation. We do not expect the majority of roles to be filled by voluntary relocations, and that is something we are looking at for other locations broader than just Wolverhampton, but there would be a small cost per move associated with the voluntary moves as well.

The final key part of the overall cost and budget to consider would be the allowance of London weighting. For voluntary relocations their London pay would be protected for a period of time. That is typically 8% to 10% higher, dependent on grades, compared to national pay, so, again, in the medium to longer term there will be a saving there. As I said before, we do not expect the majority of those new roles to be relocations. The majority will be recruited in the Wolverhampton area. We have a budget. The overall drive of moving roles out of London is not a cost-saving initiative, but we expect overall that the move of roles out of London will save the Department money.

Q74 Chair: Is there further detailed information you could simply write to the



HOUSE OF COMMONS

Committee with? That might be helpful, rather than going through all the details now.

Matt Thurstan: Yes, I would be very happy to.

Q75 **Chair:** Just in terms of the functions that are going to be going to Wolverhampton, could you just explain what are the main policy areas that you are going to transfer?

Matt Thurstan: We are still in the process of working through exactly which roles will move to Wolverhampton, as well as our other strategic locations for the Department. Mr Pocklington mentioned Darlington before. We are also expanding into locations in Wales, Scotland, Northern Ireland and so forth. We are still working through exactly which functions we will move and which roles will move to each of those different locations.

What I can say is it will be a range of roles, so it is absolutely not just corporate centre roles. We are looking to move policy roles and delivery roles across a broad range of grades as well. We have already started recruitment for some of our new initiatives, such as the levelling up fund; we have roles exclusively advertised in Wolverhampton for the levelling up fund, and we are expecting to move roles across our key strategic policy areas as well. If it helps for context, we have already advertised 110 roles in Wolverhampton, of which 36 are exclusively for the city, so we are very committed to making this a real success as our second headquarters.

Q76 **Chair:** Thank you for that. We look forward to the further information, which will be helpful to the Committee. Just moving on to a couple of other issues, there was a Government internal audit report that described the Department's approach to cybersecurity risk management as immature. Could you convince us that you have matured somewhat since that report?

Matt Thurstan: I do not recognise the word "immature", but you are right: we did have an internal audit report, which gave a limited rating; it was very helpful to point out some of the areas that we were keen to focus on.

In terms of cyber, it is probably worth setting out some context. First, the Department takes cyber risk incredibly seriously and we appreciate, as many organisations do, that this is a growing area of risk. We have been making improvements to our cyber controls since late 2018, so before the internal audit report, but the internal audit report was very helpful in terms of securing our understanding of where we are, focusing us in the right areas and some additional points as well.

If it is helpful in terms of where we are now and how mature, it is probably worth breaking it down into four broad areas. First, we now have new products. We had a technology refresh in late 2018 that has brought in a modern suite of security products. We are also looking at



HOUSE OF COMMONS

working hard to document policies and procedures, which was a key feature of the internal audit report.

We have increased our capability, so we have brought in new roles, including two new senior civil servants with overall accountability for cyber control. We have a new head of cybersecurity and a small dedicated team that works to them. We have brought in some new processes. We now have a cybersecurity operations centre, which leverages private sector expertise and gives us a 24/7 response to potential incidents. We are also working hard in terms of increasing knowledge, awareness and understanding through training courses for all our staff, which we refresh regularly. Also, we are developing some new senior courses for senior management.

We are doing lots to make sure we are up to date with the controls and processes to mitigate cyber risk. We absolutely have more to do. We are trying to keep in touch with the central guidelines from the National Cyber Security Centre. We are tracking progress through our audit risk and assurance committee. We have engaged with internal audit again very recently, who are positive in terms of the steps we are taking. We are on track in terms of the improvements we need to make. We are making good progress, but we are certainly aware that it is a constant challenge to keep up to date, and there are further improvements to make.

Q77 Chair: Just out of interest, do you offer any advice and assistance to local councils that may face similar challenges, given your systems are clearly related to each other?

Matt Thurstan: Yes, absolutely. Our role with local councils is very much as part of our local government stewardship role. We are very focused on the resilience of the sector overall. We have been doing a number of things, probably very similar, in the same categories, in terms of increasing our understanding from the recent incidents in the previous year or so, surveys with the relevant digital teams and engagement forums. There is lots to do in terms of understanding where the issues are and any key risks that we need to mitigate.

We are doing quite a bit in terms of educational awareness, again with those kinds of forums, but also with letters from our Minister for Local Government and the chief cybersecurity officer in Government as well. There is quite a lot in terms of ongoing support, in terms of technical support, developing frameworks in terms of best practice and also specific funding support into local government where we can support. We very much recognise our role as the Government stewardship for the function also.

Q78 Chair: Thank you very much; that is a comprehensive answer. That is very welcome to the Committee. In terms of staffing numbers, there was an increase in staffing to cope with the issues of Brexit and the pandemic. Is it expected those staffing numbers now will fall back during the course



of this year?

Matt Thurstan: The increase that you refer to was in 2019-20, so the year that finished end of March 2020. In terms of the year just gone, 2020-21, we have had another increase in our average staffing numbers. Around about 170 is the figure we will publish in terms of an average increase, but it has very much been a year of response to the pandemic, as you can appreciate.

Rather than looking to increase our headcount, we have looked to pivot roles and pivot activity. We have had about 600 colleagues in the Department who have moved from areas of work on to specific activities to respond to the pandemic. A good example is we staffed up a shielding team from scratch, which at its peak had a 135 headcount. Overall, in the year just gone, we have seen a small increase in our average headcount.

In terms of looking forward, it is quite hard to give you an exact figure of what our headcount will be as an average in the year that we have just entered. There are lots of different considerations to work through, including assumptions around how early and how quickly we can reduce some of our teams that are working on the pandemic response and the response to winter and so forth. We are looking to scale back some of those teams as we speak.

We do have some big new initiatives to deliver, so the levelling up fund, for example, and the community renewal fund. We have had some additional admin budget as part of SR20 allocated to us. Overall, I would expect a slight increase in headcount as well, but it is very hard to give you an exact figure without working through these different elements.

Chair: Thank you for that answer; that is detailed again.

Q79 **Ian Levy:** You have touched on the final question, to be honest with you. Is the Department comfortable with the increase in temporary staff and consultancy spending over recent years?

Jeremy Pocklington: I will leave Mr Thurstan to talk about the expenditure on consultancy, but the increase in staff has reflected the increase in the responsibilities the Department has had, so, post the awful tragedy at Grenfell, the enormous challenges on building safety that we have discussed, managing EU transition, the Covid pandemic and a fuller housing agenda. There have been a number of reasons, and there is now a significant agenda on planning and the levelling up fund, which we have touched on today. We need to manage ourselves carefully and efficiently, but that is the cause. I will bring in Mr Thurstan on consultancy spend.

Matt Thurstan: Thank you for the question. In terms of the accounts for 2019-20, you will have seen a £2.1 million increase in core departmental consultancy spend, and we will be publishing an increasing consultancy spend further for 2021. The driver for that is very much in line with the key issues we have discussed here today. This directly relates to a



growing remit for the Department and the complexity of what we are trying to do.

If we take the building safety programme, for example, I know Mr Blackman has talked about the complexity of the private sector cladding remediation fund. We have launched the new building safety fund. These are very complex activities where we look to assess whether we have the skills and capability in-house, whether it is sensible to hire in those skills and capabilities or whether it is appropriate to look for the use of external support, if it is looking at very technical and specialist roles. We have seen that increase in consultancy, which has been driven by those kinds of activities.

In terms of whether I am comfortable with the level of spend, broadly yes. As chief financial officer, I am quite keen to drive down these areas of spend, but we have lots of control and we assess throughout our governance processes whether it is right to bring in consultants or whether there are alternative options.

When we bring in consultants we look at the scope and deliverables to make sure we are not going out to bring people in for activities we could do in-house. We clearly do not always get that right and it is a key area of focus we have continually going forwards, but, quite importantly, we also take the vast majority of our consultancy contracts from frameworks that have already been competitively let, to try to ensure we are getting value for money and we are paying the right price for the work that we procure. What we typically do is run mini competitions off those frameworks to try to engineer further price reductions. I am very aware there is an increase there. I am not surprised it is being asked by the Committee. I am comfortable with what we are doing, but there is definitely more to do and we remain very focused on trying to get the best value from consultants and drive down spend where appropriate.

Q80 Chair: Just to follow up on that, it is a challenge sometimes for the public sector, but how far are you constrained by the civil service pay structure not allowing you to go out in the market? I am thinking particularly of digital experts and building experts, where they may be able to attract a lot more money in the private sector, but then you employ them as consultants and spend an awful lot more money on them than you would be if you employed them directly. Is there enough flexibility in the civil service pay scheme to enable you to compete in the market for those sorts of professionals?

Matt Thurstan: There are some constraints there. You touched on the DDaT—digital, data and technology—roles. There are some issues we are working through there in terms of DDaT roles and whether we have the right offers to attract the right individuals into the civil service. It is going to be a growing area. One thing we have not touched on is a real focus we have as a Department on our capability strategy, and that will be part of that.



HOUSE OF COMMONS

For the broader roles, there will be some constraints, but there is a broader question about how long we need these people for. Do we need a full-time person, or do we want to go out to consultants with a broad range of specialisms, where we might need to use them for one or two days a week and so on and so forth? These are all the considerations we look to go through as part of that “bring in or buy” decision. There are some constraints, but it is not the main factor.

Chair: Thank you very much indeed for that answer, again. Mr Pocklington, thank you to you and your colleagues for coming to give evidence to the Committee today. We have covered a broad range of issues. We are awaiting from you one or two detailed responses in writing that you have promised to give us; we will appreciate those as well. Thank you very much indeed.