

Levelling Up, Housing and Communities Committee

Oral evidence: DLUHC Annual Report and Accounts 2020-21, HC 939

Monday 7 March 2022

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Members present: Mr Clive Betts (Chair); Bob Blackman; Ian Byrne; Florence Eshalomi; Andrew Lewer; Matt Vickers; Mohammad Yasin.

Questions 1 - 97

Witnesses

I: Jeremy Pocklington, Permanent Secretary, Department for Levelling Up, Housing and Communities; Matt Thurstan, Chief Financial Officer, Department for Levelling Up, Housing and Communities; Richard Goodman, Director General, Building Safety, Grenfell and Net Zero, Department for Levelling Up, Housing and Communities; and Alex Skinner, Director for Local Government Finance, Department for Levelling Up, Housing and Communities.

Examination of witnesses

Witnesses: Jeremy Pocklington, Matt Thurstan, Richard Goodman, and Alex Skinner.

Q1 Chair: Welcome, everyone, to this afternoon's session of the Levelling Up, Housing and Communities Select Committee. We have a session this afternoon with the Permanent Secretary and senior officials in the Department to discuss matters around the annual report and accounts of the Department for 2021, but I am sure that we will go into quite a few issues that have probably occurred since that time and are particularly relevant to today and the immediate future.

Before I come over to our witnesses, Permanent Secretary, we will just put on record our interests as a Committee that may be directly relevant to this session. I am a vice president of the Local Government Association.

Ian Byrne: I employ a councillor in my office, Chair.

Matt Vickers: I have family members who are councillors and I employ



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councillors in my office.

Andrew Lewer: I am a vice president of the LGA.

Chair: Bob Blackman, who is about to appear any minute, is a vice president of the LGA as well.

Thank you very much for coming, Permanent Secretary. Would you like to introduce yourself and your officials or get them to introduce themselves so that we know who everybody is before us today?

Jeremy Pocklington: I am the Permanent Secretary for the Department for Levelling Up, Housing and Communities.

Richard Goodman: I am the Director General for safer and greener buildings in the Department.

Matt Thurstan: I am the Chief Financial Officer.

Alex Skinner: I am the Director of Local Government Finance.

Q2 **Chair:** Thank you very much for joining us this afternoon. We will begin, Permanent Secretary, with an issue that obviously was not in your report and accounts for 2021, namely the tragedy that is unfolding in Ukraine and the impact that has on people who are fleeing the war there, being driven out of their homes and their country, and what we are able to do to help them. I am sure that everyone watching will be saying that we have to do what we can to enable people to come to our country for support and to give them the support they need and deserve once they get here. That is absolutely key.

The Home Secretary announced two main schemes last week. One was about family members coming over here, and I understand that has been slightly expanded since the initial announcement. Then there was something that has been called various different titles—humanitarian sponsorship scheme or community sponsorship scheme—which you as a Department are responsible for delivering. Could you say a little bit about how far you have got now in engaging with local councils, which will be at the forefront of doing this work, and identifying how people can be accommodated, and not just accommodated but the other services they will need, like places for their kids in schools and mental health support, given the trauma that most of them will have been through when fleeing? To emphasise as well that most of those services will be needed, not just for people who come under the sponsorship scheme but for people coming to be with family members in this country who may or may not have accommodation for them but certainly they will still need school places and all the other support services.

Jeremy Pocklington: Thank you, Mr Betts. I completely agree with the sentiments behind your question. Let me set out the work that we are doing on the humanitarian sponsorship scheme, working very closely with the Home Office and other colleagues across government.



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What we have said is that the scheme will provide a route for Ukrainians without any family ties to come to the UK and be matched with individuals, charities, businesses, community groups and potentially others. We are working intensively with local government, devolved Governments and community groups on the detail of that scheme. We have set out that individuals coming through the scheme will have leave to remain for an initial period of 12 months. Crucially, they will have access to work and we will provide services.

You are highlighting the importance of wraparound support. Trauma support for many of the individuals affected will be very important and those are the details that we are working through now intensively. We have said there will not be a limit on numbers. It will depend on the support we can get from sponsors, crucially, but very intensive work through the weekend is absolutely our top priority at the moment.

Q3 Chair: How will the funding get down to local level? Will it go to councils for them to resolve who delivers and how they are paid? How will the money get through to health trusts and others delivering those services? How will it get through to schools?

Jeremy Pocklington: We will need to set that out. You are asking exactly the right questions. We are working that through. We obviously have experience from other schemes in recent years, unfortunately, given global events. I am not going to pre-empt the outcome of that work, I am afraid, in front of this Committee today. I think that this needs to be set out properly once the details are resolved.

Q4 Chair: Right, and the timescale to get them resolved?

Jeremy Pocklington: Soon. We are working very intensively on this. It is absolutely our top priority at the moment.

Q5 Chair: I understand the pressures and that you do not have an immediate off-the-peg answer to give to us this afternoon, but any idea? By the end of this week should mechanisms be in place and funding streams be lined up to deal with this?

Jeremy Pocklington: I am not going to put a precise timeframe on it. We are working on it very intensively. Discussions are happening this afternoon on this. They have been working on it through the weekend. I cannot give you a precise day on which this will happen, but soon.

Q6 Chair: Could you write to the Committee by certainly Monday of next week indicating how far you have got in that process?

Jeremy Pocklington: I am very happy to do that.

Q7 Chair: You said there has been past experience. Let's just say that perhaps some of those experiences, certainly the Afghan refugee schemes, have not exactly been an exemplar of how to do things in how long people have been left in temporary accommodation, and still are in many cases. Are we going to improve on it this time?



Jeremy Pocklington: Providing housing accommodation is a hugely challenging issue, as you and the Committee will know as well as we do in the Department. Suitable accommodation is in very scarce supply in this country. We will need to think creatively about options for that. That is exactly what we are doing. The Afghan scheme has left a lot of people in hotels and temporary accommodation. That is obviously not the right sustainable medium to longer-term solution.

Q8 **Chair:** Will there be any attempt to look at the geographic distribution of where people are coming? Simply because there is housing available that may not mean there are other services available. As you say, and it is absolutely right, people will be traumatised. They will need support to help them with that, but we all know that particularly children's mental health services are under enormous pressure with very long waiting times, certainly in my own city of Sheffield and elsewhere. Will we try to take account of the amount of pressure on those local services for where it might be best to try to encourage and help people to locate?

Jeremy Pocklington: That is exactly the sort of policy question that we are working through urgently. We recognise that many services in many parts of this country are under strain, but I think, given the tragic events in Ukraine, we owe it to refugees and their families to do everything that we can.

Q9 **Chair:** Yes, and I think that there is such widespread support in this country for that and sympathy for people fleeing this awful event and situation in Ukraine that we want to do more than sympathise, we have to make sure they are properly looked after. I think that is what the vast majority of the public will want us to do.

Jeremy Pocklington: Agreed.

Q10 **Chair:** One other issue, not directly related but it is for Ukraine and the knock-on, is that there is also widespread support for taking effective sanctions and action against Russia, Russian companies and any who may be contributing towards their resources to wage this appalling act of violence. One thing that some local authorities have identified—and I think both Merton and Salford have—is that they have contracts with Gazprom and they would very much like to end those contracts. They do not want to be doing anything that might be seen to be supporting Russian efforts in the war. Under current rules of local authority contracts, which do not allow them to discriminate according to where a contractor is based, they think they cannot legally get out of these contracts. Is the Department aware of that challenge and are you able to do anything to help both those local authorities and the wider public perception that we should be doing everything we can to enable disinvestment?

Jeremy Pocklington: Yes, we are aware. We are looking into it very urgently. As you say, a small number of local authorities have contracts with Gazprom, as was the example in that case, and are seeking to exit



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those contracts. We support them in doing that. It is their decision but it is the right thing to do and I think that the country would support them. We are looking at the specific legal question that Merton has raised very urgently.

Q11 **Chair:** Will you then be able to offer more general guidance to local authorities about how to deal with this?

Jeremy Pocklington: We will complete that and then obviously we will want to communicate with local government. I do not know the precise mechanism by which we will do that, but we will, of course, do that.

Q12 **Chair:** I think you know the next question: when?

Jeremy Pocklington: Indeed, I do know it is the next question. I cannot give you an answer to that, but it needs to be very soon.

Chair: Again, could you update us by the end of the week about that?

Jeremy Pocklington: I will update the Committee on that.

Chair: Thank you for that. Moving on to something that was very much a part of the accounts in question, overall departmental spending, and Bob Blackman has some questions on that.

Q13 **Bob Blackman:** I want to explore some details around the settlement that you have received from the Treasury. First, obviously there appears to be a real-terms increase over the spending review period, but did you get everything you asked for from the Treasury?

Jeremy Pocklington: We got a good outcome from the spending review process. We are very pleased with the outcome. It gives us the resources that we need to deliver the priorities that we have as a Department. You are referring there to the negotiation with the Treasury. No Department in history in any spending review ever receives exactly what it asks for, Mr Blackman. You know that; I know that. It is a very good spending review outcome that gives us the resources that we need for the job that we need to do.

Q14 **Bob Blackman:** Okay. Well, let's look at the capital budget then. Over the period, it reduces from £7.8 billion in 2021-22 to £6.8 billion in 2024-25. What is the impact on the Department of the reduction in that capital budget?

Jeremy Pocklington: I will say two things about that. It is important to differentiate between CDEL grant, capital grant, and capital financial transaction spend. In 2022-23, it is temporarily inflated by the Help to Buy scheme, which comprises the bulk of the £3.6 billion financial transaction capital—

Bob Blackman: We will come on to that a bit later on.



Jeremy Pocklington: The Help to Buy scheme was always scheduled to end in March 2023. It was always a temporary scheme that was due to end, so excluding that factor the CDEL budget is growing. It is also worth bearing in mind that the numbers in the spending review document exclude two things. First of all, UK SPF is on top of that. That grows to be £1.4 billion in 2024-25. Secondly, the Levelling Up Fund money is kept in the reserve. That is because the precise allocation between my Department and the Department for Transport depends on which bits are selected. There are two ways in which the CDEL headline numbers are understated, in a way, in the spending review document.

Q15 **Bob Blackman:** All right. On the supplementary estimates for 2021-22, you moved £210 million of the capital budget for building safety into future years, which is a similar pattern to 2021 when there was a large underspend on the budget. We understand from the Secretary of State about some of the decisions that are being made. Can we be quite clear why the Department is not spending the money on building safety that was allocated?

Jeremy Pocklington: Can I bring in my colleague Mr Goodman?

Bob Blackman: Of course.

Jeremy Pocklington: The way to think about the numbers is that the Treasury has granted us £5.1 billion for building safety, as you will know very well. I know that you are very interested in this. That is the budget that we will spend. Anything else we need to raise from industry. It is a hugely challenging delivery programme, for reasons that you know well. It depends a lot on capacity and capability, other issues that have arisen as well. I don't know if Mr Goodman has anything else to add.

Richard Goodman: We did revise the estimate at supp. I am confident that we will spend that money. On what drives the shifts in forecasting, it is primarily around the behaviour of freeholders and our ability to mobilise on funding. It is worth saying that the overall amount that we have approved to spend has risen very significantly since the annual report and accounts. We were talking about £320 million approved there in the BSF. We are now talking about over £1 billion that we have approved to spend.

Obviously, there is a process that happens between the point of approval and the work actually happening, a lot of which is around on-site advice and making sure we have the right contractual arrangements in place. We have, for instance, made a series of changes to those this year to increase the pace. Following some of the conversations we have had with ARMA and the managing agents, we have changed the nature of the general funding agreement to make it easier. We have changed the nature of professional indemnity insurance requirements in the GFA, for instance, to help ease that as well.



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We have increased the number of buildings that have remediation advisers. Those are people who are getting into the weeds of what specifically needs doing in that building. We have spent £162 million on remediation support. That reflects the pace at which freeholders themselves can mobilise to get buildings going in the process. That is the main driver of what speed looks like and we are very keen to improve that in any way that we can to improve the freeholder competence and drive to remediate those buildings.

Q16 Bob Blackman: We will come on to some detailed questions about the Building Safety Fund in a few minutes. Can I just clarify? When the Secretary of State came in front of us, and indeed other witnesses, we were not in a position of knowing how many buildings there are and how much overall it will cost. Are we now in the position of having that data?

Richard Goodman: The Secretary of State said when he was here that we have made a series of estimates and surveys based on professional advice around prevalence in unit cost. That remains true. It is an estimate. Until every building comes in that will inevitably be an estimate. To put this into context, the ACM—

Q17 Bob Blackman: Excuse me, sorry, can I just be clear? We did ask the Secretary of State very detailed questions about this. He said that the Department did not have the data on the number of buildings at all, let alone those that are affected, the unit cost and so on. He was not able to present us with figures and we did ask him to write to us about that.

Richard Goodman: He made the point that we have estimates on figures on which it is based. That remains true. What I was going to explain is that—

Q18 Bob Blackman: Sorry, excuse my ignorance on this, but I cannot understand how it is that we do not know how many buildings there are. We may not know how badly affected they are, but we must know how many buildings there are overall and, therefore, be able to come to a point of saying that there are this number of buildings and we have to get data on that number of buildings, surely.

Richard Goodman: Yes and no. There are 87,000 buildings over 11 metres in England. That is our survey estimate. That is not as straightforward as it looks. For example, the cut-off point for the Building Safety Fund is 18 metres. We put a 30 centimetre tolerance on that. I appreciate that sounds very technical, but it really matters. If you think about the unit cost of a building, which could be £3 million or £4 million, you do not need many buildings out for the estimate to shift significantly on that front. We have had local authorities and others do high-risk reviews of the buildings in their areas to understand that. If I take the ACM fund as an example, since December 2020 we have had 15 new buildings come into that fund. That fund has been running for the best part of five years and still building owners are discovering buildings with the prevalence.



I am not trying to haver on the size of the estimate. I am saying that we have done very intensive work with local authorities, professional surveyors and others and with the Office for National Statistics to size the population. What I am really saying is the same as the Secretary of State said, which is that those are inevitably best estimates because until you get into the detail of an individual building some of those can move about and you discover more that nobody thought existed at all. I am quite surprised that 15 ACM buildings have come in over the past 18 months but that shows the nature of the unpicking that needs to happen.

Bob Blackman: I am conscious of the fact that we will come on to a detailed question on this particular area in a few moments, but I am just registering my concern that once again, as you quite rightly say, nearly five years on from Grenfell we do not seem to know how many buildings are affected by the work that has to be done to put them right. Okay, I will pass on to another area.

Q19 **Chair:** We will come back to some of those questions about building safety in due course.

Coming on to the pressures on local authorities, particularly individual local authorities, and the IFS's analysis of the help the Government had given to local authorities to deal with Covid, I think that it was generally indicating that they had done a pretty good job overall in supporting both the extra costs and the loss of income but questioned whether the distribution had always meant that every authority had received compensation for budget changes that had arisen. Have you been able to identify authorities that have significantly lost out and where that may have created additional pressures for them?

Jeremy Pocklington: First of all, I think that what our policy was and what our approach was is the start of the answer to that. We committed at a system level to meet the expenditure pressures faced by local authorities and to meet a portion of their losses in sales fees and charges and to cover some tax losses as well. That is as the ISF has done. It has slightly different numbers to us but the overall picture is the same. That shows that we more than did that. We overfunded to an extent. There is a surplus overall. We did not fund commercial income losses as a whole.

That was the overall approach, but we always said that we recognised some authorities might be under particular pressure. The message to those authorities was to come and talk to us and we would provide further support if needed. There were, of course, some authorities that were put under particular pressures because of airport income, for example, or income reliant on tourism or other revenue income, and we needed to provide additional support for those. That was the approach that we took. It was not a commitment. It is not possible to provide a commitment that for every single local authority we will match their costs. I don't know if Mr Skinner wants to add anything.



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Alex Skinner: I have a couple of things. One thing that I think that IFS analysis helpfully illustrated was the point that Jeremy made, which was that we have overfunded the sector. As Jeremy said, we were never trying to match every local authority's costs exactly, but if you bring the IFS analysis together with the work that we have done, with broadly every type of local authority we have met the pressures. Then, as Jeremy has said, we said to any local authority, "If you are under significant financial pressure do come and speak to us". There are the 10 cases that you know about. There are no additional cases talking to us now as a result of budgetary pressures, and we are in the very tail end of the budget-setting process for 2022-23. My expectation is that no local authorities will come to see us in the immediate future because of budgetary pressures and their ability to meet them in the next financial year.

Q20 **Chair:** Were these tenancies all Covid-related or were they more general problems?

Alex Skinner: In some cases, as you know, for example Croydon or Nottingham, there were other factors. I suggest that Covid was often a crystallising factor and that it brought forward something that might have happened in slower time or could potentially have been avoided if that significant budgetary pressure had not arisen.

Q21 **Chair:** You now have a unit in the Department, don't you, monitoring local authorities that might be getting into difficulties? I think that you told us about it a couple of years ago.

Jeremy Pocklington: We have increased the resource in the Department monitoring and engaging with local authorities. I think that we spoke to well over 100 local authorities during this period. We have more intense dialogue with authorities particularly affected with pressures, like Croydon, for example. It is an important part of our oversight of the sector.

Q22 **Chair:** If that oversight was working effectively, you would pick up problems, wouldn't you, and work with local authorities on them before they got to 114 notices?

Jeremy Pocklington: We want to engage with local authorities at an early stage. That is what we do. A small number of authorities have issued section 114 notices. Not all the authorities we provided support for issued a 114 notice. That is obviously a decision for the local authority. We have given a very clear message, I think supported and reinforced by CIPFA, that authorities considering issuing a section 114 notice should come and talk to the Department. That remains the case.

Q23 **Chair:** In the cases where 114 notices have been issued, that happened and you were not able to help them sufficiently?

Jeremy Pocklington: It is a decision for individual local authorities. It is obviously not a decision for the Department. We have provided the



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support that is required to ensure that local authorities can deliver the vital public services that their local citizens need.

Alex Skinner: The other thing that we have seen on a couple of occasions is that people have issued section 114 notices for unlawful expenditure. They have not been driven to the section 114 notice by budgetary pressures.

Chair: That is Nottingham, for example, is it?

Alex Skinner: Yes, in the case of Nottingham because of the transfer of funding from the housing revenue account to the general fund, and in the case of Croydon because of the Fairfield Halls public interest report. Those were unlawful expenditure. As Jeremy says, for us the acid test is not whether a section 114 notice was issued, because that is a local responsibility, but, first, did we know about it—in all of the cases, yes, we did know about it—and, secondly, did you still see the ongoing provision of public services? Yes, absolutely. The decision that Ministers took was the right course of action, to issue the section 114 notice. What that triggered locally was the stop, the consideration by the whole council and then an action plan to resolve it.

Q24 **Chair:** Can I ask about Nottingham in passing? The situation is that basically it spent money that should have been spent—it was HRA and general fund expenditure that was mixed up, wrongly identified.

Alex Skinner: Yes.

Chair: Has the Department thought about any new guidance to authorities? Sometimes there are questionable operations, aren't there? Local authorities get into financial difficulties in the general fund and think, "There is a bit of money over there in the HRA; we can use it for that purpose", which is not right. Is there clear guidance from the Department to stop that sort of thing happening?

Alex Skinner: The guidance is crystal clear. That is recognised by Nottingham because as soon as the finance director recognised that this was an issue, he commissioned a review to look into it. It was very clear that it was unlawful and they have now returned the funding and they have commissioned a subsequent review to understand whether there are lessons learned. We will obviously get that review and if there are lessons to be learned we will look to share them.

Q25 **Chair:** Yes. I think that it might be helpful if you could share it with the Committee as well, and share it with other authorities. Was it five or six years that it took to recognise that they had been doing it wrongly?

Alex Skinner: It was in that order, five or six years, yes.

Q26 **Chair:** Yes. The guidance is crystal clear. How come they managed to get it wrong for five or six years?



Alex Skinner: I am not sure that I can answer the whole question, but now that it has been recognised—sorry, one of the issues is the materiality of the expenditure. Over the entire period it was around £14 million. If you spread that over five or six years, you are talking about £2.5 million off an HRA that would be several orders of magnitude larger than that. That is not to justify what happened, but I agree, it is something that we should be looking at and learning the lessons from.

Q27 **Chair:** It might be helpful to have a look back on that in due course. I have some quick points. On the support for local authorities, which you mentioned, Mr Pocklington, the Government were also indicating that they would look to support authorities with lost income from business rates and council tax because of the struggles businesses and individual householders had in paying those bills. Has that scheme disappeared now or is it in operation or being thought about?

Jeremy Pocklington: The scheme for tax losses has now finished. In that scheme essentially Government took three-quarters of the tax losses, the local authority 25%, and it was spread over three years, not one. I think that is the broad terms of that scheme, unless Mr Skinner corrects me.

Alex Skinner: That is correct. The only thing I will add is that there was also the £670 million that went in local council tax support. Finally, the other thing that has happened is that the impacts of Covid have now been baselined into the forecasts that go into what the baseline level of business rates and council tax is that local government is receiving and what the projected growth rates are going forward. The OBR did that as part of the process that it does for both the spending review and fiscal events. It served its purpose before we could mainstream the impact of losses from business rates and council tax into the system. Now that they are into the forecasts that is the most appropriate way to take account of the change in receipts.

Q28 **Chair:** Finally, you have a new responsibility, the rebates on council tax to help to fund some of the rising energy costs. We have written to the Secretary of State twice now as a Committee but have not had a reply to the second letter yet. No doubt you will be able to help us with one or two problems. A lot of people do not pay by direct debit, so the local authorities simply cannot reimburse them with £150 in their bank account. Some the local authorities may be able to find a bank account for by writing to them, but others do not have a bank account. How will they get their £150?

Jeremy Pocklington: We recognise that many people do not pay by direct debit. That is why we also included an element in the scheme for local authorities to identify the individuals who do not pay council tax by direct debit. Maybe they go into the post office and pay with a book. Councils will be funded to fund those individuals. I think they have until the end of September for that funding. On the precise mechanism for



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those with bank accounts, I don't know if my colleague Mr Skinner has an answer for now.

Alex Skinner: I can have a go. There are three alternatives that we have identified, working very closely with local government and we are continuing to work with them. One is to use the post office. If people pay in cash, can we use the post office as the mechanism to pay the £150? The second is PayPoint, which a lot of people use to help pay their council tax. The third is that local authorities can say to somebody, "If the easiest thing is for you just to have the deduction off your council tax bill for the 10 payments, we can do that". Those are the three that we have worked with. We are absolutely conscious of the challenge that you have just highlighted and we are working with local government to see what other mechanisms there are so that we can make sure that people get paid as soon as possible.

Q29 **Chair:** Of course, the council tax bill may not be large enough to take the £150 reduction from.

Alex Skinner: No, absolutely, where they are exempt, for example, you are right, and we would have to look at one of those other mechanisms.

Q30 **Chair:** Mr Pocklington, you mentioned funds to apply for. The totality of the £150 for every council tax payer has been funded by Government, hasn't it?

Jeremy Pocklington: It is.

Chair: It is not a separate fund?

Jeremy Pocklington: No. There is a separate discretionary fund, the £144 million, which is for additional support for those who do not qualify for the rebate, not council tax payers in bands A to D property. The £144 million discretionary fund is for others; for example low income households in band E and above property.

Q31 **Chair:** Okay. That has clarified that point, except there is a further problem: tenants in private rented accommodation who may pay their council tax in with their rent. The danger then is that the council tax payer is the landlord, who could be picking up an awful lot of £150 for a multitude of different properties and the tenant does not get anything. How are we going to resolve that problem?

Jeremy Pocklington: That is what the discretionary fund covers. That is exactly one of the scenarios—where it is the landlord rather than the tenant who is paying council tax, despite the liability falling on the tenant. That will be covered by the discretionary scheme.

Q32 **Chair:** Wait a minute. Is the discretionary scheme big enough to compensate every single private sector tenant to the tune of £150 where they pay in that way?



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Jeremy Pocklington: The discretionary fund has been allocated transparently. On our website it sets out how that has been allocated based on the number of properties and an allowance for deprivation. The index of multiple deprivation is also a factor. We are confident that the discretionary fund is an adequate size. There is discretion but ultimately it is for local authorities to make decisions locally and to prioritise that.

Q33 **Chair:** Well, no, you have just told me that the fund is there to make sure that people who pay their council tax in with their rent get their £150. Is it big enough for local authorities to be able to do that?

Jeremy Pocklington: We are confident that we have adequately funded the discretionary fund, but the precise rules of the fund give local authorities discretion on exactly how they use the money locally.

Q34 **Chair:** It is all right having discretion as long as there is enough money there to exercise the discretion properly.

Jeremy Pocklington: I am confident that the discretionary fund is adequately funded. I have already answered that question.

Q35 **Chair:** But, again, what you have also accepted is that these landlords will get all these £150 payments, won't they?

Alex Skinner: In the guidance we have been clear that we should not be making these payments to corporate entities. If, for example, you own 100 properties in Liverpool and you are renting them, you will not collect £150 for the 100 properties. You are right, though. If, for example, you own one property, then yes. Often in those arrangements it will also be the landlord that pays the energy bill, so it will not be in all cases where the landlord is claiming the £150 that he or she would not be paying the energy bill.

Q36 **Chair:** It might be, it might not be. A lot of landlords do not pay the energy bills, do they?

Alex Skinner: Correct. In designing the policy to come up with something workable that we could get out quickly, this was one of the lines that was drawn. Yes, in some cases they will do but, more importantly, as Jeremy has said, if you are in a property, you do not pay council tax but you are paying the energy bill, the household will get up to £150.

Q37 **Chair:** Let's just come back to what you have just said about the landlord in Liverpool. If the landlord in Liverpool is a company it won't get the money, you are saying. If the landlord is an individual who owns all these properties, they will get 100 times £150, won't they?

Alex Skinner: If there was one, that would be the case, but I think we are confident—

Chair: If there was one? Quite a few private sector landlords own the properties directly, not as corporate entities.



Alex Skinner: In the cases where they do not pay the energy bills, what you have outlined would be right.

Q38 **Chair:** That is not a very good use of public money, is it?

Alex Skinner: It is one of the challenges inherent in trying to design a policy to deliver support to people very quickly. The other alternative would have been to say that we will need to design a system where everyone declares the nature of their relationship to the property that they are claiming for. Then I think the challenge would have been how we made those payments in anything less than many, many months.

Chair: Not a great use of public money, but never mind. You are obviously designing a scheme that you have been given responsibility to provide. Let's move on to the local government settlement for next year, Ian Byrne.

Q39 **Ian Byrne:** To go back to question 4, what happens for the tenant if the landlord is getting the moneys? How does the tenant challenge that? Is there any way that the tenant can challenge that they actually receive the money if they are paying the bill within the system?

Alex Skinner: The tenant can certainly speak to the landlord and say, "You have been paid" but more importantly—

Ian Byrne: But we know the balance of—

Alex Skinner: No, I agree, but more important is the point that Jeremy made, which is that if somebody lives in a property, does not pay the council tax but pays the energy bill, they can go to the council. The £144 million in the discretionary fund we are confident can pay for anybody who is under those circumstances and they will receive the support.

Q40 **Ian Byrne:** Is there a degree of naivety there, though, that we do not have rogue landlords—because we know we have—who will just see this as a cash cow? Has that been factored in?

Alex Skinner: I am not sure I fully understand your question but if, for example, you are asking whether it would drive perverse behaviour, I think the answer is no because the scheme is frozen at the time of the announcement. For example, if you were to buy properties to claim the money, you would not be able to.

Q41 **Ian Byrne:** Okay. I will move on to question 5. Thanks for that. After four years of single-year settlements, would you prefer to provide local authorities with multiyear settlements? If yes, what are the barriers to this? I know that my council in Liverpool is desperate for multiyear settlements and I know that the LGA is.

Alex Skinner: As a Department, we would always want to give local authorities the benefit of a multiannual settlement where that was possible. There are two factors this year that I think are relevant. One is that at the time of doing this we were coming out of the pandemic and



local government was very engaged in dealing with the pandemic. Secondly, we have made a commitment to look at reform of the local government finance system, and if we had given a multiyear settlement this time effectively we would have ruled out reform for the entirety of the spending review period. Therefore, it was one of those things where we had to make a trade-off and Ministers took the view that it was better to give a one-year settlement and the certainty that came with that, leave open the subsequent two years, and then return to that question and deal with it in the settlement of next year.

Q42 Ian Byrne: Do we have a timeline now for the fair funding review?

Alex Skinner: I didn't give you a timeline for the fair funding review. What I said is that Ministers have said that they will look at reform and what can be done and that that would influence future settlements.

Ian Byrne: I will come back to that in a minute.

Alex Skinner: Okay.

Q43 Ian Byrne: Local authorities are increasingly reliant on council tax increases to bolster their core spending power, while settlement funding from central government has been decreasing. What proportion of local authorities plan to raise council tax by the maximum possible without a referendum, as far as you know? What is the differential impact on different types of authority by increasing reliance on council tax? Have we done that data analysis?

Alex Skinner: In answer to the first question, which is whether we know what local authorities are doing, the answer is we don't know that comprehensively because they need to set their council tax by 11 March. We will be issuing statistics on what people actually do later in the month and I would be very happy to send that to the Committee if that is useful.

On the question of whether we understand what the differential does, yes, we do, because we specifically do equalisation of the adult social care precept. It is 1% this year, so we will be equalising that with £80 million, which means that authorities would get 94% of the equivalent of it being allocated on a grant formula rather than council tax. Local authorities are shielded from that.

The other thing that I think is relevant is that this year we have paid out £822 million as a services grant. We have paid that out on the settlement funding assessment and that allocation formula takes account of both need and resources, the ability to raise council tax. Yes, we are aware and, where it is possible, we are offsetting the impacts of that differential in the ability to raise council tax so that local authorities get the funding that they need.

Q44 Ian Byrne: Okay, a good, comprehensive answer. I am going to try to draw you out here, and anyone else should feel free to join in. Mr Gove, Secretary of State, said when he launched the Levelling Up White Paper



last month, "We simply can't go on with the gulf between rich and poor, north and south growing. It's not simply a matter of social justice, it's also a matter of economic efficiency." Liverpool and other northern cities face more cuts over the next two years as it stands now. Will the Secretary of State's newfound commitment to social justice be hardwired into the fair funding review, which you touched on before, so future settlements for cities like Liverpool mean we can invest in our communities and services that have been absolutely decimated by austerity? Can you set out when the review will take place?

Alex Skinner: I am not sure I can answer your second question, but you have tried once already. In answer to the first, I think the best way of me answering that is what the Secretary of State said to this Committee when he was here on 8 November. He said, "This is just what we are considering at the moment—the extent to which we can, in this spending round, move resources so that they are more closely correlated to need." Secondly, "We are looking to see what headroom we have for a redistribution of funding to better reflect the additional needs and responsibilities".

Using his words, I think the answer to the first question is yes. In answer to the second, all I can tell you is that the Government are absolutely committed to ensuring that the funding allocations for councils are based on an up-to-date assessment of their needs and resources and we are working on that internally very hard at the moment. We will be discussing it with local government in the coming months.

Q45 **Ian Byrne:** Okay, good answer. Does anyone want to add anything?

Jeremy Pocklington: Mr Skinner has answered the question comprehensively. You are trying to draw us on ultimately what are decisions for Ministers and I am afraid as officials, Mr Byrne, we cannot get drawn on what are decisions for elected Ministers.

Ian Byrne: I have to try, though.

Chair: We will move on now to the even more vexed issue of funding for adult social care with Andrew Lewer.

Q46 **Andrew Lewer:** Government have allocated £3.6 billion of the £5.4 billion raised by the health and social care levy to local government for delivery of adult social care reforms. Have you performed any modelling to assess whether that is enough to make the structural changes that are needed to implement the reforms?

Jeremy Pocklington: We are working with the Department of Health and Social Care very closely on those reforms. You are correct that £3.6 billion will go to local authorities. It is for two things: first of all, to implement a charging reform and, secondly, to move towards the fair cost of care. The cost of the first element of those, charging reform, only really builds up in this spending review. It is really the next spending review where that will start to impact on budgets. That is because the



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metering needs to start and then to run up before that affects our budgets.

On the fair cost of care, we have said that we will monitor this very closely. I know that there is a lot of interest in this, so we will keep that under very close review with the Department of Health. If necessary, further guidance can be issued.

Alex Skinner: I will add that DHSC have done an impact assessment on the cost and if it would be helpful I can make sure that is sent to the Committee.

Andrew Lewer: Good, would you say, Chair?

Chair: Yes.

Q47 **Andrew Lewer:** Yes, so thank you. Regarding other assessments of this, the ADASS assessment is that £10 billion a year is needed to stabilise the adult social care system on top of what has been raised from the levy. Do you acknowledge or understand those sorts of figures?

Jeremy Pocklington: There are very considerable pressures on the social care system. A lot of work went into the settlement that was announced. I am aware that some very large numbers have also been suggested. We are getting on supporting the Department of Health in implementing these reforms. Some of these decisions are for the Department of Health and not really decisions for me and for my Department. We will work with them and engage very closely with local government on that.

Q48 **Andrew Lewer:** You refer there to the key role of the Department of Health. I think many of us would struggle to recognise a time when money that has been allocated to the Department of Health would then end up being moved into other Departments. Is that a concern of yours as these reforms come through?

Jeremy Pocklington: I am referring to how the local government finance system operates, which is that a lot of the money that goes to local government is fed through other Departments, particularly the Department of Health but also Department for Education, DEFRA and others. We have a job to do to co-ordinate the overall budget and support for local government, which is all I am referring to there.

Q49 **Andrew Lewer:** As well as the central transfers for this there is the council tax element. Sally Warren, who is Director of Policy at the King's Fund, said that council tax is not always an appropriate tax base to pay for adult social care because it will not always align with where there is most social care need. Does the Department have any plans to mitigate uneven adult social care pressures around the country?

Jeremy Pocklington: I understand the point being made there. There is an equalisation element in the funding we have allocated that specifically



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compensates for the fact that some areas that are raising their money locally may not be the areas where the need is for social care expenditure. I think it is £160 million and Mr Skinner will correct me if that is wrong.

Alex Skinner: You are right. It is because we had years where we had 2% adult social care council tax. It is £80 million for 1%, as Jeremy said, and this year we have done that. That effectively means that no matter where you are in the country as a local authority, the combination of the equalisation plus what you raise in council tax you get equivalent to 94% of what you would have got had we done it through the grant, and the grant is based absolutely on need. We have put an extra £63 million into the improved Better Care Fund this year and that is done on a formula basis. The £636 million—I might be slightly out—we have put in the social care grant this year is distributed on the adult social care formula and again takes account of need rather than ability to raise funding.

We have tried really hard to offset anything that may have come from relying on council tax to ensure the amount of money we give to local authorities reflects the needs that they have.

Q50 **Andrew Lewer:** Does that formula reflect the new system for funding adult care, which may possibly exacerbate some of those inequalities?

Alex Skinner: There are two things. One is that is primarily about the old system. When it comes to the new system, the funding for the cap will flow according to demand in local authorities. On the fair cost of care, this year we are allocating it on the adult social care formula but there is a commitment to look at whether that ensures that the right amount of money goes to the right authorities. If not, we will look and review it.

Q51 **Chair:** Let's go back to the question that Andrew asked, which you dodged around a bit, if I might put it that way. There is a levy, most of which goes to fund the backlog of cases in the NHS. We can all understand that is a real challenge and a problem. Local authorities will not get anything at all from the levy initially to fund the social care pressures they have but they have been told that in three years' time there will be money, in other words it will be transferred from the NHS. Are you planning for that to happen?

Alex Skinner: To be clear, the funding will not come via the NHS.

Q52 **Chair:** The money is to be allocated for the backlog on the waiting list for the NHS for the first three years. Then after three years we have been told that the funding will switch to fund social care in local authorities.

Alex Skinner: Sorry. My point was it will not be an NHS decision about whether they get that money.

Chair: No, it will not.



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Alex Skinner: It is a Treasury decision. The Treasury has made a commitment on the £3.6 billion, I am sure the Treasury will ensure that commitment is met. What happens on the NHS side is above my pay grade but regarding the £3.6 billion—

Q53 **Chair:** Are you planning for that transfer of money to come over from the NHS to local councils in three years' time?

Alex Skinner: I am not planning on that money to come from the NHS. What I am planning on is that the Treasury will deposit into DLUHC's bank account the money that is required to enable us to pass on the £3.6 billion.

Q54 **Chair:** You are planning for that switch of funding and, you are right, it is a Treasury decision. Treasury do it but it is money that for three years will go to the NHS and then after three years you are planning for it to come to local authorities.

Jeremy Pocklington: We are planning on the basis that the announcement made by the Treasury and the Prime Minister will happen on the terms that they have set.

Chair: That seems a very good answer. In that case, we can watch this space. Moving on to the local authority financial audit, another challenging issue.

Q55 **Mohammad Yasin:** In October 2021, Public Sector Audit Appointments, PSAA, reported that only 9% of local authorities completed their audits by the 30 September deadline and only 40% completed their audits by December. How many audits are still outstanding?

Jeremy Pocklington: By the end of January 55% were outstanding, so 45% had been completed.

Q56 **Mohammad Yasin:** Is there anything being done? There is some more money available to local authorities, but this situation is even worse than before. What is the Department doing to tackle that?

Jeremy Pocklington: This is a priority for the Department and an area of significant concern and attention. The weakness in the local government audit market has appeared over the last couple of years. We asked Tony Redmond to review that, and we are implementing Tony Redmond's recommendations to strengthen local government audit. The causes are complex; they are about wider weaknesses in the audit market, exacerbated by Covid and in some local authorities by lack of capacity as well in local government.

Unfortunately I am on record as saying that there is not a simple single silver bullet that will strengthen the market, but we need to do a series of things. First we need to implement Tony Redmond's review and recommendations and that is what we are doing. We have announced that ARG, the Audit Reporting and Governance Authority, will take on the system leadership role, and that will help stabilise the market. We



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have put additional funding into local government audit, £15 million last year, and we have said that we will put £45 million in over the spending review period.

Crucially, we are now approaching the crunch on the procurement for PSAA, that is taking place this month and next month and into spring. Rather than PSAA measuring bids on a quality price basis of 50/50 as it did last time, it says it will be weighted 80 towards quality and 20 towards price. It will be emphasising quality to strengthen the local government audit market, which will be necessary.

We are intensively working through the liaison committee we have established, with FRC, ARGA, CIPFA, PSAA and the other accounting and audit bodies to look at what else we need to do. Within the audit sector we need to strengthen the roots to becoming key audit partners for local authorities and look to see, although there is no easy answer on this, whether there are any options to temporarily perhaps reduce audit requirements as well.

It is a very serious issue. Delayed audit speaks to the quality of audit as well. Audit is obviously more effective when it is timely.

Q57 **Mohammad Yasin:** My understanding is that audit delays were worsening for many years before Covid. I was a member of the audit committee in Bedford Borough Council and even then the situation wasn't great, but it is worsening. Why did it take so long for the Department to realise or try to make any effort to tackle this?

Jeremy Pocklington: We have tackled it. Tony Redmond's review obviously took place before Covid, so we were already tackling this before Covid. Some of the wider challenges stem from broader changes in audit stemming from Carillion, the wider shifts in FRC that you will be familiar with. When Covid happened that had to be the priority. It was the priority for us in the Department and also the priority for many in local government as well given the important roles they played. That significantly exacerbated the pre-existing weaknesses in local government audit.

Q58 **Mohammad Yasin:** When are you expecting to see the results of the actions you are taking?

Jeremy Pocklington: It will take a number of years before we see significant improvements. We hope that the additional resource and all the other things I have listed will start to make a difference quickly, but significantly strengthening the market will take a number of audit cycles given once one cycle is delayed that has a knock-on effect into the next audit cycle and, the way local government audit works, the interaction with health as well.

Q59 **Mohammad Yasin:** When will the Department publish its feedback response to the technical consultation on the local audit framework that closed in September 2021?



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Jeremy Pocklington: That work is under way, and we will be publishing a response to that soon. I have not the precise time in my head, but I know that will be coming soon.

Alex Skinner: Given the links to the work that BEIS has done, I think the plan is to publish the response alongside BEIS's "Restoring public trust in audit and corporate governance" and, as Jeremy said, I think that is expected soon.

Q60 **Mohammad Yasin:** Will it be weeks, months or years?

Alex Skinner: I have no detail beyond that.

Q61 **Chair:** When will ARGA be established?

Jeremy Pocklington: I don't have information for the Committee on that. My Department is working with the FRC in its shadow form. Ultimately we need legislation to fully establish ARGA. It would be wrong for me to pre-empt what is in the Queen's speech.

Q62 **Chair:** Is it waiting for the private sector audit to be sorted out because it is now an adjunct to that?

Jeremy Pocklington: There is a lot we can get on with now. The FRC is recruiting, and we are almost coming to the end of a process to recruit the local government audit lead who will establish the capability and the mechanism and then take on that system leader role even in advance of legislation.

Chair: Moving on now to housing issues.

Q63 **Bob Blackman:** Permanent Secretary, you have mentioned already that the Help to Buy scheme ends in 2022-23. Are there any plans being mooted for a replacement to the scheme or does it literally come to an end and that is it?

Jeremy Pocklington: We are not working on plans to extend the Help to Buy equity loan scheme when that ends at the end of the financial year 2022-23. There will of course be other products that we offer to support first time buyers, first homes. The Treasury currently has the mortgage guarantee although that will conclude at the end of this year. We always said that Help to Buy would be a temporary scheme.

Bob Blackman: There is lots to do.

Jeremy Pocklington: I was in Treasury at the time and it has turned out to be a lot more permanent than we envisaged. We deliberately established the new scheme from 2021 to 2023 in a way that was tapering down the scheme with the restrictions on the offer to first-time buyers and caps on prices. There is much greater availability now of higher loan to value mortgages, 95% mortgages, so there are no plans to extend the scheme.



Q64 Bob Blackman: Looking at the figures for the target of providing new homes being built in the country, the target was 300,000 new homes a year. At the moment it looks as though you will fall well short of that. Have we expectations now on numbers?

Jeremy Pocklington: There are two numbers we keep in mind. The first is the ambition to build 1 million more homes this Parliament, and the second is to create a market that could enable the delivery of 300,000 homes. It is important that they are the right homes in the right places, which is something the Secretary of State is particularly focused on. I will come on to the impact of Covid in just a second, but overall significant progress has been made in recent years.

In 2019-2020, 242,000 homes were built and that is a significant increase on recent years. In 2020-2021 that dipped to 216,000 as a result of Covid particularly affecting a couple of quarters of that financial year. It looks like there has been quite a strong recovery post-Covid. Our best leading indicator of the energy performance certificate data, and the energy performance certificate data for the last calendar year—our ambitions are based on financial years—is 244,000. That shows quite a strong recovery. None the less, I am first to admit creating a market to deliver 300,000 is a very challenging ambition to have.

Q65 Bob Blackman: Homes England, who are responsible for your Department's major housing programmes, said in their report and accounts that they are an organisation under strain, "hampered by instability at senior level and inefficiencies resulting from legacy systems". Are you confident that Homes England can deliver the Government's targets?

Jeremy Pocklington: I am very confident in the leadership of Homes England to do the job that we have asked them to do. As this Committee will know, they have a relatively new chief executive who has been there a while and has appeared before this Committee. He has also strengthened the leadership team and there are a number of programmes in place to improve oversight of some of the programmes, including the Help to Buy programme. It has a very important role to play in meeting our overall ambitions and the private market will need to deliver as well, but your question was really about Homes England.

Q66 Bob Blackman: There is also the issue of social accommodation at social rent that seems under threat at the moment, particularly given the areas we are likely to go on to one the subject of the remediation of ACM cladding. Can you give us a picture of what will be done to encourage socially rented accommodation?

Jeremy Pocklington: It is a good question. It is a priority and I know it is something that my Secretary of State cares about. We are in the stages of a very ambitious affordable homes programme, with £11.5 billion allocated between 2021 and 2026. For that programme we want to double the number of social rent homes that are delivered



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compared to the previous programme, with around 32,000 social rent homes delivered through this programme. Overall, the programme will be approximately half rental products and half shared ownership, prioritising social rent within this programme.

Q67 Bob Blackman: Do you accept that a lot of organisations will be lobbying for between 90,000 and 100,000 new socially rented homes? Although 30,000 is a doubling, it goes nowhere near the number of units required.

Jeremy Pocklington: I am well aware that a number of organisations propose ambitions for very large numbers of social rented homes. On one level, Mr Blackman, these become sort of macro questions for Government as a whole—

Bob Blackman: Yes, I understand that.

Jeremy Pocklington: —and not for me as Permanent Secretary, but I note that we have a very ambitious programme that we are focused on delivering as best we can with Homes England and with the GLA in London.

Q68 Bob Blackman: Do you have a figure for what it costs the Department to produce the socially rented homes people are asking for?

Jeremy Pocklington: I could not do that in my head.

Bob Blackman: It would help if you could drop us a note?

Jeremy Pocklington: I am sure we can do a ready reckoner. We know what the grant rates are for different types of homes so I am sure we can use information that we have to provide ready reckoners for this sort of thing.

Chair: Moving on to the issue of building safety and remediation.

Q69 Florence Eshalomi: Apologies for my lateness. Good afternoon, gentlemen. One of the issues summarised in our cladding remediation work is that Government have not set out their assessment to the full extent of the cladding crisis including aluminium composite material, ACM, and non-ACM. The Department has an ambitious target to complete 95% of this remediation by the end of 2021, but the latest data shows that only 77% of identified buildings have been completed. Is the Department on track to complete all ACM remediation by mid-2022?

Jeremy Pocklington: I will give the headlines on that. We are making good progress on ACM remediations. There are 481 buildings in the programme. Of those, 415 have had the cladding removed. You are correct that 77% have been completed. There are only 32 buildings in that 481 where work has not yet started on site. Of those, five are vacant and 21 of the 32 were only brought into the programme after January 2020.



We are now at the stage with a very small number of recently discovered buildings, in some cases with only a small amount of ACM but we have a zero-tolerance approach on ACM. It all needs to come off high-rise buildings. A small number of very challenging cases remain.

Q70 Florence Eshalomi: Concerning those small challenging cases, one of the issues is that until you know the full scale of the buildings that have ACM, do you feel the cost and the capacity to remove it is enough? For constituents, including my constituents who are living in that building, every day that passes is another day they are living in a building that is unsafe.

Jeremy Pocklington: The first thing to say is I am acutely aware of the impact this has had on leaseholders and residents. It is an incredibly challenging programme, and we all feel it. Those of us working in the Department on this now for a number of years feel a great deal of responsibility and pressure to make progress as quickly as we can. I am confident that the strategy we have is sufficiently funded for the job that we have.

As I mentioned at the start of the Committee, we will get the £5.1 billion from Treasury and that is enough and is a reasonable contribution from the taxpayer to meet the building safety challenges. We then have the announcements we made at the start of this year, and the discussions that we have with industry, to make sure those responsible provide the additional funding we need so that we can fix this crisis sustainably. The Secretary of State said earlier in Orals that the HBF has made a proposal to us and we welcome that. We need to go further but we are making progress.

Q71 Florence Eshalomi: In making progress—and you are saying that the funding envelope is enough and we have outlined the ACM cladding that is the most dangerous type—what about the non-ACM and all types of cladding? Does the Department have a date for removal of all of that?

Jeremy Pocklington: Mr Goodman will come in to talk about the Building Safety Fund and other claddings, so we will segment the issue if we may.

Richard Goodman: We have not set a target date for the removal of all of that in all of the buildings within the Building Safety Fund, not least because the Ministers have said they would like to open the fund to further applications during the course of this year. There will be other buildings that come into that, relating to Mr Blackman's earlier question about how many buildings are out there that have some form of dangerous cladding.

It also sits hand in hand with the reform to the Building Safety Fund that the Secretary of State has mentioned, about making it a risk-based fund as part of removing the consolidated advice note. We have previously operated on the basis that any form of cladding found on a building that



is combustible above 18 metres has to be removed. That has been over-interpreted in some cases as assuming that all combustible cladding on a building is automatically dangerous.

Part of the work that has happened with publishing the industry standards, the PAS 9980 standard, is to look holistically at a building so that only the essential work needs doing. Lots of leaseholders have been given bills for work that is not commensurate to the risk that they actually face and fortunately they will be protected from this significantly in the future. Part of the shift there will be about making sure that we bake that proportionate approach into the way the Building Safety Fund operates in future as well as fulfilling the commitment that already exists.

On progress, there have been big shifts in the Building Safety Fund. Almost 3,000 registrations came in. A significant number of those had no supporting or eligible information in them at all, and more than 1,300 of those have now been withdrawn or found to be non-eligible. Freeholder behaviour still needs to improve. We have 272 buildings in there with no information at all that allows us to assess eligibility. It is impossible for us to make a decision on that funding because the information is simply not there. We have 171 insufficient to assess, 220 where we are still assessing eligibility, which often relates to getting into the weeds of an individual building.

While that is not where I would like those numbers to be, they have moved significantly over the past six months. If I had been here in September I would have been talking about almost 500 with no information on their eligibility, almost 200 with insufficient information to assess and almost 400 with eligibility being checked. Those are moving through the system but there is still work to do to get freeholders and building owners into the right place to respond and act on the building they are responsible for.

Q72 Florence Eshalomi: On that point, do you feel that you need additional powers? How will we resolve that, because in some of the cases you find the developers and freeholders have gone bust, they have reappeared in different guises, names and shell companies? At the heart of this you still have a leaseholder, a tenant, a resident facing huge bills with nowhere to turn. What advice would you be giving those people caught up in that?

Richard Goodman: That is absolutely right. The amendments in the Bill will protect leaseholders from that acute situation in which people find themselves in at the moment and which is very distressing to them. Our expectations are that those amendments will grant respite on cladding costs on the absolute term for the majority of leaseholders. We are engaging with parliamentary colleagues and others at the moment about the nature of the cap, at the very worst-case scenario £10,000 or £15,000 over five years for non-cladding defects. I hope that will give significant peace of mind to leaseholders who are affected.



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You are right that you still have to get the work done. For high-rise buildings that will change significantly when the rest of the Building Safety Bills provisions come into force because that will give the regulator much stronger powers to compel the work to be done. It will attach criminal liabilities to not doing work in a way that it does not happen at the moment.

I feel very confident that suite of activity is in place. We have to carry on working on the buildings as things are at the moment and not just wait for that to come over the hill. We have expanded the role of the joint inspection team, which is a joint effort with local authorities to help establish whether buildings need enforcement support. Local authorities and fire rescue services are the enforcers at the moment. The Secretary of State and ministerial colleagues have engaged frequently with fire and rescue services and local authorities on that. The Secretary of State wrote to local authority leaders in August, I wrote to chief executives in October and the director of the building safety programme wrote again to CEOs in January, so we are very keen to push enforcement action wherever that is possible.

Sorry, I appreciate that this is an answer at length but there is an awful lot that we want to try to bring to bear on freeholders here. It is also behind some of the amendments in the Bill to make pursuit of redress more straightforward. We are, for example, extending the reach of civil liabilities in a number of ways. To your question about SPBs and joint ventures, I told your colleagues on the Public Accounts Committee how alarmed I was at some of the behaviour of those building owners. The Bill will allow us to get round some of those anti-avoidance measures and help people to bring actions against the polluter who pays and who, fundamentally, is the person we want to be chasing after here and will allow courts to extend liability beyond the immediate. It is based on competition law, effectively, behind the person immediately affected.

I am sorry that this is such a long answer but you have hit on a significant and systemic problem that we are trying to hit from a number of angles.

Q73 Florence Eshalomi: Obviously one of the areas in trying to address this is looking at developers contributing and paying that tax. You will be aware that the Chancellor set out details for a new residential development tax in the autumn Budget. My understanding is that that levy should start from April this year and that it should be 4% on profits exceeding £25 million. When can we expect to see the details of this developer levy?

Richard Goodman: There are two vehicles at play here, the Residential Developer Property Tax, which is what the Chancellor announced the detail of in the autumn statement. Separately, there is the developer levy on which we went out to consultation and which closed in October last year. We have been analysing the response. A further set of amendments in the Building Safety Bill—also partially in response to that consultation



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as well as some of the other principles the Secretary of State set out—is to change the threshold at which the levy can be collected.

Q74 Florence Eshalomi: Just to be clear, you have not published a response to that levy and you have not indicated how much it is expected to be.

Richard Goodman: That is right. The reason for that is partly because we are changing the Bill to amend the scope of the levy based partially on the responses that we have had but, secondly, because it relates to the response that the sector gives on its commitment to paying for buildings as a whole. The Secretary of State has been clear that he would like an industry-led solution in the first instance. I do not think it will be any surprise to anyone that the open-endedness of that levy is related to the way in which the development sector responds to that request. I cannot speak for Ministers on timing but I think it would be unlikely that they would give a view on that before they know what the development sector will do with its voluntary solution. The Secretary of State has been clear that he will look at the law after that and has given the Department the power to be able to do so.

Q75 Chair: Let me follow up on that response, which was quite helpful. You are saying that if the industry in the broadest sense does not respond favourably to something on a voluntary basis that the levy will be extended to raise more money than was initially intended.

Richard Goodman: I am not saying that will be the response. I am saying that the Secretary of State has been very clear that he wants a broad set of powers that will enable the industry to pay because that is the commitment

Q76 Chair: The other option is to take the money from the Department's budget, which means cuts to the affordable housing programme.

Florence Eshalomi: Which we don't want.

Jeremy Pocklington: Can I come back to what I said earlier, which I think is a very clear position? Essentially we are saying that the £5.1 billion that we have from the Treasury is the taxpayers' contribution; other funding needs to come from industry.

Q77 Chair: That is a different answer from the one we have had before.

Jeremy Pocklington: No. I have already said that twice during this hearing.

Chair: Previously we have been told that the levy and the tax were going to be contributions towards the £5 billion.

Richard Goodman: No. If you add the two together, you have £5.1 billion-worth of Treasury funding, which is committed. We have an estimate of £4 billion for 11 to 18 metres. The industry thinks it could be smaller than that. If it is smaller than that, fantastic.



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The point that the Permanent Secretary is articulating is that further taxpayer support will not come from another direction. Obviously taxation matters overall are a decision for the Treasury. The levy is the responsibility of the Department. All I am saying to you today is that the Department is very clear that in dealing with the remainder of the cost that needs to be met for building safety, it will come from the industry and the Department will take the powers it needs to make that happen should it be necessary, which we hope it will not be.

Q78 Chair: Right, so not at the expense of the affordable housing programme?

Richard Goodman: Correct.

Jeremy Pocklington: Correct, Mr Betts. Simple.

Q79 Florence Eshalomi: On the point that the Chair raised, could we could get that clarification in writing? My understanding is from an oral session we had with Lord Greenhalgh in which he suggested that £2 billion would be offset against the £3.5 billion taxpayer contribution.

Richard Goodman: I hate to sound like a broken record but I am going to repeat the same commitment, which is that any shortfall on the bill that needs to be met for building safety is a bill that we expect the industry to meet. The Department and the Minister are very clear that they want to take the powers necessary to impose a solution if there are shortfalls.

Jeremy Pocklington: It is complicated. One potential additional potential misunderstanding is that the Residential Property Developer Tax is partly being used to contribute to the £5 billion that I referred to. I think that may be the cause of some of the confusion here. We are saying that the total budget is likely to be higher than £5 billion as we are looking at the mid-rise buildings, hence the need to have powers if industry does not support the solution. I hope that clarifies things.

Q80 Chair: That is helpful with the tax. Is the levy also going to be used to contribute towards the £5 billion?

Richard Goodman: We have not set out what the levy will be set at yet. It will be an industry contribution to meet the overall bill. It depends on the nature of the overall bill, which depends on the nature of the situation—and, and, and.

Q81 Bob Blackman: Can I clarify one issue? Certain developers, certain freeholders, have got on with the job and remediated the cladding. I think they may be a bit concerned that they may end up paying not only for remediating the cladding on their buildings but may get penalised for those who have not done it. What account is being taken of those companies that have done what they should do, which is put right the buildings that they own and are responsible for, so that they do not get hit with another double whammy when they have done the right thing?



Richard Goodman: I will take you back to the Secretary of State's principles around polluter payments. I am extremely encouraged by developers who fix their own buildings. It is true in the ACM fund, it has already happened for some and is totally behaviour that we would like to see, but there will be orphaned buildings where we cannot find the developer or the polluter is no longer in the market. That is a regrettable fact of life. What we are keen to do, which is one of the reasons we went to industry to bring forward proposals in the first instance, is on the assumption that we are protecting leaseholders, which is a principle the Secretary of State set out clearly. What is the most equitable way of distributing the burden of dealing with the orphaned buildings across the remainder of the industry? It will mean that there will need to be contributions from the industry for buildings that have not been built but equally it has to be right that a builder who has never built a dangerous building, built everything as perfectly as possible, also does not carry a disproportionate burden for those who have exited the market.

I would love to be able to create a mechanism where only ever the polluters paid. That is not going to be possible. We are looking for the most equitable distribution of the burden across the industry as a whole where there are orphaned buildings.

Q82 **Bob Blackman:** There is a concern, naturally, that developers who are coming along and saying, "We are going to do the right thing, we are going to put it right," will think, "Hang on a minute. Should we be doing this now because we may get hit with another levy on top of what we are doing to put our building right?". I want to be clear. We want to encourage the right behaviour here and the right behaviour is that people who own these buildings or are responsible for the buildings put them right. I am worried that we may put people off from doing that if they think they will be hit with a levy anyway.

Richard Goodman: The Secretary of State has been very clear. The overall bill for remediating those medium-rise buildings will have to be met by the industry as a whole. That is the principle against which we are working. That means that where we cannot find the polluter—and as I was explaining earlier we have broadened out the routes for redress very significantly—the cost will fall to industry as a whole. I was very pleased to see in Stewart Baseley's response to the Secretary of State this week the commitment from the industry towards self-remediation. I hope we will be able to crystallise that. The more that self-remediation happens through direct polluters the better, and I think we have set out very strong powers in the Bill to look at the consequences of that through the responsible actors, responsible developers scheme that will codify that obligation.

I am saying to you that notwithstanding the very constructive work that HBF has undertaken and the good work that has been seen from responsible developers so far, we will look to codify that obligation and if it looks like there is some wavering in that behaviour, the consequences



will be very significant for the organisation involved. I think it would be an extremely brave developer who decided to step back from that in that context, albeit I hope we do not need to resort to those powers. However, there will be an increased burden on the sector as a whole to deal with those orphaned buildings. That is an inescapable reality of the commitment of the industry making a contribution as a whole.

Q83 Andrew Lewer: I want to develop this because I am not quite sure that we are getting to the point that has been asked about. If someone, without regulation, without somebody saying that there will be a levy, has just decided to get on and do this, it sounds like it is a case of, "Well, you have not bothered to do this so there is a levy and you will be paying up for that. You have done it but you will pay the levy as well."

Florence Eshalomi: Anyway.

Andrew Lewer: Is this not a much wider moral hazard for the future, that any time anything like this happens in any industry, people will say, "I'm not doing anything. I'm not going to sort this out because I will end up getting hammered for it twice"?

Richard Goodman: I don't think so, for two reasons. First, the alternative is much worse from a moral hazard perspective. I can put it the other way round. Let's say if you remediate your own buildings you make no contribution to the orphaned buildings. That would create a terrible moral hazard for nobody to remediate their buildings because they can spread the cost across everybody else in the sector and ultimately leave the taxpayer to manage the fallout of that and the administration of it until it happens. That would be a much worse alternative than the status quo.

The second thing to say on moral hazard is that I hope the amendments in the Bill that set out the concept of a responsible actor scheme and the consequences of not being part of that send the message that in future, if somebody creates a significant moral hazard, as well as being able to reach behind the special purpose vehicle, you will not be operating in a market in which you do not take those responsibilities seriously. The point I am making is that it is not just about the money that is going into the system to fix the buildings overall; it is also about the behaviour that we are saying is the minimum acceptable standard to be a participant in that industry.

Q84 Chair: Social housing providers, with the exception of ACM cladding, by and large are not being funded for remediation of their buildings. Have you done any impact assessment on how that diversion of money into making buildings safe could reduce the number of social affordable houses being built?

Richard Goodman: We are having that conversation with the sector right now, asking them to share their data on that front with us. I think it is worth saying that in our conversations with the sector we have also been looking to make sure we draw the dividing line about where they



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are and are not the developer in the right place, which is not necessarily as bright as it is in the private sector for instance.

Going back to my earlier answer, we are very keen that the polluter pays. That is one of the reasons why we have changed the redress pathways to make that more straightforward. We have not had any indications so far that this will cause the most serious end of the challenges that could be articulated in the social housing sector around viability where, for example, we have safety valves in the existing Building Safety Fund. However, we are very keen to hear from the sector about what the impact on them will be. We realise that the sector is juggling a lot of priorities across a lot of different financial asks at the moment and we recognise that. At the same time, it must be the case that buildings are safe for people to live in.

Q85 Chair: Those conversations happen with both housing associations and councils?

Richard Goodman: Yes.

Chair: No doubt we can have an update on that in due course? It is an important issue.

Richard Goodman: Absolutely.

Chair: Right. Over to issues about levelling up and other matters, Matt Vickers.

Q86 Matt Vickers: The Towns Fund monitoring and evaluation strategy was published in December 2021 but we have yet to see a strategy for evaluating the impact of the Levelling Up Fund. When will this be published and will the Department commit to regular updates on its progress?

Jeremy Pocklington: It is scheduled to be published at the end of the month. It will outline more details of our proposals for evaluation, the theory of change. Crucially for the Levelling Up Fund, we need to link the activities of individual projects with the overall outputs, outcomes, and the impact of the fund more broadly. We will continue to monitor projects closely, on a quarterly and six-monthly timetable, and we will, of course, provide updates on progress.

Q87 Matt Vickers: What broad level of funding is being allocated by competitive bidding and how will the Department ensure an equitable split between areas?

Jeremy Pocklington: All of the money so far has been allocated through a competitive process. The £1.7 billion that was allocated in round 1 was allocated through a bid process. We have set out and published the detail of the prioritisation matrix, and how the decisions were taken on that. The scoring was prioritised towards projects in category 1 areas that we



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considered higher priority areas and special protections, of course, were placed in Scotland, Wales and Northern Ireland as well.

- Q88 **Matt Vickers:** Andy Haldane, head of the Levelling Up Taskforce, said that he did not favour competitive funding pots and suggested that he would like to see streamlining, simplification, removal of ring-fences and moving to needs-based criteria. Is this something we are likely to see in the future development of funding pots?

Jeremy Pocklington: I strongly agree with Andy that in the past we have had too many funding pots. We have set out a very clear ambition to further rationalise the number of pots. We are moving pots and funds further. I know that there has historically been a lot of them—Towns Fund, Future High Streets Fund; we could carry on listing them—but we are moving to a model where the majority of our funding for local growth goes through first the Levelling Up Fund, allocated through a competitive process, and through the UK Shared Prosperity Fund, which we have set out will not be a competitive process but will be allocated by formula with indicative allocations. The vast majority of the money will go through those two processes.

Competitive pots can have a role, which is why they remain. They can drive innovation and value for money but it is also important to mitigate the risks if we go down a competition route. We are doing that with the Levelling Up Fund by, for example, having several rounds of bidding so if you fail in round 1, it is not the case that your project will not go forward. We have provided feedback to all unsuccessful bids in round 1. Round 2 will open soon and we are expecting many who were not successful in round 1 to rebid in round 2.

- Q89 **Andrew Lewer:** I want to explore that a little bit further. I remember from my time as a council leader talking about having a bidding pot to put bids in to develop a bid. I hear you moving away from that. Is your main focus to reduce the number of bidding activities that go on so that they are larger or do you, from what you said about the UK Shared Prosperity Fund, see this as a genuine move away from a bidding culture—I accept not entirely but more generally a move away from bidding culture—to allocations so that local authorities can get on with things and be accountable for their success or failure?

Jeremy Pocklington: Ultimately, we will need to take decisions case by case, but there is a lot to be said for the second scenario that you outlined there. I will give you a concrete example. The UK Community Renewal Fund was allocated through a bid, a competitive process. That was the precursor to the UK Shared Prosperity Fund but we are allocating the UK Shared Prosperity Fund through a formula, through indicative allocations. You will not be surprised to know that I often hear from local government chief executives about the challenge of writing bids and the time and resource that goes into it; I am aware of that. We have provided more capacity funding and support in more recent years and that is also a departure from what happened in the past.



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In the Levelling Up Fund, we provided £125,000 to each of the category 1 places in England, the highest-need areas, according to the criteria of the fund, to help prepare the bids and all local authorities in Scotland, Wales and Northern Ireland also got that. We also have some capacity funding from our spending review settlement to support the early delivery of these projects. It is not just writing the bid; it is moving from getting the funding to properly overseeing delivery and ensuring that it happens in a timely way, that delivers the outcomes we need and protects the taxpayer.

Q90 Matt Vickers: When the Wolverhampton headquarters was opened in September 2021, the Community Secretary said that he expected around 250 people to be based there by April 2022. How many people have been recruited to work at Wolverhampton and how many of those roles are relocations from London?

Jeremy Pocklington: There are 220 staff currently in place or onboarding at the moment in Wolverhampton. The target we set was slightly broad. It was 150 to 250. We set ourselves a broad target. Given that the decision to open an office in Wolverhampton was only made in February last year, we are very pleased with the progress we have made over the past year. These are new roles. I do not have a specific answer on relocations. I don't know if my colleague Mr Thurstan can answer that particular question.

Matt Thurstan: Yes, the vast majority are new roles. Around 30 people relocated at the start of the process of building the office in Wolverhampton; the vast majority of people are new to the Department.

Q91 Matt Vickers: Moving on to responses to the Committee's reports and your own consultations, the Committee is still awaiting a Government response to four of its inquiry reports, one of which was due over eight months ago. When will you provide a response to these reports?

Jeremy Pocklington: Noted. I am afraid I was not aware of that. I will obviously take it up after the hearing.

Q92 Matt Vickers: Of the 36 consultations that closed more than four months ago contained on the gov.uk website, the Department has responded to only eight. Why are the responses to the consultations so delayed?

Jeremy Pocklington: It reflects the extraordinary work that the Department has had to undertake over the past two years, particularly in dealing with Covid. It has meant that that had to be the priority, we have had to focus on those urgent issues and that is what the country would expect us to do. Subsequently, the machinery of government change and a new Secretary of State have meant, quite naturally, as happens every time there is a new Secretary of State and a MOG change, we have taken a little time to finalise the strategy before moving on to delivery.

A number of those consultations will be feeding in to work that is coming to a head in the coming months. A number of them relate to the private



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rented sector, for example, a very important set of reforms, a classic example of something that is very important. We consulted on that and the consultation closed in October 2019, I think. We were working on that into February and March 2020 and then Covid happened. We will, however, be publishing a White Paper on the private rented sector in the coming months. That gives you an example of why sometimes consultations happen but then it can take a long time for the policy to be agreed so that we can move forward. It is an important issue.

Q93 **Chair:** You have plenty of capacity now because you will not have to produce a planning Bill, will you?

Jeremy Pocklington: First, we are no longer taking all the proposals forward from the planning White Paper from last year, but we still have a very large legislative programme—the Elections Bill, the Building Safety Bill, work on the social housing Bill and our plans to introduce the Levelling Up and Regeneration Bill. It is a very considerable legislative programme but different from the planning proposals that you were referring to.

Q94 **Chair:** The Department is not taking forward all the proposals. Do we know which ones on planning it is taking forward on?

Jeremy Pocklington: We will set out further details in due course.

Q95 **Chair:** Right. Okay. I won't ask you for a timetable because I am sure I won't get one.

One final question across the figures you have given us. What inflation figure are you using when you convert cash increases to real terms to support reductions?

Jeremy Pocklington: We follow standard Treasury guidance. I don't know if either of my colleagues can tell you more.

Alex Skinner: On local government finance we would use the GDP deflator. The GDP deflator is published alongside the spring statement and fiscal events. It is done by the Treasury. That is what we have used for council funding because it is a broader measure than just consumer prices.

Q96 **Chair:** Right. Okay. Generally speaking, inflation will perhaps be greater than that figure for councils. In all likelihood, councils will be under pressure to give people a wage rise and the Government's policy is in favour of wage increases, isn't it, now?

Jeremy Pocklington: That is obviously a matter for local authorities. We ask them to follow the wider public sector approach on pay. More broadly, you are raising a point about inflation, energy prices?

Chair: Yes.

Jeremy Pocklington: That will create pressure. That is the serious question that you are raising. It is obviously something that we will have



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to monitor closely. It is a deeply serious question, not just affecting my Department but all parts of Government and beyond as well.

Q97 **Chair:** Yes, because that pressure could mean that a real-terms increase as planned might turn out to be a real-terms cut by the time all those other costs are taken into account.

Jeremy Pocklington: It will obviously depend on the specific pressures a body is facing but we will have to look very closely at the cost of energy particularly. I think that that is well understood.

Chair: Permanent Secretary, colleagues, thank you very much for coming to answer our questions this afternoon. There are one or two points that you are going to feed back on fairly quickly, around the Ukraine situation and the refugees coming over. Thank you very much for the answers you have given and for the ones you will give us in due course.