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### **Letter to AO from PAC Chair December**

Thank you for the evidence that you and your colleagues provided to my Committee on Monday 1 November. We covered a lot of ground and I am writing to set out our observations on a number of the issues that we discussed.

We were pleased to have the opportunity to return to several enduring issues that your Department is grappling with, but progress overall feels slow.

#### **Levelling Up**

You told us that the Department's new name reflects its role in leading the Levelling Up agenda across the whole of the UK. We agree with your assessment of the huge scale of this ambition but remain concerned that there is no clear vision of how levelling up will be measured, and what success will look like, with little detail given in the Department's provisional outcomes document.

Many of the levelling up measures, such as productivity, will require cross-government working and, while we welcome your acknowledgement that joining up between Departments is one of the main challenges in delivering the levelling up agenda, we would like further assurance on how this will work in practice to achieve measurable change, and on the accountability arrangements for individual funds. You agreed that monitoring and evaluation will be important and told us that work is underway on developing evaluation frameworks for the funds. We look forward to the Department providing more detail on these issues in the Levelling Up White Paper, which you committed to publishing before the end of 2021.

We also have concerns over the number of funding pots the Department is managing, and how they fit together as a coherent strategy, as well as the burden on Local Authorities, who face multiple different bidding processes. You told us that the Department needs to have the minimum number of schemes to achieve its objectives, but assured us that you do recognise this challenge, and are looking to start the process of reducing the number of separate funds.

Please write to us within three months, setting out further detail on:

- The accountability arrangements for both the Levelling Up fund and the Towns Fund, and on how you will ensure levelling up money is clearly identifiable in the accounts of different government departments;
- How joint working between different government departments will work in practice in delivering levelling up; and
- The success measures for the both the Levelling Up fund and the Towns Fund.

## **The Towns Fund and Levelling Up Fund**

The **Towns Fund** continues to cause the Committee concern, particularly the lack of clarity and transparency on how funding decisions were taken, and on what funding is available. We have similar concerns regarding the £4.8 billion **Levelling-Up Fund**, and were unclear whether recent announcements comprised new money, or existing funding. You asserted the Department's communications had been transparent and told us that details on the methodology for prioritising different areas under the bidding process for the Levelling Up Fund are on your website. You confirmed that the £1.7 billion announced alongside the Spending Review was for the 105 projects successful in the first round of the Levelling Up Fund, with the next round due in Spring 2022, and that the total for the Fund remains £4.8 billion. We sought clarification on whether the external support that some Towns Fund areas have benefitted from was going to be withdrawn, and on how this funding was allocated. You confirmed that this capacity funding was an important part of the Towns Fund, with similar arrangements planned for Levelling Up, and committed to write to us with further information on how this works.

Please write to us within three months setting out:

- A full breakdown of the funding announcements made in the Spending Review, with detail as to whether these are existing, pre-announced, or new funding streams.

## **Housing**

### *300,000 target*

The Department has a target to deliver 300,000 new homes (net additions) each year. You told us that it is not just about numbers of new homes, but it was important to build the right homes in the right places. You described several programmes you have that help build new homes: the affordable homes programme, support for infrastructure through the national homebuilding fund and a new £1.8 billion for brownfield regeneration funding. We agree with the need for the right homes in the right places but, despite these programmes, we are not yet convinced that you have sufficient grip on what you need to do to ensure this. There are also too many grey areas in how the 300,000 will be achieved. In particular, we were disappointed that you have not done any analysis of the impact of recent reforms such as change of use, on the number or quality of new homes built.

### *Impact of COVID*

We are concerned that you do not have a clear or consistent picture of the full impact of COVID on the industry's ability to deliver new homes. You told us that Covid had certainly had an impact on what was deliverable in terms of new homes, and 50,000 affordable homes that were due to be delivered in 2020-21 were not because of COVID. However, in contrast, we also discussed the experiences of the construction industry and how it 'bounced back' significantly after closing for some weeks in the initial stages of lockdown. You were unable to give us a definitive picture of how many new homes or 'net additions' had been delivered in 2020-21 but using EPC data, you estimated that it would be around 220,000. You acknowledged that more would have been better, but you considered this to be encouraging.

### *Net zero and wider sustainability*

We are puzzled by your statement that there was a "comparatively low" likelihood that any of the million homes to be built during this Parliament would need to be retrofitted as part of the

Government's net zero strategy, when you are not planning to ensure that new buildings are "net-zero ready" until 2025. We think there is an obvious and serious risk that many homes will not be built to a standard that is not yet in place.

Please write to us within three months, setting out:

- How the 300,000 target will be achieved with an approximate breakdown of the relative contributions of your programmes and recent reforms;
- The impact of COVID on the numbers of new homes delivered in 2021-22 and how you intend to help mitigate this impact;
- The number of new homes built so far during this Parliament by Energy Performance Certificate bands and
- Your rationale and evidence base that sits behind your statement that there is a "comparatively low" likelihood that any of the million homes to be built during this Parliament will need to be retrofitted as part of the Government's net zero strategy.

### **Rough Sleeping and homelessness**

#### *Number of people sleeping rough*

We are concerned that you lack a complete picture of the total number of people both sleeping rough and at risk of rough sleeping. You told us that your rough sleeping snapshot dataset from autumn 2019, for example, found that there were around 4,000 people sleeping rough in England. In stark contrast, the number of people brought in by the Everyone In initiative was roughly nine times that number. You have also not published any information at all on outcomes for people brought in under 'Everyone In' since February 2021.

#### *Units built through the Rough Sleeping Accommodation Programme*

We are similarly concerned about the lack of public information available on the progress the Department is making on constructing rough sleeper accommodation. When the Department appeared before the Committee in January 2021 you were unable to inform us how many of the 3,300 homes planned under the Rough Sleeper Accommodation Programme had been built, or would be built by the end of the financial year. Despite requesting that you write to us with this information, you only told us at this session, 10 months later, that the figure stands at slightly under 2,100. At this session, you expressed your confidence that 3,300 will be built "in this phase of the programme," within an overall programme target of 6,000 this Parliament.

#### *People with no recourse to public funds*

You acknowledge that the issue of local authorities providing support to individuals with no recourse to public funds (NRPF) is a complex one, extending beyond the remit of your department alone. While it is clear you have communicated with local authorities on this matter, we are concerned that too many authorities will feel they have no choice but to use limited discretionary funding to support vulnerable people who are ineligible for statutory homelessness assistance due to their immigration status.

We note in the correspondence supplied to us after the session that in July you asked local authorities to agree an operational target for reducing the levels of rough sleeping in their area this year to help drive and monitor progress.

Please write to us within three months, setting out:

- How you will use the information you collect to publish an accurate figure for a) those sleeping rough or at risk of doing so; and b) for outcomes for those assisted under Everyone In;
- The date by which you now expect all homes to be built under the Rough Sleeper Accommodation Programme, as well overall progress towards your 6,000 homes target;
- Your assessment of the impact of improved clarity regarding those with no recourse to public funds on the actions taken by local authorities; and
- An update on local authority targets for reducing rough sleeping, including a summary of the targets supplied.

### **Remediation of dangerous cladding**

The Committee revisited progress in remediating dangerous cladding, which we have discussed several times previously. We are extremely disappointed that many of the issues we have been over in the past remain largely unresolved.

We asked for an update on the loan scheme for leaseholders in buildings affected by dangerous cladding in medium-height buildings (11-18 metres), which ministers had announced in February 2021. You informed us that ministers were now looking at this idea afresh, implying that this scheme was now unlikely to go ahead as previously promised. In support of this change in position, you drew our attention to two things: first, your research project on the stock of medium-height residential buildings, which indicated “too many leaseholders getting bills for work that does not need doing”; and second, the Independent Expert Advisory Panel, whose July 2021 statement was “very clear about there being no systemic risk in [buildings of] 11 to 18 metres”.

We are also very concerned about those people in shared ownership. They might end up only benefiting from owning a fraction of the property but could end up with a bill for the whole value of the property in terms of remediation work needed to address building defects. This can be life-changing and is also unfair. We were glad to hear about the announcement of the residential development tax, but we are unclear how it will work in practice and when it will be established and raising funds from developers.

You further suggested, where lenders were requiring EWS1 forms, that you did not think this was “a proportionate response to the issues in 11 to 18-metre buildings” and implied there was no need for them as external walls should now be unambiguously included within fire-risk assessments of individual buildings.

Please write to us within three months setting out:

- With regard to your research on residential buildings of 11 to 18 metres in height in England, how many:
  - a. of these buildings are there in total?
  - b. have combustible cladding on the external walls?
  - c. have had, or are in the process of having, combustible cladding removed?
- How many residential buildings between 11 and 18 metres in height have an up-to-date fire-risk assessment?



## Committee of Public Accounts

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- In the absence of the loan scheme ministers had previously announced, what financial support are you proposing to offer leaseholders who are being charged very large sums to remediate dangerous cladding and other building safety defects?

We will be publishing this letter on our website and would also expect to publish your response in due course. I am copying this letter to the Treasury Officer of Accounts and to the Comptroller and Auditor General.

**DAME MEG HILLIER MP**

**CHAIR OF THE COMMITTEE OF PUBLIC ACCOUNTS**

*Meg Hillier*