



**Ministry of Housing,
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Clive Betts MP
Chair, Housing, Communities and Local
Government Committee
House of Commons
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Dear Clive,

Supplementary Estimates 2018-19 Explanatory Memorandum: Response to the Committee's Questions

Thank you for your letter dated 25 March 2019 which asked for further information in relation to the Ministry of Housing, Communities and Local Government (MHCLG) Supplementary Estimates for 2018-19 and the accompanying Explanatory Memorandum. I have provided answers to each of your questions below.

Q1: The memorandum notes that the capital and depreciation budgets for Starter Homes were not needed as none of these homes have been built as the secondary legislation is not in place.

a) The Starter Homes scheme was originally launched over four years ago in 2015 – what has caused the significant delay?

In 2015 the Government announced its intention to deliver Starter Homes and legislated for this through the Housing and Planning Act 2016.

Following concerns raised by stakeholders and Parliament about the requirements on local authorities to deliver Starter Homes, the Government decided to take a more discretionary approach, as set out in the Housing White Paper in February 2017. This new approach will enable local authorities to deliver Starter Homes as one of several types of affordable housing under Section 106 agreements.

Since 2017, we have been working with stakeholders to deliver on the vision set out in the Housing White Paper. This has included making changes to the National Planning Policy Framework in July 2018 to include Starter Homes and introduce a new expectation that 10% of new homes on larger sites will be for affordable home ownership, including Starter Homes.

The Government intends to lay the regulations required for the delivery of Starter Homes later in the spring.

b) Why was budget allocated to this scheme in the Main Estimates if legislation still hadn't been passed to allow the scheme to proceed?

In line with the revised approach to starter homes, the scope of the Starter Homes Land Fund was broadened to support the acquisition and remediation of sites for development to deliver starter homes and other affordable home ownership products. This was set out in the Housing White Paper 2017 along with the Government's intention to legislate to introduce starter homes.

In the absence of the legislative framework for starter homes, the fund has therefore been used to acquire sites which, if ready for disposal, can deliver other affordable home ownership products in line with this policy.

At Supplementary Estimates we moved these funds into the Land Assembly Fund to reflect this broader scope, given the legislative framework for starter homes was not yet in place.

c) Since 2015 potential first-time buyers have been able to register their interest in Starter Homes – how many expressions of interest has the scheme received and what advice has been provided to those people on the scheme's launch?

The national Starter Homes Register, managed by the Home Builders Federation, allows first time buyers to register their interest in the scheme. As of February 2019, 120,851 potential first-time buyers had registered interest in the Starter Homes scheme. We will update those who have registered with further information once the Starter Homes regulations are in force, and intend to provide regular updates informing them of purchase opportunities as the first Starter Homes become available.

d) Is the scheme going to continue? If so, how many Starter Homes do you expect to be built in the next 2 years?

The Government is committed to delivering Starter Homes as set out in the 2017 Housing White Paper, and we intend to introduce regulations later in the spring. These regulations will enable local authorities to deliver Starter Homes where these are the most appropriate affordable home ownership product to meet local needs. This is in line with the position set out in the revised National Planning Policy Framework which sets an expectation that 10% of units on larger sites are affordable home ownership products. The proportion that will be Starter Homes is a matter for local authorities to determine taking into account local need.

Q2: £51 million Resource DEL budget was allocated to Rough Sleeping: £30 million for the Rough Sleeping Initiative; £16 million for Strategy and £5 million for 'Housing First'. Can you provide further detail about how this funding will be spent in 2018-19 and how many rough sleepers you estimate will be helped?

The Department allocated £30m to local authorities through the Rough Sleeping Initiative. This funding was fully allocated in 2018-19 to support 83 local areas with the highest levels of rough sleeping. The funding provided over 1,750 new bed spaces and 500 staff to support rough sleepers, and between 2017 and 2018 there was a 19% fall in people sleeping rough in these areas.

We allocated £16m funding to the Rough Sleeping Strategy in 2018-19. Of this, £4m was allocated to the Rapid Rehousing Pathway, and up to £5m was made available for the Cold Weather Fund which provided emergency support to local authorities to strengthen service

provision over the challenging winter period on a demand-led basis. The remainder of the funding will be allocated in 2019-20.

We launched the three Housing First pilots at Autumn Budget 2017, and spent £4.2m in 2018-19. The remaining funding will be spent in future years, as we have now agreed the schemes' initial funding profiles for 2019-20 and 2020-21, and commissioned an evaluation to run concurrently. In total the Housing First programme will provide £28m over three years supporting around 1,000 rough sleepers and those at risk of rough sleeping with the most complex disadvantages.

In 2018, the number of people sleeping rough in England was down by 2% to 4,677, ending the average year on year trend of nearly 16% increases.

Q3: Most of the MHCLG'S own affordable homes capital budget was reallocated to other priorities but capital investment by the Greater London Authority (GLA), and Homes England, was higher than initially expected.

a) Please provide a table which shows the level of capital investment of MHCLG capital grants, Homes England and from the GLA settlement on affordable and social homes between 2015-16 and 2018-19. Please also provide an estimate of how many new affordable and social housing will and/or have been built with this investment.

MHCLG does not deliver the Affordable Homes Programme directly (except for some small amounts previously agreed for devolution deals). Homes England are responsible for delivery of the national programme, and the Greater London Authority (GLA) deliver the scheme in London. Additional funding was made available for the Affordable Homes Programme at Autumn Budget 2017, and this budget was held against a MHCLG affordable homes line until the split of funding between Homes England and the GLA was agreed and the funding could be allocated to the appropriate line.

The budget for the 2016-2022 Affordable Homes Programme is £9.1bn which will support the provision of 250,000 affordable homes. Yearly statistics on the delivery of affordable housing can be found here: <https://www.gov.uk/government/collections/affordable-housing-supply>.

The table below breaks down the Homes England and GLA allocations since 2015-16. This spend is held across several estimate rows within our budgets and this is reflected in the tables presented in the Department's Explanatory Memorandum.

	2015-16	2016-17	2017-18	2018-19
Homes England	-	£394m	£531.3m	£795.2m
GLA	£643.3m	£336.5m	£636.8m	£788.7m

b) Is there not the demand (outside of London) for the MHCLG affordable homes capital grant funding or was it deliberately held back so that it could be used for other priorities?

Budget profiles were set at the 2015 Spending Review and amended at subsequent fiscal events. Overall, funding for the Affordable Homes Programme has not been reduced, however, changes were made to the 2018-19 allocations to Homes England and the GLA to align budget profiles with expected need, and to reflect changes in delivery models in areas with previously agreed housing and devolution deals:

- Homes England's allocation was reduced by £315m in order to fund social sector cladding remediation and other needs (see Question 4 below). An equivalent amount has been made available to the Affordable Homes Programme in 2021-22, which aligns to expected budget requirements. This change was called for by the sector to give them longer-term certainty of funding to expand their delivery pipeline.
- Homes England's allocation was reduced by £11.5m in order to fund previously agreed affordable homes elements of the Oxfordshire, and Cambridge and Peterborough devolution deals. The funding provides investment for affordable housing in these areas.
- £179m was brought forward from the GLA's 2021-22 budget to 2018-19. This reflects their spend this year.

Q4: The estimates memorandum notes that £315 million has been moved to the "Cladding Remediation" budget. However, elsewhere in the memorandum the revised 2018-19 "Building Safety" capital budget for cladding remediation is listed as £209.5 million.

a) How much has been spent on cladding remediation in 2018-19?

Earlier in the year the Department allocated £315m to cover the expected costs of cladding remediation in 2018-19. At Supplementary Estimates we revised our budget requirement for 2018-19 to £209.5m, as per the table on page 18 of the Memorandum and reported in note 8 on page 22. Based on claims received we now anticipate spending £69.8m in 2018-19, with the bulk of the remaining spend falling in 2019-20.

Note 3 on page 21 of the Memorandum should have been clearer that £315m budget cover was originally allocated for remediation claims to ensure that no building's remediation would be delayed for lack of funding. Once a clearer forecast of claims became available, part of this funding was then reallocated to meet other needs, including the Grenfell Tower site, the Cambridge-Milton Keynes-Oxford Arc and Local Government. As explained in Question 3 above, £315m will be made available for the Affordable Homes Programme in 2021-22 to avoid reducing spend on the programme overall.

We have approved funding totalling £259m for 140 buildings, and work is well underway. Estimates of remediation costs in 2018-19 have developed as landlords have entered agreements with contractors, and funding agreements with landlords have been signed. The timing of the costs has been driven by claims from landlords, and the time taken to begin remediation work on site.

b) How much has been the average cost of the work per building and per dwelling?

The funding allocated so far represents an average cost per building of £1.85m and a median cost per dwelling of c. £10k. The cost per dwelling is based on the information landlords have provided on the numbers of dwellings affected and can vary widely between buildings, depending on the remediation required for the building in question.

I hope that the committee finds this information helpful.

*Yours sincerely,
Melanie Dawes*

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