

# Ministry of Housing, Communities and Local Government

## EXPLANATORY MEMORANDUM

### Main Estimate 2018/19

#### Introduction

1. The Main Estimate is the annual process through which the **Ministry for Housing, Communities and Local Government (MHCLG)** agrees with HM Treasury the resource and cash requirements to support the functions of both its main programmes and the Department's **Local Government (LG)** programmes, and then requests resources from Parliament.
2. This memorandum provides the Select Committee with an explanation of how the resources and cash sought in the Main Estimate will be applied to achieve the Department's objectives. This document sets out the strategic overview of the Department, an overview of the key budget changes for 2018/19 and the changes of powers and responsibilities for the Department. Further detail on all changes is described in the Annexes.

#### Strategic Overview

3. The Department aims to help create great places to live and work right across the country and to back communities to come together and thrive. We have six strategic objectives to:
  - Fix the broken housing market
  - Grow local economies
  - Build integrated communities
  - Support effective local government
  - Ensure an effective response to the Grenfell Tower fire
  - Support local government, local economies and the housing sector to get ready for EU Exit, so that the department can continue to deliver its policies
4. The department's Single Departmental Plan for 2017-18<sup>1</sup> was published online with our priorities, key objectives underpinning them and the metrics by which they are measured. An updated Single Department Plan for 2018-19 will be published in May.
5. Further details of the programmes that underpin these objectives can be found in Annex A, which sets out the Department's key programmes and contains links to relevant published documents.

#### Overview of Budgets

6. MHCLG is unusual among Government Departments in that it has two DEL budgets. These are to cover the Department's core function and those which are delivered through local authorities.

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<sup>1</sup> <https://www.gov.uk/government/publications/department-for-communities-and-local-government-single-departmental-plan>

7. Table 1 below sets out the Department's outturn and budget for the years of the current spending review (SR) period – 2016/17 to 2019/20.

**Table 1 – MHCLG Outturn / Budget for years 2015/16 – 2019/20**

£m		2016/17 Outturn	2017/18 Budget	2018/19 Budget	2019/20 Budget
Resource – Housing and Communities	Admin	245	272	266	239
	Programme	2,243	2,168	2,552	2,029
	<b>Total Resource DEL</b>	<b>2,488</b>	<b>2,440</b>	<b>2,818</b>	<b>2,268</b>
Capital - Housing and Communities	Financial Transactions	2,462	4,008	5,278	5,664
	Grant	2,652	2,988	4,138	5,098
	<b>Total Capital DEL</b>	<b>5,114</b>	<b>6,997</b>	<b>9,417</b>	<b>10,761</b>
<b>Total Housing and Communities DEL budget</b>		<b>7,602</b>	<b>7,602</b>	<b>9,436</b>	<b>12,234</b>
Resource - Local Government	Programme	8,229	6,718	4,304	5,621
<b>Total Local Government DEL budget</b>		<b>8,229</b>	<b>6,718</b>	<b>4,304</b>	<b>5,621</b>
Housing Communities and Local Government	Annually managed Expenditure (AME)	12,567	16,358	22,582	14,442
<b>Total AME budget</b>		<b>12,567</b>	<b>16,358</b>	<b>22,582</b>	<b>14,442</b>

Housing and Communities - Resource

8. Over the course of this SR, the Department's Resource programme is expected to fall by £220m. This reflects the reducing budget for New Homes Bonus, which accounts for 40% of the programme budget in 2018/19. This is partly offset by budget increases for other policy priorities such as the Troubled Families and homelessness reduction programmes, and programmes supporting the growth of local economies.

Housing and Communities - Capital

9. The Departmental capital programme in 2018/19 is four times the size of the resource programme budget. We use both capital grant funding and Financial Transactions to help meet our strategic priorities. Both of these budgets double in size over the current SR period.
10. Financial Transactions are loans or equity investments where we expect to see a financial return. The Department has been increasingly using loans and investments rather than grant funding to meet its objective of fixing the broken housing market. The annual size of the Financial Transactions programme by 2019/20 will be £5.7bn. Approximately 80% of this will be Help to Buy equity loans to help people get on to the housing ladder and support housing supply. The bulk of the rest of the programme is made up of house building funds where Homes England loans money to developers to increase housing supply as well as providing infrastructure funding to unlock potential new homes.

11. Capital grant funding has increased over the last SR and the trend continues through to 2019/20. 25% of the £4.1bn capital grant programme budget in 2018/19 will be spent on the Local Growth Fund - government funding awarded to Local Enterprise Partnerships (LEPs) for projects that benefit the local area and economy. The majority of the remaining budgets will be spent on Housing and Planning programmes to meet our housing supply ambitions, including affordable housing.
12. The growth in the capital budget reflects increased commitment to our strategic objective of fixing the broken housing market. Autumn Budget 2017 announced a package of more than £15bn of new financial support over the next five years to support the objective, including £2 billion for affordable housing, taking the overall programme budget to over £9bn. This takes total financial support for housing to at least £44bn since the start of this SR period to 2022/2023. Taken together with the reforms in the Housing White Paper, the Budget put the Government on track to create, fund and drive a market which will deliver 300,000 homes a year on average by the mid-2020s. In 2018-19 the new funding includes:
  - Additional funding for Help to Buy equity loan of £10bn across the SR period - £2.4bn of Financial Transactions;
  - Additional funding of £1.5bn in Financial Transactions for the Home Building Fund to support SMEs who cannot access the finance they need to build – £308m;
  - £400m of Financial Transactions for estate regeneration to deliver new affordable homes in high-demand areas - £50m;
  - £630m to accelerate the building of homes on small or stalled sites, by speeding up on-site infrastructure and land preparation - £185m;
13. The increase in the 2018/19 budget alone is over £3bn as a result of the Autumn Budget.

#### Local Government - Resource

14. Part of the Department's remit is to manage and provide funding to local government on behalf of central government. 32% of Local Government DEL will be paid as Revenue Support Grant. This funding can be spent by local authorities on any service. Other large budgets include funding for business rate reliefs and the Better Care Fund. The budget is decreasing across this SR period, but Local Government Core Spending Power is expected to rise by 1.9% in 2018/19 and 1.1% in 2019/20. Core Spending Power is a measure of the wider resources available to local government including council tax and retained business rates. The Department publishes an annual summary of Core Spending Power – the 2018/19 publication can be found here: <https://www.gov.uk/government/publications/core-spending-power-final-local-government-finance-settlement-2018-to-2019>.
15. Other grants and payments to local authorities include the Better Care Fund and business rate reliefs which are increasing across the SR period.

#### Annually Managed Expenditure

16. The majority of the Department's Annually Managed Expenditure (AME) relates to the Business Rate System. Since 2013/14, local authorities retain at least 50% of the business rates they collect, which forms a significant portion of their income. Retained business rates are recorded as a non cash expenditure item in the Department's accounts and the amount estimated to be retained by local authorities in 2018/19 is £20.8 billion. This is an increase over the 2017/18 estimate and reflects economic growth, plus an expanded programme of

100% business rate pilots. The 2018/19 100% business rates pilots are for one year only. Ministers have confirmed that there will be pilots in 2019/20, but until the pilot programme is finalised it is too early for it to be reflected in AME numbers for that year.

Links to the Strategic Priorities

- 17. This document does not organise expenditure by strategic priorities set out in the first section of this memorandum. Instead, it focuses on our ‘estimate rows’ to align the Memorandum with the presentation of budgets in the Main Estimate document and on the Department’s formal organisational hierarchy. Our strategic priorities may span different budgets.
- 18. Annex A provides a breakdown of the budget by Estimate Rows and programmes and compares these budgets to the 2017/18 provisions as at Supplementary Estimate 2017/18. The Annex provides explanations of the largest areas of spend and the largest variances in budgets between 2017/18 and 2018/19.

**Key Main Estimate Changes to the Spending Review Settlement**

- 19. The Spending Review 2015 set the Department’s indicative budget allocation for the Parliament, but it is the Main Estimate that formally allocates budgets to the Department.
- 20. Since the Spending Review, there have been a number of changes: new funding received at fiscal events, re-profiles agreed at Supplementary Estimates 2018/19 and budget transfers with other Government Departments. The table below sets out the differences between the Budgets at the Spending Review (SR) and the budgets as at the Main Estimate.

**Table 2 – Budget changes from SR to Main Estimate– Local Government and Housing and Communities**

£m		2018/19 Budget as at SR15	Changes since SR15	2018/19 Main Estimate Budget
Resource - Housing and Communities	Admin	258	8	266
	Programme	1,042	1,510	2,552
	<b>DEL RESOURCE TOTAL</b>	<b>1,300</b>	<b>1,518</b>	<b>2,818</b>
Capital - Housing and Communities	Financial Transactions	2,358	2,920	5,278
	Grant	2,041	2,097	4,138
	<b>DEL CAPITAL TOTAL</b>	<b>4,399</b>	<b>5,017</b>	<b>9,417</b>
Resource - Local Government	Programme	6,148	(1,844)	4,304
	<b>DEL RESOURCE TOTAL</b>	<b>6,148</b>	<b>(1,844)</b>	<b>4,304</b>

- 21. The key changes to budgets at Main Estimate 2018/19 are described below. A breakdown of the changes is attached in Annex B.

22. Main changes to RDEL include:

- Transfer of New Homes Bonus funding from LG DEL to Housing and Communities DEL for spending review period (£900 million in 2018/19) to bring New Homes Bonus funding together in one place. This is reflected in both Housing and Communities DEL and LG DEL budgets.
- Devolution deal funding transferred from LG DEL to Housing and Communities DEL across this SR period (£202 million in 2018/19). This is reflected in both Housing and Communities DEL and LG DEL budgets.
- Budget Exchanges that moved £278m from 2017/18 to 2018/19 at Supplementary Estimate 2017/18.

23. Main changes to CDEL (Financial Transactions) include:

- £2.8bn of new funding announced at Autumn Budget 2017, majority of which relates to Help to Buy.
- Budget Exchanges that moved £148m from 2017/18 to 2018/19 at Supplementary Estimate 2017/18.

24. Main changes to CDEL (Grant) include:

- Receipt of £1bn of Capital funding from Department for Transport and the Department for Education for the Local Growth Fund.
- £880m funding announced at Autumn Statement 2016 as part of the new National Productivity Investment Fund.

## **Ambit**

25. The Ambit is a formal summary of the Department's scope, responsibilities and powers. The Department's Ambit had become very long and has been revised for 2018/19.

## **Contingent Liabilities**

26. There have been no changes to the Department's contingent liabilities since Supplementary Estimate 2017/18.

## **Net Cash Requirement**

27. The net cash requirement is the Department's net cash allocation for the year. The Department's revised Net Cash Requirement for 2018/19 is £22,590m and includes contingency of £2,979m to mitigate the risk of any unforeseen cash payments in 2018/19.

## **Approval of Memorandum**

28. This Memorandum has been prepared in accordance with guidance in the Estimates Manual provided by HM Treasury and that found on the House of Commons website. This has been approved by the Department's Principal Accounting Officer, Melanie Dawes.

**Melanie Dawes**

Accounting Officer

Permanent Secretary of Ministry of Housing, Communities and Local Government

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- A. Summary Table of Programme Changes by Estimate Line compared to 2017/18
- B. Summary Table of Breakdown of Changes to 2018/19 Budgets since SR15
- C. Ambit

## ANNEX A - Summary Table of Programme Changes by Estimate Line Compared to 2017/18

### MHCLG - Housing and Communities

#### DEL – Resource Admin (£000)

Estimate Line	Programme	2017/18	2018/19	Note
		Supplementary Estimates	Main Estimate	
Housing & Planning	Planning Inspectorate (Admin)	36,311	37,758	
MHCLG Staff, Building and Infrastructure Costs	Administration	184,616	197,221	1
Local Government & Public Services (ALB)(Net)	Local Govt & Public Services (ALB) Administration	17,721	18,259	
Housing & Planning (ALB)(Net)	Housing & Planning (ALB) Administration	29,312	8,082	2
Housing & Planning (ALB)(Net)	Ebbsfleet	3,931	4,208	
<b>TOTAL</b>		<b>271,891</b>	<b>265,528</b>	

1. **MHCLG Staff, Building and Infrastructure Costs – Administration.** Administration budgets cover the costs of all department administration other than the costs of direct frontline service provision. The increase in our administration budgets relates to the expanding scope of the department, for example due to Grenfell related responsibilities.
2. **Housing & Planning (ALB) Administration.** The net administration budget for the Department’s Arm Length Bodies decreases as the fee and interest income generated by Homes England on its portfolio of financial transactions increases.

DEL - Resource Programme (£000)

Estimate Line	Programme	2017/18	2018/19	Notes
		Supplementary Estimates	Main Estimate	
Local Government & Public Services	Integration and Communities	49,372	65,288	3
	GLA Settlement	3,944	-233	4
	Other Local Government	5,958	4,070	4
	UK Holocaust Memorial Foundation	1,251	0	5
	Local Government Finance	10,899	7,801	
	Grenfell Response	18,888	27,675	6
	<b>Sub-total</b>	<b>90,312</b>	<b>104,601</b>	
Housing & Planning	Social Housing	216,052	345,365	7
	Land & Housing Delivery	3,000	14,208	
	Building Safety Policy & Advice	-959	1,217	
	Homelessness, Leasehold & Private Renting	250,613	295,563	8
	New Homes Bonus	1,227,447	947,500	9
	Housing Supply	7,361	114,039	10
	Planning	29,326	47,563	11
	<b>Sub-total</b>	<b>1,732,840</b>	<b>1,765,455</b>	
Decentralisation & Local Growth	European Programmes	-2,586	2,100	
	Local Growth	130,347	201,300	12
	<b>Sub-total</b>	<b>127,761</b>	<b>203,400</b>	
Research, Data & Trading Funds	ERDF contingency	28,000	23,000	
	Queen Elizabeth II Conference Centre	-1,000	0	
	Research and Data	10,983	8,044	
	<b>Sub-total</b>	<b>37,983</b>	<b>31,044</b>	
MHCLG Staff, Building and Infrastructure Costs	MHCLG Other	2,940	2,500	
	<b>Sub-total</b>	<b>2,940</b>	<b>2,500</b>	
Housing & Planning	Homes England (Supply)	9,050	13,424	

Estimate Line	Programme	2017/18	2018/19	Notes
		Supplementary Estimates	Main Estimate	
<b>(ALB)</b>	Homes England (Land)	-30,045	208,415	13
	Ebbsfleet	0	2,000	
	<b>Sub-total</b>	<b>-20,995</b>	<b>223,839</b>	
<b>Troubled Families</b>	Troubled Families	196,972	221,196	14
	<b>Sub-total</b>	<b>196,972</b>	<b>221,196</b>	
<b>TOTAL</b>		<b>2,167,813</b>	<b>2,552,035</b>	

3. **Integration and Communities.** The two main programmes under this heading are;

Controlling Migration - The Controlling Migration Fund is designed to support local areas facing pressures linked to recent immigration. The Fund helps English local authorities and their communities experiencing high and unexpected volumes of immigration to ease pressures on local services. It also provides funding for direct enforcement action against people in the UK illegally in order to reduce the pressure on local areas. 2018/19 budget is higher compared to 2017/18 to match the profile of demand for the grant from local authorities.

<https://www.gov.uk/government/publications/controlling-migration-fund-prospectus>

Integration and tackling extremism - this budget is designed to support the Government's relationship with faith communities; promote tolerance, race equality and freedom of belief; and seeks to bring communities together. The profile of spend, which increases from 2017/18 to 2018/19, matches the support planned local and national integration strategy interventions. The Department has launched a new Integrated Communities Strategy Green Paper for consultation.

<https://www.gov.uk/government/consultations/integrated-communities-strategy-green-paper>

4. **GLA Settlement and other Local Government.** These budgets include funding to support the GLA being a Managing Authority for the ERDF in London as well as interest income from the GLA. 2017/18 budget also included funding for homelessness, which was switched from CDEL at Supplementary Estimate 2017/18. Overall homelessness funding will increase in 2018/19 – see note 8.

Local Government includes mandating data transparency – funding for local authorities to ensure parishes comply with Transparency codes. This is only a small element of funding the Department provides to Local Authorities. The majority of local government funding is included in the Local Government budgets and a number of specific grant budgets in MHCLG DEL.

5. **UK Holocaust Memorial Foundation.** The Department has a right to a reserve claim for this programme and hence the budget is only added at Supplementary Estimates
6. **Grenfell response.** The Department is actively involved in the cross-Government response and remedial measures. Further information on the Grenfell Tragedy can be found at:

<https://www.gov.uk/government/collections/grenfell-tower>

7. **Social housing.**

The large increase in the budget relates to the Right to Buy pilot. MHCLG will spend up to £200m on the pilot of a programme that allows housing association tenants to buy their home at a discount across the next two years.

<https://www.gov.uk/right-to-acquire-buying-housing-association-home>

Another large element of the budget is the Private Finance Initiative (PFI) special grant that supports the refurbishment of existing council housing, the construction and provision of both council and housing association new-build housing and associated demolition works. Projects include estate regeneration, neighbourhood renewal and new developments including provision for both general and special needs housing.

8. **Homelessness, Leasehold & Private Renting.** Majority of the budget is for the Flexible Homelessness Support Grant which is paid to local authorities and which replaced the Department for Work and Pensions' temporary accommodation management fee. The budget increases slightly in 2018/19 reflecting a budget exchange agreed at Supplementary Estimate 2017/18 – some of 2017/18 budget was top-sliced to be used to enable pan-London procurement of temporary accommodation. The work required to set up a new procurement strategy and vehicle meant that the funding could not be spent in 2017/18 but will be required in 2018/19.

Further information on the Department's Flexible Homelessness Support Grant can be found at:

<https://www.gov.uk/government/publications/flexible-homelessness-support-grant-2017-18-to-2018-19>

There are a number of other programmes aimed at tackling homelessness, including Support for Private Rented Sector Access Schemes which provides funding for schemes to support people at risk of homelessness to access and sustain tenancies in the private rented sector and Housing First pilot providing support for long-term rough sleepers off the streets and help them to end their homelessness.

Further information on the Department's approach to Homelessness can be found at:

<https://www.gov.uk/government/news/new-government-backed-advisory-panel-commits-to-help-eradicate-rough-sleeping>

9. **New Homes Bonus.** The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. In December 2016 Government announced changes to sharpen the incentive effect of the Bonus to encourage local authorities to build more homes and to release funding for other local government pressures such as adult social care.  
<https://www.gov.uk/government/publications/new-homes-bonus-final-allocations-2018-to-2019>
10. **Housing Supply.** Budget for the Community Housing Fund, which was announced in December 2016 with a bid based approach for the remainder of Parliament. There have been programme delays in 2017/18 and we have reprofiled £43m into 2018/19 from 2017/18 as set out in the Supplementary Estimate. Further information on the Community Housing Fund can be found at:  
<https://www.gov.uk/government/news/60-million-boost-for-communities-affected-by-second-homeownership>
11. **Planning.** Increase in budget is due to funding for boosting the capacity and capability of local authorities with the greatest housing challenge to plan for, get buy in to, and delivery of their housing plans. This funding was announced in the Housing White Paper.  
<https://www.gov.uk/government/collections/housing-white-paper#statement-and-press-notice>
12. **Local growth** – Core and capacity funding to local enterprise partnerships (LEPs) which provides a base level of funding for all LEPs to cover overheads and running costs which ensures they can resource their programme offices to enable the successful delivery of local growth programmes.

<https://www.gov.uk/government/collections/local-growth-deals>

Budget also includes funding for devolution deals. In 2017/18 the funding supported investment funding for the six devolution deal areas where city region mayors were elected in 2017. In 2018/19, funding will support the next tranche of payments for these six areas, while budget cover has been set aside for a further two areas (Sheffield and North of Tyne) should the deals proceed as planned. Budget also includes mayoral capacity funding for the six established mayoral combined authorities, to boost the capability and resources of the new institutions, and also funding for LEPs to drive forward Local Industrial Strategies.

<https://www.gov.uk/government/publications/devolution-and-mayors-what-does-it-mean>

<https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>

13. **Homes England (Land)**. 2018/19 budget is a ring-fenced asset depreciation budget.

14. **Troubled Families** - Programme supporting disadvantaged families with complex problems and will work with up to 400,000 families by 2020. The increase in budget is due to a budget exchange agreed at Supplementary Estimates 2017/18 which was required to match the projected profile delivery; allowing the Department to meet the programme's overall delivery targets of 400,000 families.

Further information about the Troubled Families programme can be found at:

<https://www.gov.uk/government/news/troubled-families-programme-transforming-the-lives-of-thousands-of-families>

#### DEL - Capital Programme (£000)

Estimate Line	Programme	2017/18	2018/19	Notes
		Supplementary Estimates	Main Estimate	
Local Government & Public Services	GLA Settlement	442,293	643,644	15
	Other Local Govt and Public Services	1,156	0	
	<b>Sub-total</b>	<b>443,449</b>	<b>643,644</b>	
Housing & Planning	Planning Inspectorate	745	500	
	Building Safety Policy & Advice	2,496	200	16
	Social Housing	245,670	496,000	17
	Land & Housing Delivery	36,406	1,013,725	18
	Housing Supply	52,639	462,395	19
	Homelessness, Leasehold & Private Renting	0	50,000	
	<b>Sub-total</b>	<b>337,956</b>	<b>2,022,820</b>	

Estimate Line	Programme	2017/18	2018/19	Notes
		Supplementary Estimates	Main Estimate	
Decentralisation & Local Growth	European Programmes	-12,223	0	
	Local Growth	1,463,095	1,160,086	20
	<b>Sub-total</b>	<b>1,450,872</b>	<b>1,160,086</b>	
Research, Data & Trading Funds	Research and Data	4,768	5,970	
	<b>Sub-total</b>	<b>4,768</b>	<b>5,970</b>	
MHCLG Staff, Building and Infrastructure Costs	MHCLG Other	13,198	10,665	
	<b>Sub-total</b>	<b>13,198</b>	<b>10,665</b>	
ER07 - Local Government & Public Services (ALB)(Net)	Local Govt & Public Services (ALB) Administration	550	150	
	<b>Sub-total</b>	<b>550</b>	<b>150</b>	
Housing & Planning (ALB)(Net)	Homes England (Social Housing)	580,910	684,306	21
	Homes England (Supply)	606,545	528,659	22
	Housing & Planning (ALB) Administration	335	85	
	Help to Buy	3,289,000	4,149,000	23
	Homes England (Land)	233,899	143,594	24
	Ebbsfleet	34,381	67,600	
	<b>Sub-total</b>	<b>4,745,070</b>	<b>5,573,244</b>	
Troubled Families	Troubled Families	832	0	
	<b>Sub-total</b>	<b>832</b>	<b>0</b>	

<b>TOTAL</b>	<b>6,996,695</b>	<b>9,416,579</b>
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15. **GLA Settlement** - Affordable Housing budget delegated to the Greater London Authority. Budget increase in 2018/19 relates to the increasing investment in the Affordable Housing programme (see note 17).

<https://www.gov.uk/government/collections/affordable-homes-programme-2015-to-2018-guidance-and-allocations>

16. **Building Safety Policy & Advice.** Expenditure against this budget is largely determined by demand from local authorities for testing of building cladding. If the current budget is not sufficient to meet the demand, the Department will explore options for increasing the allocation.

17. **Social Housing.** Funding for the Affordable Housing programme which aims to increase the supply of new affordable homes in England and which was increased at Autumn Statement 2016. Further £2bn increase in the future years' funding for the programme was announced at Autumn Budget 2017, taking the programme to over £9bn.

<https://www.gov.uk/government/collections/affordable-homes-programme-2015-to-2018-guidance-and-allocations>

18. **Land & Housing Delivery.** The large increase in budget allocations between 2017/18 and 2018/19 relates to a number of budget lines; the largest ones are;

Accelerated Construction – Part of the budget for the Accelerated Construction programme was surrendered as agreed with HMT to contribute to the higher Affordable Housing investment in future years. The changes to the Accelerated Construction funding reflect the changes to the programme over the last year, as the development of off-balance models to speed up the build out of public sector land has provided the opportunity for budgetary savings.

Housing Infrastructure Fund – this is a new programme which offers funding to local authorities on a competitive basis, for infrastructure to support up to 100,000 new homes.

<https://www.gov.uk/government/publications/housing-infrastructure-fund>

Small Sites – Infrastructure and remediation – New funding announced at Autumn Budget 2017 to accelerate the building of homes on small or stalled sites, by speeding up on-site infrastructure and land preparation.

19. **Housing Supply.** Increase in this budget is largely due to the additional funding of £308m received at Autumn Budget to support SMEs who cannot access the finance they need to build. This budget also includes £50m received at Budget to deliver new affordable homes in high-demand areas.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/661430/Building\\_the\\_homes\\_the\\_country\\_needs.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/661430/Building_the_homes_the_country_needs.pdf)

20. **Local Growth** - Growth Deals provide funds to local enterprise partnerships or LEPs (partnerships between local authorities and businesses) for projects that benefit the local area and economy. Growth Deal funding is awarded on a multi-year basis and to reflect the funding profile of the local growth projects.

<https://www.gov.uk/government/collections/local-growth-deals>

Budget also includes funding for devolution deals. In 2017/18 the funding supported investment funding for the six devolution deal areas where city region mayors were elected in 2017. In 2018/19, funding will support the next tranche of payments for these six areas, while budget cover has been set aside for a further two areas (Sheffield and North of Tyne) should the deals proceed as planned

<https://www.gov.uk/government/publications/devolution-and-mayors-what-does-it-mean>

21. **Homes England (Social Housing)**. Funding for the Affordable Housing programme administered by Homes England which aims to increase the supply of new affordable homes in England and which was increased at Autumn Statement 2016. Further increase in the funding for the programme was announced At Autumn Budget 2017; this is reflected in our budgets for 2019/20 and 2020/21.

<https://www.gov.uk/government/collections/affordable-homes-programme-2015-to-2018-guidance-and-allocations>

22. **Homes England (Supply)**. The Home Building Fund is a flexible source of funding administered by Homes England on behalf of the Department. The Fund provides:

- development finance - loan funding to meet the development costs of building homes for sale or rent
- infrastructure finance - loan funding for site preparation and the infrastructure needed to enable housing to progress and to prepare land for development.

Net decrease in the budget is due to increase in income as developers repay these loans.

<https://www.gov.uk/government/publications/home-building-fund/an-introduction-to-the-home-building-fund>

This budget also includes funding for the Build to Rent programme - fully recoverable investment where the government shared risk or bridged finance to help schemes to be built, managed and let.

<https://www.gov.uk/government/collections/build-to-rent-guidance-and-allocations>

23. **Help to Buy** – Budgets reflect additional funding for Help to Buy equity loan of £10bn across the SR period due to the popularity of the scheme across the country. £2.4bn of this increase funding is reflected in 2018/19 budgets.

<https://www.gov.uk/government/news/10-billion-new-funding-for-help-to-buy-equity-loan>

24. **Homes England (Land)**. Budget for the Starter Homes programme that is designed to accelerate the supply of brownfield land available for starter homes development.

<https://www.gov.uk/government/collections/starter-homes-local-authority-funding-programme>

**MHCLG - Local Government**

**DEL – Resource Programme (£000)**

Estimate Line	Programme	2017/18	2018/19	Notes
		Supplementary Estimates	Main Estimate	
Revenue Support Grant	Revenue Support Grant	1,868,883	1,378,991	25
	<b>Sub-total</b>	<b>1,868,883</b>	<b>1,378,991</b>	
Business Rates Retention	Safety Net	50,000	35,000	
	<b>Sub-total</b>	<b>50,000</b>	<b>35,000</b>	
Other grants and payments	Business Rates Relief grants	1,129,239	1,129,239	
	Localising CT Admin Subsidy	69,000	69,000	
	City of London Offset/ LG DEL Contingency	11,300	11,300	
	Additional improved Better Care Fund	673,602	648,239	25
	Improved Better Care Fund	780,010	780,010	
	Independent Living Fund	165,600	165,600	
	PFI Joint Services Centres	27,615	27,615	
	Rural Services Delivery Grant	47,566	38,818	25
	Specified bodies	20,000	20,000	
	<b>Sub-total</b>	<b>2,923,932</b>	<b>2,889,821</b>	
<b>TOTAL</b>		<b>4,842,815</b>	<b>4,303,812</b>	

25. **Business Rates Retention** - As part of the government's commitment to increase business rates growth and reduce dependency on Central Government grant, more local authorities will pilot 100% business rates retention in exchange for reduced grant funding. This movement, agreed at the Local Government Settlement 2018, is offset by an increase in the Local Share in AME.

## MHCLG - Housing and Communities and Local Government

### Annually Managed Expenditure (£000)

Estimate Line	Programme	2017/18	2018/19	Notes
		Supplementary Estimates	Main Estimate	
<b>Local Government &amp; Public Services</b>	GLA Settlement	0	10,000	
	<b>Sub-total</b>	<b>0</b>	<b>10,000</b>	
<b>Housing &amp; Planning</b>	Housing & Planning (ALB) Administration	764	161	
	Housing Supply	35,200	135,000	
	Other Housing (N)	0	4,000	
	<b>Sub-total</b>	<b>35,964</b>	<b>139,161</b>	26
<b>Housing &amp; Planning (ALB)(Net)</b>	Homes England (Supply)	24,000	228,000	
	Homes England (Land)	103,000	123,000	
	Help to Buy	322,000	500,000	
	Housing & Planning (ALB) Administration	964	752	
	<b>Sub-total</b>	<b>449,964</b>	<b>851,752</b>	26
<b>Local Government &amp; Public Services (ALB)(Net)</b>	Local Govt & Public Services (ALB) Administration	2,462	2,151	
	<b>Sub-total</b>	<b>2,462</b>	<b>2,151</b>	
<b>MHCLG Staff, Building and Infrastructure Costs</b>	MHCLG Other	45,336	-1,552	
	<b>Sub-total</b>	<b>45,336</b>	<b>-1,552</b>	
<b>Research, Data and Trading Funds</b>	European Programmes	8,100	8,100	
		<b>8,100</b>	<b>8,100</b>	
<b>Non Domestic Rates Outturn Adjustments</b>	NNDR Outturn Adj	81,086	300,000	
	<b>Sub-total</b>	<b>81,086</b>	<b>300,000</b>	

Estimate Line	Programme	2017/18	2018/19	Notes
		Supplementary Estimates	Main Estimate	
<b>Business Rates Retention</b>	Top Ups	0	1,734,032	
	Tariffs	0	-1,722,427	
	Transitional Protection Payments	0	306,390	
	Deficit on Collection Payments	0	196,731	
	Local Share	15,735,271	20,758,378	
	<b>Sub-total</b>	<b>15,735,271</b>	<b>21,273,104</b>	27
<b>TOTAL</b>		<b>16,358,183</b>	<b>22,582,716</b>	

26. The majority of the MHCLG – Housing and Communities AME budget covers losses on the financial transaction portfolio over the financial year. The increase in the budget is driven by increased exposure, as the Department’s investment into financial transaction programmes continues to increase.

27. **Local Share of Business Rates** - As part of the government’s commitment to increase business rates growth and reduce dependency on Central Government grant, more local authorities will pilot 100% business rates retention in exchange for reduced grant funding. This movement, agreed at the Local Government Settlement 2018 increases the Local Share of business rates.

## Annex B – Summary Table of Breakdown of Changes to 2018/19 Budgets since SR15

### MHCLG - Housing and Communities

<b>RDEL - Admin</b>	<b>Change in 2018/19 Budget since SR15 £m</b>	<b>Comments</b>
Budget as at SR15	<b>258</b>	
Fire programmes transferring to Home Office	(5)	Machinery of Government change where the Department's Fire programmes have been transferred to the Home Office.
Cities and Local Growth Team transferring to from Cabinet Office	1	Cities and Local Growth Team - movement of the Cities Unit from the Cabinet Office to MHCLG.
Pay costs in relation to BSP and Grenfell Tower response	12	Budget transferred from programme to admin to support the Department's costs relating to the Grenfell response and Building Safety Directorate.
Budget at Main Estimate 2018/19	<b>266</b>	

<b>RDEL - Programme</b>	<b>Change in 2018/19 Budget since SR15 £m</b>	<b>Comments</b>
Budget as at SR15	<b>1,042</b>	
Devolution Deals	208	Devolution deal funding transferred from LG DEL to Housing and Communities DEL across this SR period.
New Homes Bonus	900	Transfer of New Homes Bonus funding from LG DEL to Housing and Communities DEL for spending review period to bring New Homes Bonus funding together in one place.

RDEL - Programme	Change in 2018/19 Budget since SR15 £m	Comments
Fire programmes transferring to Home Office	(97)	Machinery of Government change where the Department's Fire programmes have been transferred to the Home Office.
Expanded Right to Buy Pilot	50	Funding for the Right to Buy pilot for housing associations to enable their tenants to buy their own home announced at Autumn Statement 2016.
Valuation Office Agency	(151)	Transfer of budget between departments - transfer of budget to HMRC for the Valuation Office Agency. The transfer relates to the VOA's responsibility for business rate valuation and appeals.
Community Housing Fund	103	Transfer of £60m budget for the Community Housing Fund from LG DEL to Housing and Communities DEL. £43m of the 2017/18 funding for the programme was moved to 2018/19 at Supplementary Estimates to ensure good value for money from delivery.
Local Authority Housing Capacity Funding	22	This amount was moved from CDEL to RDEL to provide funding to boost the capacity and capability of local authorities with the greatest housing challenge to plan for, get buy in to, and delivery of their housing plans.
Support for Private Rented Sector Access Schemes	10	Funding announced at Autumn Budget 2017 - £20m across two years for schemes to support people at risk of homelessness to access and sustain tenancies in the private rented sector.
Grenfell	9	Funding announced at Autumn Budget 2017- £9m pa in 2018-19 to 2020-21 to provide support for the Grenfell community.
Voluntary Right to Buy Pilot	125	Budget exchange agreed at Supplementary Estimate 2017/18. As agreed at Budget, £80m will be used to fund Voluntary Right to Buy pilots in 2019/20. Treasury announced additional £70m for the pilot for future years, bringing the investment to pilots to £200.  £45m of the budget was repurposed to help support the Department's response to the Grenfell tragedy.

RDEL - Programme	Change in 2018/19 Budget since SR15 £m	Comments
Troubled Families	41	Budget exchange agreed at Supplementary Estimate 2017/18. The Troubled Families spending allocation profile was originally spread evenly over the Spending Review period. This amends the budget profile to more accurately match expenditure with delivery.
Single Land Programme	32	Budget exchange agreed at Supplementary Estimate 2017/18 to help mitigate potential pressures in 2018/19, including the smaller starter homes programme.
Controlling Migration Fund	15	Budget exchange agreed at Supplementary Estimate 2017/18. The majority of bids from Local Authorities span over a two year period and therefore we have to manage resource allocation to match the profile of demand.
Integration and Faith	10	Budget exchange agreed at Supplementary Estimate 2017/18 . The profile of spend, which increases from 2017/18 to 2018/19, matches the support planned local and national integration strategy interventions. The Department has now launched a new Integrated Communities Strategy Green Paper for consultation.
Flexible Homelessness Support Grant	9	Budget exchange agreed at Supplementary Estimate 2017/18. The work required to set up a new procurement strategy and vehicle meant that the funding will be required in 2018/19.
Housing Infrastructure Fund (NPIF)	3	Budget exchange agreed at Supplementary Estimate 2017/18, as the assessment and selection of projects has slipped back.
Pay costs in relation to Grenfell Tower response	(12)	Budget transferred from programme to admin to support the Department's costs relating to the Grenfell response and Building Safety Directorate.
Local growth Fund	13	Contribution from the Department for Business, Energy and Industrial Strategy for Local Enterprise Partnerships' core and capacity funding.

<b>RDEL - Programme</b>	<b>Change in 2018/19 Budget since SR15 £m</b>	<b>Comments</b>
Depreciation	230	This budget is earmarked within RDEL for depreciation and cannot be used to support expenditure on programmes. The budget was increased at Main Estimates 2016/17 to reflect the increasing programme budget. Additionally, we moved £71m from 2017/18 to 2018/19.
Other changes	(10)	
<b>Budget at Main Estimate 2018/19</b>	<b>2,552</b>	

<b>CDEL - FT</b>	<b>Change in 2018/19 Budget since SR15</b>	<b>Comments</b>
<b>Budget as at SR15</b>	<b>2,358</b>	
Help to Buy	2,416	The Department received new funding to expand the popular Help to Buy Equity Loan Programme. This is additional funding that was announced at Autumn Budget 2017. The overall budget allocation for the remainder of this SR is £18.2bn.
Home Building Fund for SMEs	308	Additional funding to support SMEs who cannot access the finance they need to build. This is additional to the existing budget of £2m for the Home Building Fund. This is the 18/19 element of new funding totalling £1.2bn was announced at Autumn Budget 2017.
Estate Regeneration	50	Loan funding for estate regeneration to deliver new affordable homes in high-demand areas. This is part of £400m new funding announced at Autumn Budget 2017 for the programme.

<b>CDEL - FT</b>	<b>Change in 2018/19 Budget since SR15</b>	<b>Comments</b>
Manchester Housing Investment Fund	95	Budget exchange agreed at Supplementary Estimate 2017/18. Reprofile is required to cover contractual commitments of which the Department has provided funding assurance to Manchester. Overall budget for the remainder of this SR is £175m.
Build to Rent	54	Budget exchange agreed at Supplementary Estimate 2017/18. The nature of the drawdown programme, which the Department cannot directly control, means that contractual commitments have moved from this year into 2018/19.
Budget at Main Estimate 2018/19	5,278	

<b>CDEL - Grant</b>	<b>Change in 2018-19 budget since SR15 £m</b>	<b>Comments</b>
Budget as at SR15	<b>2,041</b>	
Affordable Homes Programme	560	The increase in budget is largely due to new funding announced at Autumn Statement 2016 for the National Productivity and Infrastructure Fund. The overall allocation for this SR period includes £2bn new funding announced at Autumn Budget, which takes the total budget for the Affordable Homes Programme to £9.1 billion to 2020/21.
Starter Homes	(391)	Part of the funding for Starter Homes programme was surrendered to HMT and will be used to support the expansion of the Affordable Homes Programme in future years. The changes to Starter Homes funding reflect the changes to the programme over the last year. The Housing White Paper repositioned starter homes, freeing up some of the £2.3 billion up to 2020/21 that had been originally allocated for Starter Homes in the 2015 Spending Review.

CDEL - Grant	Change in 2018-19 budget since SR15 £m	Comments
Accelerated Construction	268	We have received funding at Autumn Budget as part of the National Productivity and Infrastructure Fund. Some of this funding was then surrendered to HMT to be reallocated to the Department to increase the budget for the Affordable Homes Programme in later years of this Spending Review period. The changes to the Accelerated Construction funding reflect the changes to the programme over the last year, as the development of off-balance models to speed up the build out of public sector land has provided the opportunity for budgetary savings.
Local Growth Fund	1,012	Capital funding from Department for Transport and the Department for Education for the Local Growth Fund.
Housing Infrastructure Fund	293	New funding announced at Autumn Statement 2016. An element of 2017/18 budget was moved to 2018/19 at Supplementary Estimate 2017/18. This will allow the Department to spend the budget early in the new financial year based on decisions from the Investment Panel for the Housing Infrastructure Fund.
Local Authority Housing Capacity Funding	(22)	This amount was moved from CDEL to RDEL to provide funding to boost the capacity and capability of local authorities with the greatest housing challenge to plan for, get buy in to, and delivery of their housing plans. This does not represent a reduction in the Department's spending power.
Small Sites: Infrastructure and Remediation	230	New funding to accelerate the building of homes on small or stalled sites, by speeding up on-site infrastructure and land preparation. This funding was announced at Autumn Budget 2017 and totals £630m for the remainder of this SR period.
London Settlement	22	Budget exchange agreed at Supplementary Estimate 2017/18 to fund the programme for Cultural and Education District (Olympicopolis) beginning a year later than anticipated.
Brent Cross	46	Budget exchange agreed at Supplementary Estimate 2017/18 to align the budget with the agreed drawdown schedule for Brent Cross - regeneration of the Cricklewood area.

<b>CDEL - Grant</b>	<b>Change in 2018-19 budget since SR15 £m</b>	<b>Comments</b>
Ebbsfleet	36	Budget exchange agreed at Supplementary Estimate 2017/18. £28m will be earmarked to fund Housing White Paper implementation costs in future years. Additional £7m is to be used by Ebbsfleet in future years to allow them to fund investment that is projected to increase towards the end of the SR period.
Move on Fund	16	Budget exchange agreed at Supplementary Estimate 2017/18. Over this Parliament the programme Move on Fund will invest £100 million to deliver low-cost 'second stage' accommodation for rough sleepers leaving hostel accommodation and domestic abuse victims and their families moving on from refuges. To match the programme's operational requirements, we reprofiled £15.6m into 2018/19. Total allocation for the year for the programme is £66m.
Single Land Programme	25	Budget exchange agreed at Supplementary Estimate 2017/18 to allow the Department to meet arising pressures and will also provide an opportunity to complete more Other Government Department land transfers.
Other changes	5	
<b>Budget at Main Estimate 2018/19</b>	<b>4,138</b>	

### Local Government

<b>RDEL - Programme</b>	<b>Change in 2018-19 budget since SR15 £m</b>	<b>Comments</b>
<b>Budget as at SR15</b>	<b>6,148</b>	
Business rate - Section 31 relief measures	878	Additional funding for business rate relief measures.

<b>RDEL - Programme</b>	<b>Change in 2018-19 budget since SR15 £m</b>	<b>Comments</b>
New Homes Bonus	(900)	Transfer of New Homes Bonus funding from LG DEL to Housing and Communities DEL for spending review period to bring New Homes Bonus funding together in one place.
Devolution Deals	(202)	Devolution deal funding transferred from LG DEL to Housing and Communities DEL across this SR period to bring Devolution deal funding together in one place.
Controlling Migration Fund	(25)	Controlling Migration funding transferred from LG DEL to Housing and Communities DEL across this SR period for budget management purposes.
Grants rolled into Revenue Support Grant	13	Small grants streams rolled into Revenue Support Grant.
Council tax Freeze Grant for Police	(7)	An additional baseline transfer for Council Tax Freeze grant for Police to Home Office.
Revenue Support Grant	(2,195)	Surrender of Revenue Support Grant for 100% BRR pilots, offsetting an increase in AME
Better Care Fund	(69)	Surrender of Better Care Fund for 100% BRR pilots, offsetting an increase in AME
Rural Services	(27)	Surrender of Rural Services for 100% BRR pilots, offsetting an increase in AME
Additional Better Care Fund	674	New Funding announced at Spring Budget 17
Spring '17 BR relief Section 31 Measures	70	New funding to support businesses announced at Spring Budget 17
Stamp Duty Land Tax	(60)	Funding transferred from LG DEL to Housing and Communities DEL across this SR period.
Other changes	6	
<b>Budget at Main Estimate 2018/19</b>	<b>4,304</b>	

## **Annex C - Ministry of Housing, Communities and Local Government Ambit**

### **Departmental Expenditure Limit - Ministry of Housing, Communities and Local Government (MHCLG) Main:**

#### Expenditure arising from:

Increasing the supply of affordable housing and supporting home ownership and diversifying the housing market; policies regulating and helping people access the housing market, whether they are renting or looking to buy; supporting infrastructure and planning programmes including policy; buying and selling land for housing and economic development preventing homelessness, and supporting people to stay in their homes;

Supporting local economies across the country to boost productivity and deliver inclusive growth for all our communities and economic growth and devolving powers and responsibilities at a local level; EU structural funds and ERDF programme; UK Holocaust Memorial project;

Supporting Local Authorities and communities bringing them together; emergency assistance and financial support to Local Authorities and communities; Encouraging race, gender and faith equality; helping support troubled families and victims of domestic violence and child sexual exploitation; controlling migration; tackling extremism and promoting cohesive communities; gypsy and traveller policy;

Supporting effective Local Government to deliver public services to local people, driving efficiencies and transformation; Encouraging action at neighbourhood level; legacy and historic programmes previously run by the Department including payments to the Valuation Office Agency; research and development programmes;

Support to Grenfell Tower residents and victims of the Grenfell Fire;

Delivery of the Building Safety Portfolio, support and monitor the rectification of safety issues within buildings; review the current building safety system and to implement changes to that system as they are required.

Exiting the European Union and net spending by Arms Length Bodies (ALB's), including Homes England.

Expenditure relating to any of the above areas in the form of: equity investment, or making loans through advances of principal (financial transactions); using a payment by results mechanism; the creation of liabilities and expenditure related to a financial guarantee or similar financial instrument given by the department; providing grant funding to charities; providing funding through endowments as laid out in Managing Public Money; purchase and management of exchange rate contracts to hedge exposure risk; Financial Transactions devolved to and delivered by local authorities.

Administration of the Ministry of Housing, Communities and Local Government, it's ALB's, and associated offices, ensuring that they deliver on the Department's objectives.

#### Income arising from:

Increasing the supply of affordable housing and supporting home ownership and diversifying the housing market; policies regulating and helping people access the housing market, buying and selling land for housing and economic development; capital pooled housing receipts; planning programmes and policy;

Supporting local economies across the country to boost productivity and deliver inclusive growth for all our communities and economic growth; EU structural funds and ERDF programme; city deals.

Supporting effective Local Government to deliver public services to local people, driving efficiencies and transformation; Supporting Local Authorities; Disabled Facilities Grant; legacy and historic programmes previously run by the Department; research and development programmes;

Exiting the European Union and net spending by Arms Length Bodies (ALB's), including Homes England.

Income relating to any of the above areas in the form of: equity investment, or making loans through advances of principal (financial transactions); using a payment by results mechanism; fees and charges including by ALBs; the creation of liabilities and expenditure related to a financial guarantee or similar financial instrument given by the department; purchase and management of exchange rate contracts to hedge exposure risk; Financial Transactions devolved to and delivered by local authorities.

Administration of the Ministry of Housing, Communities and Local Government, it's ALB's, and associated offices, ensuring that they deliver on the Department's objectives and any activities listed in the expenditure section.

### **Departmental Expenditure Limit - MHCLG Local Govt:**

#### Expenditure arising from:

Supporting effective Local Government to deliver public services to local people.

Financial support to local authorities and specified bodies including grant payments; including Revenue Support Grant, Business Rates Retention including Transitional Relief; Business Rate Relief Measures;

Supporting Social Care and independent living; Local Government devolved powers.

### **Annually Managed Expenditure:**

#### Expenditure arising from:

Debt payments relating to housing stock; charges on financial products' repayments of excess contributions made by Local Authorities; provision, impairments, and exchange rate movements including on financial instruments (including guarantees); business rates retention; hedging

Supporting effective Local Government to deliver public services to local people and net spending by our ALB's and other public bodies not classified as ALB's and setting up of new

Development Corporations. Movements arising from pension schemes of the Department and its ALB's; other public bodies not classified as ALBs

Income arising from:

Supporting effective Local Government to deliver public services to local people.

**Ministry of Housing, Communities and Local Government** will account for this Estimate.