



Ministry of Housing,
Communities &
Local Government

Melanie Dawes CB
Permanent Secretary

**Ministry of Housing, Communities and Local
Government**
2 Marsham Street
London SW1P 4DF

Tel: 0303 444 2785
psmelaniedawes@communities.gsi.gov.uk
www.gov.uk/mhclg

Clive Betts MP
Chair, Housing, Communities and Local
Government Committee
House of Commons
SW1A 0AA

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Main Estimate 2018-19 Explanatory Memorandum: Response to the Committee's Questions

1. Thank you for your letter dated 21 May 2018, asking for further information in relation to the MHCLG Main Estimate for 2018-19 and the accompanying Explanatory Memorandum. I have provided answers to each of your questions below.

Local Government

Q1: The NAO's recent report on the Financial Sustainability of Local Authorities noted increasing pressures on costs for local government services arising from increased demand and other factors (for example the introduction of the National Living Wage). Do you consider that the expected increases in overall spending power of local government in 2018-19 will keep pace with increased costs, many of which are outside local authorities' control?

2. Through the Local Government Finance Settlement, local authorities have been given access to £45.1bn in 2018-19 and £45.6bn in 2019-20. This is an overall increase since 2017-18 of £1.3bn, in recognition of increasing pressures, including demand for adult and children's services. A further £150 million was made available for adult social care in 2018-19, alongside the freedom to raise more money more quickly through the use of the adult social care precept. This is part of the four year funding offer accepted by 97% of councils in 2016, which is giving them the certainty to plan financially to fulfil their statutory responsibilities.
3. The impact of the National Living Wage on local authority finances was considered during the Spending Review as part of an overall assessment of spending pressures on local authorities. It was funded as part of the overall settlement, as one of a number of pressures.

Q2: The recent decision to send in commissioners to run Northamptonshire County Council was taken after Main Estimates were published. Does the Ministry expect to incur any extra costs in 2018-19; due to its involvement in Northamptonshire? Are the Ministry expecting any other local authorities to get into financial difficulties in 2018-19, if so what will be the impact on your budget in 2018-19?

4. The Directions¹ issued alongside the appointment of commissioners to Northamptonshire County Council require the Council to cover all reasonable fees and expenses of the commissioners. There will be some minimal administrative costs associated with the Department's oversight of the intervention. These will be absorbed within existing budgets.
5. As set out in my letter to the Public Accounts Committee of 19 June, the department conducts regular risk assessments across the local Government sector. The Department does not consider this to be a significant risk to departmental budgets in 2018-19.

Housing

Q3: Help to Buy is forecast to make up the majority of total CDEL spending on 'Housing and Planning' (£4.1bn of £7.6bn in 2018-19). Have you evaluated the relative value for money of Help to Buy compared to spending on other housing programmes? If so, how do they compare?

6. Help to Buy continues to be a key tool in the Government's portfolio of housing market intervention programmes. It has helped 158,883 households buy a new-build home from its launch in April 2013 until December 2017, including 128,317 (81%) first-time buyers. The Department has published its evaluation of Help to Buy² which can be found at the link below and will publish a further evaluation later this year. The Department is in addition committed to publishing shortly an evaluation strategy covering housing and planning programmes setting out our approach to evaluating housing interventions. However, value for money cannot be assessed by a simple numerical comparison of different interventions; different programmes have different objectives, and value for money has to be considered in relation to deliver these objectives. For example, supporting home ownership, in the case of Help to Buy; or supporting diversification of the supply chain in the case of the Home Building Fund.

¹ <https://www.gov.uk/government/publications/northamptonshire-county-council-directions-and-explanatory-memorandum>

² <https://www.gov.uk/government/publications/evaluation-of-the-help-to-buy-equity-loan-scheme>

Q4: In response to our questions regarding the 2017-18 Supplementary Estimates correspondence you noted that the Right to Buy pilot (which is receiving increased funding in 2018-19) has been assessed as providing good value for money for taxpayers (you estimate economic benefits of £440 million). Please send us a copy of this analysis alongside any value for money or cost-benefit analysis you have done on other housing programmes (for example Help to Buy and Affordable housing).

7. The Department is currently in the process of finalising our approach to the Voluntary Right to Buy pilot. Once this has been completed we will write to the Committee with an explanation of the economic benefits. As noted above, for our existing housing programmes, the Department is in addition committed to publishing shortly an evaluation strategy covering housing and planning programmes setting out our approach to evaluating housing interventions.

Q5: The cost of housing benefit (which is included in DWP budgets not MHCLG) is significantly higher than investment by MHCLG in Housing. What, if any, work is the Ministry doing with DWP and HM Treasury to ensure that these costs are considered when you make decisions about housing programmes?

8. The Department continually works other Departments, including DWP and HM Treasury to consider how to use most effectively the whole of Government's financial and policy levers to achieve our goals, including on housing supply, quality, homelessness and vulnerable people. As described in recent Treasury Minutes, as part of its response to the Public Account Committee's recommendations following their report *Housing: State of the Nation* (2016-17)³, the Department is currently working with DWP to establish what evidence is already available about the relationship between housing benefit, housing supply, ownership and quality, to identify any gaps, and what additional targeted research or analysis may be needed.

Q6: The first Help to Buy equity loans (issued in 2013-14) are now coming to an end of their five-year interest free period – how do you expect this to affect your budgets in 2018-19?

9. The first fees became payable under Help to Buy during May 2018, for those taking out equity loans at the very start of Help to Buy in 2013. The department will receive an income from these fees, which it can retain and re-use to support the costs of running housing programmes, up to a delegated limit set and reviewed by HM Treasury.
10. Income from the redemption of equity loans is returned directly to HM Treasury and is not included in the Department's budgets.

Q7: You are planning to increase investment in affordable and social housing – do you expect this to reduce the numbers of households living in temporary accommodation?

11. The Affordable Homes Programme does not have an outcome linked specifically to a reduction in the use of temporary accommodation. However, increasing the number of affordable homes, specifically homes for social rent, should bring more stability to residents' accommodation, allowing more households to be moved out of, or prevented from needing temporary accommodation.
12. Temporary accommodation does remain an important tool for local authorities in managing housing need as time spent in temporary accommodation means people are getting help and ensures no family is without a roof over their head. We have replaced DWP's Temporary Accommodation Management Fee with a Flexible Homelessness Support Grant, worth £617m over three years, which local authorities can use more strategically to prevent and tackle homelessness.
13. Further information on the link between the Affordable Housing Programme and Temporary Accommodation was provided in the response to the Public Accounts Committee's recommendations within Treasury Minute 11 – Homeless Households (2017-19)⁴.

Q8: Last year you recorded an underspend on the budget for affordable housing – what are you doing to ensure this does not happen again? Did you seek flexibility from HM Treasury in 2017-18 so that funds for affordable housing could be spent during the year (rather than being surrendered or rolled forward)? Will you have the flexibility from HM Treasury in 2018-19 to distribute any underspends to local authorities as capital grants for housing projects?

14. The Department sought flexibility from HM Treasury to re-profile some of the Affordable Housing Programme funding, as set out in the Department's Explanatory Memorandum. This included £94m of funding used to deliver Homes England's land programme in 2017-18 which has been replaced in the Affordable Housing Programme budgets in future years. As set out in the Department's previous response on 13 March, uncertainty and other factors limited the ability of housing associations or local authorities to take up the allocated funding in full. The previous letter set out a number of responses from the Department, including providing certainty on future social rent changes in order to allow the sector to plan to deliver our ambitious targets over the next two to three years. In addition to this, on 26th June, the Department published details of how local authorities can access an additional £1bn of borrowing and opened bidding in the Affordable Homes Programme for social rent in areas of high affordability pressure.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684805/Cm_957_5_Treasury_Minutes_Web_Accessible.pdf

Q.9: The Government has announced funding of £400 million for social landlords to remove and replace potentially dangerous cladding – is this funding in addition to the budgets agreed in the Main Estimates? Which budget line will this funding come from?

15. Initially this funding will be allocated from the Affordable Homes Programme. The Department has agreed with HM Treasury that any funding for the remediation of dangerous cladding that is committed this year or next from the Affordable Homes Programme can be committed to housing associations and local authorities in 2021-22, to ensure that the overall level of funding for the Affordable Homes Programme remains the same. This will also enable Homes England to make the longer term deals which housing associations have said they need to step up delivery and which provide the opportunity for higher outputs from the same overall capital grant spend.
16. It is also worth noting that the Department is providing this funding in order to ensure that those bodies providing affordable housing can get on with the vital remediation work they need to without having to displace funding from their plans to deliver new supply or carry out other necessary repairs and maintenance. All of the funding will be directed at providers of affordable housing and will therefore benefit the sector.

I hope that these answers are of assistance to the Committee.

MELANIE DAWES