

Ministry of Housing, Communities and Local Government



Day-to-day Spending (Resource DEL)

Local Government*

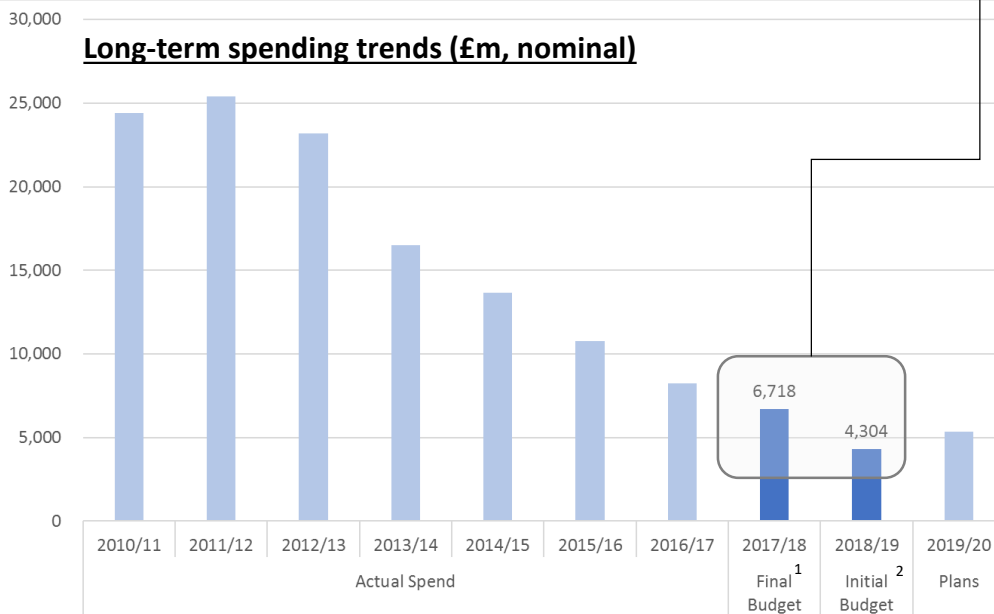
MHCLG-Local Gov't spends 1.3% of total Resource DEL

Spending Review 2015

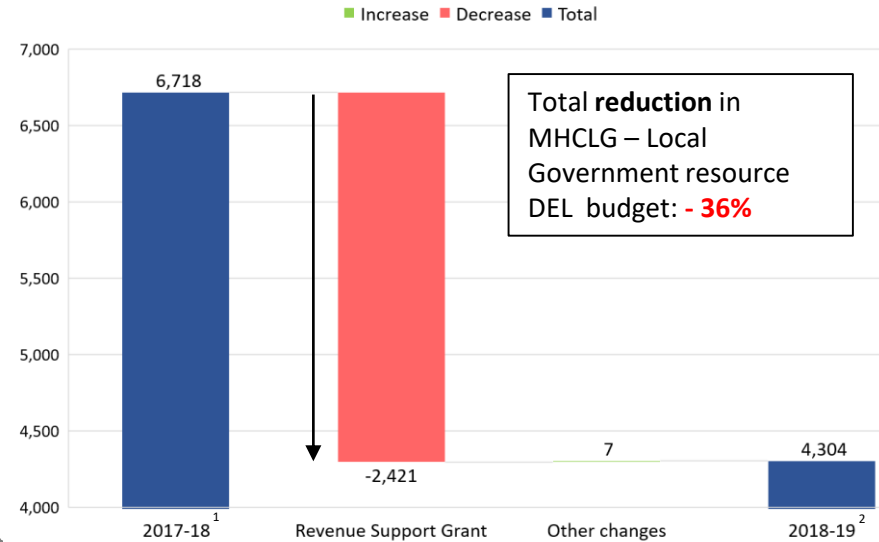
The SR planned for continued reductions in central government direct grant funding for local government.

Trends

- The significant reduction in funding from central government since 2010-11 has been partially offset by local government retention of at least 50% of business rates (which is included in Resource AME).
- MHCLG forecast that core spending power of local government (which includes business rate retention, council tax and central government grants) will increase by around 2% in 2018-19.



Breakdown of changes in budget from 2017-18 to 2018-19, £m



Changes from last year

- Total MHCLG - Local Government Resource DEL budget decreased from £6.7bn to £4.3bn.
- The reduction is due to a £2.4bn decrease in Revenue Support Grant (RSG), from £3.8bn in 17-18 to £1.4bn in 18-19. The RSG in 18-19 is lower than was forecast in SR2015 – a number of councils are piloting 100% retention of business rates and have surrendered their RSG allocation, also some resource DEL has been transferred to *Housing & Communities*.
- Other grants remain at £2.9bn

¹ Final budget at Supplementary Estimates 2017-18 (Feb 2018)

² Initial budget as at Main Estimates 2018-19 (April 2018)

* MHCLG Resource DEL spending is split into “Local Government RDEL” and “Housing & Communities RDEL”



Day-to-day Spending (Resource DEL)

Housing & Communities*

MHCLG-H&C spends 0.9% of total Resource DEL

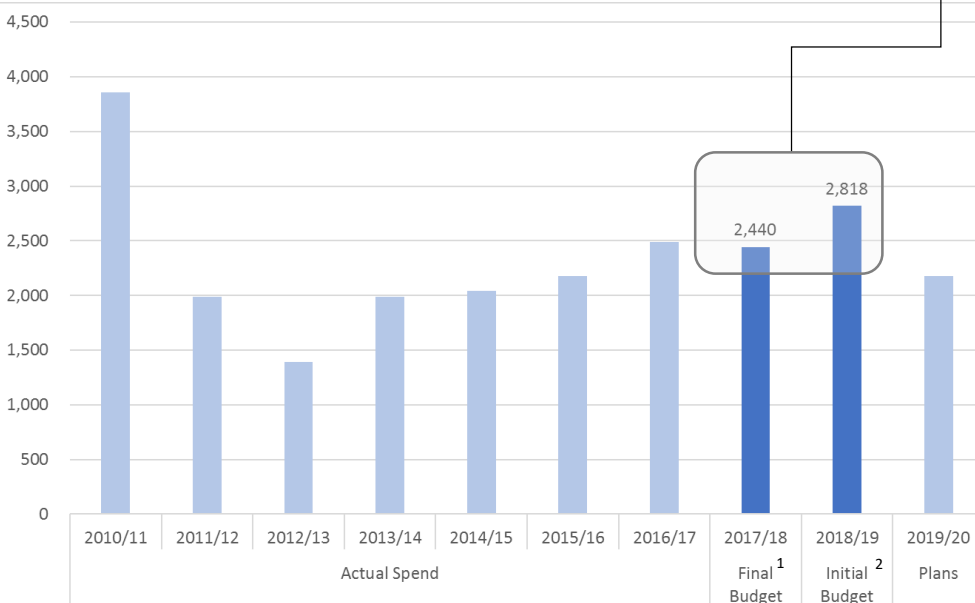
Spending Review 2015

The SR set out year-on-year reductions in MHCLG - Housing & Communities day-to-day spending

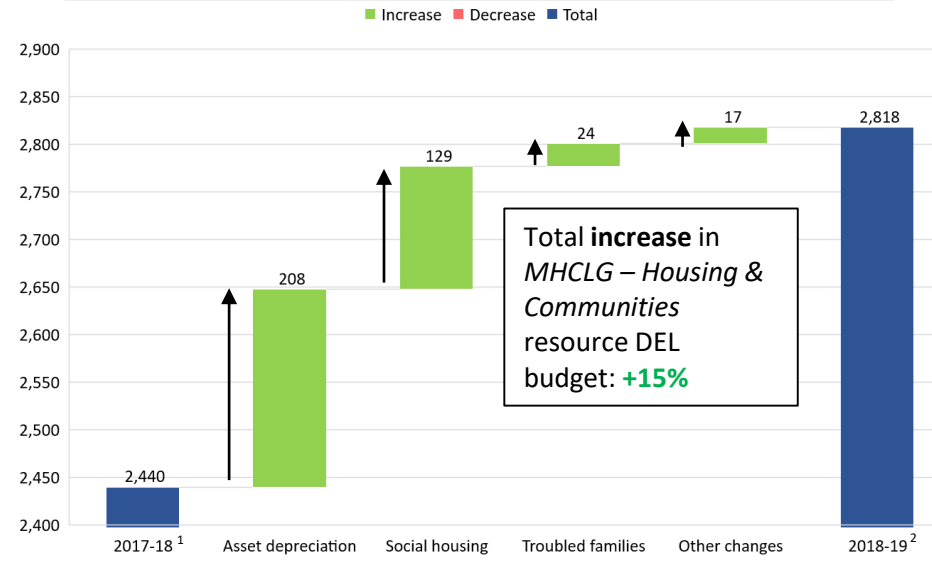
Trends

- 2018-19 budget is 36% lower (in real terms) than 2010-11 figure but 23% higher than 2015-16.
- Reasons for increased budget compared to forecast at SR15 include budget transfer from MHCLG - Local Government for New Homes Bonus and Devolution deals.

Long-term spending trends (£m, nominal)



Breakdown of changes in budget from 2017-18 to 2018-19, £m



Changes from last year

- Total MHCLG - Housing & Communities Resource DEL budget increased from £2.4bn to £2.8bn.
- An asset depreciation budget (non-cash) of £208m for Homes England is included in 2018-19.
- An increase for “Social Housing” relates primarily to the forecast cost of Right to Buy pilots.
- Other changes include an increase of £24 million for the Troubled Families programme.

¹ Final budget at Supplementary Estimates 2017-18 (Feb 2018)

² Initial budget as at Main Estimates 2018-19 (April 2018)

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Investment Spending (Capital DEL)

MHCLG spends 15% of total Capital DEL

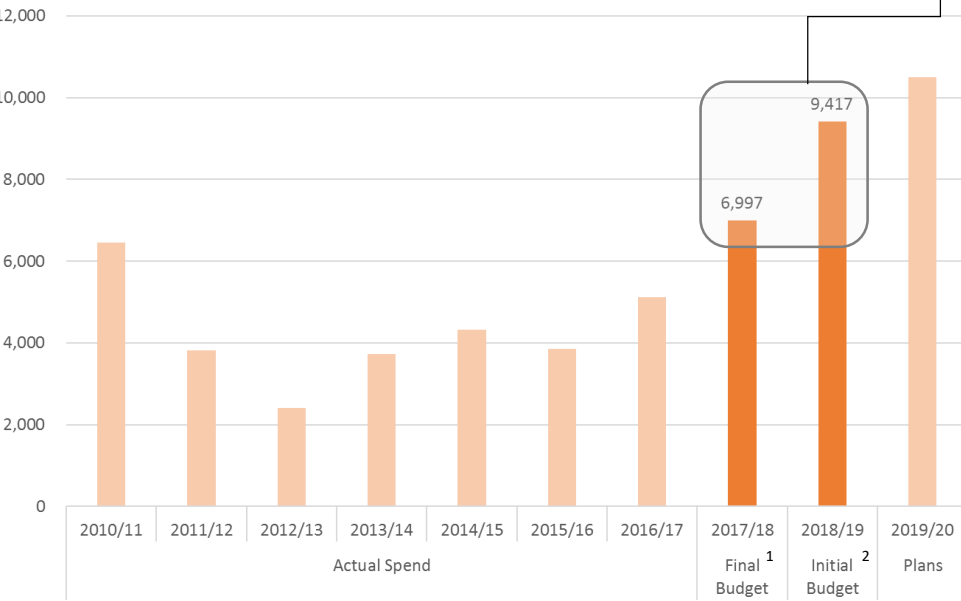
Spending Review 2015

The SR forecast an increase over the period. Since then there have been upward revisions - at the Budget in Autumn 2017 budgets were increased due to the Help to Buy loan scheme.

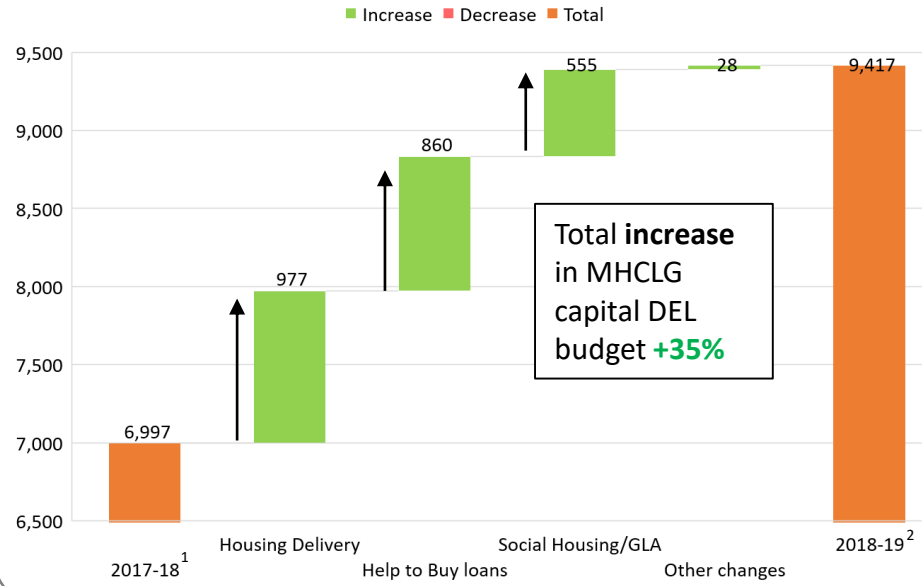
Trends

- The 2018-19 budget is 29% higher in real terms than it was in 2010-11.
- The main driver behind the increase in recent years are higher levels of loans and financial investments. These financial transactions make up £5.7bn of the 2018-19 budget (80% of these transactions are Help to Buy loans).

Long-term spending trends (£m, nominal)



Breakdown of changes in budget from 2017-18 to 2018-19, £m



Changes from last year

- CDEL has increased from £7.0bn to £9.4bn
- “Land and Housing delivery” budget (including Housing Infrastructure Fund and Small sites funding) is up £977m.
- Help to Buy loans are forecast to increase by £860m.
- Budget for Social Housing (of both MHCLG and Homes England) plus the GLA Settlement for affordable housing in London are up £555 million compared to prior year budgets.
- Other changes include increased budgets to support SME house builders to access finance and reduced budgets for local growth and devolution investment.

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² Initial budget as at Main Estimates 2018-19 (April 2018)



Breakdown of spending: MHCLG - Local Government

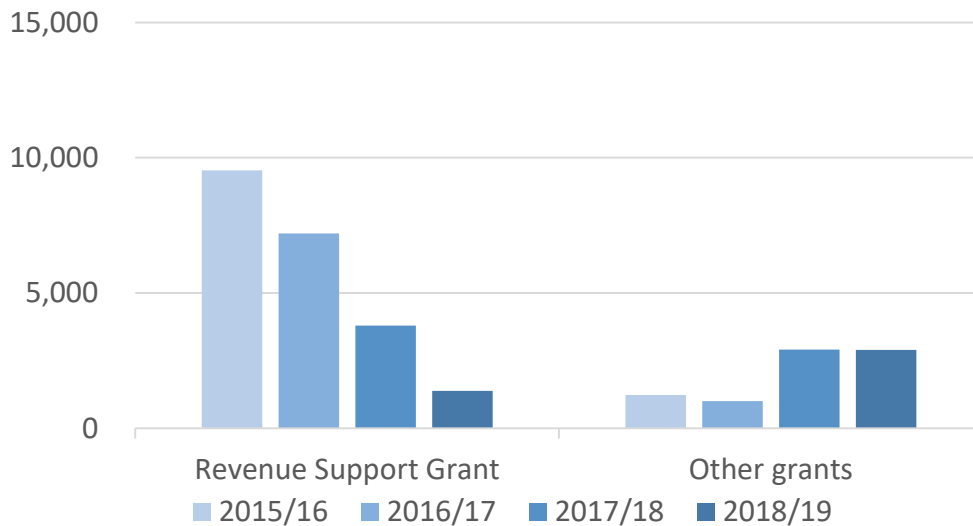
Resource DEL

- Since 2015/16 the Revenue Support Grant has declined
- Cuts in the Revenue Support Grant should be considered in the context of the increased funding from business rates retention (see Resource AME chart) .
- Other grants increased in 2017/18 but are flat in cash terms in 2018/19. These grants include the Better Care Fund and funding for Business Rate reliefs.

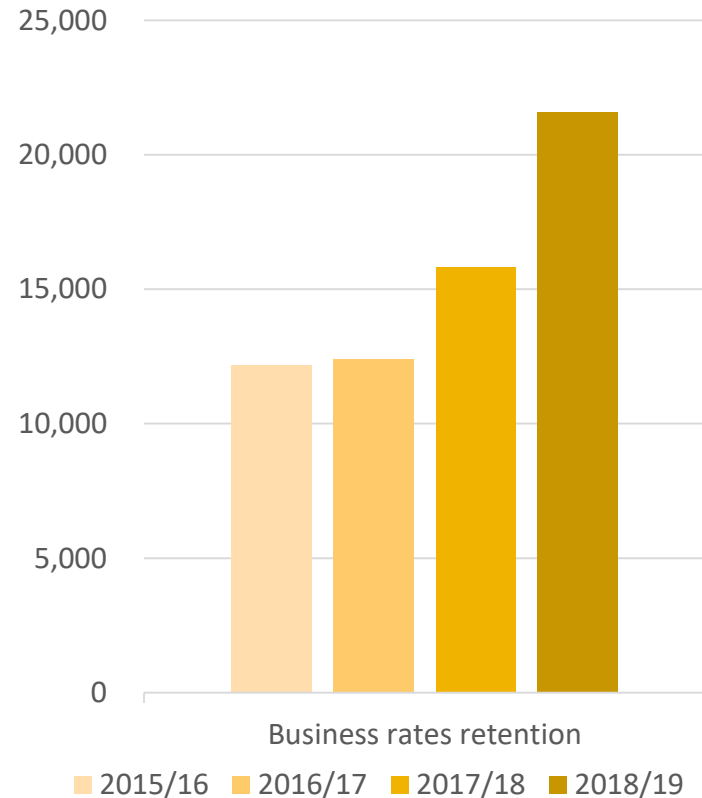
Resource AME

- The funding stream for local government from business rates retention has increased since 2015/16. There is currently a pilot scheme where some councils retain 100% of business rates.
- Business rates income is forecast to increase but is subject to more uncertainty than other funding streams from central government.

Spending trends (£m, nominal) – Resource DEL



Spending trends (£m, nominal) – Resource AME

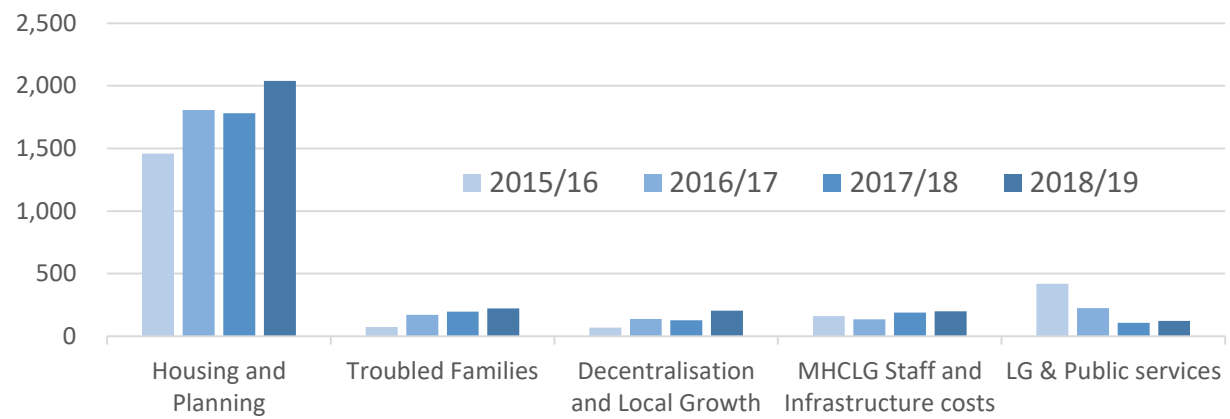


Breakdown of DEL spending: MHCLG – Housing and Communities

Resource DEL

- Most spending is on “Housing and Planning” (72% of 2018/19 budget). This spending includes the New Homes Bonus, Homelessness Support Grant and spending on Right to Buy pilots.
- Spending by the core department on staff, building and IT is due to increase by 6% to £200m in 2018-19.

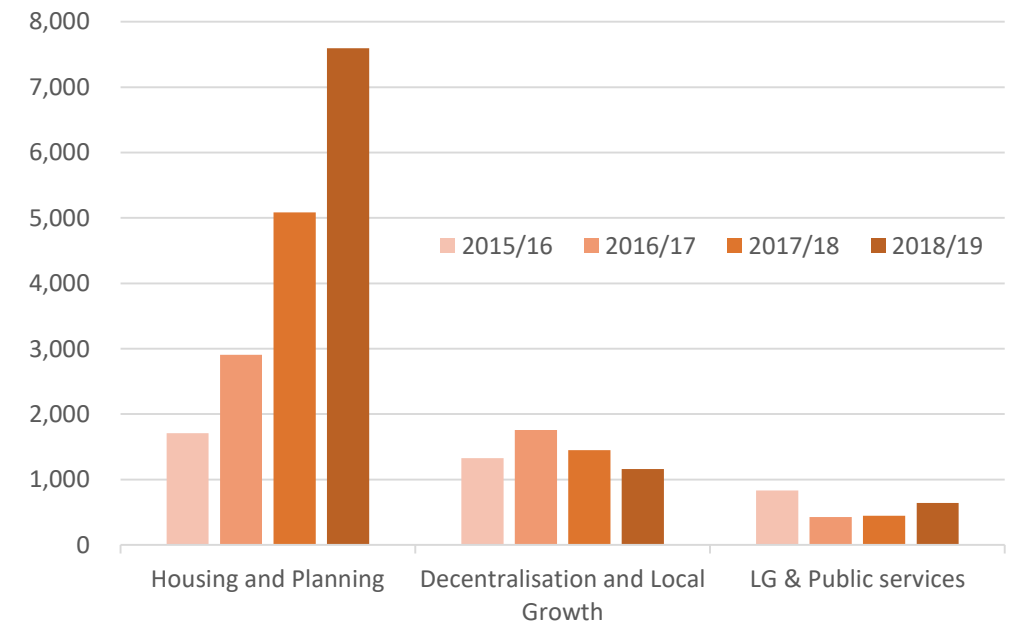
Spending trends (£m, nominal) – RDEL



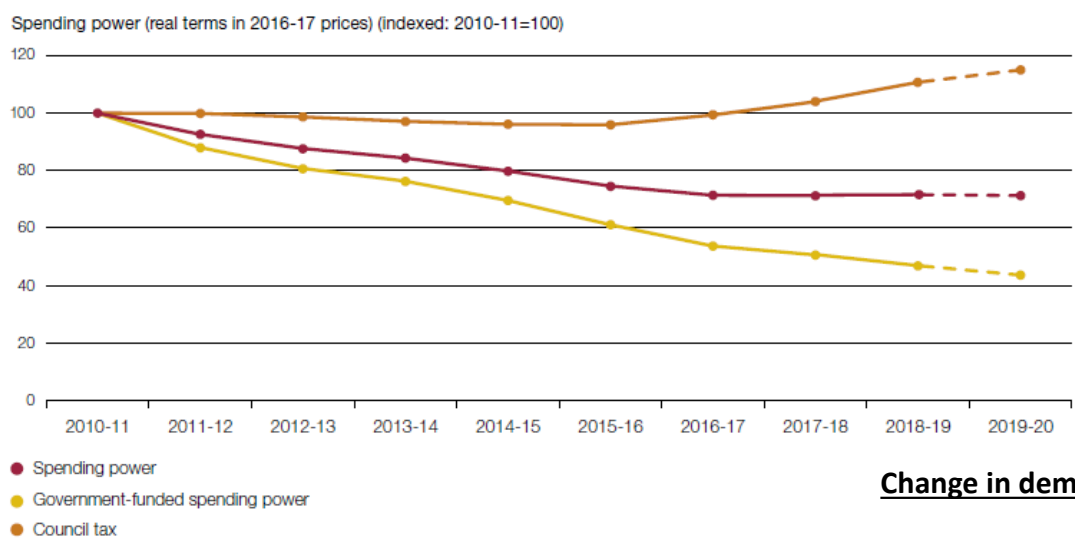
Capital DEL

- The Capital DEL budget amounts to £9.4bn in 2018/19.
- Investment spending on Housing and Planning has increased significantly in recent years and is forecast to be £7.6bn in 18/19 (80% of planned investment)
- The majority of investment in housing is in the form of financial transactions – these are loan or equity investments (such as Help to Buy loans) where the department expect to see a financial return.
- Financial transactions are forecast to total £5.7bn in 2018/19 - the Help to Buy element of this is £4.1bn
- Capital grants are also increasing – these grants total £4.1bn in 2018/19 – around 75% is for housing and 25% is for Local Enterprise Partnerships (included in the Decentralisation and Local Growth bars in the chart)

Spending trends (£m, nominal) – CDEL



Estimated change in spending power of local authorities in England, 2010-11 to 2019-20



Local government funding has fallen significantly since 2010

Between 2010-11 and 2017-18:

- Central government funding (including adjustment for business rates retention) has fallen 49% in real terms.
- Overall spending power (which includes council tax) has fallen 29% in real terms.

Since 2016-17 cuts to local government spending power have been less severe – factors include slowing reductions in central government funding and above inflation increases in council tax.

Demand for services has been increasing

Indicators of demand for local authority services are increasing. Between 2010-11 and 2016-17:

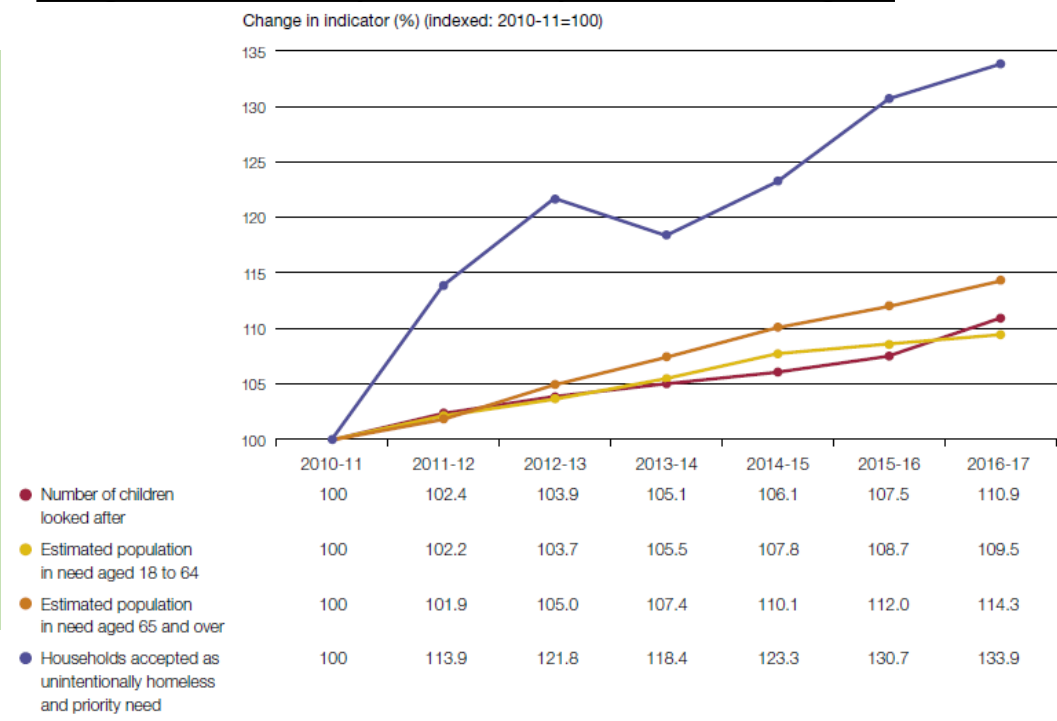
- Number of looked after children increased 11%.
- Over 65’s “in need” population increased 14%.
- “Priority need” unintentional homeless households increased by 34%.

Councils are having to use reserves to fund services

- 66% of local authorities with social care responsibilities drew down on reserves in 2016-17.

“the financial position of the sector has worsened markedly, [since 2014] particularly for authorities with social care responsibilities.” NAO, March 2018

Change in demand in key local authority service areas in England



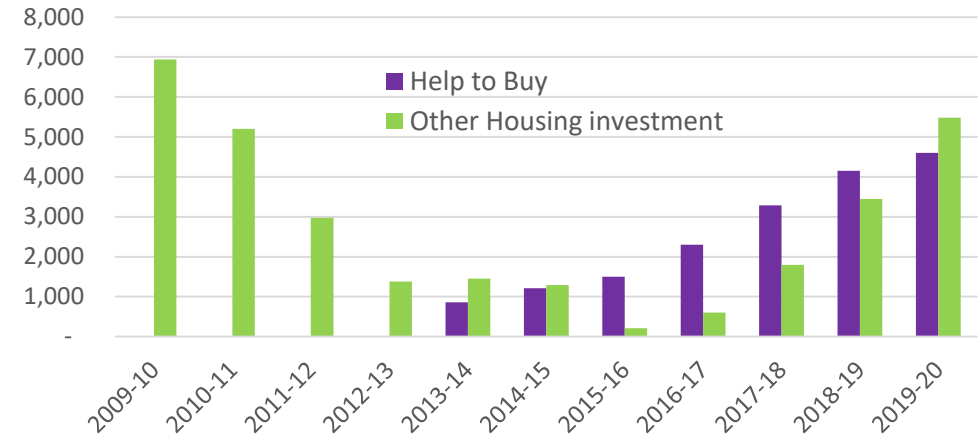
Source (for Charts and Data): National Audit Office, Financial sustainability of local authorities 2018, March 2018



Since 2015-16 the majority of MHCLG housing investment has been through the Help to Buy loan scheme

- Increase in housing investment has been driven primarily by increase in Help to Buy loans
- 5 year interest free period on Help to Buy loans is coming to an end in 2018-19 for those buyers who used the scheme when it was first introduced in 2013-14.
- Other housing investment (such as capital grants for affordable and social housing) is now increasing more rapidly that the growth of Help to Buy although is not forecast to make up the majority of housing investment until 2019-10.

Housing investment (£m, nominal) – Capital DEL

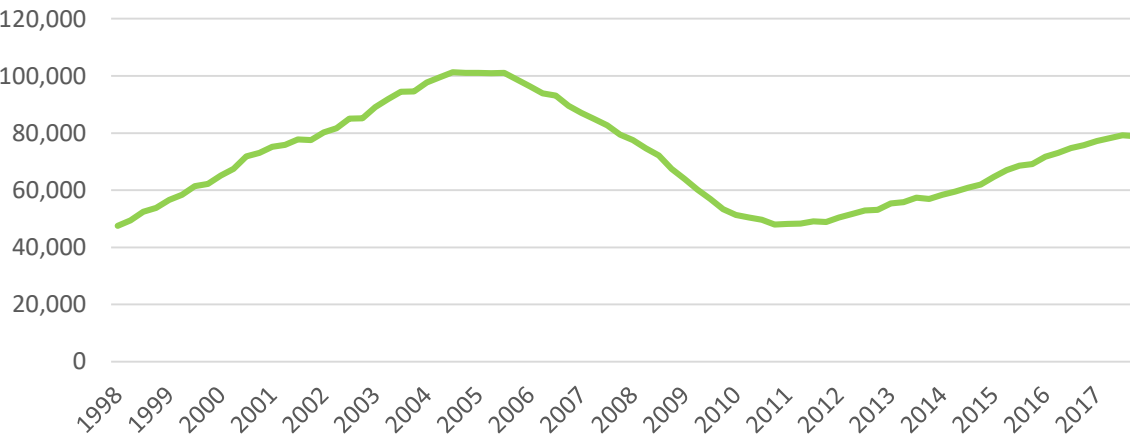


Data source: [MHCLG letter to Committee \(Annex A\)](#) and [2018-19 Main Estimate](#)

Numbers of households in temporary accommodation and rough sleepers have increased in recent years.

- Households in temporary accommodation stood at 78,930 at the end of 2017. This is a 64% rise compared to the level at the end of 2010.
- There were an estimated 4,751 rough sleepers in 2017, a 169% rise since 2010.

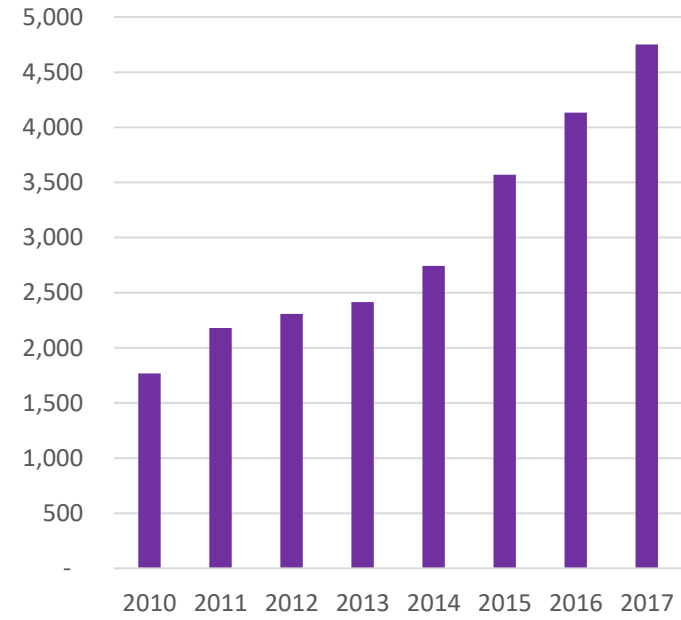
Households in temporary accommodation (England)



Data source: [MHCLG live tables on homelessness](#),

[Prevention and relief live tables: October to December 2017](#)

Rough sleeping - counts and estimates (England)



Data source: [MHCLG live tables on homelessness](#)

[Rough sleeping statistics England autumn 2017: tables 1, 2a, 2b and 2c](#)

