

# Department for Levelling Up, Housing and Communities

## Supplementary Estimates memorandum 2022-23

### 1. Overview

Supply Estimates are how the Government seeks authority from Parliament for its own spending each year. The Supplementary Estimate is the annual process through which the Department for Levelling Up, Housing and Communities (DLUHC) can make budget changes to Voted Supply (to reallocate, reduce or increase budgets) before seeking agreement from Parliament to these changes.

This memorandum for 2022-23 provides the Levelling Up, Housing and Communities Select Committee with details of the strategic overview and objectives of the Department along with a summary of the key budgets that will enable the Department to meet these objectives.

#### 1.1 Objectives

DLUHC's priority objectives, as set out in its Outcome Delivery Plan are as follows:

1. Level Up the United Kingdom;
2. Regenerate and Level Up communities to improve places and ensure everyone has a high quality, secure and affordable home;
3. Enable strong local leadership and increase transparency and accountability for the delivery of high quality local public services; and improve integration in communities;
4. Ensure that buildings are safe and system interventions are proportionate; and,
5. Strengthen the Union to ensure that its benefits, and the impact of levelling up across all parts of the UK, are clear and visible to all citizens.

The budgets held by the Department and the expenditure that is undertaken are in support of these objectives. Details of the spending that relates to each objective is given in Section 3.

#### 1.2 Spending controls

DLUHC's spending is broken down into several different spending totals, for which Parliament's approval is sought.

The spending totals on which Parliament votes are:

- **Resource Departmental Expenditure Limit (Resource DEL or RDEL)** – this budget covers current expenditure and comprises two distinct types of budgets:
  - *Programme budgets* which fund the current expenditure of delivering programmes (e.g., the legal costs associated with capital grant programmes); and

- *Administration budgets* which fund the costs of running the Department (and its arm’s-length bodies) including accommodation and pay.

DLUHC is unusual among Government Departments in that it has two Resource DEL budgets. These are to cover the Department's core function (the ‘Communities’ budget) and those which are exclusively delivered through local authorities (the ‘Local Government’ budget).

- **Capital Departmental Expenditure Limit (Capital DEL or CDEL)** – this budget covers expenditure on assets, investment and capital grants and comprises two distinct types of budgets:
  - *Capital grant budgets* which fund capital costs of delivering programmes; and
  - *Financial transaction budgets* which fund programmes that provide financial instruments such as loans or purchase of equity.
- **Resource Annually Managed Expenditure (Resource AME or RAME)** – this budget covers current expenditure that is inherently volatile or demand-led meaning that Departments do not always have the ability to manage spending, for example, impairments, provisions and pension scheme movements.

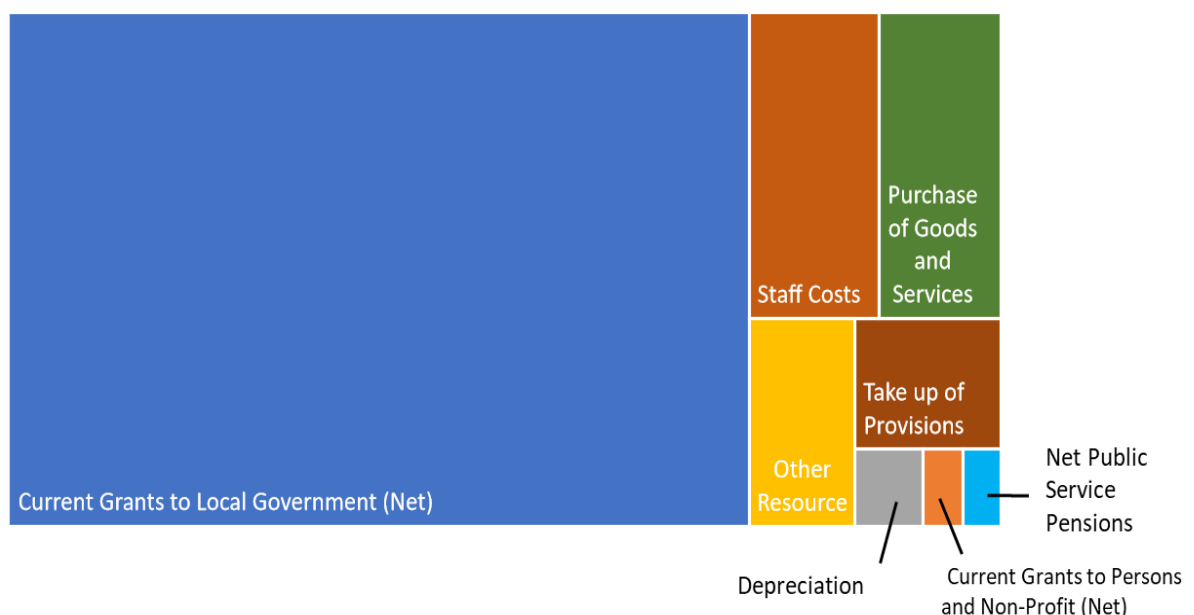
In addition, Parliament votes on a net cash requirement, designed to cover the elements of the above budgets which require DLUHC to pay out cash in year.

### 1.3 Main areas of spending

The graphics below shows the main components of DLUHC’s proposed budget for 2022-23. They also show the proportions of funds spent on its main activities.

#### 1. Communities Resource DEL (Programme and Administration): Total budget £4.4bn

Graph 1



## 2. Local Government Resource DEL: Total budget £11.9bn

The majority of Local Government DEL Resource budget of £11.9bn is spent on current grants and payments to Local Government.

## 3. Capital DEL (Grants and Financial Transactions): Total budget £7.2bn

Graph 2



## 4. Resource Annually Managed Expenditure (AME): Total budget £13.7bn

The Resource AME budget is held for Business Rate transactions and to support the Department's portfolio of housing investments and guarantees.

### 1.4 Comparison of spending totals sought

The table below shows how the totals sought for DLUHC at Supplementary Estimate 2022-23 compared with Main Estimate 2022-23 budgets and final outturn in 2021-22.

Table 1

Spending Total Amounts sought this year (Supplementary Estimate 2022-23)		Compared to original budget this year (Main Estimate 2022-23)		Compared to final outturn last year (Outturn 2021-22)	
Spending Type	£ m	£ m	%	£ m	%
Resource DEL - Communities	4,387	1,287	42%	1,619	58%
Resource DEL - Local Government	11,852	86	1%	(9,410)	(44%)
Capital DEL - Communities	7,155	(2,429)	(25%)	1,013	16%
Resource AME - Total DLUHC	13,723	(1,375)	(9%)	6,059	79%

## 1.5 Key drivers of spending changes since last year

### **Communities Resource DEL**

#### **Compared to original budget this year (Main Estimate 2022-23)**

The Department's Communities Resource DEL budget at Supplementary Estimate is £1.3bn (42%) greater than the Main Estimate set earlier this financial year, bringing our total planned expenditure to £4.4bn. The principal driver of this increase is £1.3bn of funding for the creation of the Homes for Ukraine programme and a £0.1bn reserve claim to cover expected credit losses under the IFRS9 accounting standard, in line with usual practice at Supplementary Estimates. These were partially offset by a £0.1bn surrender of unallocated budgets as a contribution to support the Homes for Ukraine scheme.

A portion of our Resource DEL budget relates to the Department's Administration budget. Of the overall budget, the Administration budget amounts to £0.3bn, a slight decrease since Main Estimate (£1m).

Further detail on the changes made to both our administration and programme budgets can be found in Table B which is an annex to this document.

#### **Compared to final outturn last year (Outturn 2021-22)**

The Department's Communities Resource DEL budget at Supplementary Estimate is £1.6bn (58%) higher than the final outturn in 2021-22. This mainly relates to new funding of £1.3bn for the Homes for Ukraine programme and £0.2bn for the UK Shared Prosperity Fund that was launched this year. The remaining difference primarily relates to £0.2bn of additional budget required for the Home Building Fund and for the department's land and housing programmes, partially offset by £0.1bn of decreased funding needed for the New Homes Bonus and the UK Community Renewal Fund compared with 2022-23.

### **Local Government Resource DEL**

#### **Compared to original budget this year (Main Estimate 2022-23)**

The Local Government Resource DEL budget has increased by £0.09bn compared with Main Estimate in 2022-23. The increase is largely £0.10bn for new burdens for implementing the Council Tax Rebate scheme and £0.04bn for Covid-19 related business rate reliefs new burdens. This is offset by budget reductions of £0.06bn, which includes budget surrenders of £0.03bn to HM Treasury for business rates, transfers of £0.02bn to Communities DEL for cyber and digital modernisation and funding for the new body Office for Local Government (Oflog) (£1m).

#### **Compared with final outturn last year (Outturn 2021-22)**

At the Supplementary Estimate 2022-23, the total Local Government Resource DEL budget sought is £9.4bn lower than final outturn in 2021-22. This change is due to a reduction of £8.7bn in the budget for Covid-19 measures and £3.0bn for the Council Tax Rebate scheme. These were partially offset by increases of £0.9bn for Adult Social Care grants, £0.8bn for New Services grant and £0.6bn for business rate reliefs.

## **Capital DEL**

The Department's capital budgets can be split into two areas: 'Capital Grant' and 'Capital Financial Transactions' where we have Supplementary Estimate budgets of £4.8bn and £2.4bn respectively.

### **Compared to original budget this year (Main Estimate 2022-23)**

The Department's Capital DEL budget at Supplementary Estimate 2022-23 is £2.4bn (25%) lower than the budget allocated at Main Estimate 2022-23.

*Capital Grant* – Overall our budget requirement at Supplementary Estimate is £1.2bn (20%) lower than at Main Estimate 2022-23. The biggest movements were a £1.1bn budget surrender due to re-evaluation of delivery profiles and a £0.7bn re-profile into 2023-24 and 2024-25 reflecting latest delivery plans for the Affordable Homes Programme and other capital programmes. These were partially offset by £0.3bn of new funding for the Levelling Up Fund and £0.2bn additional funding for Towns Deal Projects. Explanations are set out in Section 2.

*Capital Financial Transactions* – Funding decreased by £1.2bn (34%) due to lower demand for the Help to Buy Scheme (£689m), delivery delays in the Levelling Up Home Building Fund (£263m) and impacts of market conditions on the Home Building Fund (£291m). Explanations are set out in Section 2.

### **Compared with final outturn last year (Outturn 2021-22)**

DLUHC is planning to spend £1.0bn (16%) more than was spent in 2021-22. Spending plans in both Capital DEL Grant and Financial Transactions have increased by £0.9bn and £0.1bn, respectively.

*Capital Grant* – Spending increased on a range of programmes, including Towns Deals and the Levelling Up Funds (£0.6bn), Housing Infrastructure and Brownfield Funds (£0.4bn), Affordable Homes (£0.2bn), and Building Safety (£0.1bn). This was partially offset by completion of the Getting Building programme in 2021-22, on which we spent £0.4bn.

*Capital Financial Transactions* – Spending is planned to be £0.1bn higher compared to 2021-22 outturn, mainly due to the launch of the new Levelling Up Home Building Fund (£0.1bn).

For fuller details of amounts allocated to the Department, please see Table B which is an annex to this document.

## **Resource AME**

### **Compared to original budget this year (Main Estimate 2022-23)**

The Resource AME budget for 2022-23 decreased by £1.4bn (9%) from the Main Estimate 2022-23. The change is largely driven by an overall reduction for LG AME of £2.1bn for business rates to reflect recently published outturn adjustments for 2021-22. The adjustments include net receipts of £2.7bn for business rate reliefs relating to Covid-19 funding and increases for the Local Share (£0.4 bn) and Levy Surplus £0.2 bn.

The Communities element of AME budget has increased by £0.7bn from Main Estimate 2022-23. This change is largely driven by budget requirements for the Audit Commission pension scheme following the annual actuarial valuation (£0.4bn) and for housing investments and guarantees (£0.3bn).

### Compared with final outturn last year (Outturn 2021-22)

The Resource AME budget has increased by £6.1bn (79%) compared with the 2021-22 outturn. The change is largely driven by an increase in net expenditure of £2.9bn for business rates related budgets following the annual local authority reconciliation process. This includes a £4.3bn increase for the Local Share of retained business rates, £1.5bn more following a reduction in net income for business rate reliefs relating to Covid-19 funding, and £0.2bn for potential Levy surplus payments. This is offset by a £3.1bn reduction in deficit on collection fund payments.

The remainder is largely due to change in the AME budget held to cover potential losses on financial transactions such as the Help to Buy Scheme (£2.7bn), and changes in the Audit Commission pension valuation (£0.4bn).

### 1.6 New policies and programmes; ambit changes

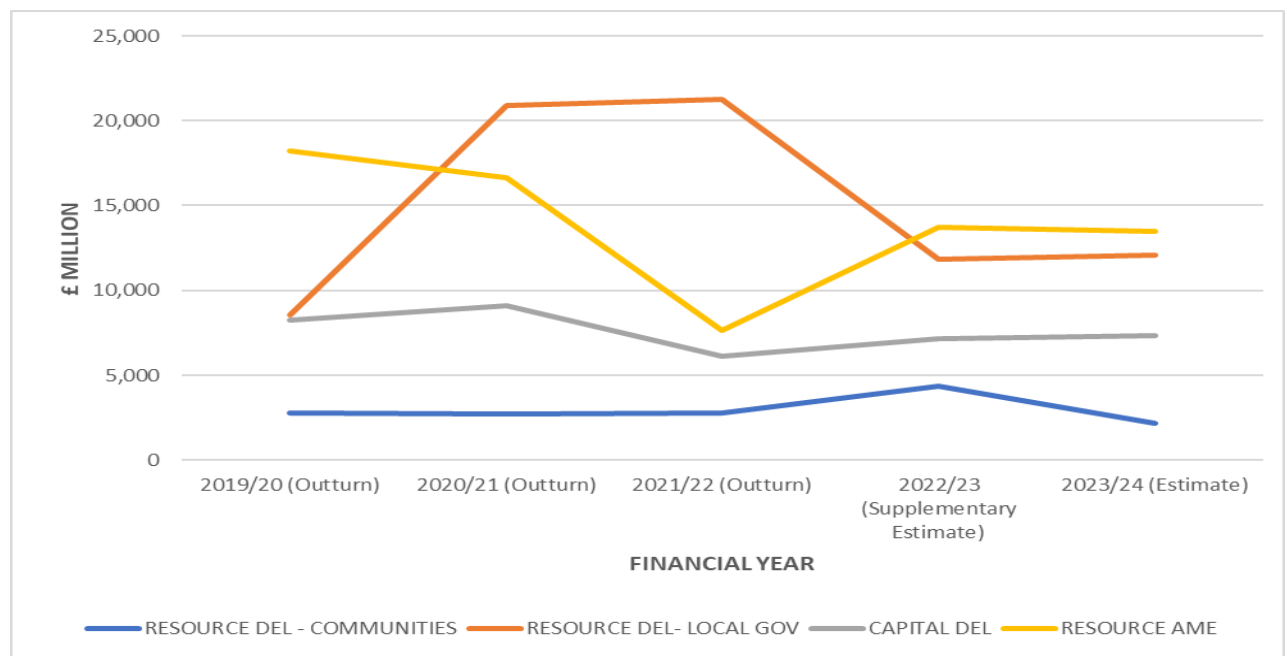
The ambit is a description of the services or purposes to which expenditure and income are to be put in respect of each of the relevant budget control totals.

There have been no changes to the ambit.

### 1.7 Spending trends

The chart below shows overall spending trends for the last three years, plans presented in the Supplementary Estimate for 2022-23, and future spending plans for 2023-24.

Graph 3



## Communities Resource DEL

Overall, spending on Communities RDEL has been relatively stable in past years and the settlement at Spending Round 2021 follows the same broad trend. Spending in 2022-23 is temporarily above trend due to the creation of the Homes for Ukraine programme.

## Communities Capital DEL

In line with the Government's ambition for housing and commitment to improving building safety, the Department has spent over £5bn on its CDEL programmes each year since 2015-16 – peaking at £9bn in 2020-21 due to a spike in demand for the legacy Help to Buy scheme. Spending decreased in 2021-22 as Covid-19 impacted on delivery of large capital programmes and has been steadily increasing since. For 2023-24 capital expenditure has been set around £2.0bn lower, reflecting the completion of the Help to Buy scheme this year.

## Local Government Resource DEL

Part of the Department's remit is to manage and provide funding to local government for services on behalf of central government. Spending on Local Government DEL and almost all the Department's Annually Managed Expenditure (AME) is for the benefit of Local Government.

Local Government DEL reduced significantly this year (£11.9 bn compared to £21.3 bn for 2021-22), largely as a result of a £8.7 bn reduction to Covid-19 funding. Core funding remained relatively stable. In addition, the settlement for 2022-23 at Spending Round 2021 saw an increase of £1.8bn against baseline for core funding to help meet funding pressures in Adult Social Care and other services.

## Resource AME (Total DLUHC)

The Department's AME budget for 2022-23 has increased by £4.3bn from 2021-22. The change is largely driven by an overall increase of £2.9bn for business rates related budgets which had been lower in 2021-22 due to the impacts of Covid-19.

The retained element of business rates (the local share) scores as AME in DLUHC's Estimate. There was a year-on-year reduction in 2021-22 following the impact of Covid-19 on collected business rates but this has now reversed for 2022-23. The value of the Local Share has therefore increased for 2022-23 and is £4.3 bn higher than at outturn for 2021-22. The easing of covid restrictions and funding also impacts on other business rate funding such as the section 31 grant reconciliation receipts and payments with a net reduction of £1.5bn against 2021-22 outturn.

## 1.8 Administration costs

Table 2

Spending total amounts sought this year Supplementary Estimate 2022-23		Compared to original budget this year Main Estimate 2022-23		Compared to final outturn last year Outturn 2021-22	
		£ m	%	£ m	%
Administration non- ringfenced	£301.4m	(1.1)	0%	41.9	16%
Administration ringfenced - depreciation	£40.7m	0.0	0%	23.8	141%
<b>Total</b>	<b>£342.1m</b>	<b>(1.1)</b>	<b>0%</b>	<b>65.7</b>	<b>24%</b>

Administration budgets at Supplementary Estimate decreased by £1.0m compared to Main Estimate resulting from:

- An increase of £1.0m from Communities Resource DEL to Administration budgets in relation to a budget transfer to Cabinet Office to support PFI's in local government.
- Budget surrenders of £1.0m and £0.5m relating to National Insurance Contributions and cash charge costs and;
- Budget Cover Transfers to Other Government Departments amounting to £0.5m.

Administration budgets have increased by £66m compared with the 2021-22 outturn. This difference is primarily due to increased net expenditure on housing activities as lower income has been received from housing investments in 2022-23 to offset housing expenditure (£45m). In addition, there have been increases in recruitment to support new programmes such as the Homes for Ukraine scheme (£14m).

On 1 April 2022, the Department adopted the new accounting standard IFRS 16 related to leases. The effect of this change has been to reclassify £20m of our Estates running costs from non-ringfenced to ringfenced Administration. This change is reflected in the table above.

## 1.9 Funding: Spending Review and Budgets

Spending Review 2021 set the overall Departmental budget for resource and capital expenditure for 2022-23.<sup>1</sup> Our Main Estimate provided for £3.1bn for Communities Resource DEL, £9.6bn for Capital DEL and £11.8bn for Local Government DEL.

Additional Resource DEL funding for 2022-23 was made available at Supplementary Estimate as follows:

- £1,329m for the Homes for Ukraine scheme.
- £130m for the IFRS 9 accounting treatment for Financial Transactions
- £41m for the UK Community Renewal Fund.
- £9m for the Hong Kong British National Overseas programme.
- £2m for the Community Ownership Fund

Additional Capital DEL funding for 2022-23 was made available at Supplementary Estimate as follows:

- £300m for the Levelling Up Fund.
- £34m for Freeports
- £8m for the Community Ownership Fund.

Additional Local Government DEL funding for 2022-23 was made available at Supplementary Estimate as follows:

- £100m for new burdens for implementing the Council Tax Rebate scheme
- £40m for Covid-19 related business rate reliefs new burdens.
- Less £38m of budget surrenders for business rates

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<sup>1</sup> <https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents>



## 1.10 Funding: other spending announcements

Any spending announcements requiring funding in 2022-23 but not listed at Table B relate to money reallocated from within existing budgets, rather than 'new', additional money. These include:

- **Homeless Prevention Grant:** The government announced a £50m exceptional top-up to the Homelessness Prevention Grant that has been made available to local authorities in 2022-23. This additional funding will support local authorities to help prevent vulnerable households from becoming homeless and to manage local homelessness pressures.
- **Social Investment Pilot:** £10m was used to deliver units for those at risk of homelessness under the Social Investment Pilot with Big Society Capital.

## 2 Spending detail

### 2.1 Explanations of changes in spending

In the following tables, differences of more than 10% **and** more than £10m or more than 5% **and** £200m are explained in a note beneath the relevant table.

#### **Resource DEL - Communities**

The table below shows how DLUHC's spending plans for Resource DEL (Programme and Administration) in the Communities Budget compare with the 2022-23 Main Estimate. Our Administration budgets appear on several estimate rows. This is primarily because administration spending in our arm's-length bodies (ALBs) appear on different estimate rows to spend in the core department. Elections budget relates to funding by-elections and is non-voted expenditure.

Table 3

<b>Communities Resource DEL</b>					
<b>Sub-Head</b>	<b>2022-23 Supplementary Estimate budget sought</b>	<b>2022-23 Main Estimate budget approved</b>	<b>Change from Main Estimate 2022-23</b>		<b>See note</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	
Local Government & Public Services	1,430.0	170.8	1,259.2	737%	1
Housing & Planning	1,865.2	1,767.9	97.3	6%	2
Local Growth & Devolution	538.0	560.0	(22.0)	(4%)	
Elections, Union and Constitution	32.0	29.5	2.5	8%	
Research, Data & Trading Funds	16.5	7.2	9.3	129%	
DLUHC Staff, Building and Infrastructure Costs	289.8	259.4	30.4	12%	3
Supporting Families	207.5	208.9	(1.4)	(1%)	
Elections	7.7	7.7	0.0	0%	
Departmental Unallocated Provision	0.0	88.9	(88.9)	(100%)	4
<b>Total RDEL DLUHC Communities</b>	<b>4,386.7</b>	<b>3,100.3</b>	<b>1,286.4</b>	<b>41%</b>	

## Notes

1. **Local Government & Public Services:** The largest driver in the budget increase is £1.3bn for the creation of the Homes for Ukraine programme. The Homes for Ukraine scheme was launched by the government on 14 March 2022. This scheme allows people living in the UK to sponsor a named Ukrainian national or family to come to live in the UK with them, providing they have suitable accommodation to offer.
2. **Housing & Planning:** The £97m increase in the budget was driven by:
  - An increase of £56m towards the department’s land and housing programmes. Additional budget required to cover expected credit losses was partially offset by a decrease in net funding requirement for land programmes as a result of higher-than-expected income on disposal of land assets.
  - An exceptional top up to the Homelessness Prevention Grant to support Local Authorities during current challenges, such as the cost of living and pressures from the war in Ukraine.
  - Additional funding totalling £14m for the Planning Reform Programme.
3. **DLUHC Staff, Building and Infrastructure Costs:** The budget increase of £30m relates to a Budget Cover Transfer from the Local Government DEL for Cyber Security and Digital reform (£20m) and costs required to administer new priorities (totalling £9m), primarily the Homes for Ukraine scheme.
4. **Departmental Unallocated Provision:** The Department held £88.9m of unallocated Resource DEL provision at Main Estimate, as recommended by HM Treasury. This budget was surrendered at Supplementary Estimate as a contribution towards funding for the Homes for Ukraine Scheme.

### Resource DEL – Local Government

The table below shows how DLUHC’s spending plans for Resource DEL in the Local Government Budget compare with 2022-23 Main Estimate. Note that Local Government Resource DEL is not mapped to Departmental Strategic objectives.

Table 4

Local Government Resource DEL					
Sub-Head	2022-23 Supplementary Estimate budget sought	2022-23 Main Estimate budget approved	Change from Main Estimate 2022-23		See note
	£m	£m	£m	%	
Revenue Support Grants	1,672.1	1,672.1	-	0%	
Other Grants and Payments	10,092.3	10,006.3	86.0	1%	
Business Rates Retention	87.5	87.5	-	0%	
<b>Total Local Government RDEL</b>	<b>11,851.9</b>	<b>11,765.9</b>	<b>86.0</b>	<b>1%</b>	

## Capital DEL - Communities

The table below shows how DLUHC's spending plans for Capital DEL in the Communities Budget compare with 2022-23 Main Estimate.

Table 5

CAPITAL DEL GRANT - Communities					
	2022-23 Supplementary Estimates budget sought)	2022-23 (Main Estimates budget approved)	Change from Main Estimate 2022-23		See note
	£ m	£ m	£ m	%	
Local Government & Public Services	130.1	146.8	(16.7)	(11%)	1
Housing & Planning	3,012.6	4,777.3	(1,764.7)	(37%)	2
Local Growth & Devolution	1,618.7	1,059.2	559.5	53%	3
Research, Data & Trading Funds	10.5	9.3	1.2	13%	
DLUHC Staff, Building and Infrastructure Costs	23.1	13.4	9.7	72%	
Supporting Families	0.3	0.8	(0.5)	(63%)	
Elections, Union and Constitution	9.8	0.0	9.8	100%	
<b>Total CDEL Grant DLUHC</b>	<b>4,805.1</b>	<b>6,006.8</b>	<b>(1,201.7)</b>	<b>(20%)</b>	

**1. Local Government & Public Services:** The budget decreased by £17m, mainly due to planning permission being overturned for the UK Holocaust Memorial and Learning Centre (£20m), and budget allocated at Main Estimate for the Grenfell Tower that is no longer required this year (£9m). This was offset by capital fund of £20m to enable local authorities in England to increase provision and refurbishment of permanent sites, transit sites and temporary stopping places for travellers.

**2. Housing & Planning:** Budgets decreased by £1.8bn principally due to:

- A £1.0bn decrease in budgets for the Affordable Housing Programme as economic volatility led developers to slow or pause work. The department has worked with delivery partners to adapt the offer to developers and shore up the delivery of affordable housing in 2022/23 and future years. Funding totalling £0.9bn has been moved into future years to align with the latest delivery profiles, £0.6bn into 2023/24 and 2024/25, and £0.3bn into the next Spending Review period. The remaining £0.1bn has been surrendered back to the exchequer.
- A £0.3bn reduction from delays in the delivery of Housing Infrastructure Fund projects due to the ongoing impact of pandemic working restrictions, project-specific delays, and inflation of construction products. A full refresh of the programme delivery profile is being developed and budgets be reset in future years to align with the updated delivery plans.
- A £0.3bn decrease in Building Remediation requirements this year. The trajectory of spend during this Spending Review has reduced following work by the department to drive developers into funding remediation of life safety fire risks. In line with the latest delivery expectations, funding has been returned to the reserve this year and will be allocated in future years to meet the Government's funding commitment to the programme.

- A £0.1bn decrease in in-year budgets for the Brownfield, Infrastructure and Land fund, reflecting delays to the launch.
- £0.1bn reduction in First Homes budgets reflecting a number of deliverability challenges and wider market conditions. Some budget has been reprofiled into the next financial year to facilitate delivery.

**3. Local Growth & Devolution:** The £0.6bn increase in budget primarily relates to the Levelling Up Fund (£0.3bn) which is funded at Supplementary Estimates, as well as £0.3bn of additional funding to support the ongoing delivery of growth and devolution programmes such as Town Deals, Devolution Deals and the Brownfield Land Release Fund.

Table 6

Capital DEL Financial Transactions - Communities					
Sub-Head	2022-23 Supplementary Estimate budget sought	2022-23 Main Estimate budget approved	Change from Main Estimate 2022-23		See note
	£ m	£ m	£ m	%	
Local Government & Public Services	(19.3)	(13.5)	(5.8)	43%	
Housing & Planning	2,366.3	3,590.5	(1,224.2)	(34%)	1
Local Growth & Devolution	3.0	0.0	3.0	100%	
<b>Total CDEL FT DLUHC</b>	<b>2,350.0</b>	<b>3,577.0</b>	<b>(1,227.0)</b>	<b>(34%)</b>	

**1. Housing & Planning:** The budget decreased by £1.2bn, principally driven by lower demand for the Help to Buy Scheme (£0.7bn), delivery delays in the Levelling Up Home Building Fund driven by the uncertainty within the housing market (£0.3bn), as well as a pause on investment decisions and reduced appetite for loans in the Home Building Fund due to market conditions (£0.2bn).

#### Resource AME

The table below shows how spending plans for Resource AME compared with 2022-23 Main Estimate. Note that Resource AME is not mapped to Outcome Delivery Plan objectives.

Table 7

Resource AME					
Sub-Head	2022-23 Supplementary Estimate budget sought	2022-23 Main Estimate budget approved	Change from Main Estimate 2022-23		See note
	£ m	£ m	£ m	%	
Local Government & Public Services	394.7	(21.0)	415.7	(1,980%)	1
Housing & Planning	1,851.1	1,584.4	266.7	17%	2
Non-Domestic Rates Outturn Adjustments	135.0	350.0	(215.0)	(61%)	3
Local Growth & Devolution	15.0	5.0	10.0	200%	4
DLUHC Staff, Building and Infrastructure Costs	(1.7)	(0.2)	(1.5)	750%	
Business Rates Retention	11,329.3	13,179.8	(1,850.5)	(14%)	5
<b>Total Resource AME</b>	<b>13,723.4</b>	<b>15,098.0</b>	<b>(1,374.6)</b>	<b>(9%)</b>	

## Notes

- Local Government & Public Services:** The £416m increase reflects the annual actuarial revaluation of pension liabilities (£400m) and changes in accounting provisions totalling £16m.
- Housing & Planning:** Resource AME budget is held to cover potential losses on the financial transaction portfolio and is adjusted at Supps as usual.
- Non-Domestic Rates Outturn Adjustments:** £215m has been transferred to the Business Rates Retention (BRR) section to fund year end BRR outturn adjustments. The remaining £150m contingency is offset by net income of £15m for reconciliation adjustments for the Council Tax Rebate scheme and the Sales, Fees and Charges scheme for 2021-22.
- Local Growth & Devolution:** The £10m budget increase relates to the potential for unrecognised forex losses at year-end or European Regional Development Fund payments due but not yet paid by the European Commission.
- Business Rates Retention:** The £1.85bn change is driven by recently published outturn adjustments for 2021-22 including net receipts of £2.7bn for business rate reliefs relating to Covid-19 funding, offset by increases for the Local Share (£0.4bn) and Levy Surplus (£0.2bn) and deficit on collection (£0.2bn)

## 2.2 Restructuring

No restructuring that has significantly affected budget structures has taken place this year. There were also no new Machinery of Government changes.

## 2.3 Ring-fenced budgets

Within the totals, the following elements are ring-fenced. This means that savings in these budgets may not be used to fund pressures on other budgets.

### Resource DEL

Table 8

Spending total amounts sought this year Supplementary Estimate 2022-23		Compared to original budget this year Main Estimate 2022-23		Compared to final outturn last year Outturn 2021-22	
		£m	%	£m	%
Depreciation Programme	8.4	0.0	0%	17.6	(191%)
Depreciation Administration	40.7	0.0	0%	41.0	(15,764%)
UKSPF	209.4	(62.4)	(23%)	209.4	100%

## Capital DEL

Table 9

Spending total amounts sought this year Supplementary Estimate 2022-23		Compared to original budget this year Main Estimate 2022-23		Compared to final outturn last year Outturn 2021-22	
		£m	%	£m	%
Financial Transactions	2,350.0	(1,227.0)	(34%)	(1,785.6)	(43%)
Changing Places	13.3	(6.7)	(34%)	12.9	3,225%
UKSPF	63.9	33.9	113%	63.9	100%

## 2.4 Changes to contingent liabilities

At Supplementary Estimate, the following changes have been made to contingent liabilities held by the Department:

- Professional Indemnity Insurance (PII) Scheme – The department provides state backing to an insurer who administers PII policies for qualified professionals to enable them to access the indemnity cover they need to undertake EWS1 assessments. The cost of the scheme, including the expected losses, will be offset through premiums. This will be recognised on the Statement of Financial Position. The contingent liability is unlimited because there is no theoretical cap on the size of claims that could be made. However, the risk is limited by the number of buildings, the number of EWS1 assessments, insurance only being issued to qualified professionals and audit of the certificates.
- The department operates two guarantee schemes for the affordable housing sector (AHGS). The AHGS 2013 closed to applicants in March 2016 and the programme is now in the portfolio management and monitoring phase, meaning there will be no new applicants or approvals. Therefore, there will be no further drawing against this scheme, with £3.2 billion drawn down. A financial guarantee against the 2013 scheme has been recognised in the Statement of Financial Position with a value of £19.4 million. A second scheme was launched in 2020, guaranteeing debt of no more than £3 billion. At 30 September 2022, £448.5 million of borrowing had been approved, with £398.5 million drawn down. The financial guarantee in the Statement of Financial Position had a value of £0.
- The department has provided a guarantee scheme for the private rented sector, guaranteeing debt of no more than £3.5 billion. At 30 September 2022, the department has approved borrowing of circa £1.8 billion of which £1.5 billion has been drawn down and is covered by the guarantee scheme.
- On the 7 May 2019, the department launched the ENABLE Build guarantee scheme, guaranteeing debt of no more than £1 billion. At 30 September 2022, £176 million has been drawn down and is covered by the guarantee scheme.

- Estimated £2.5 million self-correction to the European Regional Development Fund (ERDF) programme if required to reduce the total error rate below 2% following the European Commission audit.
- Following the Machinery of Government transfer of functions from Cabinet Office in December 2021, the department has also taken on contingent liabilities associated with the reimbursement to Returning Officers for the cost of holding elections:
  - An indemnity to Returning Officers for UK Parliamentary elections; For the purposes of UK Parliamentary elections, Returning Officers and Acting Returning Officers throughout Great Britain are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs. The indemnity is to cover the costs of any claims against them, which are not covered under the existing insurance policies that Returning Officers hold. The indemnity will cover costs arising in relation to UK Parliamentary elections including by-elections, where the date of the poll is on or before the 1 May 2024.
  - An indemnity to Police Area Returning Officers and Local Returning Officers for the Police and Crime Commissioner elections held on 6 May 2021. For the purposes of Police and Crime Commissioner elections, Police Area Returning Officers and Local Returning Officers throughout England and Wales are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs. The indemnity is to cover the costs of any claims against them, which are not covered under any existing insurance policies that Police Area Returning Officers and Local Returning Officers hold. The Department will also certificate the Returning Officers under The Employers' Liability (Compulsory Insurance) Regulations 1998 in respect of any liability to their employees. The indemnity and certificate will remain in place to provide cover to Police Area Returning Officers and Local Returning Officers for any by-elections that are held prior to the next scheduled Police and Crime Commissioner elections on 2 May 2024.
  - An indemnity to Petition Officers for any Recall Petition that may be held between the date the indemnity came into force, 8 June 2016, and 6 May 2024; For the purposes of Recall Petitions, Petition Officers throughout Great Britain are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at signing locations to recall petition complaints, challenging the outcome of a petition and associated legal costs. The indemnity is to cover the costs of any claims against Petition Officers, which are not otherwise recoverable under the charges provisions contained in paragraph 3 of Schedule 1 to the Recall of MPs Act 2015.

- The Department previously provided a commitment to fund potential shortfalls of land sale receipts of a Housing Association up to £4 million. The commitment has now expired.
- The Department previously provided a guarantee under the NewBuy scheme to underwrite a percentage of mortgage lending risk. The guarantee lasted seven years and the final guarantees expired in September. The Department has no more obligations under the scheme.



## 3 Priorities and performance

### 3.1 How spending relates to objectives

The table below shows how expenditure against subhead descriptions contributes to Departmental priorities under the Outcome Delivery Plan.

Table 10

Estimate subhead	Levelling Up the UK	Strengthen the Union to ensure that its benefits, and the impact of levelling up across all parts of the UK, are clear and visible to all citizens	Enable strong local leadership and increase transparency and accountability for the delivery of high quality local public services; and improve integration in communities	Make sure everyone has a high-quality, secure and affordable home to call their own in a sustainable community they are proud of	Ensure that buildings are safe and system interventions are proportionate	Other – Administration, Local Government Resource DEL and Resource AME	Total
<i>All figures £ millions</i>							
A Local Government & Public Services	0.5	2.2	1,502.9	(7.5)	23.8	-	1,521.9
B Housing & Planning	-	-	563.3	1,929.1	666.9	-	3,159.3
C Local Growth & Devolution	396.3	-	-	1,763.4	-	-	2,159.7
D Elections, Union and Constitution	-	41.8	-	-	-	-	41.8
E Supporting Families	-	-	207.8	-	-	-	207.8
F Research, Data & Trading Funds	-	-	0.3	6.0	-	20.8	27.1
G DCLG Staff, Building and Infrastructure Costs	-	-	-	-	-	312.8	312.8
H Local Government & Public Services (ALB)(Net)	-	-	0.9	-	-	18.0	18.9
I Housing & Planning (ALB)(Net)	-	-	0.6	4,013.5	12.9	57.8	4,084.8
J Revenue Support Grant	-	-	-	-	-	1,672.1	1,672.1

K Other Grants and Payments	-	-	-	-	-	10,092.4	10,092.4
L Business Rates Retention	-	-	-	-	-	87.5	87.5
M Elections	-	7.7	-	-	-	-	7.7
N Departmental Unallocated Provision	-	-	-	-	-	-	-
O Local Government & Public Services	-	-	-	-	-	389.6	389.6
P Housing & Planning	-	-	-	100.2	-	21.6	121.8
Q Local Growth & Devolution	-	-	-	-	-	15.0	15.0
R DCLG Staff, Building and Infrastructure Costs	-	-	-	-	-	(1.7)	(1.7)
S Non-Domestic Rates Outturn Adjustments	-	-	-	-	-	135.0	135.0
T Local Government & Public Services (ALB)(Net)	-	-	-	-	-	5.1	5.1
U Housing & Planning (ALB)(Net)	-	-	-	-	-	1,729.2	1,729.2
V Business Rates Retention	-	-	-	-	-	11,329.3	11,329.3
<b>Total</b>	<b>396.8</b>	<b>51.7</b>	<b>2,275.8</b>	<b>7,804.7</b>	<b>703.6</b>	<b>25,884.5</b>	<b>37,117.1</b>

Local Government Resource DEL, Communities Resource DEL Administration and Resource AME budgets are not allocated to Departmental Objectives.

## 3.2 Measures of performance against each priority

The priority outcomes for the Department are:

- a. Level up the United Kingdom.
- b. Regenerate and Level Up communities to improve places and ensure everyone has a high quality, secure and affordable home.
- c. Enable strong local leadership and increase transparency and accountability for the delivery of high quality local public services; and improve integration in communities.
- d. Ensure that buildings are safe and system interventions are proportionate.
- e. Strengthen the Union to ensure that its benefits, and the impact of levelling up across all parts of the UK, are clear and visible to all citizens.

As agreed at the Spending Review, outcomes and metrics and trajectory development for the SR period were agreed with HM Treasury while developing out 2022-23 Outcome Delivery Plan to reflect the changed remit of DLUHC from those previously agreed for the Ministry of Housing, Communities and Local Government.

All departments produced a draft Outcome Delivery Plan (ODP) for 2022-23. However, with the announcement of Civil Service 2025 in May 2022, Cabinet Office and HM Treasury Ministers agreed to pause the publication of ODPs to ensure they could reflect any workforce changes. On 17 November 2022, the Chancellor of the Exchequer delivered the Autumn Statement, which also needed to be reflected in plans. The government has decided not to require departments to publish ODPs for 2022-23 but to concentrate on the production of ODPs for 2023-24.

The Department reports and monitors progress against objectives each month in performance reports to the Executive Team and our portfolio boards.

Departments will be required to report against the agreed Priority Outcomes in their 2022-23 Annual Report and Accounts and set out their performance against these outcomes.

## 3.3 Major projects

DLUHC is responsible for a broad remit of projects and programmes across Levelling Up, Housing & Planning, Safer & Greener Buildings and Local Government. The department's portfolio of major projects onboarded to the Government Major Projects Portfolio (GMPP) has grown from 4 to 11 over the last two years. These projects are subject to quarterly review and IPA assurance gateways, in line with their business case stage. Please find below a high-level overview of the currently reporting GMPP projects and their whole life costs:

- **Affordable Homes Programme 21-26:** The Affordable Homes Programme is the primary vehicle used by Government for the delivery of affordable housing in England. It allocates grant funding to Local Authorities and Housing Associations to help support the capital costs of developing affordable housing for rent or sale. It is an 8-year programme with completions of homes expected up to 2029. The programme has a forecasted whole life cost of £11.4bn.

- Building Safety Programme (ACM and non-ACM Remediation):** The first component of this programme was established to ensure the removal of unsafe ACM cladding from all high-rise residential buildings in England. The scope of the programme includes all public and private sector buildings including student accommodation and hotels and has a forecasted whole life cost of £0.5bn. The second component of the programme was established to set up and manage the Building Safety Fund (BSF) to remediate high rise residential buildings in England with unsafe Non-ACM cladding. In the private sector the BSF is for the benefit of the leaseholder in buildings for which another funding solution is not available. For social sector applicants, the fund will pay for leaseholders' costs and provide support to those applicants that evidence their unaffordability and threat to their financial standing. The programme has a forecasted whole life cost of £4.7bn.
- Digital Planning:** The Digital Planning Programme is necessary to enable a modern and efficient planning system that meets the digital expectations of a modern service. The interventions will shift a semi-analogue planning system based on documents to one that is data-driven, standards based, and powered by modern user centred products and services. A shift to data from documents will underpin a more efficient and responsive planning ecosystem, capable of identifying more land for development and of deciding what to build and where, as well as ensuring a faster and more efficient decision-making process. The digital programme originally formed part of the overarching Planning Reform programme but was decoupled to enable it to develop and deliver to its own timeframes and budget. The programme has a forecasted whole life cost of £150m.
- Electoral Integrity Programme:** The programmes objectives are to deliver for May 2023/24 elections the following:

  - The 2019 Manifesto commitments of voter identification, easier overseas elector voting, removal of 15-year limit on overseas electors' voting rights and improved election security and integrity.
  - Reciprocal voting and candidacy rights to EU citizens arriving in UK and after EU exit.
  - A First-Past-the-Post Metro-Mayor and Police and Crime Commissioner electoral system,
  - An improved online, absent, proxy and postal vote process; and
  - Electoral Commission reforms
  - The programme has a forecasted whole life cost between £294m and £427m.
- Freeports:** In 2019 the International Trade Secretary announced the creation of new Freeports to boost international trade and economic growth. At the 2021 Spring Budget the government announced 8 Freeports in 8 English regions, with the 2021 Spending Review confirming that up to £200m would be made available to deliver them. Two Green Freeports in Scotland have been announced. The government also remains committed to establishing at least one Freeport in Wales and Northern Ireland respectively.
- Grenfell Site and Programme:** The Government took ownership of the site in July 2019 and established the Grenfell Site Programme to:

  - Oversee the management of the site, including making operational decisions, to ensure it remains safe and secure and is made ready for a future memorial.

- Ensure that the Government meets its public commitment that any decisions will be evidence-based and informed by experts, and that the community will be engaged at every step of the way towards a fitting memorial.
  - Support the setup of and provide administrative support to the independent Grenfell Tower Memorial Commission. The Commission, made up of representatives of the bereaved, survivors and local residents, will work with the community to reach a consensus on the most fitting and appropriate way to remember those who lost their lives in the Grenfell tragedy.
  - The programme has a forecasted whole life cost of £370m.
- **Housing Infrastructure Fund (HIF):** The Housing Infrastructure Fund supports the governments ambition to increase housebuilding to 300,000 homes a year, by providing up front infrastructure to drive housing delivery. It provides grant funding to Local Authorities on a competitive basis for physical infrastructure which are needed to unlock new housing and require public funding to be delivered. Projects within the programme are expected to deliver over an 11-year period. The programme has a forecasted whole life cost of £4.2bn.
  - **Levelling Up Fund (LUF):** The Levelling Up Fund is open to bids from all Local Authorities in the UK, as well as certain public sector and other bodies of Northern Ireland. The capital-only fund will provide grant payments to successful bidders to support town centre and high street regeneration, transport, and cultural and heritage projects. The programme has a forecasted whole life cost of £4.8bn.
  - **Levelling Up Home Building Fund (LUHBF):** This fund targets interventions towards SMEs, specialist and non-bank lenders to diversify and build resilience in the market, foster innovation and leverage greater private investment into housebuilding and MMC. This will help create an environment where: prospective new entrants feel confident to start developing and are able to do so; larger innovative firms able to increase their resilience and develop a trading record that will enable them to scale; and new (in particular institutional) investors and lenders are operating in the sector. The programme has a forecasted whole life cost range between £1.4bn-£2.2bn.
  - **Towns Fund:** The Towns Fund will work with 101 towns to build a Towns Deal. £1bn of the fund is available to the Future High Streets Fund competition with the aim to renewing and reshaping town centres and high streets. The programme has a forecasted whole life cost of £3.6bn.
  - **UK Holocaust Memorial and Learning Centre:** This project is to build a striking new memorial to the Holocaust in Victoria Tower Gardens in Westminster to honour the six million Jewish men, women and children that were murdered during the Holocaust, as well as other victims of Nazi persecution. A learning centre is to be located within the memorial to explore the British relationship to the Holocaust including the role of the British Parliament and democratic institutions. The project has a forecasted whole life cost of £0.1bn.

## 4 Other information

### 4.1 Additional specific information required by the Select Committee

The Select Committee has not requested any information which has not been addressed in this Memorandum.

## 5 Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by me as Departmental Accounting Officer.

A handwritten signature in black ink, appearing to read 'Sarah Healey', is centered on the page. The signature is fluid and cursive.

**Sarah Healey**

Accounting Officer and Permanent Secretary

Department for Levelling Up, Housing and Communities

21 February 2023