

Department for Levelling Up, Housing and Communities

Supplementary Estimate 2021-22: Estimates Memorandum

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 2021-22 provides the Housing, Communities and Local Government 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 outcomes, as set out in the 21/22 Outcome Delivery Plan¹, are as follows.

1. Raise productivity and empower places so that everyone across the country can benefit from levelling up (cross-cutting outcome with BEIS, DfE, DfT, DWP, DCMS, Defra and DIT as contributing departments)
2. More, better quality, safer, greener and more affordable homes
3. End rough sleeping through more effective prevention and crisis intervention services, and reduce homelessness by enabling local authorities to fully meet their statutory duties (cross-cutting outcome with DfE, DHSC, DWP, DWP, HO and MoJ as contributing departments)
4. A sustainable and resilient local government sector that delivers priority services and empowers communities

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;

¹ <https://www.gov.uk/government/publications/ministry-of-housing-communities-and-local-government-outcome-delivery-plan/mhclg-outcome-delivery-plan-2021-to-2022>

- *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).

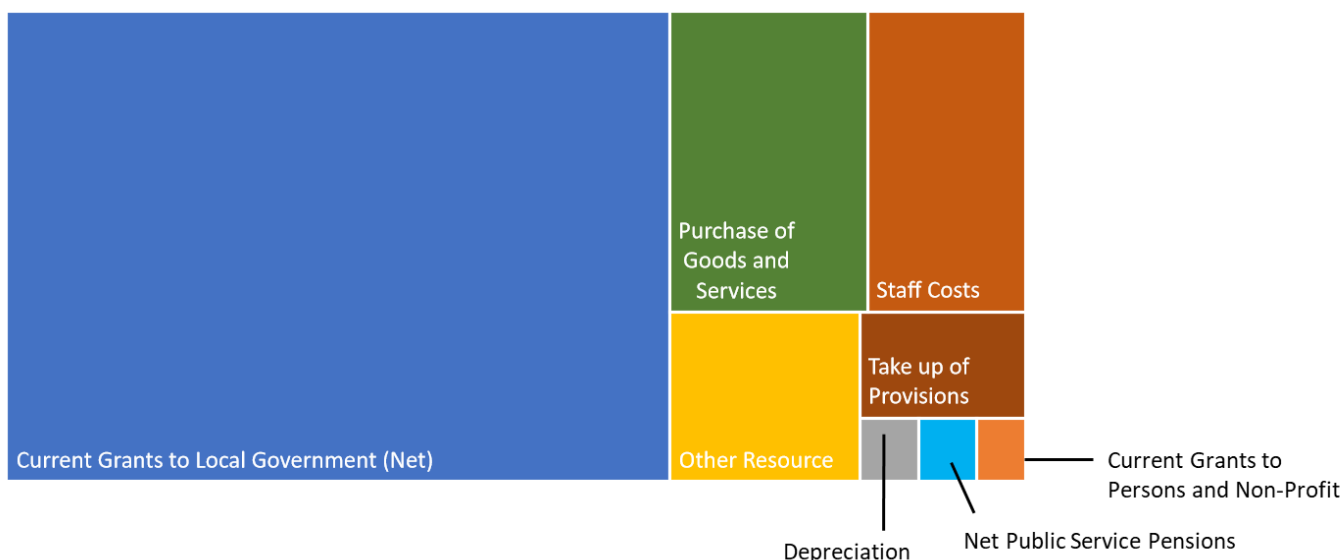
- **Capital Departmental Expenditure Limit (Capital DEL or CDEL)** – this budget covers expenditure on assets, investments and capital grants and comprises two distinct types of budgets:
 - *Capital grant budgets* which fund capital costs of delivering programmes; and
 - *Financial transaction budgets* 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 show the main components of DLUHC’s proposed budget for the current year. They also show the proportions of funds spent on its main activities.

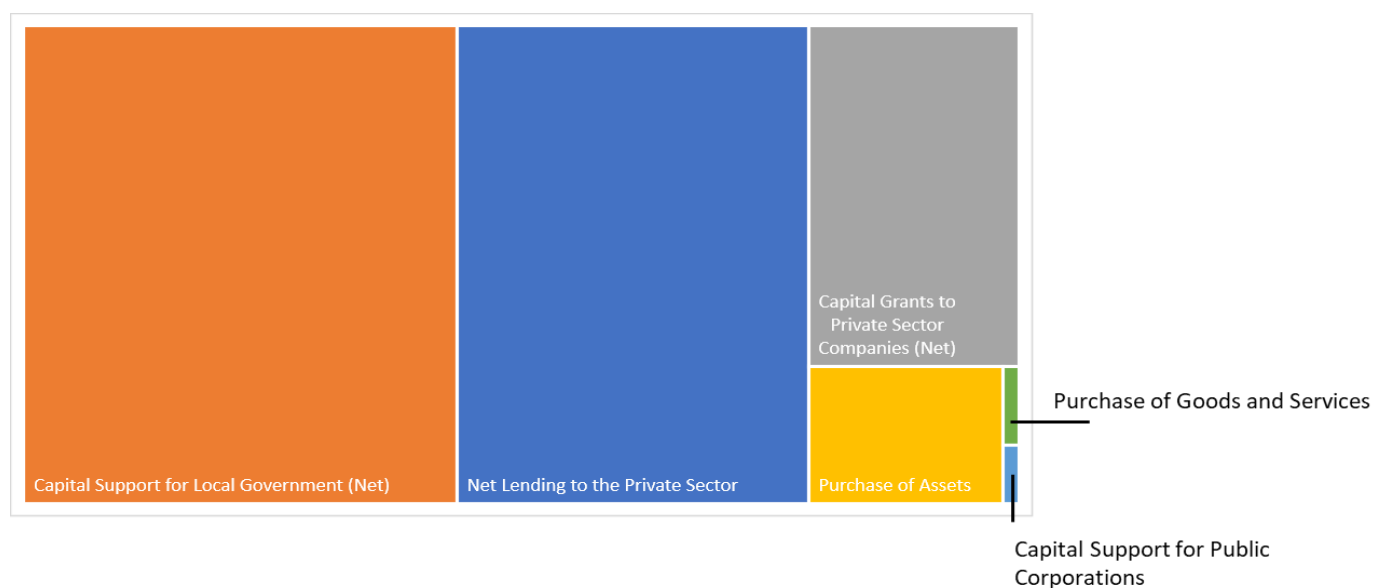
1. Communities Resource DEL (Programme and Administration): Total budget £3.1bn



2. Local Government Resource DEL: Total budget £21.5bn

The totality of Local Government DEL Resource budget (£21.5bn) is spent on current grants to Local Government.

3. Capital DEL (Grants and Financial Transactions): Total budget £7.4bn



4. Resource Annually Managed Expenditure (AME): Total budget £10.8bn

The Resource AME budget is held for Business Rate Reliefs 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 2021-22 compared with Main Estimate 2021-22 budgets and final outturn in 2020-21.

Spending total Amounts sought this year (Supplementary Estimate 2021-22) £m		Compared to original budget this year (Main Estimate 2021-22)		Compared to final outturn last year (Outturn 2020-21)	
		£m	%	£m	%
Resource DEL (Communities)	3,087	+98	+3%	+377	+14%
Resource DEL (Local Government)	21,454	+3,983	+23%	+547	3%
Capital DEL	7,352	(1,470)	(17%)	(1,745)	(19%)
Resource AME	10,845	(4,397)	(29%)	(5,783)	(35%)

1.5 Key drivers of spending changes since last year

Communities Resource DEL

Compared to original budget this year (Main Estimate 2021-22)

The Department's Resource DEL budget at Supplementary Estimate is £98m (3%) greater than the Main Estimate set earlier this financial year, bringing our total planned expenditure to £3.1bn.

The principal driver of this increase is a Machinery of Government (MoG) transfer of functions from the Cabinet Office, including the Union and Elections (£130m). Additionally, £25m of funding was made available for the Rough Sleeping Covid-19 Response Fund, which was required as part of the Department's response to the Omicron variant. This was offset by a £45m decrease in in-year budget for the Community Renewal Fund, reflecting the announcement that recipients have until June 2022 to spend the final tranche of this funding.

The Department's administration budget is included within our Resource DEL budget and of the overall budget, the administration budget amounts to £345m, an increase of £11m since Main Estimate, reflecting the transfer of functions from the Cabinet Office. More details on this year's spend and how it compares to previous years can be found below in Section 1.8.

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 with final outturn last year (Outturn 2020-21)

The Department's Communities Resource DEL budget at Supplementary Estimate 2021-22 is £377m or 14% higher than final outturn in 2020-21.

New spend accounts for £151m of the increase from 2020-21 outturn, including new spending on the UK Community Renewal Fund and Covid Vaccine programmes. Higher spending is planned at the Supplementary Estimate including, £116m on the MOG transfer of functions, £136m increase in Homelessness and Rough Sleeping, £127m on the Home Building Fund, and increased spending on Domestic Abuse (£93m), Single Land Programme (£71m), Planning (£39m), and the Building Safety Programme (£25m). There are also increases in recruitment (£32m), to support some growth in our Building Safety teams and following the announcement by the Chancellor of the new Levelling Up Fund, Community Ownership Fund and Freeports. Like other organisations we also had to bring resources back to usual staffing levels following Covid-related recruitment delays in 2020-21. This is offset by lower spending against the New Homes Bonus (£285m) and our response to Covid last year (£235m).

Local Government Resource DEL

Compared to original budget this year (Main Estimate 2021-22)

The Local Government Resource DEL budget has increased by £4bn compared with Main Estimate in 2021-22. The increase primarily relates to the newly announced Council Tax rebate funding measures (£3.1bn), Covid-19 additional relief fund for business rates (£1.5bn), offset by surrenders for Covid-19 BR Reliefs (£0.3bn), Tax Income Guarantee (£0.2bn) and Sales Fees and Charges (£0.1bn).

Compared with final outturn last year (Outturn 2020-21)

At the Supplementary Estimate 2021-22, the total LG DEL budget sought of £21.5bn is £0.5bn higher than final outturn in 2020-21. It is driven by an increase of £3.1bn for the newly announced Council Tax rebate measures, £1.7bn for ongoing BR Relief grants, £0.3bn for Social Care and £0.2bn for other grants, offset by a £4.8bn reduction for Covid-19 funding.

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 £4.5bn and £2.8bn respectively.

Compared to original budget this year (Main Estimate 2021-22)

The Department's Total Capital DEL budget at Supplementary Estimate 2021-22 is £1.5bn (17%) lower than the budget allocated at Main Estimate 2021-22.

Capital Grant programmes – Overall our budget requirement at Supplementary Estimate was £1.4bn (or 24 per cent) lower than at Main Estimates 2021-22. The biggest movements were a £0.9bn budget surrender due to re-evaluation of delivery profiles and a £0.6bn re-profile into 2022/23 to maximise delivery of Departmental priorities next year. These were partially offset by a £0.1bn switch of land income, from RDEL into CDEL budgets.

Capital Financial Transactions – £0.1bn of the reduction can be attributed to this budget which covers the demand-led Help to Buy Scheme and the department's investment programmes (including the Home Building Fund) which generate income that can be recycled to fund further spending.

More detail can be found on the changes made to programme budgets in Table B which is an annex to this document.

Compared with final outturn last year (Outturn [2020-21])

DLUHC is planning to spend £1.7bn (19%) less than was spent in 2020-21. Spending plans in both Capital DEL Grant and Financial Transactions are lower by £0.5bn and £1.2bn, respectively.

Capital grant programmes – Spending increased on a range of programmes, including the Housing Infrastructure Fund (£0.3bn), High Streets (£0.3bn), Building Safety (£0.2bn) and Levelling Up (£0.2bn). This was offset by completion of the Local Growth Fund in 2020-21, on which we spent £1.2bn.

Financial transaction programmes – the Help to Buy budget is £1.2bn lower than the 2020-21 outturn. This is primarily due to the spike in demand for the Help to Buy scheme in 2020-21, as it entered the final year of the old scheme.

Resource AME

Compared to original budget this year (Main Estimate 2021-22)

LG AME has reduced by £4.6bn overall due to adjustments at outturn for a number of Covid-19 funding measures including £5.6bn receipts for business rate relief outturn. This followed the on-account payments to local authorities in 20-21 being deliberately increased to help with in-year cash flow shortfalls resulting from the announcement of additional reliefs in-year. Within the overall

£4.6bn total there is also a net increase of £1bn for other business rate adjustments for 20-21 outturn.

The Communities element of AME budget has increased by £0.2bn from Main Estimate 2021-22. This change is largely driven by housing investments and guarantees.

Compared with final outturn last year (Outturn [2020-21])

The budget has decreased by £5.8bn (35%) compared to the 2020-21 outturn.

The LG AME budget of £9bn has reduced compared to 2020-21 outturn of £16.7bn. This is partly due to the expected business rate relief receipt in respect of 20-21 outturn, which reduces net expenditure for the current year. There were also related reductions to the value of the Local Share of business rates for 2020-21, from £16.3bn to £7.5bn, due to business rates foregone, which was separately compensated for through LG DEL Covid BR reliefs in 2020-21.

The remainder is largely due to change in the AME budget held to cover potential losses on financial transactions for the Help to Buy Scheme.

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 total. Additional lines have been added to the Ambit set at Main Estimates 2021-22.

The ambit has been updated to include integration support for British Nationals from Afghanistan as follows:

“Controlling migration and providing integration support to British Nationals from Afghanistan arriving in the UK.”

The following line has been added to Communities DEL budgets, in relation the Professional Indemnity Insurance scheme for chartered fire engineers and surveyors working on external wall review (EWS1) assessments:

“Insurance schemes”.

An additional line has been added to the income arising in Local Government Resource DEL budgets, relating to financial support to local authorities and specified bodies including Business Rate Relief Measures and other grant payments. The revised paragraph now reads as follows:

“Income arising from: Supporting effective local government to deliver public services to local people.”

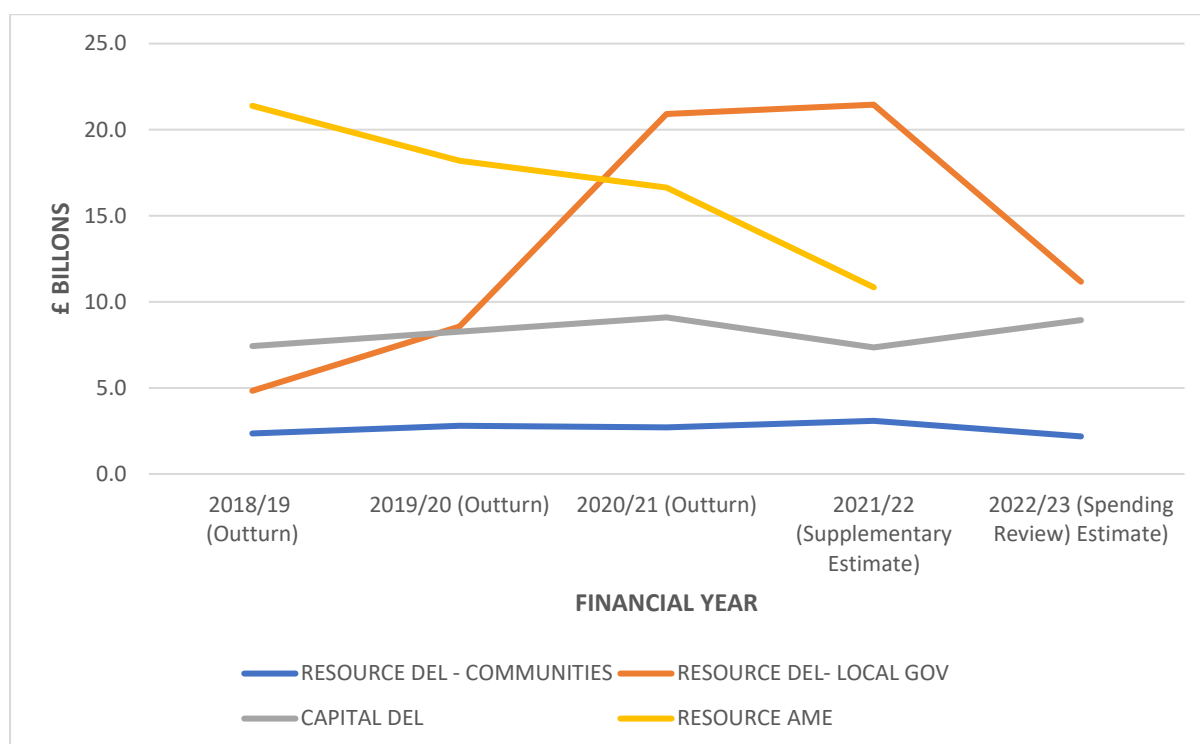
The ambit has also been updated to include a Machinery of Government change. Elections and Union policy was transferred from the Cabinet Office in November 2021. Additional lines have been added to Housing and Communities DEL budgets, reflecting those previously in the CO ambit, as follows:

“Administration and operation of the department in connection with maintaining the integrity of the Union, and sustaining a flourishing democracy;”

“Deposits forfeited by candidates in an election”

1.7 Spending trends

The chart below shows overall spending trends for the last three years and plans presented in the Supplementary Estimate for 2021-22.



Communities RDEL

Overall, spending on Communities RDEL has been relatively stable in recent years. This year saw an increase at Supplementary Estimate 2021-22, mainly driven by the Machinery of Government (MoG) transfer of functions from the Cabinet Office, including the Union and Elections. The settlement for 2022-23 at Spending Round 2021 appears lower compared to 2021-22, because the New Homes Bonus has not yet been incorporated in next year’s budget – once this has been included via a Budget Cover Transfer, we anticipate RDEL will be similar to this year.

Capital DEL

In line with the Government’s ambition for levelling up and housing supply and its commitment to improving building safety, the Department continues to spend significant amounts on its Capital DEL programmes each year (£3.8bn in 2015-16 compared to £7.4bn planned spend in 2021-22). Almost 40% of our planned spend this year is across a portfolio of loans and investments in the housing market (known as financial transactions) with the remainder paid as grants. This percentage has increased from 30% in 2014-15 as the Department has increasingly focused on providing support to the market through financial transactions which provide a better return for the taxpayer, as they generate income flows that support future investment.

The capital budget at Supplementary Estimate 2021-22 is lower than 2020-21 outturn primarily due to the spike in demand for the Help to Buy scheme in 2020-21, as it entered the final year of the old scheme. We expect future Capital DEL spend to trend upwards again next year.

Local Government RDEL

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

Compared to outturn for 2020-21, the LG DEL budget at Supplementary Estimate is £0.5bn higher. It is driven by an increase of £3.1bn for the newly announced Council Tax rebate measures, £1.7bn for ongoing BR Relief grants, £0.3 bn for Social Care and £0.2 bn for other grants, offset by a £4.8 bn reduction for Covid-19 funding

Resource AME

The majority of business rates retention (including the local share) scores as AME in DLUHC's Estimate, for which there is a year-on-year reduction in 2021-22 of £4bn.

The local share is recorded as a non-cash expenditure item in the Department's accounts and the amount estimated to be retained by local authorities in 2021-22 is £7.5bn (£16.3bn in 2020-21).

AME budgets were not set as part of the Spending Round and will be included at Main Estimate.

1.8 Administration costs

Spending total Amounts sought this year (Supplementary Estimate 2021-22)		Compared to original budget this year (Main Estimate 2021-22)		Compared to final OUTTURN last year (Outturn 2020-21)	
		£m	%	£m	%
Administration non ringfenced	£325.0m	11.1	4%	53.6	20%
Administration ringfenced (depreciation)	£20.0m	-	0%	20.3	6767%
Total	£345.0m	11.1	3%	73.9	27%

Administration budgets increased at Supplementary Estimate by £11.1m compared to Main Estimates resulting from:

- An increase of £12m relating to the Machinery of Government (MoG) transfer of functions from the Cabinet Office, including the Union and Elections;
- Budget surrender of £0.8m relating to Government Property Agency rental costs and;
- Budget Cover Transfers to Other Government Departments amounting to £0.2m.

Administration budgets have increased by £73.9m compared with the 2020-21 outturn. This difference is primarily due to increases in recruitment (£32m), to support some growth in our Building Safety teams and following the announcement by the Chancellor of the new Levelling Up Fund, Community Ownership Fund and Freeports. Like other organisations we also had to bring resources back to usual staffing levels following Covid-related recruitment delays in 2020-21. The remainder is primarily due to the impact of lower income from housing investments (£22m).

The Administration Depreciation budget is £20m as per Main Estimates. This is a £20.3m increase compared with the 2020-21 outturn, as fair value accounting adjustments to our Financial Assets meant a net depreciation 'income' of £0.3m last year.

1.9 Funding: Spending Review and Budgets

Spending Review 2020 set the overall Departmental budget for resource expenditure and capital expenditure for 2021-22. Our Main Estimates provided for £3bn for Communities RDEL, £8.8bn for CDEL and £17.5bn for LG DEL.

Additional RDEL funding for 2021-22 was made available at Supplementary Estimate as follows:

- £130m for the Machinery of Government transfer of Union and Elections policy from the Cabinet Office
- £25m for the Rough Sleeping Covid-19 Response Fund, as part of the Department's response to the Omicron variant.

Additional LG DEL funding for 2021-22 was made available at Supplementary Estimate as follows:

- £3.1bn for Council Tax Rebate measures
- £1.5bn for Covid-19 additional relief fund business rates support for local authorities

1.10 Other funding announcements

Any spending announcements requiring funding in 2021-22 but not listed at Table B relate to money reallocated from within existing budgets, rather than 'new', additional money. These include:

- **Waking Watch Relief Fund:** The government launched the £27m Waking Watch Relief Fund to install alarms in all buildings where a Waking Watch is in place at cost to leaseholders. The approach is aligned to industry guidance and aims to replace costly Waking Watch measures and reduce the considerable financial burden on leaseholders.
- **Rent Arrears:** The government announced a £65m support package for vulnerable renters struggling due to the impact of the pandemic. The funding was given to councils in England to support low-income earners in rent arrears helping to prevent homelessness and support families get back on their feet.
- **Hong Kong BN(O)s Welcome Programme:** The government announced a Hong Kong British Nationals (Overseas) Welcome Programme, to help status holders access housing, work and educational support.
- **Community Vaccine Champions:** The government announced the £23m Community Vaccine Champions (CVC) programme. This aims to address the ongoing disparities in the vaccine rollout by providing funding to local authorities to increase outreach and engagement through focused contact to raise awareness of local support and to promote COVID-19 vaccine uptake.
- **Community Ownership Fund:** The government announced the Community Ownership Fund, which aims to drive greater ownership of assets which support the social well-being of communities but are at risk of loss.
- **UK Holocaust Memorial and Learning Centre:** The government has committed to build a new Memorial and Learning Centre, prominently located in central London, to serve as the focal point for national commemoration of the Holocaust and to lead national Holocaust

educational activity. The government has announced £75m of funding for the programme, to be match funded by £25m of private donations.

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 2021-22 Main Estimate. Our administration budgets appear on several estimate rows. This is primarily because administration spending in our arm's-length bodies (ALBs) appears on different estimate rows to spend in the core department.

Subheads	Outcome	Programme*	Resource DEL				See note
			2021-22 (Supplementary Estimates budget sought)	2021-22 (Main Estimates budget approved)	Change from Main Estimate 2021-22		
			£m	£m	£m	%	
A - Local Government & Public Services	1	Delivering Policy in Places	0.5	1.5	(1.0)	(67%)	
		Resilience & Recovery	8.5	9.6	(1.1)	(11%)	
	2	Affordable Housing Supply	9.9	0.0	9.9	100%	
		Grenfell Inquiry	1.0	1.0	0.0	0%	
		Grenfell Site & Programme	7.0	8.1	(1.1)	(14%)	
	3	Homelessness and Rough Sleeping - Recovery	24.8	106.1	(81.3)	(77%)	1
	4	Stewardship & System Wide Risk Reduction	3.5	3.5	0.0	0%	2
		Improving Local Outcomes for Communities	99.8	29.5	70.3	238%	
Local Government Reform and Improvement		5.4	5.2	0.2	4%		
LG Finance		7.5	7.0	0.5	7%		
		UK Holocaust Memorial & Learning Centre	2.8	1.5	1.3	87%	
A - Local Government & Public Services Total			170.7	173.0	(2.3)	(1%)	
B - Housing and Planning	1	Local Growth Investment	0.5	0.5	0.0	0%	
	2	Affordable Housing Supply	0.3	0.9	(0.6)	(67%)	

		Building Safety Reform	14.8	34.3	(19.5)	(57%)	3	
		Building Safety Remediation & Standards	22.5	24.4	(1.9)	(8%)		
		Cross Cutting Strategy & Corporate	0.3	0.0	0.3	100%		
		Home Ownership & Leasehold	202.2	209.6	(7.4)	(4%)		
		Housing Delivery and Market Diversification	628.6	627.5	1.1	0%		
		Housing Quality & Support	135.9	148.1	(12.2)	(8%)		
		Land, Infrastructure & Regeneration	22.8	9.8	13.0	133%	4	
		Net Zero	(0.2)	2.0	(2.2)	(110%)		
		Planning	96.4	106.5	(10.1)	(9%)		
	3	Homelessness and Rough Sleeping - Intervention	247.6	220.8	26.8	12%	5	
		Homelessness and Rough Sleeping - Prevention	402.7	349.0	53.7	15%	6	
B - Housing and Planning Total			1,774.4	1,733.4	41.0	2%		
C - Decentralisation and Local Growth	1	Delivering Policy in Places	5.0	4.5	0.5	11%		
		Local Growth Investment	216.5	274.5	(58.0)	(21%)	7	
		Local Growth Policy & Strategy	134.4	200.0	(65.6)	(33%)	8	
	2	Land, Infrastructure & Regeneration	5.7	21.3	(15.6)	(73%)	9	
C - Decentralisation and Local Growth Total			361.6	500.3	(138.7)	(28%)		
D - Troubled Families	4	Improving Local Outcomes for Communities	168.3	165.0	3.3	2%		
D - Troubled Families Total			168.3	165.0	3.3	2%		
E - Research, Data and Trading Funds	1	Local Growth Investment	6.6	6.6	0.0	0%		
		5	Communications	0.3	0.5	(0.2)	(40%)	
			Corporate Functions	5.1	5.1	0.0	0%	
E - Research, Data and Trading Funds Total			12.0	12.2	(0.2)	(2%)		
F - MHCLG Staff, Building and Infrastructure Costs	5	Governance and Control	2.5	2.6	(0.1)	(4%)		
		Digital & Technology	16.0	0.0	16.0	100%	10	
	Other	Admin including depreciation	257.5	237.3	20.2	9%		
F - MHCLG Staff, Building and Infrastructure Costs Total			276.0	239.9	36.1	15%		
G - Local Government and Public Services (ALB)(Net)	Other	Admin including depreciation	18.0	18.4	(0.4)	(2%)		
G - Local Government and Public Services (ALB)(Net) Total			18.0	18.4	(0.4)	(2%)		
H - Housing and Planning (ALB)(Net)	2	Affordable Housing Supply	1.8	1.1	0.7	64%		
		Building Safety Remediation & Standards	7.1	0.0	7.1	100%		
		Cross Cutting Strategy & Corporate	10.0	15.0	(5.0)	(33%)		
		Home Ownership & Leasehold	15.7	12.7	3.0	24%		

		Housing Delivery and Market Diversification	49.1	6.5	42.6	655%	11
		Housing Quality & Support	1.9	1.8	0.1	6%	
		Land, Infrastructure & Regeneration	58.2	27.1	31.1	115%	12
	3	Prevention	1.0	4.0	(3.0)	(75%)	
		Recovery	0.6	0.6	0.0	0%	
		Local Growth Investment	0.3	0.0	0.3	100%	
	Other	Admin including depreciation	69.4	78.3	(8.9)	(11%)	
H - Housing and Planning (ALB)(Net) Total			215.1	147.1	68.0	46%	
I - Elections	4	Improving Local Outcomes for Communities	90.9	0.0	90.9	100%	13
New Estimate Row - Elections Total			90.9	0.0	90.9	100%	
Total RDEL DLUHC Communities			3086.9	2989.2	97.7	3%	

- Homelessness and Rough Sleeping - Recovery:** Budget Cover Transfer of £30.1m was made to DHSC to deliver the Rough Sleeping (Drug and Alcohol Treatment Grant) programme. Owing to mobilisation delays, the remaining budget was reallocated to other spend including helping those at risk of homelessness through support for rent arrears (see note 6).
- Improving Local Outcomes for Communities:** Increase primarily relates to the Machinery of Government transfer (£33.8m). A further £23.4m is for the Community Vaccine Champions programme, which was agreed in response to the Omicron variant.
- Building Safety Reform:** Change in budget is primarily due to a budget transfer to the Department for Work and Pensions to set up the Building Safety Regulator.
- Land, Infrastructure & Regeneration:** Increase driven by £6m of Expected Credit Losses budget for Manchester Housing Investment Fund (these are not budgeted for at Main Estimates), and the remainder by funding being allocated after Mains for the Garden Communities programme and Delivery Innovation Fund (Development Corporations Competition).
- Homelessness and Rough Sleeping: Intervention:** Additional funding since Main Estimates for new initiative to protect and vaccinate those sleeping rough, by providing an additional £28.1m in December 2021, slightly offset by other transfers between rows.
- Homelessness and Rough Sleeping: Prevention:** Increase primarily driven by £65m additional funding provided to Local Authorities in England to support vulnerable renters due to the impact of the pandemic and new funding for victims of Domestic Abuse at risk of homelessness. Further budget movement driven by reprioritisation of budgets to meet emerging priorities including Winter Pressures.
- Local Growth Investment:** Detailed work and business case development by local authorities has led to requests to move funding into future years.
- Local Growth Policy & Strategy:** Community Renewal Fund programme extended by three months and corresponding funding moved into 2022/23 as announced in November.

- 9. Land, Infrastructure & Regeneration:** Reduction of £9m against the Oxford Cambridge Arc, reflecting a decision to explore alternative options for delivery. £6.6m for Land and Infrastructure Loans transferred to different estimate row for delivery by Homes England.
- 10. Digital and Technology:** Budget cover transfer from Local Government DEL of funding for Local Government Cyber Security and Digital reform.
- 11. Housing Delivery & Market Diversification:** Additional budget of £43m for expected credit losses under the IFRS 9 accounting standard, in line with the usual practice of adjusting such budgets at Supplementary Estimates.
- 12. Land, Infrastructure & Regeneration:** Increase of £31m primarily driven by budget being assigned for expected credit losses for the Home Building Fund Long Term Fund, offset by decreases in net budget requirement for the Single Land Programme and Direct Commissioning through increased income from profit on disposal.
- 13. Improving Outcomes for Communities and Places:** Non-voted elections funding for by-elections, which was part of Machinery of Government transfer.

Resource DEL – Local Government

The table below shows how DLUHC’s spending plans for Resource DEL in the Local Government Budget compared with 2021-22 Main Estimate. Note that Local Government Resource DEL is not mapped to Departmental Strategic objectives.

Subheads	Resource DEL				
	2021-22 (Supplementary Estimate budget sought)	2021-22 (Main Estimate budget approved)	Change from Main Estimate 2021-22		See note number
	£m	£m	£m	%	
J - Revenue Support Grant	1,621.6	1,621.6	0.0	0%	
K - Other Grants and Payments	19,795.1	15,810.7	3,984.4	25%	1
L - Business Rates Retention	36.9	38.3	(1.4)	(4%)	
RDEL Local Government	21,453.6	17,470.6	3,983.0	23%	

1. Other Grants and Payments: The increase primarily relates to the newly announced Council Tax funding measures (£3.1bn), Covid-19 additional relief fund for business rates (£1.5bn), offset by surrenders for Covid-19 BR Reliefs (£274m), Tax Income Guarantee (£191m) and Sales Fees and Charges (£75m).

CDEL

Subheads	Outcome	Programme*	Capital DEL				See note
			2021-22 (Supplementary Estimates budget sought)	2021-22 (Main Estimates budget approved)	Change from Main Estimate 2021-22		
			£m	£m	£m	%	
CAPITAL DEL - GRANT							
A - Local Government & Public Services	2	Grenfell Site & Programme	20.7	35.5	(14.8)	(42%)	1
	3	Recovery	89.1	82.9	6.2	7%	
	4	UK Holocaust Memorial & learning Centre Improving Local Outcomes for Communities	3.0 5.9	0.0 5.8	3.0 0.1	100% 2%	
A - Local Government & Public Services Total			118.7	124.2	(5.5)	(4%)	
B - Housing and Planning	1	Local Growth Investment	5.0	30.0	(25.0)	(83%)	2
	2	Building Safety Reform	3.9	5.3	(1.4)	(26%)	
		Building Safety Remediation & Standards	389.0	599.7	(210.7)	(35%)	3
		Home Ownership & Leasehold	11.1	0.0	11.1	100%	4
		Housing Quality & Support	1.8	0.2	1.6	800%	
		Housing Delivery and Market Diversification	89.1	95.4	(6.3)	(7%)	
		Land, Infrastructure & Regeneration	437.6	533.5	(95.9)	(18%)	5
	Net Zero	0.1	0.0	0.1	100%		
Planning	6.5	2.3	4.2	183%			
3	Homelessness and Rough Sleeping: Intervention and Prevention	1.4	4.1	(2.7)	(66%)		
B - Housing and Planning Total			945.5	1,270.5	(325.0)	(26%)	
C - Decentralisation and Local Growth	1	Delivering Policy in Places	62.7	69.5	(6.8)	(10%)	
		Local Growth Investment	1,167.6	1,196.1	(28.5)	(2%)	
	Local Growth Policy & Strategy	200.8	50.0	150.8	302%	6	
2	Land, Infrastructure & Regeneration	130.0	183.0	(53.0)	(29%)	7	
C - Decentralisation and Local Growth Total			1,561.1	1,498.6	62.5	4%	
E - Research, Data and Trading Funds	5	Corporate Functions	9.3	8.3	1.0	12%	
		Communications	0.2	0.0	0.2	100%	

E - Research, Data and Trading Funds Total			9.5	8.3	1.2	14%	
F - MHCLG Staff, Building and Infrastructure Costs	5	Change Programme	5.8	1.2	4.6	383%	
		Corporate Functions	8.6	9.6	(1.0)	(10%)	
		Digital & Technology	7.0	6.0	1.0	17%	
F - MHCLG Staff, Building and Infrastructure Costs Total			21.4	16.8	4.6	27%	
G - Local Government and Public Services (ALB)(Net)	4	Stewardship & System Wide Risk Reduction	0.1	0.1	0.0	0%	
		LG Finance	0.2	0.3	(0.1)	(33%)	
G - Local Government and Public Services (ALB)(Net) Total			0.3	0.4	(0.1)	(25%)	
H - Housing and Planning (ALB)(Net)	2	Affordable Housing Supply	1,216.6	2,000.0	(783.4)	(39%)	8
		Cross Cutting Strategy & Corporate	5.5	39.0	(33.5)	(86%)	9
		Housing Delivery and Market Diversification	5.3	8.0	(2.7)	(34%)	
		Housing Quality & Support	0.2	0.0	0.2	100%	
	Land, Infrastructure & Regeneration	624.3	940.3	(316.0)	(34%)	10	
	3	Prevention	5.3	6.7	(1.4)	(21%)	
H - Housing and Planning (ALB)(Net) Total			1,857.2	2,994.0	(1,136.8)	(39%)	
GENERAL CAPITAL Total			4,513.7	5,912.8	(1,399.1)	(24%)	

CAPITAL DEL - FINANCIAL TRANSACTIONS							
A - Local Government & Public Services	2	Affordable Housing Supply	(42.3)	0.0	(42.3)	100%	11
A - Local Government & Public Services Total			(42.3)	-	(42.3)	100%	
B - Housing and Planning	2	Housing Delivery and Market Diversification	3.0	3.0	0.0	0%	
		Land, Infrastructure & Regeneration	0.0	(51.0)	51.0	(100%)	12
B - Housing and Planning Total			3.0	(48.0)	51.0	(106%)	
C - Decentralisation and Local Growth	2	Land, Infrastructure & Regeneration	(0.2)	(14.0)	13.8	(99%)	13
C - Decentralisation and Local Growth Total			(0.2)	(14.0)	13.8	(99%)	
H - Housing and Planning (ALB)(Net)	2	Affordable Housing Supply	(14.2)	0.0	(14.2)	100%	14
		Home Ownership & Leasehold	2,830.8	2,475.5	355.3	14%	15
		Housing Delivery and Market Diversification	(30.0)	216.7	(246.7)	(114%)	16
		Land, Infrastructure & Regeneration	90.8	279.3	(188.5)	(67%)	17
H - Housing and Planning (ALB)(Net) Total			2,877.4	2,971.5	(94.1)	(3%)	
FINANCIAL TRANSACTIONS Total			2,837.9	2,909.5	(71.6)	(2%)	
CAPITAL DEL Total			7,351.6	8,822.2	(1,470.7)	(17%)	

CDEL Grant

1. **Grenfell Site & Programme:** Budget decrease primarily due to not needing all contingency for keeping the Tower safe this financial year.
2. **Local Growth Investment:** Capital funding for the Changing Places programme was originally provided for 2021/22 only. A multi-year funding profile for £30m over 2021/22 to 2023/24 was subsequently agreed to reflect planned programme expenditure.
3. **Building Safety Remediation & Standards:** This budget change is primarily due to funding for the Building Safety Fund being moved into future years. Although the application progress has continued apace with c. £1bn allocated to date, it has taken longer than anticipated to complete remedial works. In addition, this change recognises additional budget of £19m for delivering the Waking Watch Relief Fund this financial year.
4. **Home Ownership & Leasehold:** First Homes was part of the AHP programme at the start of the year. The £11m budget requested reflected the latest estimate of spend this year.
5. **Land, Infrastructure & Regeneration:** Reduction in budget for London Housing Infrastructure Fund (HIF) and Land Assembly Fund (LAF), reflecting a changed profile for some HIF projects that have faced delays and the Swan Homes project not being taken forward against the current year's LAF profile.
6. **Local Growth Policy & Strategy:** The increase is due to the Levelling Up Fund, with the first round of successful bids being announced in October 2021.
7. **Land, Infrastructure & Regeneration:** Reduction in budget driven by: £38m reduction in National Home Building Fund case approvals, as fewer projects were ready to progress to business case approval than anticipated at the start of the year; and Brownfield Land Release Fund, as insufficient self and custom build projects were available to fund.
8. **Affordable Housing Supply:** Less spending than forecast due to reprofiling of payments to reflect the latest delivery pipelines and payment profiles, principally in relation to the share of the programme delivered by the Greater London Authority.
9. **Cross Cutting Strategy & Corporate:** Reduction in budget following an in-depth assessment undertaken by Homes England of its Transformation plan, resulting in adjusted plans for delivery of this programme over future years.
10. **Land, Infrastructure & Regeneration:** Variance driven by a decrease of £405m against the Housing Infrastructure Fund, reflecting delays on site and revised spend profiles for multiple projects; offset by increases on Land Assembly Fund, the Single Land Programme and Direct Commissioning due to revised income assumptions and the ability to spend more than originally budgeted.

CDEL FT

11. **Affordable Housing Supply:** Variance due to £42m of loan repayment income expected from the Greater London Authority.
12. **Land, Infrastructure & Regeneration:** Decrease of income budget to reflect GMCA's ability to reinvest funds and so not repay them to the Department this year.
13. **Land, Infrastructure & Regeneration:** Decrease in income budget, reflecting updated income forecasts for land receipts from Greenwich Peninsula.
14. **Affordable Housing Supply:** Increase in expected Legacy receipts to reflect the profile of income expected from Homes England legacy AHP programmes, such as home buy direct and kickstart.

15. **Home Ownership & Leasehold:** The budget was increased reflecting strong demand for the Help to Buy programme.
16. **Housing Delivery and Market Diversification:** Reduced budget is partly due to mobilisation delays and changes to the funding profile of new programmes, and the strong housing market meaning increased income and reduced expenditure on our investment programmes (Home Building Fund Short-term and legacy programmes).
17. **Land, Infrastructure & Regeneration:** Reduction of spend for Home Building Fund Long Term Fund, caused in part by better performance on income as well as a substantial reduction in expenditure, as the programme is set to meet its target with budget to spare. This is partially offset by new budget being set for new land and infrastructure loans.

Resource AME

The table below shows how spending plans compared with last year. Note that Resource AME is not mapped to Departmental Strategic objectives.

Subheads	Resource AME				See note number
	2021-22 (Supplementary Estimate budget sought)	2021-22 (Main Estimate budget approved)	Change from Main Estimate 2021-22		
	£m	£m	£m	%	
M Other Grants and Payments	-4,109.6	0.0	(4,109.6)	100%	1
N Local Government & Public Services	-19.0	-17.5	(1.5)	9%	
O Housing & Planning	194.3	162.3	32.0	20%	2
P Decentralisation & Local Growth	11.0	11.0	0.0	0%	
Q Research, Data and Trading Funds	2.0	2.0	0.0	0%	
R MHCLG Staff, Building and Infrastructure Costs	1.2	0.6	0.6	100%	
S Non-Domestic Rates Outturn Adjustments	350.0	350.0	0.0	0%	
T Local Government & Public Services (ALB)(Net)	4.6	2.8	1.8	64%	
U Housing & Planning (ALB)(Net)	1,675.4	1,534.6	140.8	9%	
V Business Rates Retention	12,735.2	13,195.7	(460.5)	(3%)	
Total Resource AME	10,845.1	15,241.5	-4,396.4	-29%	

1. Other Grants and Payments: This is largely driven by the 2020-21 outturn for Covid-19 business rate reliefs worth £1.5bn in additional payments and £5.6bn in receipts. This is an expected adjustment following the payments made on account in 2020-21 to help with Covid spending pressures.

2. Housing & Planning: Resource AME budget is held to cover potential losses on the financial transaction portfolio and is adjusted at Supps as usual.

2.2 Restructuring

On 15 September 2021 the Prime Minister announced a Machinery of Government change that transferred responsibility for Union, Constitution and Elections to the Department for Levelling Up, Housing and Communities (DLUHC). This was after our 2021-22 Main Estimate was laid in Parliament and is therefore reflected in our 2021-22 Supplementary Estimate, with the transfer retrospectively taking effect from 1 April 2021.

In the Cabinet Office 2021-22 Main Estimate a budget of £297.7m was sought for these responsibilities in Estimate rows A – Maintaining the integrity of the union and G – Elections (non-voted). This funding has transferred to DLUHC Estimate rows A – Local Government & Public Services and I – Elections.

This year (Supplementary Estimate sought at 2021-21)	RDEL	This year (Main Estimate sought at 2021- 21)	RDEL
A – Local Government & Public Services Total	170.9	A – Local Government & Public Services Total	173.0
I – Elections (non-voted)	90.9		
Funding transferred in			124.7
New Like for like total	261.8		297.7

Of the £124.7m of funding transferred in, £90.9m relates to Estimate row I - for non-voted by-election funding, and £33.8m to Estimate Row A for voted funding for other transferred responsibilities as part of the Machinery of Government transfer, including the Union. The net effect of re-stating our Mains Estimates values would be £297.7m across those estimate rows, compared to £261.8m at Supplementary Estimates.

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

Amounts sought this year (Supplementary Estimate 2021-22) £m		Compared to original budget this year (Main Estimate 2021-22)		Compared to final outturn last year (Outturn 2020-21)	
		£m	%	£m	%
Depreciation Programme	7.6	0.0	(1%)	+£16.8	(182%)
Depreciation Administration	20.0	-	-	+£20.3	(6767%)

Capital DEL

Amounts sought this year (Supplementary Estimate 2021-22) £m		Compared to original budget this year (Main Estimate 2021-22)		Compared to final outturn last year (Outturn 2020-21)	
		£m	%	£m	%
Financial Transactions	£2,837.9	(£71.6)	(2%)	(£1,297.7)	(31%)

2.4 Changes to contingent liabilities

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

- The Department operates a guarantee scheme for the affordable housing sector (AHGS), and at the accounting date £3.2bn has been drawn down and is covered by the guarantee scheme. The AHGS 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. The financial guarantees as at 30 September 2021 are recognised in the Statement of Financial Position with a value of £27.7m.
- The Department has provided a guarantee scheme for the private rented sector, guaranteeing debt of no more than £3.5bn. At 30 September 2021, the Department has approved borrowing of circa £1.8bn of which £1.6bn has been drawn down and is covered by the guarantee scheme. The guarantees have been valued in accordance with IFRS 9 and have been recognised as a financial guarantee in the Statement of Financial Position as at 30 September 2021 with a value of £84.2m.
- Following the European Commission audit of the European Regional Development Fund, one project in the sample has been identified as ineligible. Because of this, the process is to extrapolate the percentage level of error (100% in this case) to the full audit sample, estimated at £15.4m. Once the £15.4m is added to the ERDF programme error rate this will result in the Total Error rate being above 2%. This may result in a fine, but both whether the fine will arise, and its value, are not yet certain. To reduce the Total Error rate below the 2%, we may be able to make a "self-correction", estimated at £15.4m. Should this "self-correction" not be made in future years then the Department may need to recognise the cost of a fine.
- There is no longer a potential loss arising from inability to recover ineligible expenditure arising as a result of the closure of the ERDF 2007-13 programme.

3 Priorities and performance

3.1 How spending relates to objectives

The table below shows how expenditure against each subhead (estimate row) contributes to Departmental priorities under the Outcome Delivery Plan.

Estimate subhead	1. Raise productivity and empower places so that everyone across the country can benefit from levelling up	2. More, Better Quality, safer, greener and more affordable homes	3. End rough sleeping by investing in effective prevention as well as crisis intervention and reduce homelessness	4.A sustainable and resilient local government sector that delivers priority services and empowers communities	Unallocated – Administration, Local Government Resource DEL and Resource AME	Total
<i>All figures £ millions</i>						
A Local Government & Public Services	9.0	- 3.7	113.9	127.9	-	247.1
B Housing & Planning	5.5	2,065.6	651.8	-	-	2,722.9
C Decentralisation & Local Growth	1,786.9	135.5	-	-	-	1,922.4

D Troubled Families	-	-	-	168.3	-	168.3
E Research, Data & Trading Funds	6.6	-	-	-	14.9	21.5
F DCLG Staff, Building and Infrastructure Costs	-	-	-	-	297.4	297.4
G Local Government & Public Services (ALB)(Net)	-	-	-	0.3	18.0	18.3
H Housing & Planning (ALB)(Net)	0.0	4,875.0	5.3	0.0	69.4	4,949.7
I Elections	-	-	-	90.9	-	90.9
J Revenue Support Grant	-	-	-	-	1,621.6	1,621.6
K Other Grants and Payments	-	-	-	-	19,795.1	19,795.1
L Business Rates Retention	-	-	-	-	36.9	36.9
M Other Grants and Payments	-	-	-	-	4,109.6	- 4,109.6
N Local Government & Public Services	-	-	-	-	19.0	- 19.0
O Housing & Planning	-	193.4	-	-	0.9	194.3
P Decentralisation & Local Growth	-	-	-	-	11.0	11.0
Q Research, Data and Trading Funds	-	-	-	-	2.0	2.0
R DCLG Staff, Building and Infrastructure Costs	-	-	-	-	1.2	1.2
S Non-Domestic Rates Outturn Adjustments	-	-	-	-	350.0	350.0

T Local Government & Public Services (ALB)(Net)	-	-	-	-	4.6	4.6
U Housing & Planning (ALB)(Net)	-	-	-	-	1,675.4	1,675.4
V Business Rates Retention	-	-	-	-	12,735.2	12,735.2
Total	1,808.1	7,265.8	771.0	387.3	32,505.0	42,737.2

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 published in its Outcome Delivery Plan in July 2021 are:

- a. Raise productivity and empower places so that everyone across the country can benefit from levelling up
- b. More, better quality, safer, greener and more affordable homes.
- c. End rough sleeping through more effective prevention and crisis intervention services and reduce homelessness by enabling local authorities to fully meet their statutory duties
- d. A sustainable and resilient local government sector that delivers priority services and empowers communities.

As agreed at the Spending Review, outcomes and metrics for the SR period will be agreed with HM Treasury by 31 March 2022 and metric and trajectory development will be established by the end of April 2022. The new outcomes and metrics will reflect the changing remit of the department.

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

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 first quarter of 21/22 saw 5 projects report as GMPP and by Q4 of the current financial year there will be 10. 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:

- **Building Safety Programme (ACM Remediation):** 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. This is a 5-year project, in its third year, with a forecasted whole life cost of £0.54bn.
- **Building Safety Programme (non-ACM Remediation):** This 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. This project in its second year, with a forecasted whole life cost of £4.7bn.
- **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
 - This is a 5 year project in its third year, with a forecasted whole life cost of £1.66bn.
- **Freeports:** An announcement from the International Trade Secretary in 2019, announced the creation of new Freeports to boost international trade and economic growth. At Spring Budget 2021, 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. Freeports is a 5-year programme in its second year, with a forecasted whole life cost of £0.19bn. The government also remains committed to establishing at least one Freeport in each of Scotland, Wales and Northern Ireland.
- **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.
 - This is a 7-year project in its second year, with a forecasted whole life cost of £0.31bn.
- **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. HIF is an 11-year programme in its sixth year, with a whole life cost of £4.35bn.
- **Levelling Up Fund (LUF):** The Levelling Up Fund is a £4.8bn fund 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. This is a 5-year programme in its first year, with a whole life cost of £4.8bn.
- **Planning Reform:** Planning for the future proposes significant changes to the focus and processes of planning. Resulting in better outcomes for our countryside and environment, alongside, increasing the supply of land for new homes and sustainable places. The reformed planning system will make it simpler, quicker and more accessible for local people to engage with, and more certain for developers. This is a 7-year programme in its second year, with a forecasted whole life cost of £0.48bn.

- **Towns Fund:** The Towns Fund is a £3.6bn fund which will work with 101 towns to build a Towns Deal. £1bn of the £3.6bn Town fund is available to the Future High Streets Fund competition with the aim to renewing and reshaping town centres and high streets. This is a 7-year programme in its third year with a whole life cost of £3.6bn.
- **UK Holocaust Memorial and Learning Centre:** This programme 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. This is a 10-year project in its 7th year, with a forecasted whole life cost of £0.11bn.

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.



Jeremy Pocklington

Accounting Officer and Permanent Secretary

Department for Levelling Up, Housing and Communities

22 February 2022