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DEBATE PACK

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Estimates Day debate: Spending of the Ministry of Housing, Communities and Local Government

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Summary

There will be an Estimates Day debate in the House of Commons Chamber on 2 July 2019 on the spending of the Ministry of Housing, Communities and Local Government (MHCLG). The debate will be opened by Layla Moran MP.

The debate will focus on MHCLG spending on local government, children's services, and housing and planning – covered in this briefing paper in sections 2, 3 and 4 respectively. Spending in all of these areas is in England only, so this pack focuses primarily on policy in England.

The 2019-20 Main Estimate includes a day-to-day budget of £7,806 million (the largest element being grants for local government) and an investment budget of £10,686 million (mostly for housing).

1. The estimates

1.1 Introduction

One of Parliament's longest standing functions is the consideration and authorisation of the Government's spending plans, requiring the Government to obtain parliamentary consent before spending public money.

Estimates, sometimes known as Supply Estimates, are the documents presented to Parliament setting out the Government's plans for spending for a given year. The process of obtaining Parliamentary approval to those plans is known as Supply. With a few specific exceptions, the Government is required to obtain authority from Parliament through the supply process before it can spend public money.

1.2 Spending limits

Within each Estimate, spending is divided into a number of distinct budgetary limits for each department, covering spending of a specific type determined by HM Treasury. (Changes to the categorisation of spending between categories require prior consultation with Parliament.)

Box 1: Types of spending

Departmental Expenditure Limits (DELs) cover net spending which is subject to limits set in Spending Reviews and which it is assumed government departments can control:

- **Resource DEL** (also referred to as 'day-to-day spending') covers costs of running and purchasing goods and services; staff costs; current grants; rent; and maintenance costs. It also includes profit or loss on the sale of assets; depreciation; and some impairments.
- **Capital DEL** (also referred to as 'investment spending') covers the purchase, disposal and major improvement of assets; capital grants (i.e. grants to purchase or enhance assets) and loans.

Annually Managed Expenditure (AME) covers net spending which is more difficult to control and forecast. For example, benefits and state pensions are classified as Resource AME and financial transactions and sales are often included in Capital AME.

1.3 MHCLG 2019-20 Main Estimate

MHCLG 2019-20 Main Estimate compared to 2018-19 Supplementary Estimate

Budget type	2019-20 Main Estimate	Change vs. 2018-19 Supplementary Estimate
Resource DEL (Communities)	£2,601m	+£65m *(+2.6%)*
Resource DEL (Local Government)*	£5,205m	+£368m *(+7.6%)*
Capital DEL	£10,686m	+£2,568m *(+32%)*

**Note: MHCLG's Resource DEL (local government) budget total does not include the funding from retained business rates or council tax therefore the change does not represent the change in spending power of local government (see Chapter 2 for further detail on local government).*

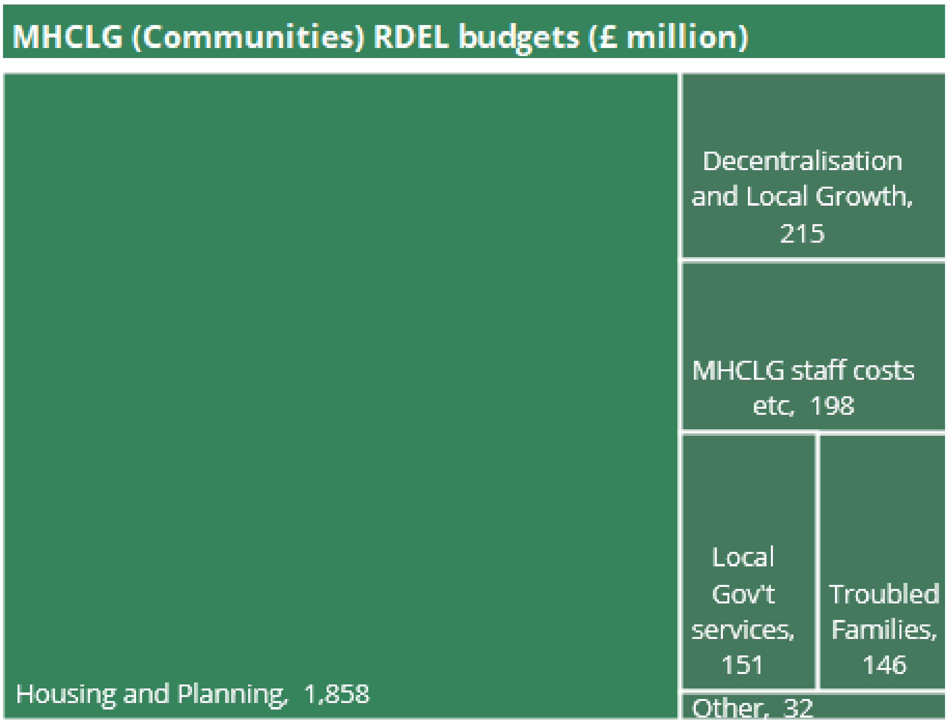
Resource DEL (day-to-day spending)

The Ministry of Housing, Communities and Local Government (MHCLG) Resource DEL (day-to-day spending) budget totals £7,806 million in 2019-20. This budget is split into two separate limits: 'Communities' and 'Local Government'.

The **Resource DEL budget for MHCLG (Communities) is £2,601 million** in 2019-20, 2.6% above the final budget for 2018-19 of £2,535 million.

Most of this is due to be spent on 'Housing and Planning' budgets which amount to 71% of the total (£1,858 million). Other budget lines include: Decentralisation & Local Growth (£215 million), MHCLG Staff, Building and Infrastructure (£199 million) and, Troubled Families (£146 million). The chart overleaf shows a breakdown.

The **Resource DEL budget for MHCLG (Local government)** is of £5,206 million in 2019-20. 7.6% above the final budget for 2018-19 of £4,838 million. This budget is all spent on current grants to local government. The major change in the local government Resource DEL budget compared to last year's final budget is an increase of £450 million relating to Business Rate Reliefs.



Investment spending (Capital DEL)

MHCLG also plans a **Capital DEL (investment spending) budget of £10,686 million** in 2019-20, 32% above last year's final budget of £8,118 million. The budget for 2019-20 is split into 'Capital Grant' (£5,023 million) and 'Capital Financial Transactions' (£5,664 million). The financial transactions are investments such as the Help to Buy loans. The chart overleaf provides a breakdown.

Key differences compared to last year's final budget include:

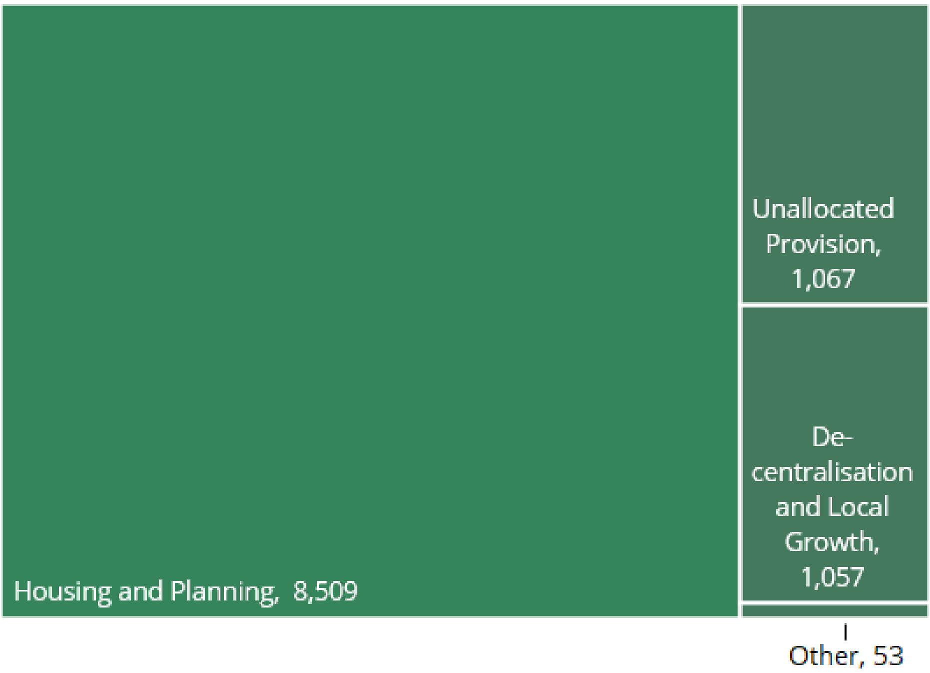
- An extra £1,450 million for Homes England – this includes additional funding for the affordable homes programme and the Help to Buy scheme;
- An unallocated provision of £1,067 million – how this will be spent will be decided during the year. The Supplementary Estimate later in the year will set out how the funds are to be distributed.

Most of MHCLG's investment spending is for housing. The "Housing and Planning" budget lines combined with funding for affordable homes contained in other budgets lines come to a total of £8,508 million. This is around 80% of the total investment budget for 2019-20 and 88% of the investment budget if the unallocated provision of £1,067 million is excluded from the total.

The most significant housing programme for 2019-20, and for the past few years, is the Help to Buy equity loan scheme. Under the scheme Homes England provide an equity loan of up to 20% of the house price (or up to 40% in London) for the purchase of a new build home. MHCLG's level of investment spending on Help to Buy in 2019-20 is forecast to be £4,110 million.

Spending on capital projects can be difficult to predict and some of MHCLG's capital spending is driven by factors which are difficult or not directly in its control, such as project timing and demand for schemes (such as Help to Buy). It is likely that the investment budget will be amended later in the year in a Supplementary Estimate. For example, at the end of last year MHCLG's investment budget was reduced by £1,106 million.

MHCLG CDEL budgets (£ million)



Further detail on MHCLG's 2019-20 Main Estimate can be found in the explanatory memorandum prepared for the Housing, Communities and Local Government Committee and published on their website on 14 May 2019.

Housing budgets

As discussed above, most of MHCLG's Main Estimates – both day-to-day and investment spending – are accounted for by housing. The table overleaf shows a breakdown of housing budgets.

MHCLG housing budgets: RDEL and CDEL

2019-20 Main Estimates compared with 2018-19 Supplementary Estimates

RDEL housing budget	2019-20	2018-19	% difference
Affordable homes	**1,107**	1,131	*-2%*
Homelessness	**276**	272	*+1%*
Right to Buy pilot	**193**	10	*+1,830%*
Rough Sleeping	**92**	51	*+80%*
Other	**190**	351	*-46%*
Total	**1,858**	**1,815**	***+2%***

CDEL housing budget	2019-20	2018-19	% difference
Help to Buy	**4,110**	3,935	*+4%*
Affordable homes*	**2,816**	1,845	*+53%*
Market diversification	**615**	407	*+51%*
Land	**588**	370	*+59%*
Infrastructure	**237**	66	*+259%*
Building safety	**96**	210	*-54%*
Other	**46**	58	*-20%*
Total	**8,462**	**6,833**	***+24%***

* This includes Affordable Homes CDEL allocated as 'Local Government and Public Services' (which is mainly for the Greater London Authority component of the Affordable Homes Programme).

2. Spending on local government

2.1 Government policy

The Government's policy on local government finance has had three components, which have been broadly stable since the Coalition Government came to power in 2010.

Reducing central grants

The Government has progressively reduced the amount of Revenue Support Grant given to local authorities. This has been the principal route by which funding reductions for local authorities have been implemented, in order to address the deficit from 2010 onwards.

These reductions have been accompanied by a reduction in ring-fencing of local spending, and by a four-year funding settlement (2016-20) with guaranteed levels of funding.

Settlements from 2020 onwards

The Government's intention is to implement a Fair Funding Review and an increase in the percentage of business rates retained locally from April 2020, for the 2020-21 financial year. However, there have been suggestions in recent months that this may be postponed. Liz Truss MP, Chief Secretary to the Treasury, suggested that the planned 2019 spending review might be postponed, which could have a knock-on effect on the Fair Funding Review.[1] The *Local Government Chronicle* also reported in May 2019 that:

> LGC understands senior officials from the Ministry of Housing, Communities & Local Government have asked senior council finance chiefs for their views on what should happen in the event of a one-year settlement. MHCLG would not confirm whether it was making contingency plans but a spokesperson said the ministry would "publish further information once the timing of the spending review is clear".[2]

The Ministry of Housing, Communities and Local Government (MHCLG) have not taken key decisions on the Review, or on the proposed changes to business rate retention (see below), at the time of writing. This has generated criticism from the local government sector, on the grounds that that information is needed to assist budgetary planning for the 2020-21 financial year.

Business rate retention

From the 2013-14 financial year, English local government collectively retains 50% of business rate revenue. This is intended to create an incentive for local authorities to grow their local economies and benefit from increased rate revenue. The Government's policy is to increase this to 75% from the 2020-21 financial year, alongside the implementation of the Fair Funding Review. Alongside this, the Government will abolish

1 Sarah Calkin, "Truss admits spending review 'unlikely' in time for 2020-21", *Local Government Chronicle*, 5 June 2019
2 Sarah Calkin, "May resignation sparks fears for fair funding in 2020", *Local Government Chronicle*, 31 May 2019

Revenue Support Grant and Rural Services Delivery Grant, ensuring that the change to business rates does not lead to a financial 'windfall' for local government.

Rate retention includes a systematic redistribution element, via a system of 'tariffs' and 'top-ups'. Authorities pay fixed amounts into a pool annually (a tariff) or are allocated fixed amounts annually from the pool (a top-up). The Fair Funding Review will be implemented principally by changes to local authorities' individual tariff and top-up levels. More information is available in the Library briefing paper *Reviewing and reforming local government finance*.

Council tax

Governments since 2010 have ruled out any significant changes, including a revaluation, to the council tax system.

The 2010-15 Government pursued a policy of keeping council tax increases low, in part via the referendum regime (see the Library briefing paper *Council tax: local referendums*). Since 2015, funding pressures have led to a relaxation of the 'referendum thresholds'. In recent years most local authorities have been permitted to raise council tax by 3% without a requirement for a referendum, with an extra 2% headroom for funding dedicated to social care. This has accompanied a number of short-term grants to local authorities to address spending pressures in adult and children's social care services.

2.2 Changes in demand and needs

Service demands

The National Audit Office's 2018 report *Financial sustainability of local authorities* stated that demand for certain services had risen:

> From 2010-11 to 2016-17, the total population grew by 5%. There was also growth in the adult population in need of care and growth in demand relating to homelessness and children's social care …Our 2017 study on homelessness reported on growing demand for services relating to homelessness and identified that elements of recent welfare reforms have contributed to this trend.[3]

The report stated that, between 2011 and 2018, the number of looked-after children had grown by 11%; the estimated population in need aged 65 or over by 14%; and the number of unintentionally homeless people by 34%.

The *Local Government Chronicle* surveyed 145 chief executives and senior managers within local authorities in October 2018. 49% said they did not expect their council to make required savings in 2018-19, whereas 43% believed that they would. 42% expected their local authority to issue a section 114 notice within the following four years.

[3] National Audit Office, *Financial sustainability of local authorities 2018*, HC 834 2017-19, 2018, p19

Confidence was higher amongst district and unitary authority staff, but low amongst metropolitan boroughs.[4]

The Local Government Information Unit and the Municipal Journal produce an annual State of Local Government Finance Survey. The latest, published in February 2019, found that 80% of 158 respondents were "not confident in the sustainability of local government finance".[5]

How much funding do local authorities need?

There exists no agreed, objective measure of 'need' for local authority services, or of how 'need' should be translated into total levels of funding. In March 2019, the Housing, Communities and Local Government Committee launched an inquiry entitled *Local government finance and the 2019 Spending Review*. Amongst its terms of reference is "how funding needs of local government are assessed".

The NAO noted that the 2015 Spending Review assessed the need for local authority services via a high-level exercise involving several government departments: "The primary assessments of funding needs take place at spending reviews".[6] It is a reasonable assumption that the same type of process will be used for the 2019 Spending Review. This spending review will have a substantial influence over local government funding in the medium term.

The outgoing Comptroller and Auditor General, Sir Amyas Morse, said in a blog post in September 2018:

> …During this progressive reduction in funding [since 2010], I have not seen any evidence-based effort to reconcile funding to local needs. In my view, the policy objectives for local government and the local government statutory duties have not been properly weighted against potential efficiency savings. The 2015 Spending Review made some headway here but it was not a comprehensive approach.[7]

Sir Amyas also drew attention to a lack of local government sector-wide statistics to indicate changes in patterns of service use in response to the changes identified.

Rishi Sunak, the minister for local government, said in an interview in December 2018:

> "Councils individually are quite rightly the ones making those decisions closely to those they represent; it is not for me to sit in Whitehall to dictate to people exactly how they should serve their constituents."

4 Jon Bunn, "Confidence slumps that savings targets can be met", *Local Government Chronicle*, 16 Oct 2018
5 Respondents were drawn from leaders, cabinet members for finance, chief executives and directors of finance. 123 of 353 councils were represented in the responses.
6 National Audit Office, *Financial sustainability of local authorities 2018*, HC 834 2017-19, 2018, p57
7 Sir Amyas Morse, "When 'more for less' becomes 'less for less': the implications of central decision-making for the delivery of frontline services", LSE Politics and Policy, 21 September 2018

> "When it comes to funding, a combination of the Budget and the settlement shows an enormous vote of confidence and support for the sector."
>
> "In aggregate the resources available to councils are growing significantly ahead of inflation in this forthcoming year. It is the largest year over year cash increase in this four-year settlement period." [8]

The NAO has identified different patterns of response to funding challenges throughout the 2010s:

> 1.23 Our modelling indicates a shift in the way that authorities have used these different options since 2010-11…. For the first three years of funding reductions, local authorities as a whole reduced service spending at a rate in excess of their income reductions. This allowed them to build up their reserves and also offset growth in other spending.
>
> 1.24 In the second three-year period, the scale of funding reductions was similar to the first period, but net reductions in service spend accounted for less than half of the required savings. Instead, at the aggregate level, local authorities have increasingly offset funding reductions by reducing other spending, reducing their net contributions to reserves or drawing them down, and growing alternative income such as commercial trading profits or external interest.
>
> 1.25 This suggests that authorities have moved from simply reducing service spend to looking for alternative savings and sources of income. However, a growing reliance on the use of reserves to offset funding reductions raises questions about the sustainability of the current model. [9]

The Institute for Government's 2018 Performance Tracker said:

> There are clear signs that neither prisons nor adult social care can continue to operate at their current level of efficiency. Any attempt to try to maintain or increase the level of output without increasing spending is likely to lead to a further deterioration in service quality…
>
> Neighbourhood services have sustained the deepest cuts to spending of all the nine services we have considered. … if the Government gives local authorities a very tight financial settlement in the next spending review, it risks a serious deterioration of quality – and a call then to inject emergency, unplanned cash. [10]

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[8] Jon Bunn, "Sunak: no 'general clampdown' on local authority entrepreneurs", *Local Government Chronicle*, 13 December 2018. The entire quote is from Mr Sunak himself.

[9] Ibid., p21

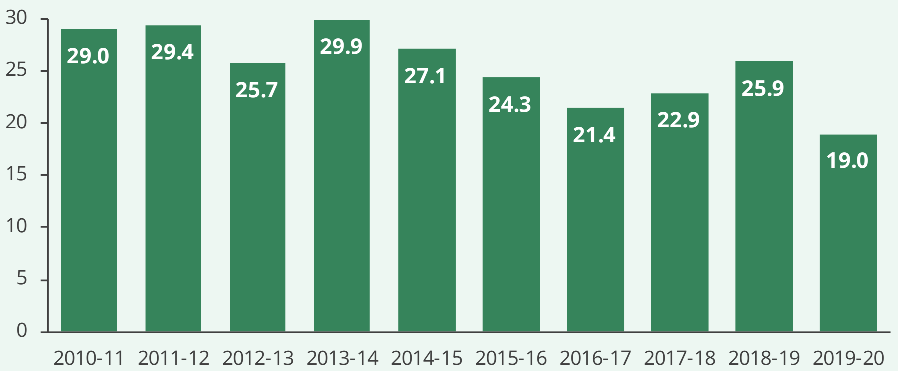
[10] Institute for Government, *Performance Tracker 2018*, 2018, p6. Page 64 of the report defines 'neighbourhood services' as "transport, housing, cultural, regulatory and planning services that affect the environment in which people live."

2.3 The current financial situation

Total spending

Funding for local government has decreased considerably since 2010. We can see this when we look at both central government and local government: spending on local government by MHCLG has decreased in real terms from £29.0 billion in 2010-11 to £19.0 billion (planned) in 2019-20:

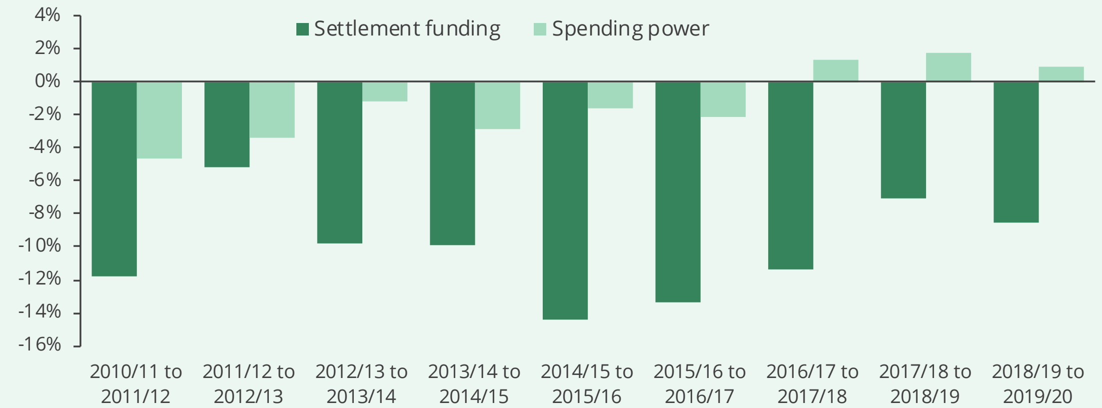
MHCLG spending on local government
£ billions, real terms (2018/19 prices)



Source: HM Treasury, Public Expenditure Statistical Analyses, multiple editions

Looking at the funding from the local government side is more difficult, because changes in the local government funding formulas make it hard to compare one year with another. The best comparison that we can provide is the year-on-year change in funding going to local authorities, and this also shows that settlement funding has decreased in every year since 2010-11 (although it also shows a planned increase in spending power).

Changes in local authority settlement funding and spending power
% change, year-on-year, England only



Source: MHCLG Local Government Finance Settlement data

Box 2: Settlement funding and spending power

Funding to local government can be expressed in several different ways, depending on what is included in the definitions used. The two main measures that are usually reported are:

- **Settlement Funding Assessment,** abbreviated to 'settlement funding' in this briefing. This includes the Revenue Support Grant, which is a non-ring-fenced grant for local authorities to use as they wish, and a baseline level of funding from retained business rates which takes the needs of each authority area into account. It does not include grants for specific purposes, or ring-fenced grants that are passed straight through to recipients, such as schools or police funding.
- **Core Spending Power**, often referred to simply as 'spending power'. This measure, created by the Government, includes settlement funding but also takes into account estimates of the council tax take that the local authority is forecast to receive. It is intended to reflect the total amount of money that the local authority will have available to take decisions; like settlement funding, it does not include ring-fenced grants.

  The forecasts used for the total figures assume that the local authority will raise council tax by the maximum allowed without triggering a referendum, and that the council tax base will grow by recent average annual growth, so the actual amount of money available may be higher or lower than forecast.

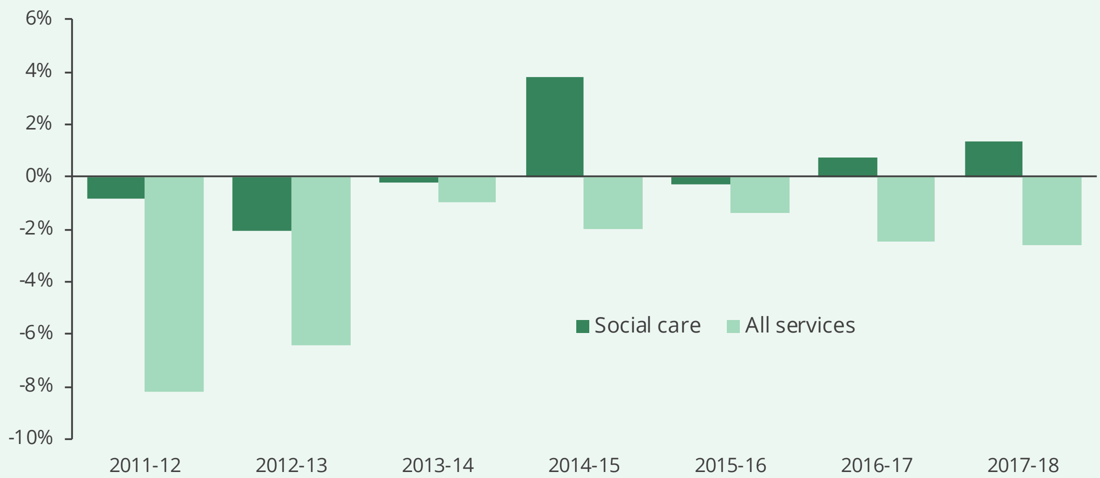
The National Audit Office (NAO) has also done some work in this area, particularly in their March 2018 report Financial sustainability of local authorities 2018. This report estimated that Government funding for local authorities had decreased by 49.1% in real terms between 2010-11 and 2017-18, with the reduction forecast to be 56.3% by 2019-20.

The Library has produced a briefing on Local government finances which further analyses changes in funding. Details on individual local authorities are available in the Library's interactive data dashboard.

Spending on social care

Despite the decrease in spending generally, local authority spending on social care has been increasing, particularly in recent years.

Change in local authority spending on social care
% change on previous year, real terms, England only

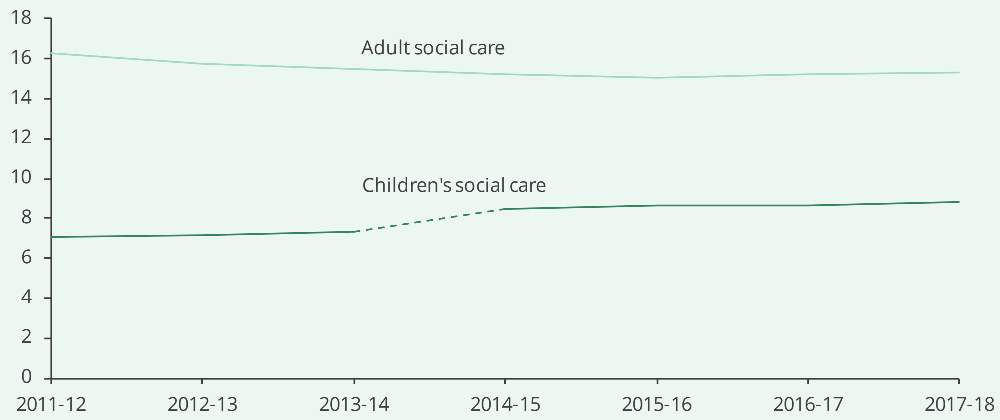


Source: MHCLG, Revenue expenditure and financing data

Social care spending increased noticeably in 2014-15 and has also increased in both 2016-17 and 2017-18. Social care is the only area of spending to see this trend, with spending on all other areas (including education, police, fire and rescue, and housing) seeing real-terms decreases in almost every year.

Spending on adult social care is higher than for children's social care, but they display different trends over time:

Local authority spending on social care
£ billions, real terms (2017-18 prices), England only

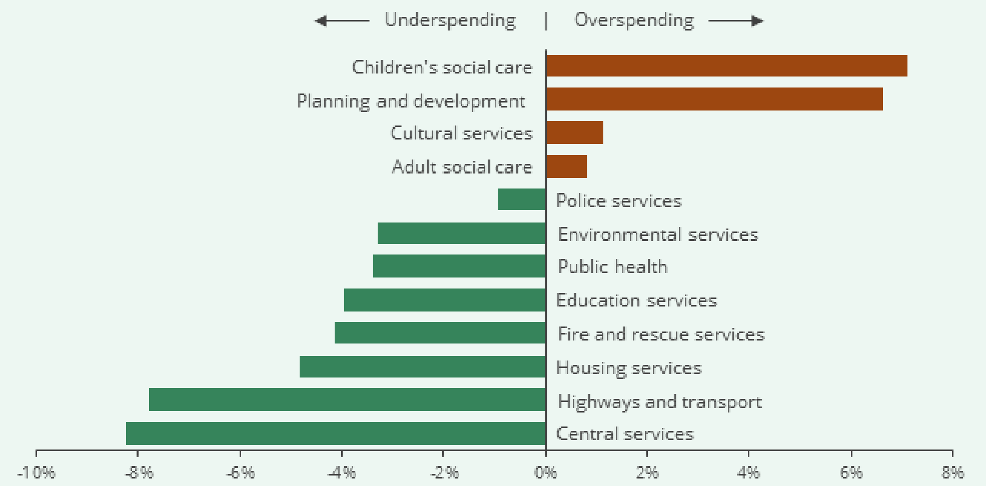


Note: Reclassification of some spending in 2014/15 means spending on children's social care cannot be consistently tracked across this entire period.
Source: MHCLG, Revenue expenditure and financing data

This shows that spending on adult social care decreased in real terms until around 2014-15, after which it was mostly flat. In 2014/15 expenditure on 'services to young people' was reclassified to Children and Families Social Care services expenditure. As a result, expenditure on children and families social care cannot be tracked back to 2010/11 on a consistent basis, but we can see that it was mostly flat in real terms on either side of this break.

Social care is one of the few areas where local authorities (as a whole) consistently overspend relative to their budgets. Average overspends by function over the years from 2013-14 to 2017-18 are given in the chart overleaf.

Local authority overspending relative to budgets, by function
Average 2013-14 to 2017-18, England only



Source: MHCLG, Local authority revenue expenditure and financing data

For more information on this, please see the Library's briefing on Adult Social Care Funding (England).

Use of reserves

According to the OBR's Economic and fiscal outlook in March 2019, local authorities in England are (as a whole) forecast to make no net use of their reserves over the next few years. The OBR also suggests that these local authorities will have reserves totalling £24.7 billion at the end of 2019-20, around half as much again as they held at the end of 2010-11.

However, the overall picture does not mean that all local authorities are in a healthy situation as regards the use of their reserves:

> …although the aggregate picture for the level of reserves held by English authorities appears healthy, this masks considerable variation across individual authorities, with pressures most significant for those with social care responsibilities.[11]

2.4 New sources of revenue

The various pressures on local authorities mean that, as the Institute for Fiscal Studies said in June 2019:

> …one of three things will very likely need to happen at some stage: councils will have to be relieved of some of their responsibilities for providing services (whether this be adult social care or other services); central government grant funding to councils will have to be retained and increased over time; or councils will have to be given access to additional sources of revenue themselves.[12]

The following section summarises recent debates on alternative and existing sources of revenue. There has been no indication that the

[11] OBR, Economic and fiscal outlook – March 2019, 13 March 2019, paragraph 4.96
[12] Neil Amin-Smith and David Phillips, *English council funding: what's happened and what's next?*, June 2019, p8

Government is considering changing the service responsibilities for local authorities.

Grants

The Government's policy is to abolish Revenue Support Grant and Rural Services Delivery Grant when 75% business rate retention is introduced (whether in 2020 or 2021). This is intended to prevent the local government sector from receiving a windfall increase in revenue as a result of the rise in retained business rates. It would be possible to change this policy; or to provide alternative grants.

New local taxes

The Institute for Fiscal Studies published an analysis of options for additional sources of local revenue. The options covered were as follows:

- **Stamp duty.** This is devolved to Scotland and Wales, and the London Finance Commission has proposed its devolution to London. However, the IFS suggest that it is unsuitable for devolution as it is very volatile (revenue levels change very sharply between years, making budgeting difficult) and revenue levels differ sharply between areas of England.
- **Corporation tax.** Assigning corporation tax revenues to local areas is conceptually difficult (as it is difficult to determine where profit is made when a company has multiple locations). Revenue levels vary considerably across England. Any power for local authorities to vary rates could produce 'border effects', where companies might shift location to take advantage of lower rates. The case for devolution of corporation tax is that it could provide an incentive for local authorities to benefit from economic growth. Many OECD states assign corporation tax revenues, and sometimes the power to set rates, to local or regional authorities. On balance, the IFS study did not support devolution of corporation tax.
- **Local income tax.** The IFS argued that this was the best candidate for devolution to local authorities. Revenue levels are relatively predictable, and revenues are relatively easy to assign to local areas.
- **Local sales tax / VAT**. Assigning VAT revenues to particular areas is "conceptually difficult" (p42). Data on VAT payments by regional or local areas do not exist. VAT has been assigned to the Scottish Parliament since 2018-19, but this process uses estimates; and the IFS suggest it would be unsuitable for use in local government (p43). In addition, while the UK remains in the EU VAT rates cannot vary between different regions or localities
- **Tourism tax** (a levy per bed per night on hotels and guesthouses). This has attracted considerable recent interest (e.g. from Edinburgh City Council, Bath and North East Somerset Council, and Cornwall Council). The Scottish Government published a discussion document on a tourism tax in 2018.

The revenues from a tourism tax would be likely to be relatively marginal. The IFS estimate that a £1 levy per night would produce £420 million per year (p60). Revenues would be higher in local authorities with substantial tourist industries. By comparison, council tax and business rates each raise some £25 billion per year.

No power currently exists to introduce a tourism tax, and primary legislation would be required to introduce one.

If any new taxes were introduced, decisions would need to be taken about how much of the revenue local authorities would be able to retain, and to what extent revenue would be redistributed. The amounts of revenue raised would be likely to vary considerably across England (as with business rates), raising the question of redistribution to permit equal access to public services across England.

Existing local sources of revenue

Currently, the Government sets annual limits on the amount by which council tax can be raised without the need for a referendum. In recent years, this limit has been set at 3% for most authorities, with an additional 2% 'headroom' for additional funding for social care. This policy replaced council tax 'capping' in 2012-13. Since this policy was implemented, only one referendum has taken place. Full details can be found in the Library briefing *Council tax: local referendums*.

Sector representatives have long called for the referendum process to be abolished. The think-tank Localis recommended this in 2019.[13] In a similar vein, the Institute for Fiscal Studies suggested that councils could be allowed to change 'council tax relativities' (i.e. the ratio between the different council tax bands, which determines the relative level of bills). This could allow councils to charge higher levels of council tax on more valuable properties (or lower levels to less valuable properties).[14]

Business rate retention includes a substantial system of redistribution, to mitigate the large differences in rate revenue between areas. Nevertheless, increased retention of business rates would lead to local authorities facing increased financial risk. The nature of the rate retention system means that this effect is most strongly felt by authorities in wealthier areas, meaning that they could stand to either gain or lose from rate retention to a greater degree than their less wealthy counterparts.

At the same time, the available statistical evidence suggests that rate retention has not been a source of substantial extra revenue for most authorities (though there are exceptions). The think-tank Localis said in 2019:

> As part of a suite of local tax-raising powers, business rates could be a key fiscal policy lever for councils, but in isolation and with councils otherwise constrained, the policy is of little overall effect. Councils were not designed to deliver resource-intensive services such as adult social care through unstable funding streams such as business rates and council tax.[15]

13 Localis, *Hitting Reset: the case for local leadership*, 2019, p70
14 IFS, *English council funding: what's happened and what's next*, 2019, p23
15 Localis, *Hitting Reset: the case for local leadership*, 2019, p8

3. Children's services

Upper-tier local authorities in England have statutory responsibility for protecting the welfare of children and delivering children's social care. Social care services, for children most at risk of harm, are generally situated within or alongside broader children's services.

Children's services are funded through local government. The majority of children's services funding is not ring-fenced and it is for local authorities to decide how to prioritise their spending based on local concerns and need.

In addition to the core funding allocated through the current local government finance settlement, the Government announced additional funding for children's social care at the Autumn Budget 2018:

- an **additional £410 million in 2019/20** for adults and children's social care; and
- **£84 million over 5 years from April 2019** to support up to 20 local authorities to improve their social work practice and decision-making.[16]

Local authority funding for future years will be determined through the 2019 Spending Review.

3.1 Expenditure on children's services

The Department for Education publish details of outturn expenditure on children's services in their Local Authority and school expenditure publication. A comparable series of expenditure is available from 2012/13 onwards (earlier figures are not comparable due to changes in data collection and classification). The table below gives a comparison of expenditure in 2012/13 and 2017/18 - the most recent outturn data available.

The table shows that while expenditure on children looked after and safeguarding children increased in both cash and real terms between 2012/13 and 2017/18, other areas showed lower levels of expenditure in 2017/18.

[16] PQ 200076 [Social Services: Children], 13 Dec 2018

Expenditure on children's services
England £millions

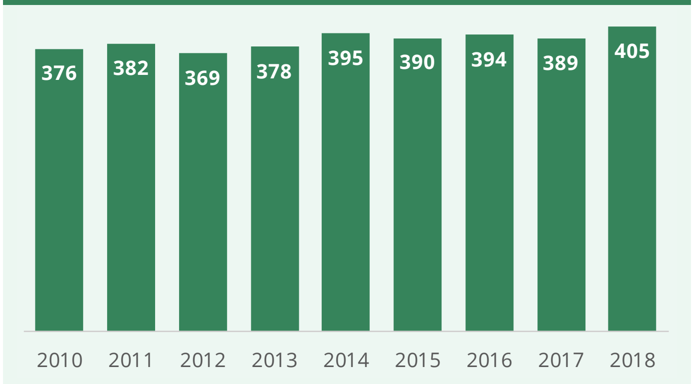
	Cash				Real terms 2017/18 prices			
			Change				Change	
	2012/13	2017/18	£millions	%	2012/13	2017/18	£millions	%
Sure Start children's centres and under 5's	1,110	579	-531	-48%	1,204	579	-626	-52%
Children Looked After	3,377	4,262	+885	+26%	3,663	4,262	+599	+16%
Safeguarding	1,878	2,243	+365	+19%	2,037	2,243	+206	+10%
Family support services	890	959	+69	+8%	966	959	-6	-1%
Services for young people	725	352	-372	-51%	786	352	-434	-55%
Youth justice	172	150	**-22**	**-13%**	186	150	-36	-19%
Other childrens and families services	102	87	-15	-15%	111	87	-24	-22%
Total	**8,254**	**8,633**	**+379**	**+5%**	**8,954**	**8,633**	**-321**	**-4%**

Sources:
MHLG: Local authority revenue expenditure and financing data
HMT: GDP Deflator March 2019

3.2 Demand for children's social care services

The chart below shows the number of children in need since 2010. The number was at its lowest in 2012 at 369,410 and is currently at its highest - as at 31 March 2018 there were 404,710 children in need in England.

Children in need in England
As at 31 March each year (figures in thousands)

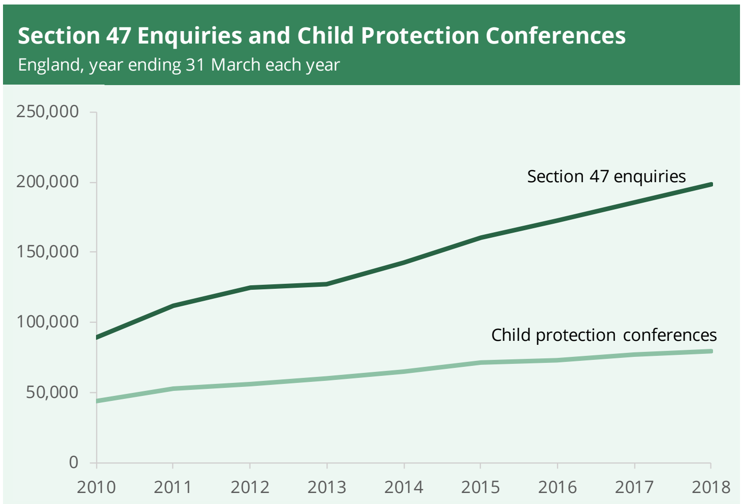


Source: DFE Children in Need Statistics

If a local authority identifies there is reasonable cause to suspect a child is suffering, or is likely to suffer significant harm, it will carry out an assessment under section 47 of the *Children Act 1989* to determine if it needs to take steps to safeguard and promote the welfare of the child. If concerns are substantiated and the child is judged to be at continuing risk of harm then an initial child protection conference should be convened within 15 working days.

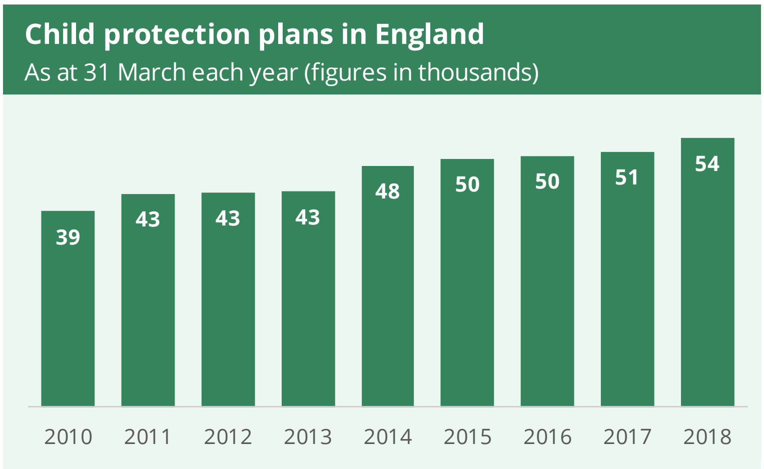
The chart below shows that Section 47 enquiries and child protection conferences have increased year on year since 2010. Between 2010 and 2018 the number of Section 47 enquiries increased by 122% from

89,300 in 2010 to 198,090 in 2018. Over the same period the number of child protection conferences increased by 81% from 43,900 to 79,470.



Source: DFE Children in Need Statistics

At the initial child protection conference, a decision will be made as to whether the child needs to become the subject of a child protection plan. The number of children who became subject to a child protection plan has also increased year on year since 2010. In the year ending 31 March 2018 a total of 53,790 children in England had a child protection plan in place, compared with 39,100 in 2010.



Source: DFE Children in Need Statistics

The number of children looked after has also in increased in recent years. As at 31 March 2018 there were a total of 75,240 looked after children in England, a +17% increase on the 2010 figure of 64,470. The table below shows that the majority of looked after children are in foster placements, followed by secure units and children's homes.

Children looked after in England by placement type
As at 31 March each year

			Change 2010 to 2018	
	2010	2018	Number	%
Foster placements	46,890	55,200	+8,310	+18%
Placed for adoption	2,530	2,230	-300	-12%
Placement with parents	4,210	4,700	+490	+12%
Other placement in the community	2,440	3,100	+660	+27%
Secure units, children's homes	6,250	8,530	+2,280	+36%
Other residential settings	950	1,230	+280	+29%
Residential schools	1,000	130	-870	-87%
All children looked after	**64,470**	**75,240**	**+10,770**	**+17%**

Source: DFE Looked After Children Statistics

3.3 Funding pressures

The increase in demand for children's social care services, combined with reductions in grant funding from central government and increases in care costs,[17] has increasingly put local authorities' finances and services under pressure.[18] According to the Local Government Association, spending on children's social care has increased at a faster rate than any other area of council business.[19]

The State of Local Government Finance Survey 2019, conducted by the LGiU and The MJ, found that Children's Services and Education was the top *immediate* financial pressure for local authorities for the second year running.[20]

Authorities identified the following as the top sources of pressure on their children's social care services:

- more families with complex support needs (59%).
- more children being taken into care (57%).
- special educational needs and disabilities (52%).
- increasing cost of providing residential care (49%).
- social worker recruitment and retention (43%).
- more referrals about child safety concerns (38%).
- lack of foster carers and adoptive parents (35%).[21]

According to the National Audit Office (NAO), the proportion of local authorities that have overspent on children's social care has increased

17 For example, from the increasing use, and high cost, of residential care places.
18 An analysis of local authority financial pressures are provided in the following reports: National Audit Office, *Financial sustainability of local authorities 2018*, HC 834, 8 March 2018 and House of Commons Committee of Public Accounts, *Financial sustainability of local authorities- Fiftieth Report of Session 2017–19*, HC 970, 4 July 2018
19 Local Government Association, *Written evidence submitted to the Public Account Committee - Transforming children's services inquiry*, CSR001, January 2019
20 *LGiU MJ State of Local Government Finance Survey 2019*, 14 February 2019, p14
21 Ibid.

from 63% in 2010/11 to 91% in 2017/18. The total overspend on children's social care across all local authorities in 2017/18 was £872 million.[22] Overspends impact on the funding available to other local services as well as local authorities' overall financial sustainability.

The NAO report on Pressures on children's social care (January 2019) provides a more detailed analysis of the financial pressures facing local authorities.

There is widespread concern that the current levels of funding are not sustainable. The Local Government Association estimates that children's social care services will face a funding gap of £1.1 billion in 2019/20 and a gap of £3.1 billion by 2025.[23]

The House of Commons Public Accounts Committee's inquiry into Transforming children's services concluded that "the sector is not sustainable" and "it is imperative that the Department [for Education] get to grips with its understanding of demand pressures if it is to make a compelling case for adequate resources in the anticipated spending review".[24]

The Department for Education has confirmed that it is working with the sector, the Ministry of Housing, Communities and Local Government and with HM Treasury, as part of the preparation for the Spending Review, to understand the level of funding local government needs to meet demand and deliver statutory duties.[25]

The Commons Library briefing paper Children's social care services in England (April 2019) provides an overview of the key challenges currently facing local authority children's social care services in England, including: increasing demand for children's social care; funding pressures; poor and inadequate services in some areas; workforce challenges; and poor outcomes for children in need.

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22 National Audit Office, *Pressures on children's social care*, HC 1868, 23 January 2019, para 15

23 'Children's care cash crisis: nine in 10 councils pushed into the red', *LGA Press Release*, 8 January 2019

24 House of Commons Committee of Public Accounts, *Transforming Children's Services – Eighty-Eighth Report of Session 2017-19*, HC 1741, 22 March 2019, Summary, p3

25 PQ 254773 22 May 2019

4. Spending on housing and planning

4.1 Housing

How does MHCLG fund housing development?

Government investment in housing takes a wide range of forms, including investment in the development of new affordable housing, programmes aimed at supporting first-time buyers, and wider support for infrastructure and other forms of development.

Overview

The UK Housing Review, an annual publication from the Chartered Institute of Housing (CIH) and Heriot Watt University, includes an analysis of planned spending by MHCLG on housing investment:

> The *Review* now regularly carries a summary (Table 2.4.1) showing all forms of government housing investment in England, covering support for both affordable housing and the wider private market […] The timeframe of Table 2.4.1 has shifted forward by a year to begin with measures that apply in 2018/19, and now extends as far ahead as 2022/23. Despite a growth in overall support compared with last year's figures, the balance of government investment still heavily favours intervention in the private market, with support for affordable housing forming just 21 per cent of total investment over the period".[26]

The 21% figure includes grants, loans and guarantees, and includes all relevant government spending, not just that attributable to MHCLG. It also counts funding for programmes with different lifespans (the entire funding allocation for programmes active in 2018/19 is counted, including previous years in some cases).

The Review identifies **£14.92 billion** of planned spending on homes for low-cost rent and ownership. This includes £11.5 billion of planned grant spending, primarily through the Shared Ownership and Affordable Homes Programme for 2016-21 and its predecessor, the Affordable Homes Programme for 2015-18. It also includes an identified £3.42 billion of forecast loan spending associated with the removal of the borrowing caps on local authorities' Housing Revenue Accounts.

The Review also identifies **£55.5 billion** of planned spending on what it identifies as the private market, infrastructure and first-time buyers. £30.67 billion of this is accounted for by loans through the Help to Buy Equity Loan scheme between 2013/14 and 2022/23. There is also a further £8 billion of guarantees for private sector housebuilding announced in the Autumn Budget 2017. £11.85 billion in grant funding was identified by the Review, including £4.92 billion for the Housing Infrastructure Fund.

[26] UK Housing Review 2019, Chapter 4: Housing expenditure plans, p.57

The 2018 version of the analysis is published on the UK Housing Review website. More detail on the 2019 analysis is available to Members and their staff on request.

Trends in spending on housing

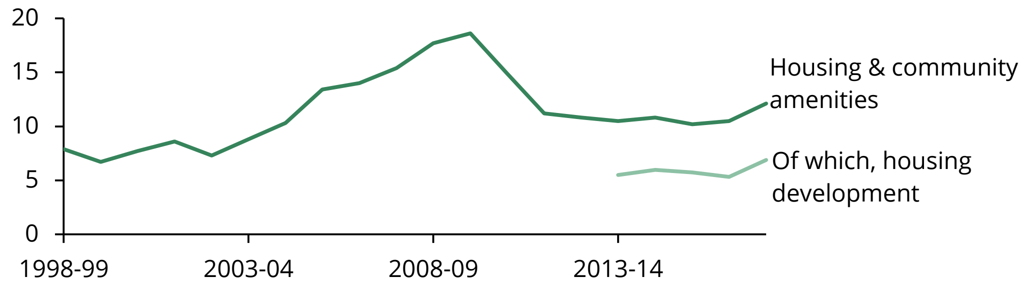
Figures on expenditure on housing and related areas are available from the Treasury's *Public Expenditure Statistical Analyses* (PESA).

PESA records spending by the UK government on 'housing and community amenities' – a category that includes spending on items such as water supply, street lighting and planning. However, the bulk of spending in this category is on 'housing development', including building, improvements, land acquisition and administration. Housing development accounted for 57% of housing and community amenities spending in 2017-18.

PESA's longest time series covers spending on housing and community amenities in the UK. As the chart below shows, spending on housing and community amenities increased fairly steadily from 1998-99 onwards, reaching a peak of £18.6bn in 2009-10.[27] Spending then began to decline, averaging £10.6bn between 2012-13 and 2016-17. Spending increased by 15% between 2016-17 and 2017-18, rising from £10.5bn to £12.1bn.

Data on housing development spending is only available for 2013-14 onwards. £6.9bn was spent in 2017-18, an increase of 32% on 2016-17.

SPENDING ON HOUSING & COMMUNITY AMENITIES AND HOUSING DEVELOPMENT (UK, £bn 2017-18 prices)



Source: HM Treasury, PESA 2018, Tables 4.3 and 5.2

Comparison with Housing Benefit expenditure

Comparisons have been made between the Government's investment in housing supply and its expenditure on Housing Benefit. For example, in a 2014 report Shelter commented:

> Housing benefit is widely recognised as having facilitated a switch from supply side to demand side subsidies. The period following 1975 saw a move away from investment in bricks and mortar with a corresponding rise in expenditure on housing benefit. This was not an accidental shift. Successive governments remained

27 All spending in this section is given in 2017-18 prices. Adjustments made using the Treasury's GDP deflators for October 2018.

> committed to the idea that support should be targeted at individuals rather than bricks and mortar investment to increase the supply of housing.[28]

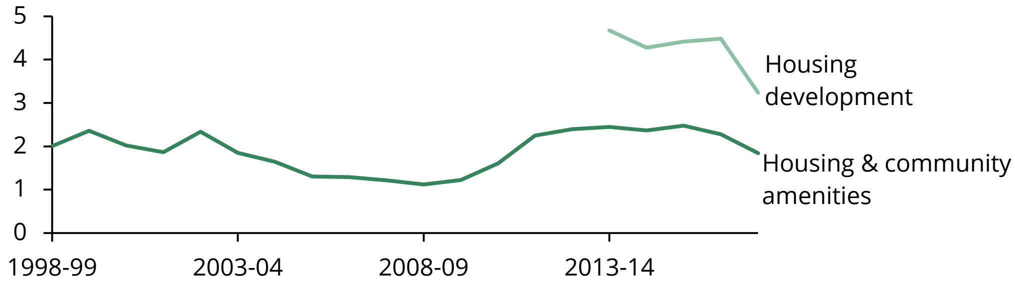
It is possible to draw an approximate comparison between Housing Benefit expenditure and housing expenditure as recorded in PESA. However, there are some limitations to this analysis:

- The geographical extent of the two sources is different. PESA statistics cover all spending in the UK. Housing Benefit expenditure recorded by the Department for Work and Pensions (DWP) covers Great Britain.
- As discussed above, PESA statistics cover spending in a broad range of areas related to housing and community development, and not just the development of housing stock.

The chart overleaf shows how spending in the two areas compares. Although spending on both Housing Benefit and housing and community amenities increased during the 1990s and 2000s, the gap between the two narrowed. Housing Benefit expenditure was 2.3 times higher than housing and community amenities expenditure in 1999-00; by 2010-11 the ratio had fallen to 1.6.

After 2010-11, decreased spending on housing and community amenities coincided with an increase in Housing Benefit expenditure, meaning that by 2016-17 the ratio was 2.3. Spending on housing development was 4.5 times higher than spending on Housing Benefit in 2016-17. In 2017-18, a combination of increased spending on housing development and decreased spending on Housing Benefit caused this ratio to fall to 3.2.

RATIO OF HOUSING BENEFIT SPENDING (GB) TO OTHER HOUSING SPENDING (UK)



Sources: HM Treasury, PESA 2018, Tables 4.3 and 5.2; DWP, Benefit expenditure and caseload tables, Outturn and forecast: Autumn budget 2018, Table 1a; HM Treasury, GDP deflators at market prices

Funding for social rented housing provision

Sector submissions to the 2016 Autumn Statement called for a reconfiguration of the Affordable Homes Programme to allow providers more flexibility over the type of housing developed. **There were calls to encourage development at social rent levels to reduce pressure on Housing Benefit expenditure and to increase housing**

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28 Shelter, 2014, *Bricks or Benefits?*, p.9

options for people on a low income without having to rely on Housing Benefit to assist with rent payments. The Autumn Statement *did* announce the relaxation of restrictions on grant funding "to allow providers to deliver a mix of homes for affordable rent and low cost ownership, to meet the housing needs of people in different circumstances and at different stages of their lives." Subsequently, the Housing White Paper (February 2017) set out "a comprehensive package of reform to increase housing supply and halt the decline in housing affordability." The White Paper did not contain a specific commitment to increase the supply of social rented housing.

The National Housing Federation's (NHF) submission to the Autumn Budget 2017 called for the additional £1.4 billion of investment announced during the Autumn Statement 2016 to be made available for bidding "at the earliest opportunity" and for the "unallocated" £1.1bn from the Starter Homes programme to be applied to "sustained capital investment in genuinely affordable homes for rent."

In October 2017, the Government announced an increase in funding for the Shared Ownership and Affordable Homes Programme of £2 billion, bringing total funding up to £9.1 billion. **The additional £2 billion "will support the delivery of at least 12,500 social rent homes in areas of high affordability outside London."**
[HL Deb 4 June 2019 c2]

A further £2 billion initiative was announced in September 2018. Under this scheme, associations can apply for funding and enter into longer-term partnerships up to 2028/29. This funding will 'kick-in' in 2022. The NHF described this as lending further "long term certainty to associations' operating environment".

The NHF's submission to Budget 2018 called for measures to build on Homes England's strategic partnerships and the £2 billion up to 2028/29 to deliver "**ten-year certainty over housing investment**". There was also an emphasis, as there had been in previous submissions, **on a more flexible funding system**:

> We are keen to see Homes England consolidate its existing funding streams into a single fund, and to remove restrictions around where future funding for social rent can be spent. Instead, Homes England should be allowed to work with local areas, to deliver according to local need.

In October 2018 the Chancellor announced the lifting of borrowing caps from local authority Housing Revenue Accounts with effect from 29 October 2018. This is expected to enable councils to increase house building by an additional 10,000 homes per year.

The announcement was warmly greeted within the sector. The Resolution Foundation commented on the potential impact:

> The Office for Budget Responsibility (OBR) estimates that councils could complete an additional 20,000 new units by 2023-24 (and we estimate a further 7,000-plus units could be started by this point). Construction on this scale would represent a significant

> step-change for local authorities: in England and Wales they built a mere 1,900 new homes in 2017-18.[29]

The Resolution Foundation blog identifies potential savings for individuals due to lower social rent levels compared to private rents, and for the State due to Housing Benefit savings. Several factors are identified as explanations for the OBR's assessment of "uncertainty around local authorities' use of the extra borrowing room as 'medium to high" including:

- The continuation of the Right to Buy which could temper councils' appetite to build. Some authorities may prefer to build through local housing companies.
- The requirement for additional funds to combine with borrowing:

  > "money available for affordable homes still below the levels we saw in 2008-2010, and much already allocated to ongoing activities, councils may not be able to take full advantage of new borrowing opportunities without additional grant finance."

- Existing in-house capabilities of many councils to manage complex building programmes should not be over-estimated.[30]

As noted above, of the £70 billion in Government funding committed to housing development up to 2023, £55 billion is earmarked to support the private market and first-time buyers. 21% of the total is allocated to affordable housing.[31] **There are calls for a 're-balancing' of expenditure between the social and private sectors.**

In Funding new social and affordable housing (November 2018) Professor Kenneth Gibb concluded:

> There is only a finite set of well-established ways in which sub-market housing can be delivered involving different combinations of elements from land, finance, construction costs and equity (including subsidy). Whichever combination is chosen, political support for programmes and the necessity to provide value for money must be established. There is no silver bullet.

The need for new housing

Projections of the number of households that will form in future are often used as a baseline for talking about housing need.

The Office for National Statistics (ONS) is responsible for producing projections of the number of households in England. According to projections released in September 2018, the number of households in England is projected to rise from 22.9 million in 2016 to 26.9 million in 2041 – an average increase of around 159,000 households per year. [32]

These figures do not attempt to model the effect of future changes – for example, they don't try to account for the impact on migration of Britain leaving the EU. The projections make assumptions, based upon

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29 Resolution Foundation blog, Lifting the lid on the borrowing cap, 31 October 2108
30 Ibid.
31 *Inside Housing*, Perry J: "The Government commits billions to private housing – it's time to fund social housing instead," 4 April 2019 [subscription required]
32 ONS, Household projections in England: 2016-based, 18 September 2018

past trends, about how much the population will grow and the size of households that people will live in.

Independent estimates of housing need have attempted to account for future trends in household formation and migration, as well as an existing backlog of need.

The Town and Country Planning Association (TCPA) made estimates in 2013, based on the most recent available projections at the time (the 2011-based projections from MHCLG).[33] The alternative estimates adjusted MHCLG's projections by assuming that the economy would improve, causing new household formation to increase. Migration was assumed to follow similar trends to 2001-11.[34] This led to an estimate that 240-245,000 homes would have to be built in each year to meet 'newly arising demand and need'.

Shelter in 2015 put forward a similar figure based on a review of the literature (the TCPA is cited as a key source). They estimate that around 250,000 new homes would be needed in each year to keep up with new household formation, and add:

> Demand is not uniform across the country, with some areas experiencing much higher population growth. Unsurprisingly, the highest levels of projected household growth over the next decade are in London and the South East, with high growth also expected in the South West and Yorkshire and Humber.
>
> Years of undersupply have also left a backlog of housing need, manifested in concealed households, rising overcrowding, homelessness and the rise in young adults living with their parents. The most recent estimates suggest the backlog may be as large as two million households. To clear this, England would need to build well over 250,000 homes each year for many years, or change the distribution of the existing housing stock - or most likely both.[35]

One of the stated reasons for the government's target of supplying 300,000 homes per year is that this will directly reduce affordability pressures. When giving evidence to the Housing, Communities and Local Government Select Committee on 12 March 2018, the former Housing Minister, Dominic Raab, said:

> First, the 300,000 target by the mid-2020s is the point at which we think that the affordability of homes will come down for the nurse, the teacher, and those on low and middle incomes, and particularly for those trying to get on the housing ladder for the first time.[36]

The 2017 UK Housing Review Briefing Paper (September 2017) argued that while supply is of critical importance, "so is the rather more

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33 A.E. Holmans (2013), *New estimates of housing demand and need in England, 2011 to 2031*.

34 In reality, migration is now higher than it was in 2011 (see ONS, *Migration Statistics Quarterly Report, December 2016*). Projections do not take account of future policy changes affecting migration, e.g. as a result of the UK exiting the European Union.

35 Shelter and KPMG (2015), Building the homes we need: a programme for the 2015 government, pp19-20

36 Oral Evidence: MHCLG Housing Priorities, HC 830 Q3, 12 March 2018

neglected issue of affordability, in both the private and social housing sectors."[37] The Review argued that "we cannot assume more supply is the sole answer to the problem" and went on:

> Indeed, as the evidence to the Redfern Review from Oxford Economics reminds us, it is unlikely to bring house prices down except in the very long term and with sustained high output of new homes relative to household growth. Even boosting (UK) housing supply to 310,000 homes per annum in their model only brings a five per cent fall in the baseline forecast of house prices. Oxford Economics says this has 'important implications for a policy debate that has focused heavily on supply as both the cause of the problem of high house prices and its solution.'[38]

More recent research has called for increased supply of *affordable* housing to meet affordability needs. This is discussed on pp.29-31.

More detail on estimates of housing need is available in section 1 of the Library briefing Tackling the under-supply of housing in England.

Standard method for calculating housing need

The Government has not until fairly recently wanted to lay down in detail the method of calculating housing need, but in his speech in July 2017 to the Local Government Association conference, the then Housing Secretary, Sajid Javid, argued that some councils had failed to be honest about the level of housing need in their area.[39]

MHCLG therefore launched the consultation *Planning for the right homes in the right places* in September 2017. With it, MHCLG published the housing need consultation data table, which – using data from the Office for National Statistics (ONS), Natural England and LPAs' publicly available documents – presented MHCLG's indicative assessment (according to their proposed method) of the housing need for each LPA, alongside those authorities' own estimates and the numbers within their adopted Local Plans. In its response to that consultation in March 2018, MHCLG observed that, although the proposed standard method had won only qualified support, it considered its method the most appropriate one and intended to go ahead with it.[40]

The National Planning Policy Framework (NPPF) was revised and updated in July 2018, following a consultation (with some further minor amendment in February 2019). Announcing the consultation on the draft revised NPPF in March 2018, Sajid Javid confirmed that MHCLG intended to introduce the standard method. In the Government response to the NPPF consultation, MHCLG indicated that it would amend planning guidance to clarify (amongst other things) the

[37] 2017 UK Housing Review Briefing Paper, Steve Wilcox, John Perry and Peter Williams, September 2017
[38] 2017 UK Housing Review Briefing Paper, Steve Wilcox, John Perry and Peter Williams, September 2017
[39] MHCLG, *Speech: Sajid Javid's speech to the LGA conference 2017*, 4 July 2017
[40] MHCLG, *Government response to the Planning for the right homes in the right places consultation*, March 2018

circumstances in which the standard method might necessitate an early review of plans.[41]

In September 2018, ONS released the 2016-based household projections, which were revised downwards. The Commons Library *Insight* piece on *Housing targets: Can we predict future need?* examines how these latest household projections might affect the standard method and the assessment of housing need.

The technical consultation on updates to national planning policy and guidance was published in October 2018.[42] In it, the Government argued that lower household projections did not mean fewer homes were needed and there should be changes to the standard method "to ensure consistency with the objective of building more homes". The Government response to the technical consultation in February 2019 argued that, although more than half the respondents to the consultation had disagreed with the proposal that the demographic baseline for the standard method should be the 2014-based household projections, this was "the most appropriate approach for providing stability and certainty to the planning system in the short-term". The formula would (it said) be reviewed. The more recent projections should not (the Government went on) be used as a justification for lower housing need.[43]

The NPPF 2019 speaks of delivering a sufficient supply of homes, saying at paragraph 60 that the standard method should be used "unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals."[44] The Planning Practice Guidance on housing need assessment was updated again in February 2019, setting out why the baseline for the standard method is the 2014-based household projections. It says that plans not based on the standard method will be scrutinised more closely at examination and any method relying on the 2016 household projections will not be considered to be consistent with paragraph 60.[45]

The standard method is discussed in more detail in the Commons Library briefing *What next for planning in England? The National Planning Policy Framework.*

Estimates of need for social rented provision

The need for subsidised housing provision has long been recognised. The cost of private sector housing that meets acceptable standards, compared with the level and distribution of incomes and assets, means that significant numbers of households lack the resources to make a demand for decent housing effective in the market. Without subsidised

41 MHCLG, *Government response to the draft revised National Planning Policy Framework consultation*, July 2018
42 MHCLG, *Technical consultation on updates to national planning policy and guidance*, October 2018
43 MHCLG, *Government response to the technical consultation on updates to national planning policy and guidance*, February 2019
44 MHCLG, *National Planning Policy Framework*, CP 48, February 2019
45 MHCLG, *Guidance: Housing and economic needs assessment*, 20 March 2015 updated 20 February 2019

housing, these households can fail to obtain housing of a decent standard.

There were **1.11 million households on social housing waiting lists** in England on 1 April 2018.[46] Local authorities are coming under increasing pressure to secure housing for low-income tenants as homelessness rises: there were 83,700 homeless households in temporary accommodation at the end of 2018, 74% more than at the end of 2010.[47]

The current Conservative Government was elected in 2017 with a manifesto pledge to meet the 2015 commitment to deliver 1 million homes by the end of 2020 **and to "deliver half a million more by the end of 2022."** The Autumn Budget 2017 set out an ambition "to put England on track to deliver 300,000 new homes a year." There is no target to develop a specific number of social rented homes. Local planning authorities are expected to plan to meet housing need within their areas. Chapter 5 of the National Planning Policy Framework (revised in February 2019) states:

> To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance.
>
> [...]
>
> Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes).
>
> Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:
>
> a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and
>
> b) the agreed approach contributes to the objective of creating mixed and balanced communities.

Research commissioned by the National Housing Federation (NHF) and Crisis from Heriot-Watt University identified a need for 340,000 homes each year in England to 2031 of which 145,000 "must be affordable homes". The press release for the research breaks down the type of affordable homes needed:

1. **90,000 should be for social rent**
2. 30,000 should be for intermediate affordable rent
3. 25,000 should be for shared ownership[48]

46 MHCLG, Live tables on rents, lettings and tenancies, Table 600
47 MCHLG, Live tables on homelessness, Temporary accommodation table TA1
48 NHF Press Release, England short of 4 million homes, 18 May 2018

In Everybody in: How to end homelessness in Great Britain (2018) Crisis called for, amongst other things:

> Building 100,500 new social homes each year for the next 15 years to meet the needs of homeless people and people on low incomes – including those at risk of homelessness.

Shelter's commission on the future of social housing reported in January 2019. The Commission recommended an "historic renewal of social housing":

> Our commission recommends a historic renewal of social housing, with a 20-year programme to deliver 3.1 million more social homes. This will allow the benefits of social housing to be offered much more widely – providing both security for those in need and a step up for young families trying to get on and save for their future.

The 2019 UK Housing Review (chapter 2) notes that "everyone now says they want to build more social housing, the question is how many units and how will they be paid for". The Review goes on:

> In England, whatever the precise scale of the challenge it inevitably demands a significant commitment of new resources, even if ways are found to supplement them.

On 21 June 2019 the NHF published Capital grant required to meet social housing need in England 2021 – 2031 which estimates the cost of building 145,000 affordable homes each year of which 90,000 would be for social rent:[49]

- To meet social housing need will require an average of £14.6bn in capital grant from Government each year for ten years (£12.8bn per year in today's prices), to unlock a total housebuilding programme worth £46.2bn per year on average. For the grant-funded homes, this grant would cover 44% of total scheme costs.
- Predicted build cost inflation and the limits of the cross subsidy model both necessitate higher grant levels than have been available in recent years. In addition, the size of the proposed programme, the high proportion of social rent homes, and the geography of need are all key cost drivers.
- Building this number of homes per year for 10 years could significantly reduce homelessness and rapidly reduce poverty amongst families currently living in the private rented sector. It would deliver substantial economic benefits across the country, and unlock productivity improvements across the homebuilding sector. Given the pressures facing the housing market, it is also the only route to reaching the Government's target of building 300,000 homes per year.
- Investment on this scale would represent a return to previous high points in social housing spend. In today's prices, the investment called for here is only slightly above the £11.35bn spent in 1953, which delivered a record output of more than 200,000 council homes. Until 2008

49 The level of supply identified as required in NHF Press Release, England short of 4 million homes, 18 May 2018

> the public grant available for social housing as a proportion of total scheme costs had remained around or above 50% for several decades.

4.2 Planning

How does MHCLG fund planning?

In January 2018, the specialist publication *Planning* listed the various funds – new or extended – through which the Government was supporting planning and new house building:

- Planning Delivery Fund
- Housing Infrastructure Fund
- Land Assembly Fund
- Small Sites Fund
- Home Building Fund and
- Estate Regeneration Fund[50]

Planning Delivery Fund

The Planning Delivery Fund aims to provide planning and design support for local authorities in areas of high housing need from 2017/18 to 2019/20. It is worth £25 million, with the first phase of £11 million covering 2017/18 and 2018/19. According to the prospectus:

> The £25 million of resource funding announced in the housing White Paper, is available for the financial years 2017/18 to 2019/20. This prospectus opens up to £11 million of the Planning Delivery Fund for bidding, equally split over the financial years 2017/18 to 2018/19, to be administered under three dedicated funding streams: a Joint Working Fund, a Design Quality Fund, and an Innovation Fund. We expect to issue a further prospectus for the remainder of the fund in due course.[51]

Housing Infrastructure Fund

The purpose of the £5.5 billion Housing Infrastructure Fund is (DCLG said) to

> - Deliver new physical infrastructure to support new and existing communities;
> - Make more land available for housing in high demand areas, resulting in new additional homes that otherwise would not have been built;
> - Support ambitious local authorities who want to step up their plans for growth and make a meaningful difference to overall housing supply; and
> - Enable local authorities to recycle the funding for other infrastructure projects, achieving more and delivering new homes in the future.[52]

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50 "What you need to know about the new planning funds", *Planning*, 4 January 2018. (Subscription required. Members and their staff can obtain copies of this and other articles from *Planning* by ringing 020 7219 3666).

51 DCLG, *Planning Delivery Fund: Supporting joint working, high quality design and innovation*, December 2017

52 DCLG, *An introduction to the Housing Infrastructure Fund*, July 2017

The fund is now closed for bids, but is committed up to 2023/24. It provides marginal viability funding and forward funding. Details of approved and successful marginal viability projects and successful forward fund projects are available on the gov.uk website.

Land Assembly Fund

According to the Government press release in September 2018:

> The £1.3 billion Land Assembly Fund, will be used to acquire land needing work and get it ready for the market, making it less risky for developers to invest in and start building. Outside of London this work will be carried out by Homes England.[53]

Small Sites Fund

The same press release outlined the Small Sites Fund:

> For public land owners or local authorities that are struggling to get building on land in their area, the £630 million Small Sites Fund will provide grant funding to speed up getting the right infrastructure in place to support home building on stalled small sites to provide the homes their communities need.[54]

Home Building Fund

Homes England is currently accepting applications for the £4.5 billion Home Building Fund, which provides development finance and infrastructure finance for developments in England. Private sector businesses can apply for loans to build new homes or prepare sites for development.

A guide to the fund outlines how it works:

> The key features of the Fund are:
>
> - loans of £250,000 to £250 million are available with smaller loans considered for innovative housing solutions and serviced plots for custom builders.
> - typical terms are up to 5 years for development finance, and up to 20 years for infrastructure loans
> - interest is payable at transparent, preagreed variable rates
> - sales income can be recycled to minimise the loan request
> - subordinated lending will be considered
> - infrastructure finance is available to draw down up to 31 March 2021 while development finance will now be available to draw down up to 31 March 2023
> - eligible costs will be discussed with each applicant and depend on the type of funding requested[55]

Estate Regeneration Fund

The £140 million Estate Regeneration Fund is available over 5 years from 2016 to 2021. The criteria and requirements are set out in the

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[53] MHCLG, *Press release: Government investment to overcome barriers to building*, 17 September 2018
[54] As above
[55] Homes England, *An introduction to the Home Building Fund*, Revised September 2018

prospectus. In a PQ reply in January this year, the planning minister, Kit Malthouse, outlined the use of the fund:

> The current Estate Regeneration Fund is open to bids from local authorities that have partnered with a private organisation to deliver a regeneration project. The funding can be used for land clearance, demolition and rebuilding of homes. Low quality housing and high void rates can be prevalent in areas identified for regeneration and the funding that has been allocated will support places deliver better quality homes, improved public spaces and new housing where it is needed most.[56]

Resourcing local planning departments

Local planning authorities often say that, because of funding pressures and recruitment difficulties, they are under-resourced and over-stretched. The President of the Royal Town Planning Institute was quoted at the time of the 2019 Spring Statement as saying that the state of finance of local authorities and planning capacity was a "real worry":

> Resourcing planning departments in local authorities effectively underpins the delivery of many of the country's ambitions - whether it is the Oxford-Cambridge arc, delivery of more affordable housing, tackling climate change and reviving our public services. The state of finance in local authorities, especially local planning capacity, is a real worry and sadly, there is nothing in the statement today to alleviate that.[57]

Also in March this year, Kit Malthouse was quoted as suggesting that local planning authorities might have to share senior staff:

> The minister said discussions were taking place with the Treasury about making more resources available but that consideration is also being given to ensuring "regional floating planning capacity".
>
> (…)
>
> Last month, the government's chief planner Steve Quartermain announced that the government would be commissioning research to examine a skills shortage in the planning profession.[58]

4.3 Library briefings

The following Library briefings provide background on housing and planning policy:

- What next for planning in England? The National Planning Policy Framework
- Tackling the under-supply of housing in England
- Stimulating housing supply - Government initiatives (England)
- What is affordable housing?
- Starter Homes for First-Time Buyers (England)

The following dashboards and tools provide local housing data:

- Constituency data: house prices

56 PQ 207223, 15 January 2019
57 "Spring Statement: reaction round-up", *Planning*, 14 March 2019
58 "Government considering senior staff-sharing to boost councils' planning skills gap, says Malthouse", *Planning*, 13 March 2019

- Constituency data: housing tenure
- Local authority data: housing supply (includes affordable housing supply)
- Local authority homelessness statistics

All Library briefings on housing and planning can be found in the housing section on the Library website.

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