

BRIEFING



Budget 2009

23 April 2009

ECONOMIC FORECASTS

The Treasury predicts GDP will fall 3.25 to 3.75% (mid point 3.5%) in 2009, recovering by 1.0 to 1.5% (mid point 1.25%) in 2010 and 3.25 to 3.75% (mid point 3.5%) in 2011. Many independent forecasters expect a weaker recovery in 2010 and 2011.

CPI inflation, the MPC's target measure, is forecast at 1% in 2009 Q4, 1% in 2010 Q4 and 2.25% in 2011 Q4. If CPI inflation does remain below the 2% target through 2010 into early 2011, this would tend to delay any rise in interest rates.

KEY HOUSING MEASURES

Mortgage-backed Securities Guarantee

The Treasury has introduced a guarantee scheme for 'triple A' rated mortgage-backed securities for banks and building societies, available at first until October 2009. The objective is to rebuild investor confidence so as to increase mortgage funding.

This represents the Treasury's final response to last year's Crosby review of mortgage finance. The Treasury has not announced a funding limit to the guarantee scheme. We understand take-up will be kept under review. We also understand lenders who have passed the FSA's stress testing requirements will be eligible to use the scheme.

HBF has pressed hard for implementation of this Crosby recommendation, so it is a very welcome step towards restoring mortgage availability.

Stamp Duty Holiday

The SDLT holiday for homes costing up to £175,000 has been extended to 31 December 2009, exempting around 60% of residential purchases. HBF had asked for an extension of the holiday in our Budget Submission.

Support for Housing Supply

A £600 million fund has been announced to stimulate housing development in the short term and boost house building industry capacity. The Treasury estimates the fund will deliver "up to an additional 10,000 new homes". The package includes:

- £400 million for the Homes and Communities (HCA) to unlock mothballed (“stalled”) housing developments using equity, gap and infrastructure funding, supporting viability with an expansion of the HomeBuy Direct (HBD) scheme, and increased funding for Affordable Housing. The HCA will open an “Expressions of Interest” stage in early May.
- £100 million of new funding for local authorities to delivery new social housing at high energy efficiency standards. This Challenge Fund will be based on £50 million of capital and £50 million of borrowing.
- £85 million for retrofitting the existing housing stock to improve environmental standards, and £21 million to fund low-carbon community heating schemes.

In his Budget speech, the Chancellor referred to an additional £80 million for HBD, but we understand there is no fixed sum available. The mix of equity/gap/infrastructure funding, HBD and Affordable Housing grant will be decided on a site-by-site basis, so that the eventual allocation of the £400 million between these three constituents parts is not known.

The £400 million is a very welcome response to HBF’s representations to CLG, the HCA and Treasury to introduce additional help to unlock mothballed sties. HBF will be working closely with member companies and the HCA to help ensure this scheme works smoothly and achieves its objectives.

Preparing for Housing Supply Recovery

Having reaffirmed the Government’s long-term commitment to increasing housing supply, the Treasury will report at the 2009 Pre-Budget Report (PBR) “on progress and set out its strategy to support a timely and effective housing supply response through the recovery, in order to maximise delivery of high quality, energy efficient homes”. Of major significance, the Budget says:

“As part of this, the Government will identify, working with industry and other partners, the best regulatory and policy framework to support the Government’s long-term housing objectives.”

This is a very significant formal Government recognition of HBF’s representations on the Cumulative Impact of Regulation on housing delivery. HBF will be working closely with Treasury and CLG as the Government prepares its PBR report.

Community Infrastructure Levy (CIL)

The Government has said it will delay introduction of the Community Infrastructure Levy (CIL) until 6 April 2010. This is a curious announcement as there was little prospect of the CIL being introduced much before April 2010, given progress to date.

Landfill Tax

The Treasury has published a consultation on Modernising Landfill Tax Legislation. The closing date for responses is 24 July 2009.

http://www.hm-treasury.gov.uk/d/Budget2009/bud09_landfill_tax_964.pdf

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