



The Rt Hon George Osborne MP  
HM Treasury  
Horse Guards Road  
London  
SW1A 2HQ

21 September 2010

Dear Chancellor

### **Spending Review: New Homes Bonus & Housing Supply Proposals**

I am writing to you to stress the absolutely central importance of the proposed New Homes Bonus to the success of the Government's new localist planning proposals.

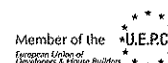
Without the Bonus, we believe there is little prospect local communities in many areas will support new housing, thus making it impossible for the industry to increase housing supply. We very much hope the Treasury will accept the central role of the Bonus and ensure the scheme is announced in the Spending Review along the lines proposed in the Conservative Party's pre-election Green Paper. It is essential that details of the Bonus are announced as soon as possible, and that it is introduced from April 2011.

Housing supply is a critically important social and economic issue for Britain and we welcome the Government's commitment to increasing supply. New home building accounts for around 1.5% of GDP, directly employs some 200,000+ people, and could play an important role in Britain's economic recovery, rapidly creating economic activity and new local jobs.

Housing completions last year were at their lowest peacetime level since 1924. England's chronic, long-term undersupply of housing is rapidly worsening, resulting in many adverse social and economic consequences. It is therefore of the highest priority that we increase home building from today's historically low levels.

We have broadly supported the Government's localist reforms to the planning system, although we have warned for many months that there were inherent dangers in introducing such radical reform without robust transitional arrangements.

At present we are in a damaging hiatus in which the old top-down targets have been revoked, but there is nothing in their place to encourage local authorities to grant residential planning permissions. Since the targets were revoked, we have logged numerous examples of authorities withdrawing their previous housing numbers, sharply cutting their future housing provision, de-allocating large sites and refusing permissions, with only a few examples of authorities responding positively.



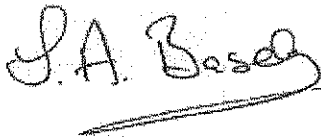
To quote just one example, Bristol and the surrounding authorities have just cut their housing numbers by 38,000, from 87,000 to 49,000. The following newspaper quote highlights how uncertainty about the Bonus is undermining housing provision:

“A spokeswoman for the West of England Partnership, which represents the four councils in the Bristol area, said the scrapping of the RSS meant that it was down to local councils and their communities how many homes were built. She said the Government's new bonus scheme to reward councils for housebuilding was still at an early stage and full details were not known.”

Following a recent meeting between Eric Pickles and the chief executives of the major home builders, we have prepared short papers on four other key issues for housing supply (copies enclosed): reducing the regulatory cost burden on residential development to restore viabilities, increasing public sector surplus land disposal, and measures to assist first-time buyers (a successor to HomeBuy Direct, Mortgage Indemnity Guarantee (MIG) insurance). All four issues have relevance for HM Treasury and the Spending Review.

We would be very pleased to discuss these issues in more detail with you or your fellow Ministers and officials.

Yours sincerely

A handwritten signature in black ink that reads "S.A. Baseley". The signature is written in a cursive style and is underlined with a single horizontal line.

**Stewart Baseley**  
**Executive Chairman**