

# BRIEFING



## THE 2010 SPENDING REVIEW

20 Oct 2010

This note summarises the main announcements relating to housing made by the Chancellor of the Exchequer in his statement to Parliament today on the Government's Spending Review for the four years from 2011/12 to 2014/15.

The full Spending Review document can be downloaded from the following link:

[http://cdn.hm-treasury.gov.uk/sr2010\\_completereport.pdf](http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf)

### **The overall context**

The Chancellor confirmed that the Review entails:

- £83bn of savings over the four year Review period
- Total public expenditure increasing from £651bn in 2011/12 to £693bn in 2014/15
- Savings of £6bn in Whitehall administration costs
- Nearly 500,000 public sector lost jobs over the four year Review period – as far as possible through employment churn and voluntary means
- Prioritising investment in capital projects that have greatest benefit for the economy as a whole
- Shifting power, including budgetary control from the centre to local authorities

The estimates in the Review have been audited by the independent Office for Budget Responsibility.

### **The Housing and CLG settlement**

The Review headlines are:

- No new funding for HomeBuy Direct or Kickstart
- A 74% reduction by the end of the Review period (2014/15) in the National Affordable Housing Programme (NAHP) budget with a total funding provision over the 4 years of £4.5bn. NAHP funding for the current three year funding period (2008/9 to 2010/11) was £8.4bn.

- Within the new NAHP budget there will be continued provision for mortgage support schemes (estimated at around £200m)
- Alongside the reduction in the NAHP budget the Government is embarking on a major reform of the social and affordable housing system. Part of this reform announced by the Chancellor and CLG Ministers will be to allow RSLs to offer shorter term and more flexible tenancies with rents between social and market rates. Ministers hope that this additional flexibility – and presumably the scope to improve income streams and borrowing against these – will enable up to 150,000 affordable homes to be funded over the 4 year Review period despite the significant reduction in Social Housing Grant available. We understand a White Paper on affordable housing reform will be published in the near future to take these ideas forward.
- Confirmation that the New Homes Bonus (NHB) will be paid on completions with effect from the start of the 2011/12 financial year in April. Funding of more than £900m will be made available for the Bonus over the Review period, with £200m of this in the 2011/12 financial year. This funding will replace the current Housing and Planning Delivery Grant and is expected to fully fund the cost of the Bonus in its first year. During the rest of the Review period it is expected that the cost of the Bonus (which is not capped) would need to be increasingly funded by top-slicing central Government grant support to local authorities. The consultation on the NHB will be launched in November.
- The impact of the NHB over the period will be increased by a reduction of some 26% in central Government grant to local authorities by the end of the Review period (2014/15).
- Local authorities will, however, be given much more control of their finances. The Government will end ring-fencing of all local government revenue grants from 2011-12, except for simplified schools grants and new public health grant.
- A renewed commitment to tackle regulation. The Review document states that the Government “will also reduce the total regulatory burden on the house building industry over the Spending Review period.” We understand further announcements about the process for tackling the regulatory burden will be made in the near future.
- Tax Increment Finance will be taken forward with a White Paper on local growth to be published later this year.
- The Government also commits to increasing “housing supply by reforming the planning system so it is more efficient, effective and supportive of economic development.”

### **Initial assessment**

This settlement confirms recent press comment to the effect that there is to be a significant reduction in funding for the NAHP. This funding reduction cannot, however, be divorced from what appears to be a radical shift of policy on the provision and funding of affordable housing as a whole. HBF will wish to contribute actively to the wider discussion on this issue and we

are renewing our case for a more flexible approach to the definition of affordable housing in planning policy as a part of that.

Although the published detail in the Review on the NHB and promised action on regulation is only general, the direction of policy is clear and we understand further announcements on both are due shortly. The Chancellor's confirmation of the NHB is significant and the Bonus also needs to be seen in the context of the significant reduction in central government grant for local authorities. We have pressed the case for action on regulation in our press release this afternoon – a copy of which is at the end of this note.

### **Other key points**

Alongside the Review, it has this afternoon been confirmed that the Department of Culture is withdrawing funding from CABE. It is not currently clear what the full implications of this will be as CABE has also received funding from CLG. CABE has said it "is now taking stock of the decision and looking at options to create new ways to support and champion good design."

A Green Investment Bank is to be established with £1bn of Government funding.

The commencement of a Renewable Heat Incentive has been confirmed from April 2011 with £860m funding to be provided for this to drive a major increase in renewable heat capacity.

The efficiency of Feed-in Tariffs will be improved at the next formal review, "rebalancing them in favour of more cost effective carbon abatement technologies".

Funding for adult apprenticeships will be increased by £250m a year by 2014/15 compared with the previous Government's level of spending.

***John Slaughter***  
***Director of***  
***External Affairs***

**HBF press release** - *Please find scroll down to view the HBF Press release.*



# News Release

20 October 2010 – for immediate release

## **Now Cut Red Tape Too! Regulation must be slashed or budget cuts will see housing crisis deepen**

Today's statement by George Osborne included a welcome commitment to reducing regulation – something HBF has been pressing Government to tackle long and hard. We now need to see this implemented. This must include; an affordable and deliverable decision on the definition of zero carbon; and a more flexible approach to the definition of 'affordable housing', allowing developers to play their part in providing innovative solutions to meet peoples' needs.

The cuts outlined in the housing budget must be matched by a huge reduction in the regulatory burden placed on developers, clear planning policy guidance and an effective local incentive for home building if the Government wants to avoid presiding over a catastrophic housing crisis and meet its objective of an improved supply.

In that regard whilst today's Spending Review gives some more detail on the New Homes Bonus incentive, final detail and clear guidance on the new Planning system is desperately required if the cuts announced are not to see house building levels – already at an 80 year low - fall further. Local Authorities, having seen their budgets cut by nearly 30% will desperately need the income generated by the Bonus – but need the detail to plan.

Speaking today, HBF Executive Chairman Stewart Baseley said; "We knew cuts in budgets were coming to all areas. It would have been naïve to think housing was any different. However, Government needs to act decisively now to reduce red tape and regulation. In such austere times house building can simply no longer support the wishlists of central and local Government. Regulatory requirements must become realistic and affordable. House builders and Local Authorities also urgently need clarity on the planning system and the incentives on offer. Having seen their budgets slashed by 30% local Authorities need to see the potential income generated from building new homes. Without further decisive action the Government risks worsening an already acute housing crisis."

**For media enquiries, or to arrange an interview, please contact Steve Turner on  
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### **Notes to Editors:**

1. The Home Builders Federation (HBF) is the representative body of the home building industry in England and Wales. The HBF's 300 member firms account for some 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from multi-national, household names through regionally based businesses to small local companies: [www.hbf.co.uk](http://www.hbf.co.uk)