8/2017 Autumn Budget 2017: Housing Implications

22/11/17

Key Points

- Chancellor Philip Hammond gave his Autumn Budget on 22 November.
- The Budget includes a number of important announcements relevant to councils with housing. Some of the details remain obscure. Further statements are expected from DCLG and DWP ministers which may help to clarify matters, and ARCH will pursue any remaining concerns with officials over the coming weeks.
- The economy is forecast to grow more slowly than expected in March. Forecast growth in 2017 will be 1.5%.
- The Government expects government borrowing to be below 2% of GDP by 2020/21.
- The National Productivity Fund announced in last year's Autumn Budget is increased by £8 billion to £31 billion.
- The Budget confirms the further £2 billion for affordable housing announced in October, although it is not clear where exactly provision is made in the policy costings.
- £1 billion is made available from 2019/20 for councils in "areas of high affordability pressure" to bid for an increase in borrowing caps to enable more homes to be built.
- Homes England will get strengthened powers to secure an increase in housing supply, including a Land Assembly Fund of £1.1 billion.
- The Housing Infrastructure Fund has been increased from £2.3 billion to £5 billion.
- £630 million has been provided for a small sites remediation fund, building on the Land Release Fund launched in August 2017.
- £480 million will be made available in loans for estate regeneration.
- Councils will be expected to fund fire safety works from their own resources; however, £28 million has been provided for additional community support to those directly affected by the Grenfell Tower tragedy.
- Devolution deals have been agreed with North of the Tyne authorities and those in the Cambridge-Milton Keynes-Oxford cresent; additional deals have been reached with the West Midlands and Greater Manchester.
- £1.5 billion is provided for loans to SME builders which have difficulty accessing finance, and £200 million to improve construction skills and innovation.
- A number of planning reforms are proposed to ensure that more land is released for housing and built out promptly when planning permission is granted; there are also plans to strengthen the ability of local authorities to capture land value uplift.
- The threshold for Stamp Duty Land Tax is increased to £300,000 for first-time buyers, with purchasers of homes worth up to £500,000 only paying tax on the margin.
- The Budget confirms an additional £10 billion for the Help-to-Buy Equity Loan scheme.
- Councils will be able to increase the council tax premium payable on empty homes to 100%.
- There will be a large-scale regional pilot of RTB for housing association tenants in the Midlands; it is understood that this will be fully funded by the Exchequer. No announcement has yet been made on the possibility of a council higher value assets levy in 2018/19 or later years.
- The Budget sets out first steps towards the commitment to halve rough sleeping by 2022 and eliminate it by 2027.
- Universal Credit will be reformed to remove the seven-day waiting period, and to allow tenants transferring from HB to UC to continue to receive HB for the first two weeks; the pace of roll-out will be eased to support these changes.

Background

Philip Hammond MP gave his Autumn Budget on 22 November. The Budget includes a number of important announcements relevant to councils with housing. Some of the details remain obscure. Further statements are expected from DCLG and DWP ministers which may help to clarify matters, and ARCH will pursue any remaining concerns with officials over the coming weeks.

Economic and fiscal forecast

The economy is forecast to grow more slowly than expected in March. Forecast growth in 2017 will be 1.5%, 0.5% less than forecast in March. Growth forecasts for subsequent years have also been downgraded (March forecasts in brackets): 2018 1.4% (1.6), 2019 1.3% (1.7), 2020 1.3% (1.6), 2021 1.5% (1.9), 2022 1.6% (2.0).

Government borrowing is now expected to peak in the current year, but then decrease, with the annual deficit falling below 2% of GDP by 2020/21.

Public investment will continue to be focused on raising productivity as this is seen as key to increasing economic growth. The National Productivity Investment Fund, announced last year, will be increased by £8 billion to £31 billion. The bulk of this increase is achieved by extending the Fund's spending plans by a further year to 2022/23 and allocating £7 billion to it.

National Productivity Investment Fund

The National Productivity Investment Fund includes funding for the Accelerated Construction Programme and Housing Investment Fund announced last year, and additional funding for affordable housing. It significantly expands the Small Sites infrastructure and remediation fund launched in August, and proposes a new Land Assembly Fund to be administered by Homes England.

Housing Investment

The Budget report states that "the Budget confirms the further £2 billion for affordable housing announced in October, including funding for social rented homes. This takes the total budget for the Affordable Homes Programme from £7.1 billion to £9.1 billion to 2020/21" (para 6.5). However, it is difficult to identify this additional provision in the policy costings. The NPIF includes £2.9 billion for affordable housing in the four years 2017/18 to 2020/21. This is actually less than the £3465 billion shown for the same period in the 2016 Autumn Statement. However, the latter amount included investment of £1.8 billion by housing associations "funded from sources other than central government". This has apparently been excluded from the new figures, presumably because the ONS has now accepted that housing associations in England may once again be treated as private sector bodies. Comparing the two spending plans on a like for like basis suggests additional funding of £1.2 billion for affordable housing up to 2020/21. ARCH will seek clarification of this apparent discrepancy with officials, along with the absence of any reference to the "bespoke deals" mentioned in the Housing White Paper, about which we have been in positive dialogue with DCLG over a number of months.

Local authorities in "areas of high affordability pressure" will be invited to bid for increases in their HRA borrowing caps from 2019/20 so they can build more homes. The Government commits to monitoring how councils respond to this opportunity, and consider whether any further action is required. The policy costings include an estimate of £880 million for additional local authority housebuilding to 2020/21.

The Government plans a more interventionist approach to securing an increase in the supply of new homes. The Homes and Communities Agency will be renamed Homes England and given strengthened powers and funding, including a £1.1 Land Assembly Fund to enable it to work alongside private developers to develop strategic sites, including new settlements and urban regeneration schemes. Five new garden towns are planned.

As part of plans for Cambridge-Milton Keynes-Oxford corridor, the Government plans a million new homes by 2050; as a start it has agreed on 100,000 new homes in Oxfordshire by 2031 in return for strategic investment in transport and other infrastructure.

The Housing Infrastructure Fund, first announced in Autumn 2016, is allocated to local authorities on a competitive basis to fund infrastructure investment. It has been increased from £2.3 billion to £5 billion, partly by confirming allocations totalling £1.25 billion for 2021/22 and 2022/23.

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The 2016 Autumn Budget also announced £2 billion for the Accelerated Construction Programme over the four years to 2020/21; the new plans reduce this to £690 million.

The Housing White Paper announced a £45 million Land Release Fund to allow remediation and infrastructure provision to accelerate the building of homes on small, difficult to develop sites, including surplus local authority land. The Budget provides a further £630 million for this purpose.

£480 million has been provided for loans to enable estate regeneration; this is shown in the policy costings as a financial transaction which does not count against the Net Public Sector Borrowing requirement.

The Budget confirms that local authorities will be expected to fund from their own resources fire safety works revealed to be necessary by the Grenfell Tower tragedy. However, it states, “the government will make sure that current restrictions on the use of local authority financial resources will not prevent them from going ahead”. £28 million has been provided for additional community support to those directly affected by the Grenfell Tower tragedy.

Devolution deals

In addition to the plans for the Cambridge- Milton Keynes-Oxford crescent mentioned above, a new devolution deal has been agreed in principle for the North of the Tyne area, including a directly elected mayor and £600 million investment over the next 30 years.

A second deal for the West Midlands includes provision of £6 million for a housing task force. A Local Industrial Strategy has been agreed for Greater Manchester involving £243 million from the Transforming Cities Fund.

The Government is in discussion with councils in the Liverpool city-region and Tees Valley about possible deals.

The Public Works Loans board will provide up to £1 billion in loans for infrastructure investment at discounted rates; the bidding process will be announced in December.

Construction Industry

£200 million is allocated to improve construction skills, with £34 million to scale up innovative training models, including a programme in the West Midlands, and a planned Construction Sector Deal to support innovation and skills in the sector, including £170 million from the Industrial Strategy Challenge Fund.

A further £1.5 billion has been made available for the Home Building Fund, which provided loans targeted at supporting SMEs which cannot access the finance they need. The government will also explore options with industry to create £8 billion worth of guarantees to support housebuilding.

Planning for new homes

The Housing White Paper committed the Government to introducing planning reforms to ensure that more land is made available for housing. The Budget refers to a number of these.

DCLG has begun the formal process of intervening in 15 areas where the local authority does not have an up-to-date local plan, and will shortly activate powers that enable it to direct local authorities to produce joint statutory plans. The Cambridge-Milton Keynes-Oxford deal includes agreement by Oxfordshire to bring forward a joint spatial plan, and the other areas involved are also expected to work towards joint plans.

The Government will consult on a new policy whereby local authorities will be expected to permission land outside their plan on the condition that a high proportion of the homes are offered for discounted sale to first time buyers, or for affordable rent. This will exclude land in the Green Belt. There will also be consultation on steps to increase housing density in urban areas.

The Government will also consult on steps to ensure land released for housing is put to the best use, and has asked Oliver Letwin MP to chair a review to explain why such a high proportion of planning permissions for housing are not used, or used too slowly. This review will produce a full report at Budget 2018.

DCLG will consult on reforms to improve the ability of local authorities to capture land value uplift when new infrastructure is provided or land use changed to housing. Use of these reformed powers is seen as a key element in the funding of the plans for the Cambridge-Milton Keynes-Oxford corridor.

Home Ownership

The Budget's headline proposal is to permanently raise the price at which a property becomes liable for Stamp Duty Land Tax to £300,000 for first-time buyers, with purchasers of properties worth up to £500,000 being only required to pay duty on the margin above £300,000. The concession will not apply to properties worth over £500,000. The cost of this policy is estimated at over £3 billion to 2022/23.

The Budget confirms the announcement in October of a further £10 billion for the Help-to-Buy equity loan scheme, raising the total provision to £11,870 million. This is shown in the accounts as a financial transaction that does not count against the Public Sector Net Borrowing Requirement.

Councils will be enabled to increase the council tax premium payable on empty homes from 50% to 100%.

The Government will proceed with a large-scale regional pilot of the Right to Buy for housing association tenants in the Midlands. Although there has been no announcement on the possibility of a levy on higher value council assets, it is understood that the pilot is to be fully funded by the Exchequer. The Budget report mentions a cost of £200 million, but the policy costings include only a sum of £85 million in 2019/20; presumably this is an addition to the £210 million allocated to the pilot in the 2016 Autumn Statement.

Homelessness

The Budget sets out the Government's first steps towards its 2017 manifesto commitment to halve rough sleeping by 2022 and eliminate it by 2027, including the launch of a Homelessness Reduction Taskforce. £28 million is allocated for three Housing First pilots in Manchester, Liverpool and the West Midlands to support rough sleepers to turn their lives round.

£20 million is allocated for private rented sector access schemes aiming to support households at risk of homelessness to access and sustain tenancies in the private rented sector.

Welfare Reform

The Budget includes a number of reforms to Universal Credit:

- From January 2018 eligible claimants will be able to access up to a month's worth of UC within 5 days as an interest-free advance repayable over 12 months, rather than the current 6 months;
- From February 2018 the government will remove the seven-day waiting period so that entitlement to UC begins with the day of application;
- From April 2018, tenants receiving Housing Benefit will continue to receiving for the first two weeks when they transfer to Universal Credit;
- The Government will also "make it easier for claimants to have the housing element of their award paid directly to their landlord"; details are awaited.
- To support these changes UC will be rolled out more slowly between February and April 2018.

Although the Government is continuing with the general policy of freezing Local Housing Allowances (which will not now apply to council or housing association rents) until April 2020, the Budget increases Targeted Affordability Funding by £40 million in 2018/19 and £85 million in 2019/20 to enable Local Housing Allowance rates to be increased in areas where private rents are rising fastest.

The policy costings estimate the cost of "maintaining current rent policy without the LHA cap" in the social rented sector to be £935 million to the end of 2022/23.