

1/2020 Budget 2020: Housing Implications



11/3/20

Key Points

- Chancellor Rishi Sunak gave his first Budget on 11 March 2020.
- The OBR forecasts that the UK economy will grow by 1.1% in 2020, revised down from 1.4% in its Spring Statement 2019 forecast, and by 1.8% in 2021, but these estimates do not reflect the latest information on the impact of COVID 19.
- The Budget launches a Comprehensive Spending Review (CSR) 2020 to conclude in July and result in plans for resource budgets from 2021/22 to 2023/24 and capital budgets up to 2024/25. CSR will prioritise improving public services, levelling up economic opportunity across all nations and regions and supporting the government's ambitions to reach zero net carbon emissions by 2050.
- The Budget aims for a surplus of income over expenditure, that public sector net investment does not exceed £3% of GDP and debt is kept under control. HM Treasury will review the fiscal framework ahead of Autumn Budget 2020 to ensure the sustainability of public finances.
- The Government will publish a National Infrastructure Strategy later in the spring; around £640 billion of gross capital investment will be provided for roads, railways, communications, schools, hospitals and power networks by 2024/25.
- The Budget announces some elements of this, including a £10.9 billion increase in housing investment to support the commitment to build at least 1 million new homes by the end of the parliament and an average of 300,000 homes a year by the mid-2020s.
- A further £9.5 billion has been added to the Affordable Homes Programme, bringing it to a total of £12.2 billion from 2021/22.
- The PWLB loan rate for social housing will be cut by 1% and the Government will consult on revising the terms of PWLB lending to ensure local authorities continue to invest in housing, infrastructure and front-line services.
- The roll-out of Universal Credit will continue, but the benefit freeze will be lifted.
- The government will invest an additional £1 billion to remove unsafe cladding from residential buildings.
- Provision for accommodation and support services to reduce rough sleeping is increased to £643 million.
- "Comprehensive" reform of the planning system is proposed, to accelerate the development process, with a Planning White Paper later in the spring.
- To encourage more environmentally-friendly ways of heating homes and other buildings, the Government will introduce a Green Gas levy to help fund the use of greener fuels, increase the Climate Change Levy that businesses pay on gas and reopen and extend the Climate Change Agreement scheme by two years.

Background

Chancellor Rishi Sunak gave his first Budget on 11 March 2020. It announces a substantial increase in public investment, but is relatively light on detailed spending proposals, which will follow when a National Infrastructure Strategy is published later in the spring, and on conclusion of a Comprehensive Spending Review. The Comprehensive Spending Review will conclude in July and result in plans for resource budgets from 2021/22 to 2023/24 and capital budgets up to 2024/25. The Review will prioritise improving public services, levelling up economic opportunity across all nations and regions and supporting the government's ambitions to reach zero net carbon emissions by 2050.

The Budget Report and other relevant material can be accessed at <https://www.gov.uk/government/publications/budget-2020-documents>.

Economic and fiscal forecast

The OBR forecasts that the UK economy will grow by 1.1% in 2020, revised down from 1.4% in its Spring Statement 2019 forecast, and by 1.8% in 2021, but these estimates do not reflect the latest information on the impact of COVID 19.

HM Treasury will review the fiscal framework ahead of Autumn Budget 2020. Among the issues the review will consider are:

- the continuing low interest environment, and the argument that this provides further fiscal space to borrow for investment;
- the case for a more active role for fiscal policy in stabilising the economy, especially if there is less space for monetary policy because interest rates are so low;
- whether current arrangements for prioritising public investment adequately support those which most enhance growth.

Affordable Housing

The Budget adds £9.5 billion to the Affordable Homes Programme, bringing the total allocation to £12.2 billion. This will cover additional affordable housing, help people to own their own home, and build social rented housing “to help families and those most at risk of homelessness in areas of the country where affordability pressure is most acute”. Full details, including the number of homes to be delivered and the tenure split, will be announced later.

Building Safety Fund

A £1 billion Building Safety Fund is being established to help replace unsafe non-ACM cladding on residential buildings over 18m, covering both the private and social sectors. Access to the Fund will prioritise building owners who “cannot afford” the cost of remediation.

Homelessness and rough sleeping

The Chancellor announced an additional £145 million, on top of the £236 million announced in February, to fund move-on accommodation for rough sleepers and those at immediate risk of rough sleeping, and an additional £262 million to substance misuse treatment and recovery services. He also announced a new £46 million cross-Government programme to help people facing multiple disadvantage, aiming to ensure that around 5000 people with multiple needs get joined-up help from local services, including health, probation, job centres and local authorities.

Housing Infrastructure Fund

The SHIH remains a government priority. Existing funding streams continue and further details will be announced in due course.

Public Works Loans Board

In October 2019, the Treasury raised the interest rate on new loans from the PWLB because of concern about the surge in local authority borrowing. From 12 March this increase has been reversed for borrowing for social housing (but not, it seems, for borrowing by local housing companies). The Treasury has launched a consultation on reform of PWLB lending terms to prevent local authorities delivering PWLB loans into investment assets. The consultation paper is here: <https://www.gov.uk/government/consultations/public-works-loan-board-future-lending-terms-consultation>

Planning

“Comprehensive” reform of the planning system is proposed, with a Planning White Paper later in the Spring. On 12 March, Robert Jenrick announced initial proposals, including a national register of brownfield sites and measures to make it easier for developers to use them for housing. His announcement is here:

https://www.gov.uk/government/news/robert-jenrick-plans-for-the-future-to-get-britain-building?utm_source=0b0afa28-c1ca-46a8-8f2a-4c49db397d97&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

Welfare Reform

The government is ending the benefit freeze and increasing working age benefits by 1.7% from April 2020. The roll-out of Universal Credit will continue as previously schedules, with minor reforms: the government will help ensure claimants can repay debts in a more sustainable and manageable way by reducing the maximum rate at which deductions can be made from a UC award from 30% to 25% of the standard allowance and giving claimants up to 24 months to repay advances.

Climate Change

The heating of our homes will need to be virtually zero carbon by 2050, replacing natural gas and other fossil fuels with low carbon alternatives – likely to be primarily a mix of green gas, heat pumps and heat networks. To meet this challenge, the Budget accelerates the greening of the gas grid by announcing a new support scheme for biomethane, funded by a Green Gas Levy. The government will also support the installation of heat pumps and biomass boilers by introducing a Low Carbon Heat Support Scheme. Recognising the energy efficiency benefits of heat networks, the Budget confirms funding for the Heat Networks Investment Project for a further year to 2022 and provides £270 million of new funding to enable new and existing heat networks to adopt low carbon heat sources.