Briefing Paper

Autumn Statement 2014 – Implications for Housing and Local Government

December 2014

Introduction

The Chancellor presented his autumn statement to Parliament on 3rd December 2014. The previous day the government also made announcements about infrastructure and other policy initiatives. The purpose of this briefing paper is to summarise the implications for housing and local government.

Economic Position

The government considers that the United Kingdom public finances are on track to be in surplus by 2018/19, despite upward revisions to borrowing forecasts for this year and next. The Chancellor acknowledged that revenues would be £23billion lower in 2017/18, but said that this would be offset by lower spending. Updated forecasts from the Office for Budget Responsibility put borrowing at £91.3billion in 2014/15 and £75.9billion in 2015/16, up from £86.4billion and £68.3billion as stated in the March Budget.

The Chancellor predicts that after 2015 borrowing will fall increasingly rapidly, allowing the public finances to show a £4billion surplus in 2018/19, rising to £23billion in 2019/20. Revenues are expected to be £23billion lower in 2017/18, but the Chancellor considers that this fall would be offset by three things: the reduced welfare bill, saving £4billion a year; revisions to national accounts, which have slightly increased the measured rate of spending cuts, yielding another £4billion; and lower interest on the national debt delivering a saving of £16billion.

The government forecasts that the deficit is forecast to fall by 0.6% of Gross Domestic Product to 5%, half the 10.2% level it stood at in 2010. He said:

"It's still too high – but with our plan it falls again to 4% next year, then 2.1%, then 0.7% before we move into surpluses of 0.2% and 1% of Gross Domestic Product… The structural deficit also falls and moves into surplus at the same pace over the next five years, as forecast at the Budget."

Debt is expected to peak at 81.1% of Gross Domestic Product next year, before starting to fall, dropping to 72.8% of Gross Domestic Product in 2019/20.

An underspend of £10billion this year has allowed the government to put £2billion into the National Health Service, while the windfall from the foreign exchange fines paid by the banks would fund a £1.2billion investment in General Practitioner services across the United Kingdom. However, critics have claimed that this is not 'new money' as it was already 'in the system'.

The Chancellor also reiterated that the government was committed to reduce departmental spending in the first two years of the next Parliament to ensure that the surplus is delivered. He said:

"Our control of public sector pay these past four years has delivered £12 billion of savings. By continuing to restrain public sector pay we expect to deliver commensurate savings in the next Parliament until we have dealt with the deficit."

With tax receipts deteriorating, some were expecting a gloomier outlook for the public finances. However, this autumn statement has been delivered only five months before a general election and the government could therefore have been expected to be up-beat. However, it should be noted that the forward projections are based on two key assumptions:

- Increasing tax revenues. Despite the recent 'recovery' of the economy tax revenues have, so far, not increased as significantly as the government has anticipated. If this situation continues the planned increase in tax revenues may not materialise. There is also evidence of a slowing of economic growth internationally that would have an adverse effect on forecasts of growth in the United Kingdom.
- Reduced expenditure. The assumed reductions in expenditure are even more drastic than those that have been seen between 2010 and 2014. However, details of how they are to be achieved have yet to be announced. Presumably this will happen as part of the 2015 Comprehensive Spending Review that will follow the 2015 general election.

Summary of Housing and Welfare Measures

The main housing and welfare measures announced were:

- Stamp duty will be completely reformed. In its previous format there were steep increases in the amount of tax due at each threshold change, in future the higher rate will only apply to the part of the price within the higher band.
- That the government will master plan, build and sell up to 15,000 new homes at former RAF base Northstowe in Cambridgeshire. The Homes & Communities Agency will lead on this new delivery model and the scheme will be evaluated to decide whether it should be pursued on a larger scale.
- That the current affordable housing programme will be extended for a further two years to 2020, increasing the funding available by an additional £957million and allowing for a total of 275,000 new homes over the five year period.
- A consultation on streamlining the process for selling on shared ownership properties.
- A consultation on ways to increase stock transfer housing associations ability to borrow by revaluing properties transferred from local authorities.
- A new garden city at Bicester to provide around 13,000 new homes.
- That universal credit work allowances (Housing Benefit earnings disregard) will be frozen for an extra year, meaning that they will now remain at their current level until 2018.
- A number of measures to try and speed up the planning process including a review of the way section 106 agreements are negotiated and continuing to monitor local authority performance and the release of enough public sector land for up to 150,000 new homes.

Summary of Local Government Measures

There will be a review of business rates to help High Street stores take on internet firms.

Summary of Other Measures

Other measures include:

- A 25% "diverted profits" tax - often called a 'Google tax' - would be aimed at multinational companies
- Air Passenger duty for children under-12 would be abolished next year, and under-16s from the following year
- Bank profits which can be offset by losses for tax purposes would be limited to 50%.
- An extra £2billion will be put into the National Health Service across the United Kingdom (however in Northern Ireland, Scotland and Wales the devolved administrations would have discretion over which services the extra funding will be spent on). The Scottish Government has already said that it will allocate these resources to the National Health Service.
- Value Added Tax for hospices and air ambulances would be refunded
- Fuel duty will be frozen.
- The United Kingdom will play a 'lead role' in a European mission to Mars.
- Investment in businesses, academies, research and culture to create a 'northern powerhouse' in England
- People will be able to pass on their tax-free ISA allowances to spouses when they die.
- There will be a new £90,000 charge for people who are non-domiciled in the United Kingdom for tax purposes but have lived there for seventeen of the past twenty years
- The higher rate income tax threshold will rise to £42,385 in 2015/16.

Business Rates

The government will conduct a full review of the structure of business rates that would report by Budget 2016. Under the current system of part-localisation, local government retains 50% of business rate growth that is intended to encourage local authorities to approve development.

Business leaders say that the current system, which is a charge based on the rental value of properties, disadvantages firms with large high street presences against online retailers.

The government also announced thatsmall business rate relief would continue in 2016/17, exempting around 385,000 of the smallest businesses from rates and a further 190,000 benefiting from some reduction in the tax.

However, the government has pledged that reforms to business rates will not impact on the finances of local authorities with the autumn statement saying that:

"The review will be fiscally neutral and consistent with the government's agreed financing of local authorities."

Stamp Duty

Stamp duty will be cut on all transactions over £937,000 benefitting 98% of homebuyers. For a £275,000 house purchase the reduction in stamp duty is estimated as £4,500. The current system (where the amount owed jumps at certain price levels) will be replaced with a graduated rate working in a similar way to income tax. The changes represented a tax cut of £800million a year.

The new stamp duty rates are:

£	%
0 - 125,000	0
125,001 - 250,000	2
250,001 - 925,000	5
925,001 - 1,500,000	10
1,500,001 and over	12

Mr Chote of the Office for Budgetary Responsibility said that the reform could put up house prices in some areas, predicting prices would rise where the tax had fallen, and fall where it had risen. With house values predicted to increase by 30% between now and 2020 some commentators have concluded that in the long-term the reformed system will raise more revenue than the previous system and could even be regarded as a 'stealth tax'.

The new rates will apply in Scotland until April 2015, when the Land & Buildings Transaction Tax replaces stamp duty in Scotland. However, the new stamp duty rates in the United Kingdom are lower than those proposed in the Land & Buildings Transaction Tax causing speculation that this may 'force' the Scottish government to review their scheme.

National Infrastructure Plan

The Chief Secretary to the Treasury (Mr Danny Alexander) announced the National Infrastructure Plan the day before the Autumn Statement, saying that the government's commitment to infrastructure is a crucial part of the long-term economic plan. High quality infrastructure boosts productivity and competitiveness, and can unlock economic potential across the United Kingdom.

The National Infrastructure Plan 2014 sets out the government's infrastructure vision for the next parliament and beyond, reinforcing their commitment to investing in infrastructure and improving its quality and performance. It also summarises the progress that has been made during this parliament, including the completion of over 2,500 different infrastructure projects or schemes. However, it should be borne in mind that the present government ,made significant reductions in government capital investment budgets as part of the Comprehensive Spending Review in 2010.

The National Infrastructure Plan is underpinned by the infrastructure pipeline, which is a forward-looking, bottom-up assessment of planned public and private infrastructure investment in the United Kingdom. The refreshed infrastructure pipeline sets out over £460billion of planned public and private investment to the end of the decade and beyond across the key infrastructure sectors.

The announcements contained in the National Infrastructure Plan include the following schemes:

- Flood defences - The government has published its six-year programme of investment in flood defences, allocating the £2.3billion capital funding provided at the 2013 Spending Round.
- Northstowe - The government will take forward development at Northstowe, to support accelerated delivery of up to 10,000 homes, and evaluate the feasibility and economic impact of using this model at a wider scale to support and accelerate housing supply (see below).
- Barking Riverside - The government will agree a principal heads of terms agreement for a loan of £55million to support the extension of the Gospel Oak to Barking Line to Barking Riverside, to unlock the delivery of up to 11,000 new homes.

- Brent Cross - The government supports the London Borough of Barnet and Greater London Authority plans for the regeneration of Brent Cross which could deliver 7,500 homes, subject to a full business case.
- Ebbsfleet - The government is making the first £100million available to fund infrastructure and land remediation at Ebbsfleet, taking forward its commitment to build the first new garden city for almost 100 years, which will deliver up to 15,000 new homes. Improvements to the A2 Bean and Ebbsfleet Junctions will be delivered as part of the Highways Agency programme. The government will also undertake a review of transport provision for the Ebbsfleet area, including Crossrail, High Speed 1, Southern and Southeastern rail services.
- Queen Elizabeth Olympic Park redevelopment (Olympicopolis) - The government will invest £141million to support the London Legacy Development Corporation and Mayor of London's plans to build a new higher education and cultural quarter at the Queen Elizabeth Olympic Park.
- Roads Investment Strategy - The government is committing £15 billion between 2015/16 and 2020/21 to continue the transformation of the Strategic Road Network, including major projects for the A303, A1, A47 and A27.
- Crossrail 2 - The government will provide £2million between 2014/15 and 2015/16 to support the development of a comprehensive business case produced jointly by the Department for Transport and Transport for London, to complete ahead of the next Spending Review. This will be combined with a full options appraisal of all potential major transport projects in London, including an extension of the Bakerloo Line to improve connectivity in south east London, and the devolution of South Eastern rail services to London.
- Local highways maintenance grant - The government has already announced that local highways maintenance funding will be increased, totalling £5.8billion over the next six years, and can now announce how the formula grant will be broken down by region
- Clean Vehicle Technology fund - The government will provide up to £4million to extend the Clean Vehicle Technology fund in 2014/15 which funds road vehicle modification by Local Authorities in order to reduce air pollution.
- Cycle City Ambition grants - As announced by the Deputy Prime Minister in November, the government will provide £114million between 2015/16 and 2017/18 to enable the continuation of the Cycle City Ambition scheme in the eight cities it already covers. This will provide capital funding for better cycle infrastructure such as segregated lanes and improved junctions.
- Bath City Centre Congestion Relief - The Government welcomes the strategy put forward by Bath and North East Somerset Council and the West of England Local Enterprise Partnership to improve transport capacity East of Bath and reduce city centre congestion. The government will consider a business case, which will be developed by Bath and North East Somerset Council that assesses the viability of proposals including a park and ride, as well as a park and rail service, located to the East of Bath.
- Planning - The government will publish proposals for Compulsory Purchase Reforms for consultation at Budget 2015 to make processes clearer, faster and fairer, with the aim of bringing forward more brownfield land for development The government will take forward measures to ensure that the principle of development need only be is established once. The government will take steps to speed up section 106 negotiations, to reduce delays to the planning process. The government will keep speed of major decisions under review, with minimum performance thresholds increasing to 50% of major decisions made on time as performance improves.

The Government also announced a number of additional housing and planning measures:

- Bicester - The government will support a new garden town at Bicester to provide up to 13,000 new homes subject to value for money.
- Public sector land: housing delivery - The government will set ambitious targets for the release of public sector land between 2015 and 2020. Government is committed to releasing land with capacity for up to 150,000 homes.
- Affordable housing - The government will extend affordable housing capital investment to 2018/19 and 2019/20, to ensure that 275,000 new affordable homes can be delivered over the next Parliament.
- Shared ownership - The government will work with housing associations, lenders and the regulator to identify and lift barriers to extending shared ownership, including a consultation on options for streamlining the process for selling on shared ownership properties.
- Housing Associations - The government will consult on ways to increase the borrowing capacity of housing associations in relation to the valuation of properties transferred from local authorities (see below).
- Estates Regeneration - Budget 2014 announced a £150million fund to kick start the regeneration of social housing estates through repayable loans. Following a bidding round, Grahame Park, Blackwall Reach, Aylesbury Estate and New Union Wharf regeneration projects have all now been approved for funding, subject to due diligence and contract negotiations (see below).
- Planning: small applications - The government will publish new data on Local Authorities' performance in meeting their statutory duty to process smaller planning applications within eight weeks.
- Planning: small sites - The government will work with industry and Local Authorities to test whether more can be done to support the approval of small sites in the planning system.

Large Scale Voluntary Transfer Valuations

The Government has committed to consult on large scale voluntary transfer stock valuation restrictions. It is considered that lifting restrictions on the way housing associations value their stock would enable them to use their assets more effectively and borrow more money to build new homes at no extra cost to the public purse.

Current legislation requires large scale voluntary transfer organisations to use a system called Existing Use Value Social Housing to value stock, whereas other housing associations have the option to use a system called Market Value Subject to Tenancy. Existing Use Value for Social Housing values stock at around 30% to 45% of market value - compared with 60% for Market Value subject to Tenancy.

Research conducted last month from a sample of five housing associations showed lifting the restrictions could increase borrowing capacity from between £60million and £320million.

The government also announced it will 'work with housing associations, lenders and the regulator' to lift barriers to extend shared ownership. This will include a consultation on streamlining the process for selling-on shared ownership homes.

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Affordable Housing Programme

The Chief Secretary to the Treasury said the affordable homes programme would be extended to 2020, with £957million of funding to help build 275,000 affordable homes over the life of the next Parliament. He said:

"New houses support economic growth and are a crucial element of a fair society, so I've prioritised the investment of almost £2bn to ensure we can build on average 55,000 new homes a year until 2020. Combined with the other measures we are announcing today, we will vastly increase supply by providing funding certainty, unlocking capacity in housing associations and kick starting stalled regeneration projects."

Communities Secretary Eric Pickles said:

"We've seen how getting the country building has been key to our long term economic plan – helping hard-working people become homeowners and creating thousands of construction jobs… Today we're offering a blueprint for how we maintain this momentum, supporting local communities to deliver the homes they want to see, making the best possible use of brownfield land and protecting the Green Belt… Taken together with our plans for a new programme of affordable house building, these measures could deliver thousands of new homes across the country."

Government commissioning of new Housing

The government will pilot its plan to 'directly commission' new housing. 'Direct commissioning' will be piloted on a 10,000 home site at a former RAF base in Northstowe. The Chief Secretary to the Treasury said:

"To get to [300,000 homes per year] requires us to think radically… An idea I have been promoting is the direct government commissioning of housing."

He said the government would decide on a figure for the number of homes the country needed in a specific year and said:

"The message to the house building sector would be simple: if you can't deliver these homes, we will... We will be undertaking a detailed government review to examine the potential of direct government commissioning for housing to deliver the number of homes we need."

The Homes and Communities Agency will lead the development of the Northstowe site, acting as master planner and commissioner. This will see it delivered 'twice as fast as the conventional development routes', with the government reporting on the 'feasibility and economic impacts of pursuing this model at a wider scale', the National Infrastructure Plan document said.

The Treasury will make an up-front investment in the development, which will be master-planned, commissioned and sold by the Homes & Communities Agency, with additional funding then raised by the sale of the homes. The Homes & Communities Agency usually awards government funding to house builders or sells public land to developers, rather than leading construction itself. However, following the pilot, ministers will consider the feasibility of using this direct model on other sites to support and accelerate housing supply.

It is not clear how this initiative links with 'localism' and 'devolution'.

However, some commentators point out that it is only when the state has been involved that truly mass house building has taken place. The building booms of the postwar years had a lot to do with the government. Building on land the government already owns is one thing, but if the review concludes that the government could directly commission homes elsewhere, then this would become a major venture.

Regeneration funding

The Government has shortlisted four housing estates for £150million of regeneration funding. The plans would deliver 8,000 new well-designed homes – an increase of 3,000 across the four sites – and would safeguard and create up to 16,000 construction jobs. Subject to due diligence and commercial negotiations, the four estates are:

- The Aylesbury Estate in Southwark, which will be built by the Notting Hill Housing Trust – the 2,673 properties currently on the site will be replaced with 3,548 homes.
- Grahame Park in Barnet, which will be built by the Genesis Housing Association – the 1,984 properties currently on the site will be replaced or refurbished to give 2,838 homes.
- Blackwall Reach in Tower Hamlets, which will be built by Swan Housing Association and Swan New Homes – the 252 properties currently on the site will be replaced with 1,477 homes.
- New Union Wharf in Tower Hamlets, which will be built by the East Thames Group – the 189 properties currently on the site will be replaced with 399 high quality homes.

Implications for Public Expenditure

The government has confirmed that £14.5billion will need to be saved during the first two years of the next Parliament through ongoing reductions to departmental spending. The Chancellor said:

"We've shown in this Parliament that we can deliver spending reductions without damaging frontline public services if you're prepared to undertake reform… Crime is down. Satisfaction with local government services is up – savings and reform. We will do exactly the same again."

In its report accompanying the statement, the Office for Budget Responsibility said the government's overall plan was to reduce public spending from £5,650 per head in 2009/10 to £3,880 in 2019/20. Some 60% of this reduction was still to come in the next parliament. The Chairman, Robert Chote, predicted a 'very sharp squeeze' on public service spending in the next parliament based on the figures available. Statistics also show that salaries and wages are still failing to increase in line with price inflation.

The Office for Budgetary Responsibility has forecast that by 2019/20 expenditure on public services and administration will fall to its lowest level as a proportion of Gross Domestic product since the 1930s. In 2008/09 it was 21.2% but in 2019/20 it is forecast to fall to 12.6%.

As the government is protecting budgets for health, education, overseas aid and capital expenditure; and as expenditure on debt interest and pensions will increase; the budget reductions will fall disproportionately on other services such as housing and local government. The Office for Budgetary Responsibility calculates that expenditure on these budgets will fall from 11.3% of Gross Domestic Product in 2014/15 to 4.2% in 2019/20. This represents a 43% cut over the five years and a 57% cut when compared with 2009/10. They also calculate that there would be a reduction of about a million in the number of public sector employees.

It is difficult to imagine how local authorities could provide, for example, a recognisable social care service in this situation. The Office for Budgetary Responsibility comments that this:

"Would pose a significant challenge if they were confirmed as firm policy, one that would be all the greater if existing protections were maintained."

Reaction of the Local Government Association

Responding to the announcement, a Local Government Association spokesman said:

"Councils have been urging government to overhaul business rates and remove the obstacles which prevent us from supporting high street shops, small firms and new start-ups as much as we would like to. It is encouraging news for business that the chancellor has listened… We need a system of local business taxation which is fit for the 21st century, which supports the areas in which companies operate and which helps, rather than hinders, business and the growth of our economy. We also need to ensure the business rates system gives local areas the freedom and the finance to invest in the infrastructure and the services upon which businesses rely."

He said it was vital that any changes do not have an adverse impact on local government funding or investment made on the basis of the current system, saying:

"The money which a business pays should be retained by local government to invest in the vital local services, all of which help local businesses either directly or indirectly."

County Councils Network chair David Hodge said he would back any moves to support entrepreneurs and businesses:

"Today's announcement on business rates review for England needs to place devolution at its core to boost the United Kingdom economy as a whole… A more devolved system of local business taxation, with powers for local areas to vary their rates and retain a greater share of the proceeds of growth, is essential for counties aiming to deliver the infrastructure, skilled workforce and investment that creates the environment for local businesses to flourish."

Reaction of the National Housing Federation

The National Housing Federation chief executive David Orr said:

"The Chancellor's acknowledgement that in order to have a stable housing market we need to focus on building more homes and regenerate economically stalled areas is welcome. A number of measures he announced in the Autumn Statement are steps in the right direction. The next step will be to put housing at the heart of long-term Government plans for economic recovery."

"Right to Buy already gives hundreds of thousands of people the rare opportunity to own their own home. But the homes sold through Right to Buy are not being properly replaced. While we support the aim to help more social housing tenants own their home, it is questionable whether providing mortgage finance, in addition to the currently available property discounts, is the most effective use of government funding. This risks increasing the number of affordable homes being sold, at a time when England faces a severe housing crisis and funding for affordable housing has been drastically cut.

"If the Government is serious about increasing the number of homes, it urgently needs a plan to replace homes sold through Right to Buy and deliver the commitment for one-to-one replacements.

"It's important that people and communities support local developments, but the Community Infrastructure Levy was designed to make developments acceptable by delivering necessary infrastructure. We are concerned that further attempts to dilute the Community Infrastructure Levy by passing a portion to individuals will prevent necessary infrastructure being delivered or increase Community Infrastructure Levy charges at the expense of affordable housing. We support incentives to encourage local authorities to grant planning permission in a sensible time-frame. Developers would be able to get on site quicker and build homes faster in communities that really need them. However, we would not support the reintroduction of thresholds for section 106 affordable housing contributions. All developments, irrespective of size, should include a contribution to affordable housing given the desperate need for these types of homes around the country.

"We welcome the announcement to raise the borrowing limits for local authorities by £300million over two years from 2015/16. Allowing local authorities to use their assets to raise additional finance will help provide much needed local investment in new homes. We also welcome the expectation that delivery will be achieved through closer partnerships between local authorities and housing associations. While £300million is a modest step in the right direction and could provide a much needed short-term boost to housing supply, the 10,000 new affordable homes it aims to deliver must not undermined by the disposal of high-value stock and increased Right to Buy sales. We also need to see more detail on how the funding will be devolved and administered. Much more needs to be done in the long-term to realise the full potential of local authority housing finance reforms.

"The renewed focus on the regeneration of housing estates is a positive step. These economically stalled areas are in desperate need of investment and the loans proposed in the Autumn Statement could help kick-start regeneration, but details on the terms that these are available will be crucial. However, to really regenerate these communities and turn these neighbourhoods around, we need to think more strategically and creatively about the future role and impact of housing in these areas.

"Capping welfare spending including some of the help available to low-income families to pay their rent is a big concern. The housing benefit budget has already been cut hard and any further reductions in entitlement would bring more hardship. The confirmation that the £40 million increase in the Discretionary Housing Payment budget beyond 2014 will be maintained is welcome. However Discretionary Housing Payments remain an inadequate solution for the hundreds of thousands of people hit by the unjust and cruel bedroom tax.

"We welcome the announcement of a more realistic timetable and the gradual introduction of Universal Credit. It's crucial that this new benefits system is delivered safely and securely, and that people have time to prepare for the major changes.

"We support the Government's ambition to cut the amount people and families spent on energy costs. But the only way to do this is to improve the quality of homes, not by cutting the amount of money available for making them more energy efficient. Extending the ECO deadline and not cutting the funding totally is positive, but reduced funding means that some housing association improvement schemes will not be able to start and their investment will be lost. The Government must strengthen this pot of funding rather than weakening it."

Reaction of the Chartered Institute of Housing

Prior to the statements the Chartered Institute of Housing submitted a four point submission calling on the government to:

- Support vulnerable people living in the private rented sector by establishing a £100million fund which local authorities could bid for to support more vulnerable tenants living in the private rented sector
- Review the right to buy scheme to ensure one for one replacement of homes sold, that tenants can afford to buy their home and that vulnerable tenants are protected from exploitation
- Remove stamp duty for those pensioners in receipt of pension credit who are downsizing
- Raise local authority borrowing caps.

Responding to the announcement, Grainia Long, Chief Executive of the Chartered Institute of Housing, welcomed the reforms, saying the stamp duty system had been ‘very badly designed and as a result has been distorting house prices for many years’ but she added that the changes should be the first in a broader review of the way in which property is taxed. This should include exempting homeowners in receipt of Pension Credit from stamp duty to encourage them to move to smaller homes so freeing larger ones for families.

The Chartered Institute of Housing welcomed the changes to stamp duty as they have long been of the view that the property tax system needs reforming to make it fit for purpose. The ‘slab’ system of stamp duty was very badly designed and as a result has been distorting house prices for many years. The changes may make home ownership more affordable for some people who have been struggling to save the deposit needed, especially in areas where prices have risen particularly dramatically. This sensible change means that stamp duty will be less likely to distort the housing market. They would like this to be the first step in a broader review of the way we tax property.

However if we want to make home ownership – and other tenures – more affordable in the long term we also need to tackle the underlying problem of supply. The United Kingdom is not building enough homes to keep up with demand, which means that millions of people are being priced out of a decent home, whether that’s to rent or buy. The Chartered Institute of Housing has been calling on the government to recognise housing as a critically important form of infrastructure for some time and they welcome the government’s plans to directly commission 10,000 new homes at Northstowe – and to examine the potential of this model on a bigger scale. The only time when we have built anywhere near the number of homes we need in recent history has been when the government has played a direct and active role in providing new homes. They would also urge the government to set a national house building target to help tackle the housing crisis in a generation.

Regarding the extension of the affordable homes programme, the Chartered Institute of Housing believe that government should be looking to fund new homes for social as well as ‘affordable’ rent. We need more homes for social rent so that people struggling on low incomes can afford a decent home. Affordable rent has a role to play but it doesn’t work for everyone - as it can be up to 80 per cent of market rent it is simply not affordable for many people, especially in London and the south east.

Responding to the launch of the National Infrastructure Plan 2014, Grainia Long, Chief Executive of the Chartered Institute of Housing said:

"The Chartered Institute of Housing has been calling on the government to recognise housing as a critically important form of infrastructure for some time so its place in today's plan is welcome. We've been failing to build the number of new homes we need for decades – the result is a housing crisis in which millions of people are being priced out of a decent home.

"We need radical solutions if we are to have any hope of solving this crisis within a generation, so the government pilot to directly commission 10,000 new homes at Northstowe – and to examine the potential of this model on a bigger scale – is a very welcome development. Earlier this year I called on the government to set a national target for house-building, and as we have pointed out, the only time when we have built anywhere near the number of homes we need in recent history has been when the government has played a direct and active role in providing new homes."

Responding to the Autumn Statement itself, Grainia Long, Chief Executive of the Chartered Institute of Housing said:

"We have long been of the view that our property tax system needs reforming to make it fit for purpose. The 'slab' system of stamp duty was very badly designed and as a result has been distorting house prices for many years, so we welcome the reforms announced today.

"It may make home ownership more affordable for some people who have been struggling to save the deposit needed, especially in areas where prices have risen particularly dramatically. This sensible change means that stamp duty will be less likely to distort the housing market, but we'd like this to be the first step in a broader review of the way we tax property. We have already suggested that the government should consider removing stamp duty altogether when older home owners who receive Pension Credit move to smaller properties, which would make downsizing more affordable for older people on low incomes and free up bigger homes for larger families.

"Fundamentally, if we want to make home ownership – and other tenures – more affordable in the long term we also need to tackle the underlying problem of supply. We are not building enough homes to keep up with demand, which means that millions of people are being priced out of a decent home, whether that's to rent or buy. That's why we welcomed the measures in yesterday's National Infrastructure Plan. The Chartered Institute of Housing has been calling on the government to recognise housing as a critically important form of infrastructure for some time. We would also urge the government to set a national house building target to help tackle the housing crisis in a generation. And allowing councils to borrow more would mean that they could build 75,000 new homes over five years, creating 23,500 jobs and creating £5.6bn of economic activity.

"If we are going to build the number of homes that we need to solve the housing crisis, garden cities and other new developments are going to be a huge part of the mix."

"We need more homes for social rent so that people struggling on low incomes can afford a decent home. Affordable rent has a role to play but it doesn't work for everyone - as it can be up to 80 per cent of market rent it is simply not affordable for many people, especially in London and the south east."

Regarding the proposal to freeze working age benefits for two years. Grainia Long said:

"We are extremely concerned about this proposal, as it fails to reflect the reality of the housing crisis. We are not building enough homes, which means the cost of housing and therefore the housing benefit bill is going up. Millions of people have no choice but to rely on housing benefit to secure a roof over their head. That includes an increasing number of people in work – the number of people in work who still have to claim housing benefit has more than doubled from around 445,000 to just over a million in the last five years."

Reaction of the Chartered Institute of Public Finance & Accountancy

The Chartered Institute of Public Finance & Accountancy complained that the Autumn Statement did not provide any explanation of how public services will be able to deliver the cuts still to be made.

Chief Executive Rob Whiteman warned public services face increasing challenges to maintain delivery for taxpayers. He highlighted that public services faced 'staggering pressure', with continued budget reductions planned into the next parliament and warned this meant services face increasing challenges to maintain delivery for taxpayers. He said:

"When you add in the impact of the ring-fencing of some budgets, such as the National Health Service and the protection of pensioners, the significance of the cuts still to come for other areas of public spending could damage their ability to deliver. However, today's statement contained little recognition of this and no explanation from the government about how public services will continue under such long-term pressures."

He added that the Chartered Institute of Public Finance & Accountancy has long argued there is a need to move beyond the short-term nature of funding in this country and avoid measures aimed only at the next political cycle, saying:

"As we stated in our recent manifesto, we urgently need to start to address our long-term challenges and work to fix the public finances for the next decade, not just the next election."

Responding to the announcement of a review of business rates, Whiteman said it was welcome but urged that the impact on councils be carefully considered saying:

"We would hope that its remit will include a review of the scope for greater local control over both income and the level of the business rates."

Conclusions

Perhaps the most significant thing about the 2014 Autumn Statement is not the list of measures that was announced – of which some have been welcomed in the housing and local government sectors while some have not – but the long-term assumptions and forecasts.

Public finances in the United Kingdom clearly continue to be weak and, if anything, the government's forecasts may prove to be optimistic. However, even if the projected economic growth and increases in tax revenues does occur, the financial projections to 2019/20 include an assumption that there will be unprecedented reductions in public expenditure that will be focused on a narrow range of services including housing and local government. If this happens the budget reductions between 2015 and 2020 will be far greater than those between 2010 and 2015, radical approaches will be required and services will become unrecognisable compared with what they have been.

Local authorities and housing providers will have to be increasingly innovative and determined if they are to continue to meet the pressing needs of individuals and communities for housing, social care and other essential services.

Adrian Waite
December 2014

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

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