Briefing Paper

Autumn Statement 2013 and Housing

December 2013

Introduction

George Osborne MP, the Chancellor of the Exchequer, made his autumn statement on 5th December 2013. He said that the United Kingdom is growing faster than any other major economy, but the job of recovery was 'not yet done'. He predicted that the United Kingdom government would be 'back in the black' by 2018/19 but said that money was still tight.

The Autumn Statement is a half-yearly update on the Budget, allowing the Chancellor to give MPs a guide to his tax and spending plans. These plans are based on the economic projections provided by the Office for Budget Responsibility - a body set up in 2010 to provide independent economic forecasts.

If George Osborne were to remain chancellor after the election, the austerity would roll on and there would be a significant reduction in what many would see as the state.

Macro-Economic Position

Growth forecasts have been revised up, with the Office for Budgetary Responsibility now expecting growth this year to be 1.4%, more than double the 0.6% it predicted in March. Next year, economic growth is expected to reach 2.4% (up from 1.8%) and expectations have been revised up for each of the following four years, peaking at 2.7% in both 2017 and 2018.

The Office for Budgetary Responsibility said the United Kingdom economy had picked up more strongly than expected this year thanks largely to an increase in private consumption and housing investment, although it added that business investment and net trade 'have continued to disappoint' and that this year's rate of recovery was unlikely to be sustained next year. The Office for Budgetary Responsibility said:

"While consumer confidence, credit conditions and the housing market have improved, productivity and real earnings growth have remained weak… Ultimately, productivity-driven growth in real earnings is necessary to sustain the recovery. So we expect quarterly Gross Domestic Product growth to slow into 2014, and then to strengthen gradually as productivity picks up. The outlook for productivity growth is the key uncertainty confronting all United Kingdom forecasters.'

The United Kingdom public finances will be in surplus by 2018/19, Chancellor George Osborne said. According to the Autumn Statement, underlying public sector net borrowing that excludes the impact of the Royal Mail pension scheme and the Asset Purchase Facility transfer – is set to fall to 6.8% of gross domestic product this year, down from the 7.5% forecast by the Office for Budgetary Responsibility in March. It is then predicted to fall to 5.6% next year and go on declining, reaching 1.2% in 2017/18. By 2018/19 on this measure, the Office for Budgetary Responsibility does not expect a deficit at all, instead, they expect Britain to run a small surplus.

George Osborne said:

"These numbers mean that the government will meet its fiscal mandate to bring the structural current budget into balance, and meet it one year early."

In cash terms, borrowing is set to fall from £111billion this year – £9billion less than March forecasts – to £23billion in 2017/18 and for the public finances to show a small cash surplus in the following year. But the chancellor stressed that this surplus would only be achieved if the government stuck to its austerity plans.

Debt is set to start falling in 2016/17, one year earlier than forecast, although the Chancellor noted that this was a cyclical improvement and the fall in the structural deficit has not improved.

BBC Business Editor Robert Peston said the small budget surplus predicted for 2018/19 depended on the government slashing public spending as a proportion of GDP to levels last seen in 1948, which he said was a 'remarkable change'.

Other economists have warned that the 'recovery' appears to be based on an increase in consumer spending funded by borrowing and that this may not be sustainable.

Key Announcements

In the current financial year, central government departments are projected to underspend by £7billion, which the chancellor said allowed departmental budgets in both 2014/15 and 2015/16 to be reduced by £1billion.

The Chancellor also pledged to exempt councils from a further £1billion budget cut being placed on some Whitehall departments next year, so town halls will be able to freeze the council tax for a fourth year from April.

As well as councils, George Osborne said the ring-fenced areas of government spending in schools and hospitals would remain protected, while the security and intelligence agencies and Revenue & Customs would also be exempt.

It was announced that the pension age would 'keep track with life expectancy' to save future taxpayers £500billion. The date when the state pension age rises to 68 will be brought forward to the mid-2030s - it had not been due to increase until 2046 - and the age could rise to 69 by the late 2040s. It means people now in their forties will not get the state pension until they are 68, while those in their thirties will have to wait until they are 69.

Other key announcements included:

- Economy to grow 1.4% this year - double the 0.6% predicted in March, with 2.4% growth next year instead of 1.8%
- An extra £1billion of cuts from the budgets of government departments for each of the next three years
- Car tax discs to be scrapped and replaced by an electronic vehicle excise duty system
- Next year's planned 2p a litre fuel tax rise will not be implemented
- Borrowing falls more than forecast and employment forecasts are revised up
- Employer National Insurance contributions for under-21s earning less than £42,285 discontinued from April 2015
- Tax breaks to encourage 'fracking' for gas
- A cap on total government welfare spending will start in 2015
- An extra £150million to update and build kitchens and dining rooms in English primary schools

- A move towards subsidising offshore wind farms instead of onshore wind farms
- Plans for £375billion of investment in energy, transport, communications, and water projects
- Selling off the government's 40% stake in the Eurostar rail service

Other key measures for housing and welfare included:
- There will be a £1billion, six year programme to unlock new large housing sites. The programme will begin in 2014/15, on nine specific sites, capable of unlocking around 27,000 houses. £50million of this will be earmarked for Local Enterprise Partnership supported bids
- There will be a consultation on options to introduce a 'right to move' for tenants who need to move for reasons of employment
- The government will introduce Right to Buy Agents to help households complete the purchase of their council home and provide £100million to improve applicants' access to mortgage finance
- The government will explore options for kick starting the regeneration of some of the worst housing estates through repayable loans
- A range of measured aimed at removing barriers to the building of new homes in the planning system. This includes a consultation on potential changes to the New Homes Bonus, which would introduce mechanisms to withhold payments where planning applications are only approved on appeal
- Further details of the cap on overall welfare spending, previously announced in the June 2013 spending round and due to take effect from April 2014. The Chancellor will set the level of the cap at the beginning of each parliament and if it is breached there will be a discussion and a vote in the House of Commons. The state pension and job seekers' allowance will both be excluded (see below)
- The government will pilot a new scheme for young benefit claimants. The scheme will make training mandatory for all 18 to 21 year olds without level 2 qualifications in English and maths who are receiving job seekers' allowance. After six months, claimants will be expected to participate in a work experience placement, a traineeship or community work placement
- From April 2015 non-residents disposing of United Kingdom residential property will be liable to pay capital gains tax.
- A review of the role of local authorities in the delivery of new housing
- £1billion in loans over six years will be made available to unblock large housing developments

The chancellor used his speech to cap business rate increases in England to 2% next year, rather than the rate of inflation, in an effort to boost firms and High Streets; and he announced a £1,000 discount in business rates for small shops and pubs, for the next two years, and halved rates for new occupants of vacant shops.

He announced that the government would review its fiscal framework, as set out in the Charter for Budget Responsibility, presenting an updated charter alongside next year's Autumn Statement. This review will consider whether fiscal credibility can be further enhanced by a stronger Parliamentary commitment to the path of consolidation in 2016/17 and 2017/18.

The government also announced a review of the role of local authorities in the delivery of new housing. The Local Government Association commented that:

"The current housing crisis means that councils must be provided with the flexibilities to allow them to invest fully in new housing. The Local Government Association looks forward to contributing to the two authoritative reviews of housing commissioned by the Government and the Opposition."

Pensions

It was announced that, from next April, the basic state pension would rise by £2.95 a week, leaving pensioners over £800 a year better off.

Planned rises in the state pension age are to be brought forward. The rise to 68 is to be shifted from 2046 to the mid-2030s and the rise to 69 to the late 2040s. The move is projected to save £500billion over the next 50 years. George Osborne stated that:

"The exact dates will be set by the future statutory reviews and in line with the most up-to-date demographic data, of which the next update is published next week… This is one of those difficult decisions governments have to take if they're serious about controlling the public finances… Young people will know our country can afford to give them a proper pension when they retire."

Mr Osborne's announcement on the state pension age sparked anger among trade unions and campaign groups, with the TUC saying:

"Today's young workers are being told they must work until they drop".

Unison general secretary Dave Prentis called the hike in the state pension age 'cruel and unnecessary' and said:

"It may be ok for the better off to work until they are 70 because they will have some years to enjoy their retirement. But for millions, they will never see their pension because they will die before that age. Does anyone seriously expect a 70-year old paramedic or nurse attending them in a medical emergency? And should we expect people who sweep our streets, clean our hospitals and schools to carry on doing those jobs?'"

Plaid Cymru's leader at Westminster Elfyn Llwyd said it was 'seriously unfair' because life expectancy in some parts of the country was 75.

Welfare Reform

The Chancellor announced that:

- Universal Credit will not be available across the United Kingdom until 2016 and that legacy cases will not be migrated over until 2016 and 2017
- The Government will increase Discretionary Housing Payments by £40million in both 2014/15 and 2015/16
- The government will set up a single fraud investigation service to tackle benefit fraud

The Local Government Association commented that:

"This further postponement in Universal Credit implementation means that the separate announcement that the Government will implement from 2014 a single, integrated fraud investigation service is in the Local Government Association's view premature. The Department of Work and Pension's business case and evidence base for a single service is not robust and councils remain concerned that the creation of a new national organisation to tackle benefit fraud may jeopardise their efforts to tackle non-benefit fraud and retain local knowledge. The revised timetable for Universal Credit provides a sensible opportunity to research the options more fully.

"Additional funding for Discretionary Housing Payments over 2014/16 is helpful and shows that the Government has listened to the Local Government Association's arguments that the current discretionary housing payment allocation is not sufficient and does not reflect changing geographical need. We hope that there will be further consideration of the distribution of discretionary housing payments going forward to better mirror need.

"In the light of the announcement today that migration of the majority of claimants into Universal Credit will now take place during 2016-17 the Local Government Association will seek a firm commitment from the Department for Work & Pensions that they will continue to fully fund the existing Housing Benefit system for as long as councils have to keep running it."

The Autumn Statement provided details of how the cap on overall welfare spending will work in practice, with the House of Commons having to sanction any breaches. A welfare cap was first mooted in the summer Spending Review, but it is now announced that the cap would be set by the chancellor of the day at the beginning of each Parliament. George Osborne explained that:

"If the cap is breached, they will have to explain why and hold a vote in this House… The principle is clear: the government has a responsibility to taxpayers to control their spending on welfare, and Parliament has a responsibility to the country to hold the government to account for it."

According to the Autumn Statement document, the cap will be set in nominal terms for each year over the five-year forecast horizon, but will not apply for the first year of the forecast, to allow the government time to implement policy changes to bring down spending if necessary.

The cap will cover £100billion of welfare expenditure, including all benefits including tax credits, income support and the vast majority of Housing Benefit. But state pension – the single biggest item of welfare expenditure – is to be excluded, as will the most 'cyclical' benefits for jobseekers.

George Osborne considers that including state pensions in the cap would not be fair, and said that it:

"Would mean cutting pensions for those who've worked hard all their lives because the costs on, say, Housing Benefit for young people had got out of control."

Mike Turley, Head of public sector at Deloitte, told 'Public Finance' that the government was right to try to bring this area of spending under control, but he added:

"However, when this is implemented, care needs to be taken to ensure that a cap on welfare spending does not lead to increased demand elsewhere… The possibility for knock-on increases in other public services is something local public service leaders have expressed concerns about."

Borrowing Cap

The relaxation of the local authority housing borrowing cap has been campaigned for by local authorities and housing organisations ever since it was first imposed by the government as part of the self-financing settlement.

The autumn statement included an announcement that the borrowing cap would be lifted by £150million in 2015/16 and a further £150million on 2016/17 with the allocation to be distributed through local enterprise partnerships. All stock owning authorities will be eligible to apply for additional borrowing capacity through a competitive process in partnership with Local Enterprise Partnerships and through local growth deals. George Osborne said the £300million increase would build 10,000 new affordable homes across England. However, councils had argued that the cap should be raised by £7billion or even repealed altogether, so the announcement provided only 4% of what councils had asked for and slightly less than £1million a year for each stock owning local authority. In this context the heading in 'Inside Housing on 6th December 2013 that 'Osborne frees councils to build' appears to be rather an exaggeration of a comparatively modest move.

The Local Government Association's comment appears similarly over-enthusiastic:

"The Government has today recognised the Local Government Association's argument that the current approach to constraining local authority borrowing for housing investment is not fit for purpose. This establishes an important principle and the provision of an £300million borrowing capacity over two years is a welcome first step."

It is understood that the move resulted from a deal negotiated between the coalition partners, in which the chancellor will raise English council borrowing limits in return for a further increase in right to buy discounts. A senior Liberal Democrat source described the deal as a 'trade off'.

This allocation will form part of the competitive bidding process the government will run to split the £2billion 'single pot' of Whitehall funding to England's 39 Local Enterprise Partnerships. Under the plan, councils will make proposals to build new homes using the borrowing facility as part of their Local Enterprise Partnership when bidding to agree a Local Growth Deal with the Treasury. Ministers will then allocate the funding based on a value-for-money assessment. It is understood there will be flexibility to increase borrowing headroom in areas of particularly acute housing need.

Sir Merrick Cockell (Conservative) Chair of the Local Government Association said:

"The easing of restrictions on housing investment announced today does not go as far as we would like, but it does show that our call for more local flexibility to drive economic growth has been recognised".

London Councils' Executive member for housing, Mayor Sir Steve Bullock**,** said:

"By 2021, over 800,000 new homes will need to be built in London, but the government's latest attempt to address this crisis through increasing council borrowing capacity does not go far enough and has too many strings attached.

"In order to qualify for extra borrowing capacity, councils will have to sell off high value vacant housing stock. This unfairly prejudices London, which has both the most acute housing need and the highest value stock in the country.

"London Councils will continue to call for the complete removal of the artificial housing borrowing cap, among a raft of other measures, so that boroughs can properly address London's housing crisis."

Chartered Institute of Public Finance & Accountancy Chief Executive Rob Whiteman said the limited increase in the borrowing cap was 'massively disappointing' and added:

"CIPFA have long campaigned for the HRA borrowing cap to be lifted to allow local authorities to build the homes their communities need. It's therefore massively disappointing to see it increased by only £150m next year, but also that this money comes with a host of strings attached with the government creating a complex competition before authorities can hope to see the benefits.

"If we are to tackle the housing challenge that our country faces we need to see the HRA borrowing cap lifted and new thinking from the government on house building."

Paul Price, Treasurer of the Association of Retained Council Housing, said:

"We would welcome anything that takes us forward in terms of lifting the caps, (the conditions) would also flush out those councils that are serious about building."

New Homes Bonus

The New Homes Bonus is a Whitehall grant awarded to councils for increasing the number of homes in their areas. It is based on the amount of extra council tax revenue raised from new-build homes, conversions and long-term empty homes brought back into use.

The Government will not include the New Homes Bonus in the Local Growth Fund, except for £70million for the London Local Enterprise Partnership. The government will also evaluate the operation of the Bonus and will consult on changes to the system to include a proposal to withhold bonus payments in cases where planning approval has been granted on appeal.

The Autumn Statement revealed that controversial plans to top-slice £400million of the New Homes Bonus for the single pot would not now be imposed. Local Government Association chair Sir Merrick Cockell said:

"Our concerns about potentially costly changes to the New Homes Bonus have been taken on board in the revised proposals announced today. This is good news for local services which otherwise would have taken an additional £400million cut".

However, the government announced that not only would the New Homes Bonus for London be cut by £70million from 2015, it would remain in the hands of the London Local Enterprise Panel that is chaired by the Mayor of London. This is in contrast to the rest of the country where New Homes Bonus funds were protected, and plans to top-slice the money given to councils were dropped.

London Councils criticised the £70million cut to the capital's New Homes Bonus allocation and called for the move to be overturned. Their Chair Jules Pipe told 'Public Finance' that:

"All Londoners should be outraged by this move. If the New Homes Bonus is essential for councils in Leeds and Manchester to fund the pressures of growth, why should Londoners be any different? This must be reversed. The very fact that it has been proposed raises fundamental questions about the governance of the growth agenda in London and the government's commitment to it."

The Local Government Association commented that:

"The Government has listened to the Local Government Association and councils. The decision not to include the New Homes Bonus in the Local Growth Fund, except for £70million for the London Local Enterprise Partnership puts £330 million back into local authority budgets. This avoids the disruptive and negative impact on growth which would have been caused by the local pooling requirement. Local authorities outside London will now be able to continue to invest the full receipts into pro-growth projects locally. The Autumn Statement does not explain why London boroughs have been treated differently."

Responding to the comments, housing minister Kris Hopkins said:

"The Greater London Authority has a statutory role in both housing, planning and regeneration in London. It makes sense that councils and the Greater London Authority are joined up, and both share in the incentives to support more new housing in the capital."

In his letter to council chiefs, Eric Pickles said that the decision to halt the planned £400million top-slice of the New Homes Bonus to part-fund the proposed Single Local Growth Fund had come as a result of concerns raised by the authorities. County councils had warned decisions could reduce investment in local infrastructure projects intended to boost growth, and Eric Pickles said:

"We have listened and carefully considered the responses to the recent consultation on allocating an element of the New Homes Bonus to local enterprise partnerships.In light of the powerful arguments made by colleagues in local government, we will not be making changes to the New Homes Bonus for councils outside London – in London, there is a stronger case for pooling given the Greater London Authority's role in planning."

The total £2billion Local Growth Fund that will devolve funding to Local Enterprise Partnerships, will be made up from other decentralised budgets. County councils said the decision to halt pooling had addressed their concerns. County Councils Chair David Hodge told 'Public Finance' that:

"The evidence showed that such a move could lead to a counter-productive 'no homes bonus'… We consider this a pragmatic and far-sighted decision. This will allow County Council Network members to concentrate on promoting growth and ensuring the provision of services that make new communities sustainable."

Reactions of the Housing Sector

The Chartered Institute of Housing had called on the Chancellor to use the Autumn Statement to explore new ways of boosting standards in the private rented sector, help councils build more homes and give more support to people affected by welfare reform. Their submission to the government also called for new guidance to ensure housing's potential contribution to economic growth is properly exploited by Local Enterprise Partnerships. In particular, their four-point submission called for the government to:

- Look at new ways of improving standards in the private rented sector by targeting tax allowances. Private landlords currently benefit from around £7bn of tax allowances per year for deductible expenses such as repairs and maintenance, insurance and professional fees – if landlords who committed to a higher level of standards benefited from an enhanced allowance, while those who did not saw their allowances stay the same or even reduce, quality should begin to rise
- Allow councils to borrow more so they can build new homes. Increasing local authority borrowing caps by £7bn would allow them to build 75,000 new homes over five years, creating 23,500 jobs and creating £5.6billion of economic activity
- Increase its Discretionary Housing Payment funding – the money councils are able to give out to mitigate the worst impacts of welfare reform. Committing £250million to discretionary housing payment funding in 2014/15 and 2015/16 would help support people who have so far been unable to change their circumstances and support the roll out of Universal Credit
- Encourage Local Enterprise Partnerships to plan for housing growth. Formal guidance would maximise the role that both Local Enterprise Partnerships and housing can play in driving local growth

Chartered Institute of Housing chief executive Grainia Long said:

"The Autumn Statement offers the Chancellor the opportunity to address our long-term failure to build the new homes we need and to raise standards in the private rented sector. We are in the grip of a housing crisis, with millions of people being denied access to a decent home at a price they can afford. In the Autumn Statement the Chancellor can take concrete steps to address that crisis and at the same time harness housing's potential to boost our economic recovery.

"Local authorities would be able to contribute much more to meeting our national supply challenge if government would only give them the tools. Local Economic Partnerships will be critical in driving forward growth at local level and should look to ensure their plans fully capture the economic leverage offered by housing.

"This government has focused on home ownership, but with more and more people living in the private rented sector – including more older people and more families with children – it's vital that we look carefully at new ways to raise standards.

"We are pleased that the Chancellor has acknowledged the principle that councils should be allowed to borrow more so they can build more homes, which CIH has been calling for. But… the steps announced today are far too modest and there is a risk that any gains could be offset by the requirement to sell high-value social housing and the expansion of Right to Buy. The finer details will be crucial – it is critical that the overall package results in a net increase in housing investment and new homes.

"As George Osborne acknowledged, we need to build more homes – we are in the grip of a housing crisis, with millions of people being denied access to a decent home at a price they can afford. Increasing local authority borrowing caps by £7 billion, rather than £300 million, would allow councils to build 75,000 new homes over five years, creating 23,500 jobs and creating £5.6 billion of economic activity.

"Local authorities already have powers to sell off council housing and it is unclear whether selling off valuable homes is always the best way of doing business – councils may also want to borrow against the value of these properties so they can fund more homes.

"We welcome the news that £1billion will be allocated to unlock large housing developments – any measure aimed at speeding up the delivery of new homes is welcome but as always the detail will be crucial.

"Giving social housing tenants who are working priority to move if they need to for work will go some way to improving labour market mobility, but given the shortage of affordable homes landlords will still face difficult decisions trying to meet the needs of local people who are in significant housing need.

"Finally, we are pleased that the government has listened to our call to increase its budget for Discretionary Housing Payments in 2014/15 and 2015/16 to support people who are suffering the worst impacts of welfare reform. However, we would have liked to see it being increased even further to £250million… Increasing funding for Discretionary Housing Payments would help support the people who have been affected most severely by welfare reform and support the transition to universal credit."

National Housing Federation chief executive David Orr said:

"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.

"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 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."

Mark Henderson, Chief Executive of Home Group said:

"It's extremely positive to see housing on the agenda in the Autumn Statement and the measures announced should make a positive impact on the number of units delivered. However, taken as a collective these measures are far too tame to have any genuine impact.

"It's incredibly important that we support people to move from dependency however capping the overall welfare budget has potentially disastrous consequences for the Chancellor's stated aim to deliver more new housing. This will hit the income streams of housing associations which has a knock-on impact on our ability to develop. Home Group would encourage the Government to proactively focus more energy on initiatives helping customers into work.

"We recognise the underlying effort to focus asset management but this move won't solve the issue of delivering considerably more homes. We would be concerned at the depletion of social housing stock and would urge the Government to ensure that revenue raised by these sales to be ring-fenced for new development of affordable homes."

Homes & Communities Chief Executive Andy Rose said:

"An additional £1billion for large scale housing developments demonstrates the government's commitment to supporting housing throughout the next spending period. It is also recognition that the Homes & Communities Agency's current LIF programme is speeding up delivery, at sites such as Cranbrook near Exeter where £20million LIF funding has helped unlock one of the largest and most significant housing and employment developments in the country. This is core business for the Homes & Communities Agency and sites like Cranbrook play a huge role in supporting local aspirations for growth."

Adam Terry at Shelter said:

"In his Autumn Statement, George Osborne echoed what Shelter has been saying for years: that the only way to fix this country's massive housing crisis is to build more homes, to stabilise house prices, and to make housing more affordable. The fact that this is now a truth almost universally acknowledged in political circles shows just how far we've come.

"Look closer at the detail of the Autumn Statement, though, and what emerges is a piecemeal, underwhelming approach to tackling a problem – built up under successive governments – that is now so big it demands bold, visionary solutions.

"There were some good ideas within the Statement. The announcement that Local Authorities will be able to borrow up to £300 million more to pay for house building is certainly good news, and something which Shelter has called for in the past. Divide that £300 million between England's 326 Local Authorities, though, and it doesn't look like the game-changing figure that we had hoped for.

"Similarly, the decision to make foreign owners of residential properties pay Capital Gains Tax when selling their homes is a small but welcome step towards stabilising a property market that is in danger of spiralling out of control. But it leaves intact the tax advantages that help buy-to-let investors to outbid first time buyers.

"More interesting is a £1billion pound sum to unlock stalled large sites – including in Manchester – which will be spent over 6 years and is projected to provide 250,000 homes. The details on this on will be vital. What sort of guarantees or loans are being made? Can government really ensure 40,000 new homes a year on these sites without a more competitive development sector?

"Also interesting, if more worrying, was the line about selling off 'high value social housing'. There is little detail on this in the official documents and we need to know what scale is being proposed. Policy Exchange have proposed mass sales of affordable homes in precisely the places they are needed most, which would be very concerning. But in certain cases it may make sense to sell a few high value homes and build more with the proceeds, as councils already do. The key test will be whether the new homes built are genuinely affordable. If not, we risk swapping social rents for much more expensive ones.

*"But the biggest cause for concern – and frustrating in its lack of detail – was the Chancellor's stated intention to place a cap on future welfare spending**.** This is something which he has proposed before, but today gave us a little more information on how it will work. At the start of each new Parliament, beginning in 2015, the Chancellor will set a cap for welfare spending for each of the next five years. If that cap is breached, the Secretary of State for Work & Pensions will need to appear before Parliament and explain why it has been breached and what they intend to do about it.*

"What we don't know is what will happen to people's benefits if that cap is breached – and so what the impact will be on the many families who rely on the housing safety net. This is worrying for us, and not an area where it is helpful to be vague.

"Beyond the Westminster bubble, thousands of real people will be wondering if this announcement means yet another cut in the money they have to live on. The Chancellor was clear that this cap would include Housing Benefit, which has already been cut severely. Housing Benefit provides a vital safety net for those of us who have to live on a low wage, who lose their jobs or who become suddenly ill – which could happen to anyone – and keeps a roof over people's heads while they get back on their feet. The announced cap must not result in this safety net being cut back even further than it has been.

"If the Chancellor is serious about saving money, he should invest in bricks and mortar. It is our lack of affordable homes, as well as the gap between wages and rents, that has caused the Housing Benefit bill to rise year on year – to a point where 95 pence of every pound spend on housing is spent on benefits, and a paltry 5 pence of that pound is spent on building. Investing such a small amount in our future homes is never going to solve the problem.

"Which brings us back to where we started, and George Osborne's aim to "build more homes". It is absolutely the right ambition: it would help stabilise the housing market, it would give families across the country affordable homes to call their own, and it would bring down a rising Housing Benefit bill in a sustainable way that doesn't leave millions of families on a knife-edge and at risk of losing their home.

"But we don't just need a few more homes to do this. We need thousands and thousands – at least 250,000 a year, to be precise – and tinkering with taxes and borrowing limits, while imposing a cap on welfare that could cause real pain to families across the country, is not the way to go about it. If the Chancellor is serious in his aims, he's going to need to think an awful lot bigger than this."

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Implications in Scotland

-George Osborne increased the Scottish Government's budget by £308million over the next two years and gave Scottish councils access to as much as £250million in cheaper borrowing. He also announced that the overall welfare budget will be capped and subject to fixed budget controls from next year.

The Scottish National Party's Stewart Hosie said a ‘modest’ increase in cash for Scotland, through the Barnett formula, would ‘barely dent the massive cuts we have had in capital and revenue spending over the past few years’.

The Scottish housing sector generally congratulated the Chancellor for recognising that more homes need to be built but warned that a cap on benefits will ‘end up costing the public purse more’.

Maureen Watson, Head of Policy at the Scottish Federation of Housing Associations said:

"Ahead of the Autumn Statement, the Scottish Federation of Housing Associations asked the Chancellor to focus on three things to help Scotland's housing associations and co-operatives and their tenants.

"Firstly, measures to stimulate affordable house building; secondly, to repeal the so-called 'bedroom tax' and thirdly, to fund a long-term programme of energy efficiency improvements to the housing stock, as the only way to tackle fuel poverty successfully.

"There is some good news on capital investment – it looks like both the Scottish Government and councils will have extra funds, which could be used to build more homes, which Scotland urgently needs. This must include more investment in new social housing.

"But the Chancellor's focus on a cap on benefits, including Housing Benefit, sadly doesn't recognise that measures such as the 'bedroom tax' will actually end up costing the public purse more. This is partly because it will force more social tenants into the private sector where rents are higher, and partly due to the extra costs for councils and housing associations.

"In addition, the measures to curb energy bill by £50 per household, by relaxing green obligations for the energy companies, are a short-term fix which will not improve energy efficiency and tackle fuel poverty in the long term."

Graeme Brown, Director of Shelter Scotland, said:

“Beyond Westminster, thousands of people will be wondering if (yesterday’s) announcements mean that their family faces yet another cut to the money they have to live on. We all want to feel that there’ll be a safety net there for us if the worst happens. Housing benefit is the short-term support that means that those of us who lose our jobs or become suddenly ill – things that can happen to anyone - can keep a roof over their heads as they get back on their feet.

“If the Chancellor is really serious about bringing down welfare spending, we need to address the underlying cause of our rising housing benefit bill – our chronic shortage of affordable homes - not make knee-jerk cuts to the money that people need to get back on their feet.

"This (measure on capital gains tax) is a small step towards stabilising a property market in danger of spiralling out of control. But when government figures show that affordable house-building has plummeted by a staggering 26% over the past year, a small-scale tax reform that we have to wait fifteen months for just isn't the bold solution we need.

"The Chancellor was right to say that if we want more people living in a home of their own, we need to build more homes. But to give the next generation a real chance, we need to see the Westminster and Holyrood governments rolling up their sleeves and coming up with bigger ideas to get more affordable homes built."

The Scottish home building industry welcomed the Chancellor's affirmation that more homes need to built and that more needs to be done to achieve this.

Adrian Waite
December 2013

All You Want to Know about Local Authority Housing Finance 2014

February / November 2014

We are running our 2014 series of 'All You Want to Know about Local Authority Housing Finance' at venues in all parts of England from February to November. This seminar and workshop is designed to give an introduction and overview to this important subject and is fully up to date with all developments.

This seminar and workshop is designed for people who are not experts in housing finance, but who need to understand the basics and achieve an overview of what is going on. It is suitable for councillors, housing managers, tenant representatives and finance staff who have limited experience of local authority housing finance and others who realise that an understanding of housing finance can place them at an advantage – especially when considering the financial opportunities that exist for local authority housing!

Do you think that a working knowledge of local authority housing finance would put you and your colleagues in a position of advantage?

We believe in quality rather than quantity and so numbers at each session are limited to twenty people to permit the maximum possible interaction and participation.

What the Session Covers:

The session will answer the following questions:

- How does the Housing Revenue Account work?
- How does the Housing General Fund work?
- What are the Implications of Self-Financing?
- What are the Financial Opportunities for Local Authority Housing?

The session includes a participatory case study and is accompanied by a very useful 100 page book that is designed for reference after the session entitled:

"All You Want To Know About Local Authority Housing Finance 2014"

Venues and Dates:

London: Novotel Hotel, Waterloo – 26th February 2014.
North: Cedar Court Hotel, Huddersfield – 10th June 2014.
London: Novotel Hotel, Waterloo – 11th November 2014.

The seminar is also available in-house.

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.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about us and our services please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk

Services that we offer include:
- Management Consultancy – http://www.awics.co.uk/ManagementConsultancy.asp
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