



WHAT YOU NEED TO KNOW ABOUT THE BUDGET 2014

On Wednesday 19 March the Chancellor delivered his budget, this 'what you need to know' briefing looks at the key measures affecting housing and welfare.

Building more homes

In our [budget submission](#) to HM Treasury we encouraged the chancellor to use the budget to boost housebuilding. The specific measures we asked for included raising local authority borrowing caps and changing the rules relating to right to buy receipts to make it easier for councils to deliver one-for-one replacement for homes sold under the scheme.

The chancellor announced a package of measures intended to support the building of 200,000 new homes, these included:

- £525m of repayable development finance to help kick start new housebuilding by small and medium builders, providing up to 15,000 homes
- that the 'Help to Buy' scheme for new builds is to be extended to 2020 at a cost of £6bn over four years, providing homes for up to 120,000 households
- that the government will consult on creating a new 'right to build' giving custom builders a right to a plot from local councils and creating a £150m repayable fund to provide up to 10,000 serviced plots
- the building of a new garden city of 15,000 homes at Ebbsfleet in Kent, it will be delivered by an Urban Development Corporation and the government will also publish a prospectus for other local authorities interested in developing garden cities
- a £150m fund for regenerating rundown estates it will be available to private developers in the form of repayable loans, expressions of interest have already been made to the Greater London authority for projects in London.

Other measures relating to housing and welfare

In our submission we asked for a number of other measures which were not included in the chancellor's statement, these included using tax incentives to improve standards and choice in the private rented sector and offering stamp duty exemptions to encourage older homeowners to downsize. The measures announced affecting housing included:

- further detail on the overall cap on Government welfare spending (as opposed to a cap on individual entitlement), previously announced as part of the 2013 spending round. The cap will be set at £119.5bn for 2015-16. It will apply to "non-cyclical benefits" (around 50% of benefits spending) but excludes the state pension and most counter-cyclical expenditure such as JSA and passported expenditure. The cap will act as a 'binding constraint' on Government and will be policed by the OBR
- that support for mortgage interest (SMI) will remain at its current higher level until 31 March 2016



- changes to the way that high value properties registered as being owned by companies are treated in the tax system, this includes a higher 15% of stamp duty on qualifying properties worth more than £500,000. The measure is designed to prevent the use of company ownership as a way of avoiding stamp duty payments
- that the troubled families programme will be expanded early to include an extra 40,000 families

Initial CIH response

Historically we know that small and medium sized builders have played a critical part in delivering new homes. We have been calling for government to introduce measures to support SME builders to increase the role they can play in addressing our national housing crisis. Following the credit crunch small builders have found it more difficult to access finance and government moves to help them get building by providing £525m of support are welcome.

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. The Chancellor's announcement of the Ebbsfleet garden city and developments in Barking, Riverside and Brent Cross is a welcome recognition of this. We hope this is start of things to come and that we will see more major announcements that will contribute to the supply of new homes.

The Chancellor's decision to extend Support for Mortgage Interest payments is an important recognition that many homes owners will still be recovering from the effects of the recession and need continued government support to remain in their homes.

However, we are disappointed that the Chancellor did not choose to use the tax system to incentivise standards in the market rented sector. This sector is the fastest growing of all tenures it is vital that we take steps to ensure more consistent standards. For many people living in the market rented sector quality and standards are too often left too chance. Changing the tax system would reward landlords for doing the right thing, whilst not costing the government any additional money.

We need to build 250,000 homes a year to keep up with our growing population, but we've been failing to reach that target for decades – the result is a housing crisis in which millions of people are being denied access to a decent home at a price they can afford. In his Budget speech the Chancellor claimed that the measures he announced would deliver 200,000 new homes, including the 120,000 homes supported by the extension of Help to Buy equity loans. This would be an important step along the road to addressing our housing crisis, but it still leaves us with much to do.

