



WHAT YOU NEED TO KNOW ABOUT GOVERNMENT

INITIATIVES TO INCREASE THE SUPPLY OF HOUSING

This briefing provides a summary of key government initiatives to stimulate/increase the supply of housing across all tenures. Government tries to do this by various means in addition to investing directly in new house building. The initiatives are set out chronologically as announced by government.

Comprehensive Spending Review 2010

- **Affordable rent model** (took effect from April 2011) - allows developing housing providers who successfully bid for grant funding in the Affordable Homes Programme to charge up to 80% of market rents in their local area on new build properties and on a percentage of re-lets. The additional money raised is used by housing providers to reinvest in developing new affordable housing. The scheme is expected to deliver 170,000 new homes over the period 2011/12 to 2014/15.
- **New Homes Bonus** (took effect from April 2011) - aims to reward and incentivise local authorities to increase their housing supply. The government match funds the Council Tax for six years on all new build properties, conversions and long term empty properties brought back into use. Almost £1bn was set aside over the period 2011-2015 to cover 140,000 homes over a ten year period.

March 2011 Budget

- **First Buy** (closed 31 March 2013) - a £250m scheme launched in September 2011 to help 10,000 first time buyers in 2011/12 with interest free loans towards their deposit, jointly funded by government and housebuilders. This was increased in September 2012 by an additional £280m to help up to a further 16,500 first time buyers
- Two tax incentive measures were announced with the objective of stimulating the supply of private rented housing:
 - the reform of stamp duty land tax rules for purchase of bulk residential property – if the buyer chooses, the rate will be determined by the mean value of the properties purchased (subject to a minimum rate of 1 per cent) rather than the aggregate value
 - the government announced its intention to legislate in the Finance Bill to address barriers to entry and investment in Real Estate Investment Trusts (REITS). The Finance Act 2013 gained Royal Assent on 17 July 2013.
- **Build Now Pay Later** - the scheme allows housebuilders to pay for the public sector land they develop only after work has started on site. The aim is to help ease cash flow problems for housebuilders so they can get on with building houses. It is estimated that 40% of land (7,500 hectares) that is suitable for residential development is owned by the public sector and could enable 60,000 homes to be built over 10 years. Details of the first sites were published in March 2011.



The Housing Strategy (November 2011)

The Housing Strategy set out a series of measures to redress the long-term failure to build a sufficient supply of high quality homes. The measures include:

- **Get Britain Building Fund** - an initial £400m launched in July 2012 aimed at supporting building firms in need of development finance for 'shovel-ready' but stalled sites. The investment fund was forecast to deliver 12,000 homes by December 2014, increased in March 2012 to £570m to deliver a total of 15,000 homes
- **Growing Places fund** – £500m made available for Local Enterprise Partnerships and the devolved administrations to invest in priority projects to facilitate economic growth, jobs and housebuilding in their local area, increased by £270m in March 2012 to unblock housing and economic growth
- **Custom Home Building loans** - £30m to support short term finance to encourage people to build their own homes. The money may be used to pay up to 75% of a project's land and early construction costs, and is available to organisations planning to build five or more homes at a total cost of up to £3m. The fund closes 31 March 2015. A further £65m was announced in September 2013 to support self build by community groups.

March 2012 Budget

- **NewBuy Guarantee scheme** – launched in March 2012 aims to help 100,000 people buy a new home with a 5% deposit with government and housebuilders providing security for loans
- **Reinvigorated Right to Buy** – an increase in the discount with a single higher cap of £75,000 in effect from April 2012. Receipts will be used to pay down councils' outstanding housing debt and to build replacement homes for affordable rent on a one-for-one basis across the country, (not necessarily in the area in which they are sold). In March 2013 the qualifying period was reduced from five years to three years and maximum discounts in London were raised to £100,000
- Government said it was on track to dispose of land with the capacity to build more than 100,000 homes by April 2014
- The government announced it would consult in 2012 on the role of REITs to support institutional investment in social housing. The consultation took place in April 2012 and the government response was to make no changes.

Housing and Growth announcements - September 2012

In September 2012, the government made a series of announcements with the aim of stimulating a comprehensive housebuilding programme. The announcements included:

- **£10bn debt guarantee** – to help housing associations and private sector developers build new homes by guaranteeing debt up to £10bn, enabling them to borrow money to invest in new housebuilding on more favourable terms. The aim is to give institutional investors the assurance they need to invest. The money will be channelled into two schemes:
 - **Affordable Homes Guarantees Programme** – to deliver new affordable homes. £225m of new grant funding made available to supplement the Programme's share of the housing guarantees, which is up to £3.5bn of the £10bn guarantees total. The guarantees are designed to provide





access to cheap loans. At this stage, the target was to deliver up to 15,000 affordable homes by 2015 but this was extended in March 2013 by £225m to support the development of a further 15,000 homes, giving an overall total of £30,000 by March 2017 (extended by two years)

- **Private Rented Guarantee scheme** – the government will guarantee up to £3.5bn for institutional investors, which could include housing associations, to build homes for market renting
- the remaining £3bn will be held in reserve to be used to boost schemes at a later date.
- **£75m of empty homes capital funding** – to bring 5,000 empty homes back into use. The additional capital funding aims to redress the potential losses from renegotiation of s106 agreements.
- **The Build to Rent Fund** - launched in 2012 is a £200m investment in private rented housing to enable delivery of 5,000 homes to be built for rent at market rates through the use of loans or equity to encourage institutional investment in high quality rented homes. Increased to £2bn in March 2013, the first round of 45 projects sharing £700m is expected to deliver 8,000 -10,000 homes.

March 2013 Budget

- **Help to Buy scheme** - to improve access to home ownership, comprising :
 - **an equity loan element** – replaces the First Buy scheme and is in effect from 1 April 2013 until 31 March 2016. This will help around 74,000 home buyers by providing £3.5bn of equity loans worth up to 20% of each property's value to enable people to purchase a new build home with a 5% deposit
 - **a mortgage guarantee scheme element** – in effect from October 2013 to help people with a small deposit access a 95% mortgage at lower interest rates. Government guarantees enable banks to insure against losses on the first 15% of the mortgage in cases of default. The government suggests this will support a total of £130bn of mortgages.

Spending Review 2013

- **£3.3bn capital funding** - from 2015-18 to support delivery of 165,000 affordable homes
- **New Affordable Rent to Buy scheme** – with £250m available in 2015-16 and £150m available 2016-17 in the form of an equity loan to providers. This scheme aims to provide homes for rent that will be sold on in the medium term
- **Funding for 2,500 new homes** - for older and disabled people provided through a five year supported housing fund of up to £300m
- **A further strategic land review** - to identify additional public land which could be made 'surplus' and sold to support local growth.

For more information about increasing the supply of housing visit www.cih.org/supply