



BUDGET 2020

ON-THE-DAY BRIEFING

Key Issues

Investment

- Confirmation of a multi-year Affordable Homes Programme of £12.2 billion
- Allocations of £1.1 billion from the existing Housing Infrastructure Fund
- New Brownfield Housing Fund of £400 million for Mayoral Combined Authorities and Councils
- An additional £1 billion for the Building Safety Fund to fund the removal of unsafe cladding from residential buildings over 18 million
- £640 billion of gross capital investment by 2024, with departmental spending plans to be unveiled in a National Infrastructure Strategy due in the Spring
- Treasury Green Book to be reviewed in run-up to July Comprehensive Spending Review.

Planning and devolution

- Planning Reforms in the forthcoming White Paper to tackle the capacity, capability and performance of Local Planning Authorities (LPAs).

Climate Change

- £5.2 billion for flooding over six years to better protect a further 336,000 homes
- Carbon Capture and Storage (CCS) delivering an £800 million scheme across at least two UK sites and providing 6,000 jobs to Northern England and Scotland.

Coronavirus

- A £5 billion COVID-19 Response fund, including a £500 million Hardship Fund for Local Authorities to support vulnerable people and households.

Commentary

Rishi Sunak's first budget was held in the shadow of the coronavirus. After outlining the Government's immediate response to the virus – including a hardship fund to be allocated by local authorities – the Budget made a welcome first-step in levelling-up.

However, much detail remains. We can expect a National Infrastructure Strategy later in the Spring, and a Comprehensive Spending Review will conclude by July. Both these fiscal events will be expected to provide hard evidence that 'levelling-up' is more than a slogan.

NHC members will welcome the certainty around Affordable Homes Programme funding, and local authority members in particular will be pleased that the 1 percentage point increase in Public Works Loan Board borrowing rates introduced late last year has been reversed. This will aid the development of much-needed affordable homes in the North.

On planning, we expect an announcement from the Secretary of State tomorrow, followed by a detailed White Paper later in the Spring. It is promised that this will address the capacity and capability of local planning authorities – an area where recent NHC research shows the North has been disproportionately affected.

Devolution progressed, with a deal for West Yorkshire, including a directly-elected mayor from 2021. All parts of the North will be anticipating the Devolution White Paper expected in the Summer, which will set out how the Government will deliver on its ambition to roll-out devolution to all parts of England.

Finally, while the Budget did set out a range of actions to tackle climate change, it lacked any substantial measures to decarbonise our housing stock. The NHC sees a real opportunity to renew homes and neighbourhoods across the North through decarbonisation, and awaits further announcements in the Infrastructure Strategy or at the Comprehensive Spending Review.

As ever, we welcome your feedback on our on-the-day briefing, and on how the NHC can support you to navigate our new political landscape. Please contact:

Brian Robson
Executive Director (Policy and Public Affairs)
Brian.robson@northern-consortium.org.uk
0191 566 1020
@BrianRObson

Investment in Affordable Housing

The Chancellor had committed prior to the Budget to extending the Affordable Homes Programme and pledged a multi-year settlement of £12.2 billion.

To further enable investment by local authorities, the Government is cutting Public Works Loan Board (PWLB) interest rates for investment in social housing by 1 percentage point and making an extra £1.15 billion of discounted loans available for local infrastructure projects. The cut in PWLB borrowing rates reverses the increase instituted before Christmas.

Housing Infrastructure Fund

£1.1 billion has been allocated from the existing Housing Infrastructure Fund, for nine different areas, including Manchester and South Sunderland. The Government estimates these successful bids will unlock up to 69,620 homes and will help to stimulate housing and infrastructure growth across the country. The Budget also announces additional housing investments in York Central.

Single Housing Infrastructure Fund – at the CSR, the Government will launch a new long-term Single Housing Infrastructure Fund to unlock new homes in ‘areas of high demand’ across the country by funding the provision of strategic infrastructure and assembling land for development.

Brownfield Housing Fund – as part of the commitment to level-up all regions, the Budget launched a new £400 million brownfield fund for pro-development councils and ‘ambitious’ Mayoral Combined Authorities with the aim of creating more homes by bringing more brownfield land into development. The Government will invite bids that are ambitious and represent a significant increase in housing supply on brownfield land.

Future Homes Standard – The Government will announce plans to improve the standards of new built homes following the consultation which closed a few weeks ago.

Building Safety Fund

Following the Grenfell tragedy, one of the Government’s most important objectives is to ensure residents feel safe and secure in their home. Having taken expert advice, the Budget confirms an additional £1 billion to remove all unsafe cladding from residential buildings above 18 metres to ensure people feel safe in their homes.

Rough Sleeping

The Conservative Manifesto had pledged to end rough sleeping in this Parliament.

The Budget pledged £643 million for accommodation and support services to help people off the streets. As previously proposed money raised from a 2% non-UK resident Stamp Duty Land Tax surcharge will be used to help fund policies to reduce rough sleeping in England.

The Government is introducing additional exemptions from the Shared Accommodation Rate (SAR) for Universal Credit and Housing Benefit claimants to protect those at risk of homelessness. This will

enable rough sleepers aged 16-24, care leavers up to the age of 25, and victims of domestic abuse and human trafficking to live on their own, supporting their recovery from homelessness.

NHC Reaction

The Shared Ownership and **Affordable Homes Programme**, currently set at £9 billion and not restricted to any geographic area, provides a significant source of funding to Northern housing development. 1 in 3 affordable housing completions occur in Northern operating areas, and we believe any expanded programme should ensure this proportion is maintained. This is not only important for Northern communities but makes a critical contribution to the Government's overall housing supply ambitions.

Today's announcement of £12.2 billion sounds like an increase in investment but if – as suggested - this is over a five-year period it falls well short of the investment called for by national housing sector bodies and ourselves, for a programme estimated at £12.8 billion per year.

The **Housing Infrastructure Fund** allocated a further £1.1 billion but the Chancellor made no reference to a levelling-up of the way that the funding is targeted to areas of high affordability. In fact, a Single Housing Infrastructure Fund to be launched at the CSR will be aimed at areas of high demand, suggesting that it may be subject to the arbitrary '80/20' rules which lock out many parts of the North from accessing the vast majority of current housing infrastructure funds.

A **Brownfield Housing Fund** of £400 million allocated to Mayoral Combined Authorities is a welcome boost to unlock housing supply on brownfield land.

A **Building Safety Fund** which extends support to remove all unsafe cladding, not just ACM cladding, will show the Government has been listening to calls for much needed support to extend government intervention on this vital safety issue.

So far, £600 million of funding had been allocated, but this had been strictly ringfenced for tall buildings with aluminium composite material (ACM) cladding and the crisis is now much wider, taking in a wide variety of cladding types and other safety issues. This crisis required public money to be committed.

The manifesto made the bold pledge of **ending rough sleeping** by 2025 – an incredibly ambitious objective that requires immediate work if it is to be achieved. In reality, ending rough sleeping would require sweeping policy changes that extend well beyond housing services. On the housing front, though, far more hostel beds and a sharp increase in the number of homes available for Housing First schemes would be a start. The Government promised in its manifesto to expand Housing First schemes - £643 million for accommodation and support services.

Devolution and planning

The Budget made a start on the Government's 'levelling-up' agenda, with a series of key announcements, which are to be followed up in the National Infrastructure Strategy later in the Spring, and at the Comprehensive Spending Review, which the Budget announced will conclude by July. The Chancellor also trailed forthcoming announcements from MHCLG on planning reform.

Devolution

The Devolution White Paper promised in the Queen's Speech will be published in the summer, setting out how Government will meet its ambition for 'full devolution across England'. In the meantime, Government announced that they have agreed a Devolution Deal with West Yorkshire which will establish a Mayoral Combined Authority with a directly-elected mayor from May 2021. This promises £1.1 billion of investment over 30 years, with significant powers on transport, planning and skills.

Elements of the West Yorkshire deal highlighted by Government and/or local leaders include:

- £3.2 million to support the development of a pipeline of housing sites across West Yorkshire,
- £500,000 to support regeneration and development plans in Bradford (this appears to be linked to potential Northern Powerhouse Rail connections to the city),
- £39.9 million for a new bus station in Halifax (Transforming Cities Fund allocation),
- up to £95 million to support the development of a 'British Library North' in the Centre of Leeds, including a £25 million Heritage Fund for the Combined Authority to support this,
- control of West Yorkshire's adult education budget.

In addition to the West Yorkshire announcements, there were wider announcements of funding for Combined Authorities, including £4.2 billion from 2022-23 for a five-year funding settlement for local transport schemes in Combined Authorities. In the North, this will include West Yorkshire, Greater Manchester, Liverpool City Region, Tyne and Wear, Sheffield City Region and Tees Valley. Discussions will open first with Greater Manchester and Liverpool City Regions 'in the coming months'.

Green Book Reform

The Chancellor confirmed a review of the Treasury's Green Book appraisal framework – the decision-making methodology used by Government to appraise investment projects. This review will consider how to assess and present local impacts, and develop new methods to analyse place-based interventions. It is argued that the current framework – often in conjunction with other policy decisions – has acted against projects located in the North. The review will report at the Comprehensive Spending Review expected in July.

Civil service relocation

The Government confirmed the establishment of an 'Economic Decision-making Campus' in the North of England. This will consist of a minimum of 750 roles, including officials from the Ministry of Housing, Communities and Local Government. These 750 roles will form part of 22,000 civil service

roles Government has promised to relocate outside of London over the next decade. The establishment of the Economic Decision-Making campus had been widely trailed in advance of the Budget.

Regional funding

Decisions on the future of the Local Growth Fund, and long-awaited plans for the Shared Prosperity Fund (the replacement for EU funds) await the Comprehensive Spending Review. In the meantime, the Government has recommitted to the Shared Prosperity Fund matching current levels of EU funding 'at a minimum', and that funds will be realigned to meet local priorities.

Planning Reforms

Planning reforms are expected to be announced tomorrow, with a Planning White Paper to follow in the spring. This will aim to free up land and build more houses. The Chancellor set out again the Government's view that where LPAs fail to meet their local housing need, there will be consequences, including a stricter approach taken to the release of land for development and greater government intervention.

The planning reforms will also consider the capacity, capability and performance of Local Planning Authorities (LPAs). This focus on capacity and capability is very welcome in light of reductions in planning capacity within Northern Councils of 65% since 2010/11 and a 54% reduction in housing capacity over the same period.

NHC Reaction

The announcements on **devolution** represent some progress on levelling-up. The Devolution White Paper this summer will be significant for the North, especially those areas currently without Combined Authority arrangements. The review of the Green Book and relocation of civil servants have potential to be significant changes in the longer-term.

On **planning reform** local planning authorities are to be under review for the speed and delivery of the Government's house building targets. We know there is commitment from local authorities to take on greater responsibilities, but additional capacity is necessary to ensure successful delivery. The challenges of land viability, housing renewal and delivering new build in the North requires skills and properly resourced housing and planning departments. We will be reviewing the Planning White Paper and submitting our evidence showing what local planning authorities need to be able to deliver. We will await to see the detail in the Planning White Paper but local authorities may still be feeling the pinch.

Climate change

The Chancellor referenced the COP26 UN climate summit scheduled for later this year, claiming that this Budget takes steps to decarbonise the nation's economy and protect the UK's natural habitats. Sunak today repeated the pledge of delivering 'high-skilled, high-waged jobs of the future'.

The Government reiterated commitments to net zero and the need to decarbonise, declaring opportunities for 'manufacturing heartlands to become leaders in the green markets of the future'. This Budget pledges an infrastructure fund for Carbon Capture and Storage (CCS), delivering an £800 million scheme across at least two UK sites - one by the mid-2020s, a second by 2030 - and delivering 6,000 jobs in Northern England and Scotland.

The pressures of climate change and population growth mean that further action on flooding is needed, with the Government pledging £5.2 billion over six years in order to better protect a further 336,000 homes and non-residential properties. The Government will make £120 million available to the Environment Agency to repair the assets damaged by this winter's storms. A further £200 million has been pledged over the next six years for a place-based resilience programme.

Taxes on pollution will be increased, with the Chancellor incentivising the use of electricity by freezing its fuel duty whilst raising the levy on gas to encouraging energy efficiency. Offshore wind, onshore wind and solar are cited as likely becoming the nation's primary electricity sources in the future.

The Government will move to reduce the entitlement to use red diesel in two years' time. The fuel, levied at 11p per litre compared to the usual 58p, has been partly blamed as hindering the development of cleaner fuels. The Climate Change Agreement Scheme has been extended for a further two years.

The transition to near zero carbon heating of homes by 2050 was backed with a rollout of heat pumps and biomass boilers through a Low Carbon Heat Support Scheme, confirming £270 million of funding for the Heat Networks Investment Project. A further £10 million this year to support the design and delivery of net zero policies and programmes was also pledged.

The freeze on fuel duty, as well as the absence of increased immediate spending on buses and trains, will bring into question commitments to reducing the carbon footprint of the transport sector in the immediate term. However, a programme to deliver rapid charging stations within 30 miles of motorists, as well as a £530 million fund to incentivise ultra-low emission vehicles and reduced taxes on such vehicles are aimed at reducing emissions.

Sunak also pledged a further £640 million to a Nature for Climate Fund, aimed at the protection, restoration and expansion of habitats, as well as increasing capacity for carbon capture by planting 30,000 hectares of trees and restoring 35,000 hectares of peatland.

NHC Reaction

The Budget set out a range of actions on climate change, but had little to offer on decarbonisation of housing. The Conservative manifesto made commitments to funding a Social Housing Decarbonisation Fund and Homes Upgrade Grants in the private rented and owner-occupied sectors. It is to be hoped that the Infrastructure Strategy or Comprehensive Spending Review will contain more details on these commitments.

Northern homes are older and colder than equivalents elsewhere in the country, and the NHC sees a real opportunity to improve homes and lives across the North through decarbonisation and renewal of our existing housing stock. In the run-up to the Glasgow Climate Change conference in November, we will continue to press the case.

Support for those affected by COVID-19

The Chancellor began with an acknowledgement that this Budget speech was being delivered against the backdrop of the global outbreak of COVID-19. Within a £12 billion package of 'temporary, timely and targeted measures' was a £5 billion 'Response fund' for those affected, businesses, and importantly for the Northern Housing Consortium's local authority members - public services.

A new £500 million Hardship Fund will be introduced to aid local authorities in supporting economically vulnerable people and households. Most of this funding will be used to provide further council tax relief, either through existing Local Council Tax Support schemes, or through similar measures. Further details on this funding, including allocations, will be set out by the Ministry for Housing Communities and Local Government.

This announcement comes in addition to the recent announcement that Local Government Secretary Robert Jenrick had launched a new 'coronavirus' taskforce bringing together senior experts from across key sectors – including resilience, local government, public health and adult social care fields – to assess Local Resilience Forum (LRF) plans and provide support and advice to ensure they are robust.

NHC Reaction

Local Authorities will welcome any source of funding that will allow them to ease the burden on those who could face the most severe financial pressures due to COVID-19. All eyes now turn to the Ministry for Housing Communities and Local Government who will provide the important detail on where funding will be allocated.