



Working together to build the homes we need

A Quick Guide to...

The Autumn Budget 2017

**What to look out for
in Housing**

21 November 2017

A Budget for Housing?

Housing is set to dominate the 2017 Autumn Budget. Yet there is more than one type of budget where housing can be key. We have identified six budget areas and we will be looking at the balance of policy and financial measures within each of these:

- The Big Build Budget
- Next Generation Budget
- Industrial Strategy & Growth Budget
- Brexit Budget
- 'steady as she goes' Budget
- 'Care & Repair' Budget



The Big Build Budget: this budget would focus on the largest peacetime building programme since Bevan/Macmillan. Key policy changes would need to open up large land holdings, and financial measures would need to substantially increase direct government funding as well as unlock manufacturing at scale, boost skills and boost all tenures from social rent to home purchase.

Next Generation Budget: this budget would focus on quality of life, quality of renting and cost of living issues for 'generation rent'. It could include wealth distribution support from older to younger generations.

Industrial Strategy & Growth Budget: while a 'big build' budget would be primarily about housing and be widespread across cities and county areas alike, an industrial strategy & growth budget would be about focusing resources on specific growth areas, such as the Oxford-Cambridge corridor, the Northern Powerhouse, London and the Midlands Engine.

Brexit Budget: housing within the Brexit context would be a greater focus on accelerating the application of large scale manufacturing and the build up of skills to meet the needs of housebuilding. It would also need to look at materials within a post Brexit customs and trade context, as well as energy and utilities innovation.

‘steady as she goes’ Budget: this is not the budget that is expected but it is possible. There is a something to be said for carrying on with an even tiller while everything else is being decided.

‘Care & Repair’ Budget: against the backdrop of the Grenfell tragedy and challenges around elderly care and supported housing for vulnerable groups together with new homelessness duties coming into force and concerns about poor quality landlords, it can be expected that there will be packages of ‘care & repair’ around affordable and social housing, supported housing and remediation, alongside big build and growth commitments.

Industry & Sectors: Winners and Winners?

There are four broad areas that the Budget and supporting documents should cover from an industry and sector perspective: National Government, Councils, Housing Associations and Housebuilders.

To help navigate the policy announcements we’ve set out what to look out for in relation to housing and housing related infrastructure.

National Government

The main theme of national government is expected to be a strong return to government direct intervention. This has been a dominant theme since Mrs May became Prime Minister, yet it hasn’t translated to large scale intervention. This could be the fiscal event to define what that looks like.

What to look out for:

Direct Central Government delivery of housing on public sector land. To be delivered through a powered up Homes & Communities Agency/Homes England.

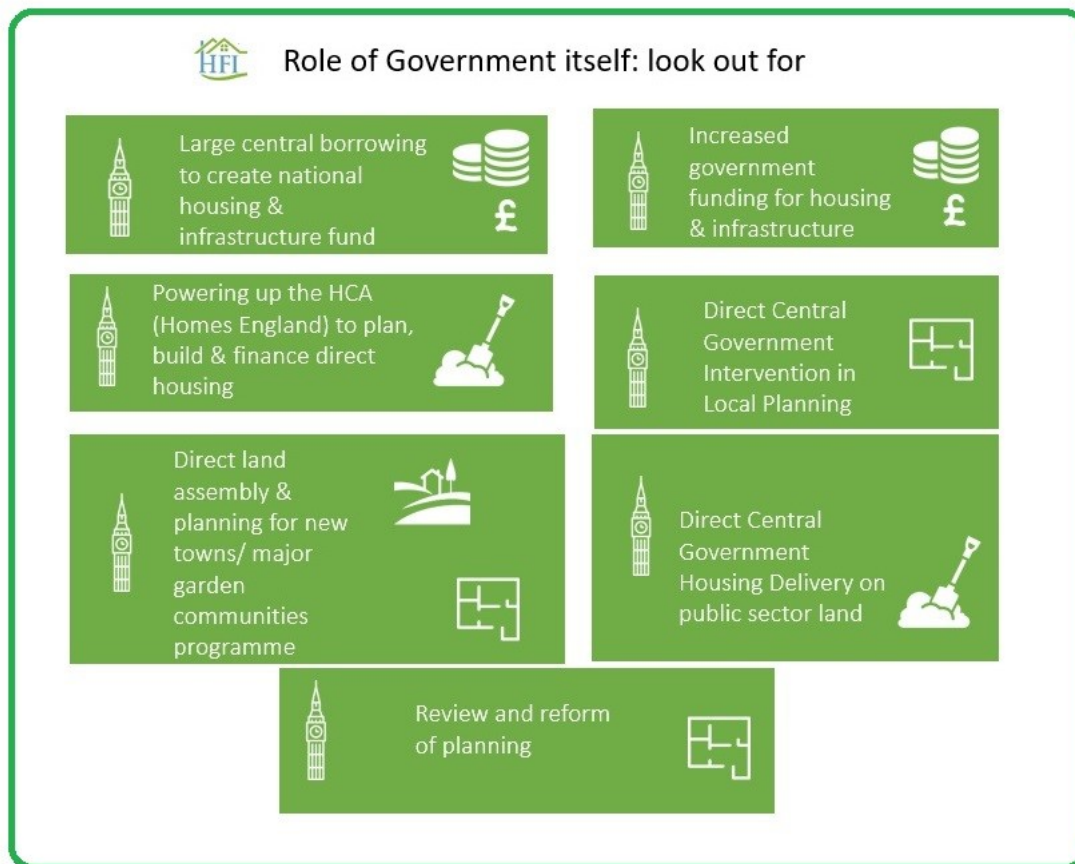
Immediately before the Budget, government action has seen the Communities Secretary start to intervene directly in local plans. A more muscular state has been in the making since the Housing White Paper. This latest move is the first serious flexing of those state muscles, and more of this can be expected.

One area where the state and local communities could find themselves in direct conflict is the role of a beefed-up Homes England using its dormant new towns powers for land assembly and to grant itself planning for large settlements.

In addition, we can expect announcements on measures to speed up the planning process and reduce post approval conditions. This could include a review on substantial changes within the current planning system, for example around permitted development rights and revised guidance on height, tenure mix, affordable housing definitions or density.

All of this will need a lot more money. The adjustment of Housing Associations out of the public accounts again gives a one-shot multi-billion pound room for manoeuvre for housing. The big question: will it see large central borrowing for a national housing & infrastructure fund to underpin

the new muscular state or a huge extension of existing programmes delivered by housebuilders, councils and Housing Associations. The runes say that this will be a ‘something for everyone’ budget - that could either be a crowd pleaser or fail to meet expectations that have seen the stakes raised around the £50 billion mark. Certainly, significant new funding in housing and related infrastructure is expected.



Councils

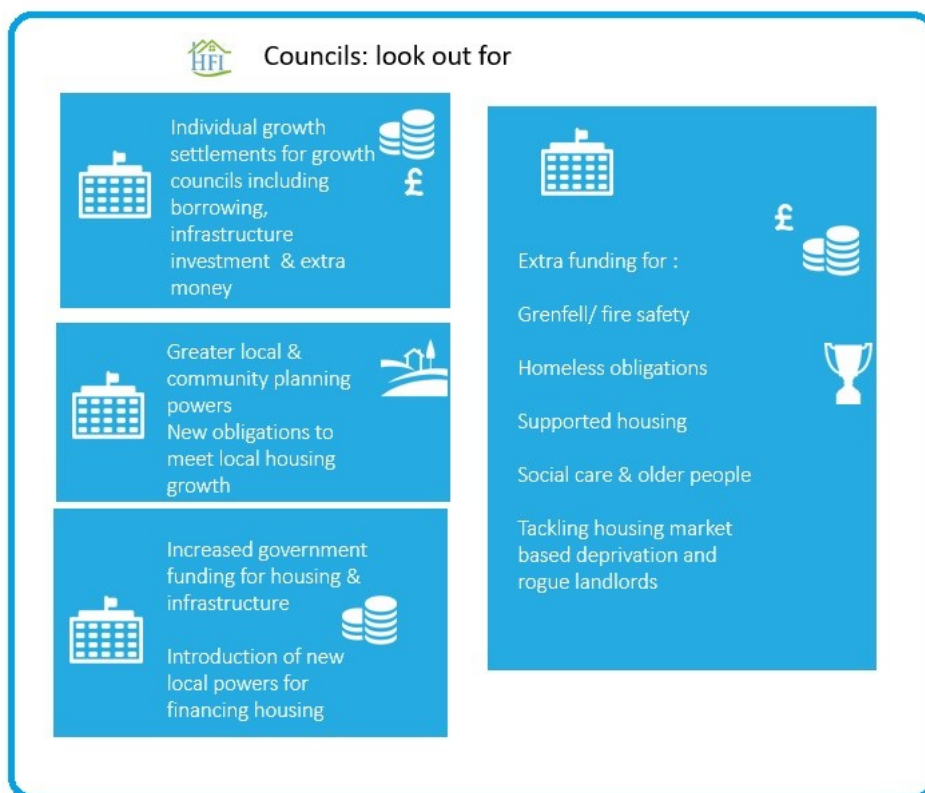
Councils have made their strongest play for serious investment and a loosening of controls than for many years. In recent days, one reading of Lord Gary Porter’s media rounds suggests that the battle has been in full cry right up to the final clang of the Budget Red Box. Will councils be the victors – with off balance sheet treatment of council funding, billions of pounds of extra investment and extended borrowing and other powers?

What to look out for:

More help for those councils who can and are delivering homes and growth with individual deals and extended powers and money. Perhaps an extended role for Local Enterprise Partnerships too.

However, with the tragedy of Grenfell looming large, social care and welfare changes, supported housing, housing market based deprivation and new homelessness laws coming into force, councils may see a more dominant focus on financial support for those areas within their 'Care & Repair' responsibilities.

The one area where councils may well see a greater housing delivery focus is around new obligations to meet local housing demand. It remains to be seen whether that will be matched by new housing and infrastructure investment and additional powers to allow councils, regions and others to plan, finance and delivery their own local homes and local infrastructure.



Housebuilders

For the housebuilders, this may be a budget of sticks as well as carrots. The Communities Secretary has land banking firmly in his sights.

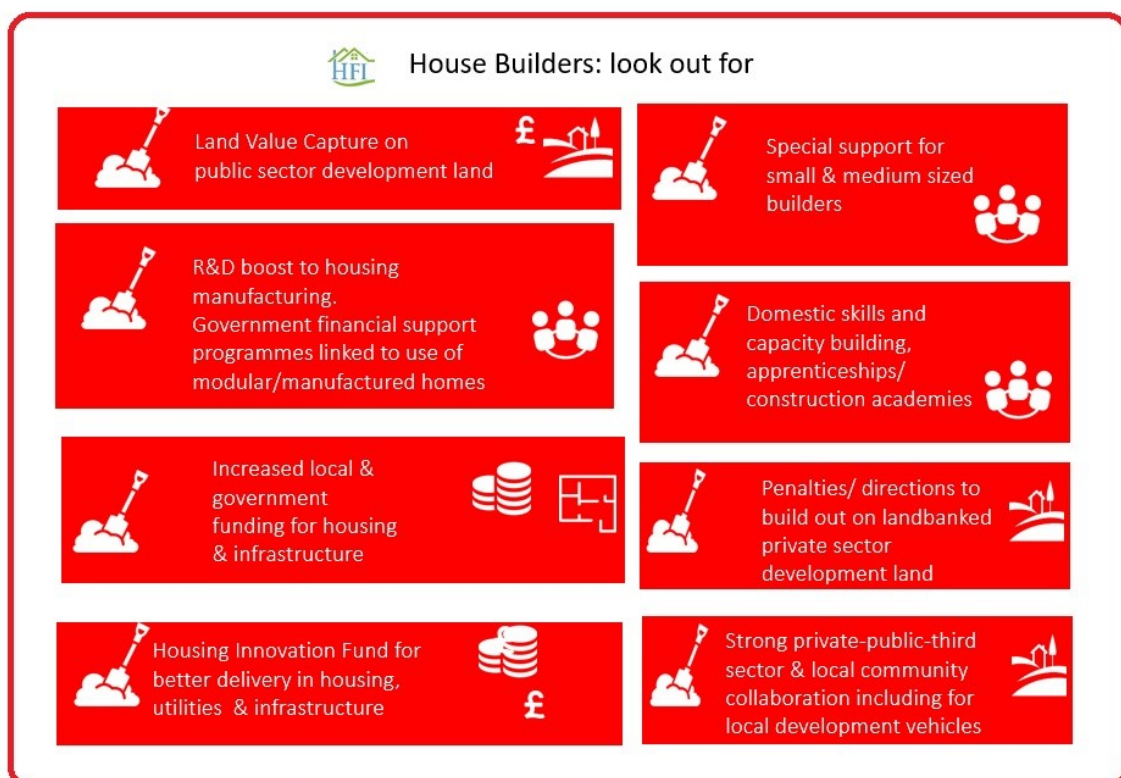
What to look out for:

First and foremost we should expect to see the Government more fully utilising public sector body land. The Land Value capture approach has been tempting Government for many months, but these are not easy ideas to put into practice without causing other market distortions. Even so, it should be expected that a preferred option for capturing more value from the development of public sector land will be announced soon. The thrust of policy is likely to be one of collaborative working across public, private and third sectors together with community engagement for planning, local building trusts and regeneration.

In the private sector there are a range of possible policy measures. Some of these include build out directions, planning powers and forms of compulsory acquisition.

One effective way to encourage land into use is incentivising the market to use the land more quickly and gain earlier profits from it. This could include tax breaks for purchasers (such as stamp duty holidays), tax breaks for business (such as REITS or large landlords/ investors), short dated additional funding support for infrastructure and off take guarantees for sales or rent.

With an industrial strategy focus there is a sharp need to increase skills, Small and Medium Sized (SME) builders, so something around skills, innovation hubs, innovation funds and a step-change in support for manufactured housing are all areas to look out for.



Housing Associations

Housing Associations have had so much praise in recent days from the Government that either there is a great big deal about to be announced or the warmth of the words reflects a view that Housing Associations have what they need to deliver more homes.

Recent days have seen a change in emphasis in the role of the Housing Association not simply as a good manager of homes but as a substantial builder and developer of new homes for rent and for sale. This does indeed go back to the very re-birth of the Housing Associations under Sir Keith Joseph where Housing Associations built housing for low cost ownership as well as houses for rent.

What to look out for:

A number of the settlements for Housing Associations have already been announced: rent certainty, extra freedoms and flexibilities, extra affordable housing programme funding. Is there more to come? Probably around supported housing, perhaps on low cost home ownership, shared ownership and rent to buy, perhaps on social rent.

But from a Treasury perspective the advantage that the Housing Associations have is that they can leverage their balance sheets using private finance. With the new freedoms and rent certainty, perhaps together with changes of treatment for historic grants, the Housing Associations have a tremendous opportunity to unlock billions extra from their own balance sheets. Perhaps that will be some of the £50 Billion that the Communities Secretary is looking for.

 **Housing Associations: look out for**

-  Extra funding for supported housing 
-  Rent Certainty: New rent deal for housing associations increasing revenue income 
-  Regulatory reform: freedoms to manage businesses & property, access additional private sector finance, investment/ equity 
-  Extra funding for social & affordable housing programmes 

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About The Housing & Finance Institute

The Housing & Finance Institute works as an accelerator hub, to increase the speed and number of new homes financed, built and managed across all tenures.

- We support councils increase housing supply through new partnerships and finance models
- We support new and smaller businesses along with established businesses with an appetite to do more
- We develop skills, capacity and relationships
- We improve the understanding of development finance and risk
- We promote new business and finance models, techniques and methods for housing delivery
- We identify and promote development opportunities
- We assist with problem solving across local government, central government and businesses

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