National Federation of ALMOs

championing better homes and communities

The Spending Review 2020
NFA member briefing

Introduction

The Chancellor presented the Spending Review 2020 yesterday and despite the rhetoric on not going back to austerity he was very clear on the economic challenges ahead and looking into the detail of the spending plans there are certainly signals of cuts to public spending in future and areas where we are likely to see a reduction on public investment. The most worrying news for the country was probably that the Office for Budget Responsibility now expects the unemployment rate to peak at 2.6 million next spring and a no-deal Brexit could mean it rises further.

Whilst there were welcome announcements on some areas of public spending there was little in it for council or social housing. There were references to investment in housing but much of it had been announced previously and new money is focused on the private sector and loans. There was a welcome announcement on funding for homelessness which builds upon previous announcements and secures a further year's funding for tackling rough sleeping. However, our hopes for an announcement on RtB receipts, more resources for new social housing as well as tackling building safety and climate change were dashed and we need to continue to make the longer term case for investment in council and social housing as a much needed economic boost to the country.

Asks on keeping the £20 uplift to Universal Credit were ignored as was a commitment to retaining the LHA rate at 30% of market rates, however the Chancellor did commit to keeping the actual cash amounts the same for LHA rates for the next few years so depending on what happens to rents over that period this is certainly better than pre-Covid and allows for continued discussions with the Government as the situation develops.

Key announcements for housing

The Chancellor announced that the Government will deliver nearly £20 billion of investment across a number of years that will underpin its long-term housing strategy but most of this has already been announced.

The £7.1 billion National Home Building Fund for unlocking private housebuilding developments consists mainly of existing spending commitments with £2.3bn of new money mainly for loan finance to the home building industry. However, it is noted that further funding will follow in the next multi-year spending review.

The fund will include:

- £4.8 billion of capital grant funding.

- The delivery of the Brownfield Fund (previously announced for Mayoral Combined Authorities).
- An additional £100 million for non-mayoral Combined Authorities to support housing delivery and regeneration, including unlocking brownfield sites, regenerating estates and releasing public sector land.
- £2.2 billion of new loan finance to support housebuilders across the country.

Homelessness
The other newly announced funding was **a further £151 million** to be allocated to councils to help them **end rough sleeping in 2021-22**. The total £254 million figure announced includes £103 million announced earlier in the year for accommodation and to address substance misuse.

AHP
For new social housing the Chancellor just reconfirmed the **£12.2 billion** for the **Affordable Homes Programme** with no changes to reflect the dire economic circumstances we find ourselves in.

LHA rates
For those in the private sector **LHA rates are to be frozen in cash terms from April 2021** and then increased in line with Consumer Price Inflation (CPI) in future years.

Other spending areas

Local Authority budgets
The Spending Review did increase the core spending power for local authorities by an estimated 4.5% in cash terms which is welcome.

Local authorities will be able to increase their council tax bills by at least 2% without consulting residents as well as social service authorities by 3% to help plug holes in council adult social care budgets.

In response to their consultation earlier in the year the Government have confirmed they will act to prevent the use of the PWLB for investment property bought primarily for yield. The government will cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate. The government has also announced the outcome of the Local Infrastructure Rate competition. Six authorities will benefit from £336 million in discounted lending for local infrastructure priorities.

Employment Support Spending
As the JRF notes "The government's new £2.9 billion Restart employment support programme is a significant intervention and recognises the economic and employment challenge facing the UK." But once you look at the figures (see table 1) the Government is only committing £400m to the programme next year and most of the spending is subject to further spending reviews. JRF have also pointed out that "the £375m adult skills announcement falls far short of the £600m a year the government promised at the 2019 general election".

Table 1 Employment Support Spending

DWP Initiative	**2019/20**	**2020/21**	**2021/22**	**Total**
Double no of work coaches	*0.0*	*1.1*	*1.4*	*2.5*
Kickstart: Subsidised work placement scheme for 16-24 year olds on Universal Credit	*0.0*	*0.2*	*1.6*	*1.8*
Restart, Employment Support programme for people out of work for 12mths +	*0.0*	*0.0*	*0.4*	*0.4*
Other inc: Targeted Support and Job Finding Support schemes, the Youth Offer and Sector-based Work Academy Programme placements	*0.0*	*0.5*	*0.3*	*0.8*

Levelling Up

The Chancellor announced a £4bn levelling up fund with further details to be announced in January as well as giving some more detail on the UK Shared prosperity Fund which is intended to replace EU Structural Funds for deprived areas. However, most commentators seem to think that the overall amount of money committed is less than those areas would have received if we had stayed in the EU.

Full details on the UK Shared Prosperity Fund won't be available until the new year but the new announcements included:

- In 2021 there will be £220 million available UK-wide to trial new pilots and programmes in lieu of the full introduction of the SPF
- The funds available through the SPF will rise to £1.5 billion a year in 2022
- Part of the fund will be allocated to 'places most in need' across the UK, such as deprived communities. The rest will be designed for 'people most in need', for example targeting those facing the most labour market barriers to support them into better employment opportunities.

Climate change: Ten Point Plan

Prior to the Spending review Boris Johnson announced his 10-point green plan to help tackle and eradicate the UK's contribution to climate change by 2050.

The £12bn plan for a "green industrial revolution" includes renewable energy, nuclear power and countryside restoration and promises to create 250,000 jobs.

The 10-point plan

1. **Offshore wind:** Producing enough offshore wind to power every home, quadrupling how much we produce to 40GW by 2030, supporting up to 60,000 jobs.

2. **Hydrogen**: Working with industry aiming to generate 5GW of low carbon hydrogen production capacity by 2030 for industry, transport, power and homes, and aiming to develop the first town heated entirely by hydrogen by the end of the decade.

3. **Nuclear:** Advancing nuclear as a clean energy source, across large scale nuclear and developing the next generation of small and advanced reactors, which could support 10,000 jobs.

4. **Electric vehicles:** Backing our world-leading car manufacturing bases including in the West Midlands, North East and North Wales to accelerate the transition to electric vehicles and transforming our national infrastructure to better support electric vehicles.

5. **Public transport, cycling and walking**: Making cycling and walking more attractive ways to travel and investing in zero-emission public transport of the future.

6. **Jet Zero and greener maritime:** Supporting difficult-to-decarbonise industries to become greener through research projects for zero-emission planes and ships.

7. **Homes and public buildings:** Making our homes, schools and hospitals greener, warmer and more energy efficient, whilst creating 50,000 jobs by 2030, and a target to install 600,000 heat pumps every year by 2028.

8. **Carbon capture:** Becoming a world-leader in technology to capture and store harmful emissions away from the atmosphere, with a target to remove 10MT of carbon dioxide by 2030. 9. Nature: Protecting and restoring our natural environment, planting 30,000 hectares of trees every year, whilst creating and retaining thousands of jobs.

9. **Innovation and finance:** Developing the cutting-edge technologies needed to reach these new energy ambitions, making the City of London the global centre of green finance.

For Social Housing we have already had the announcement of the £50m Social Housing Decarbonisation Demonstrator Fund with the outcome of bids expected next month and running until December 2021. The Spending Review announced £60m for decarbonising social housing in 2021/22 but with no further detail so we are unsure of this is £10m additional on top of the existing £50m or an additional £60m for the start of the full programme.

NFA Next steps

Our Covid recovery asks were:

- **An effective grant programme with sufficient funding to deliver social rented homes we can all be proud of.**
- **Specific, secure funding to end rough sleeping and reduce homelessness by the end of this Parliament.**
- **Reform right to buy + one-for-one replacement of every rented social home sold.**
- **Full financial support from government for essential building safety work post-Grenfell.**
- **A clear strategy to meet the 2050 zero-carbon target for housing.**

We have spoken to MHCLG with regards to the Right to Buy receipt extension and they have told us they are continuing to work on it, and we will be in touch if we hear anymore.

We will contact BEIS to get more detail on the Social Housing Decarbonisation Fund and let members know the outcome in due course.

As agreed by Board we will continue to push on all of these issues and work with members to provide good evidence to support our asks. We expect the Chancellor to make another financial statement in March 2021 and present a budget in the Autumn with a multiple year spending review happening at some point when the government feel they have got to end of the immediate Covid crisis.

We will look to work with partners like the NHF on a continuation of the Homes at heart campaign as well as pushing the findings of the Pragmatix report with ARCH and the LGA.

If you have any further questions or comments please do not hesitate to contact Chloe Fletcher at chloe.fletcher@almos.org.uk or on 07526 171033.