Spending Review 2020

Briefing for housing associations

2 December 2020

Summary

The 2020 Spending Review set out the government's spending plans for 2021/22 and focused on measures to tackle coronavirus, create jobs, strengthen public services and support the "levelling-up" agenda. It was not a multi-year Comprehensive Spending Review as initially planned, due to the ongoing economic uncertainty caused by the coronavirus crisis.

The Review contained a number of announcements relevant to housing associations, including measures that the NHF called for in our submission to HM Treasury ahead of the Spending Review. The briefing is structured under the following headings:

1. Delivering a new generation of affordable homes.
2. Providing skills and jobs to get people into work.
3. Kick-starting a retrofit revolution.
4. Levelling up the economic opportunity across the country.
5. Improving outcomes in public services – including housing support and care, and homelessness.

This briefing starts with an at-a-glance summary of key announcements, and then covers all relevant announcements in turn, including the NHF response.

If you have any comments or questions, please contact Rob Wall, Head of Policy, via rob.wall@housing.org.uk.

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NATIONAL HOUSING FEDERATION

Spending Review 2020: housing at-a-glance

- Reconfirmation of a £12.2bn Affordable Homes Programme for 2021-26.
- A £7.1bn National Homebuilding Fund aimed at stimulating private sector development, including £2.2bn of new loan finance.
- Confirmation that the increase to Local Housing Allowance (LHA) rates will be maintained next year, though no confirmation that the £20 a week top up for Universal Credit will continue after March 2021.
- £60m of funding for 2021-22 to support retrofit in the social housing sector.
- A £4bn Levelling Up Fund which will be invested in local infrastructure, though not directly in housing.
- A refreshed Green Book, updating the government's guidance on how to assess potential investments to help address regional imbalances.
- £151m of new local government funding for rough sleeping in 2021-22, £87m of which will be used for long-term accommodation for rough sleepers.

1. Delivering a new generation of affordable homes

The Spending Review confirms around £20bn in multi-year capital investment to support the government's long-term housing strategy. This includes:

- Reconfirming £12.2bn for the Affordable Homes Programme (AHP).
- Announcing £7.1bn for a National Home Building Fund (NHBF).

The Spending Review also provides capital funding for supported housing to help people with high support needs live independently. You can read more about this in the section on housing care and support.

The £7.1bn for a new NHBF comprises £4.8bn of previously announced capital grant funding, £2.2bn of new loan finance for SMEs and innovative housebuilders, and £100m for non Mayoral Combined Authorities (MCAs). The NHBF will provide funding for the next four years (with the exception of the funding for MCAs which is for 2021-22) to unlock up to 860,000 homes. Further funding for the NHBF will be confirmed at the next multi-year spending review, delivering on the government's commitment to provide £10bn to unlock homes through provision of infrastructure.

The Spending Review provides an additional £30m to help deliver the new building safety regime. This includes funding for a new building safety regulator established by the Health and Safety Executive to oversee a more stringent regime for higher-risk buildings. It also confirms £1.6bn of capital the government has already made available – a combination of the £600m made available to remediate high-rise buildings with Aluminium Composite Material (ACM) cladding and the £1bn Building Safety Fund announced at the March Budget.

NHF response

We welcome the confirmation of the £12.2bn AHP. This, together with the £7.1bn NHBF, will help reduce the current shortfall of four million homes, as well as stimulate the economy and create jobs.

The NHBF is focused on private sector development but should also benefit housing associations in the mid-term, for example by unlocking brownfield sites and providing regeneration opportunities.

We welcome the funding for the building safety regulator. However, we are disappointed that the government did not take the opportunity of the Spending Review to provide upfront funding for the removal of cladding. Such funding would ensure that buildings can be made safe as quickly as possible, and support leaseholders currently facing large bills for remedial works or struggling to sell their property due to ongoing uncertainty over buildings' safety. We are calling on government not only to fund all remedial works but also to coordinate funding and resources so that they are directed first at buildings that need them most.

2. Providing skills and jobs to get people into work

Helping people into employment

As part of the Spending Review, the Office of Budget Responsibility (OBR) set out its economic forecast. The OBR report that the UK economy has contracted by 11.3% and forecast that it will not return to pre-crisis levels until the last quarter for 2022. The number of unemployed people is set to rise to 2.6 million people in the second quarter of 2021, and average pay will contract by the equivalent of £1,200 per person and not return to pre-crisis levels for a few years.

Against this backdrop, the Review allocated £3.7bn to support frontline services and to enable the Department for Work and Pensions (DWP) to deliver on its Plan for Jobs to support people back into work. This includes:

- A new Restart programme to provide intensive and tailored support to over one million unemployed people and help them find work in England and Wales, with approximately £400m investment in 2021-22. The first step in a £2.9bn three-year programme.
- Investing £1.4bn to build on the Plan for Jobs commitment to increase capacity in Job Centre Plus and double the number of work coaches in Great Britain.
- Additional investments in Plan for Jobs measures including the Job Entry, Targeted Support and Job Finding Support schemes and the Youth Offer, as well as Sector-based Work Academy Programme placements.
- £1.6bn in 2021-22 to continue creating up to 250,000 government-subsidised jobs through the Kickstart Scheme.
- New flexibilities around the Apprenticeship Levy and around £2.5bn funding.

NHF response

This significant investment in getting people back to work is welcome and many housing associations are already looking at taking Kick Start placements through the Kick Start in Housing network. Alongside this employment support, we also need to focus on creating jobs for people to move into.

Changes to the benefits system and National Minimum Wage

Therese Coffey, Secretary of State at DWP, announced that the increase to Local Housing Allowance (LHA) rates in April 2020 will be maintained in cash terms in 2021/22. The assumption in the OBR forecast is that rates will be frozen at these levels in future years, subject to the Secretary of State reviewing annually in the usual way. She also announced that working age benefits would rise by 0.5%, pension credit by 1.9% and the state pension by 2.5%.

There was no announcement on the future of the £20 per week additional amount included in Universal Credit and Working Tax Credit in April 2020. Therese Coffey's statement emphasises that the additional £20 per week paid as part of every Universal Credit or Working Tax Credit claim from April 2020 is 'temporary … to support those facing the most financial disruption as a result of the public health emergency'. The government will continue to assess how best to support low-income families and will look at the economic and health context in the new year.

Local authorities have been allocated £670m to support low-income Council Tax payers. It is not clear how this additional funding for Council Tax support will be distributed nor how councils will be expected to use these funds.

The National Living Wage was expected to rise to £9.21 an hour from April 2021. The Spending Review reduced this to an increase of 18p an hour to £8.91 an hour but extended eligibility to 23 and 24 year olds. The National Living Wage is being extended to people aged 23 and over, meaning they must be paid at least £8.91 per hour from next April. The National Minimum Wage is increasing for younger people - for people aged 21-22, it will rise 16p from £8.20 to £8.36 and those aged between 18-20 will have their wages boosted 11p, from £6.45 to £6.56.

NHF response

The confirmation that the 2020 increases in LHA will remain from April 2021 will bring some welcome stability for people living in the private rented sector. However, if rents rise, the rates will once again drop below the 30th percentile exacerbating affordability issues in the private rented sector. In the longer term the government should seek to expand the supply of affordable housing for rent so that more people can afford their rent without having to claim as much benefit.

Millions of housing association residents have had to rely on Universal Credit to support them during this pandemic. It is disappointing that the Chancellor missed the opportunity to reassure people that from April 2021 the government will not cut £20 from every family that receives Universal Credit or Working Tax Credit. The impact of the pandemic will still be with us in April and we need to give more security to the lowest paid and people who have lost their jobs. There was also no statement on the suspension of the Minimum Income Floor, a notional income used in the assessment of benefit support for the self-employed.

The lack of clarity around the extension of the £20 a week benefit uplift and the suspension of the Minimum Income Floor also causes huge issues for housing association staff trying to advise people currently in receipt of legacy benefits whether they are better off moving to Universal Credit.

3. Kick-starting a retrofit revolution

The government has restated its commitment to making homes more energy efficient and less carbon intensive.The Review allocates £60m of funding in 2021-22 to support the retrofitting of social housing. It also provides £475m of funding to make public buildings greener and £150m to help some of the poorest homes become more energy efficient and cheaper to heat with low-carbon energy.

The Review also provides funding to start delivery of the Prime Minister's plan for a Green Industrial Revolution. It extends the Green Homes Grant scheme with £320m of funding in 2021-22, and confirms £122m of funding in 2021-22 to support the creation of clean heat networks.

The government is committed to spending £3bn on building decarbonisation, and will review this allocation in the spring, together with how it can best deliver this agenda over the course of this parliament.

Alongside the Spending Review, the government has published its National Infrastructure Strategy. This restates the commitment to investing in hydrogen heating trials, recommits to the target of installing 600,000 heat pumps by 2028, and acknowledges the need to scale up low carbon heating and energy efficiency measures in order to make buildings fit for net zero.

NHF response

We are pleased to see the ongoing commitment to helping the sector decarbonise. We welcome the £60m of funding to retrofit social housing in 2021-22. The NHF called for additional funding to supporting retrofitting in our submission to HM Treasury ahead of the Spending Review. In a one year settlement, we believe this is a good outcome. However, we will continue to press government to deliver the full £3.8bn over the next 10 years to help decarbonise social homes as promised in the Conservative Manifesto. We will also continue to work with the government to shape the proposed Social Housing Decarbonisation Fund.

We welcome confirmation of £320m of funding to extend the Green Homes Grant scheme until March 2022. We have previously called for this. Extending the scheme to the end of 2021-22 will allow more time for installers to get trained and certified and more time for housing associations realistically to plan, procure and deliver work.

We look forward to the long promised Heat and Building Strategy, which we understand will be published in the New Year. As we set out in our Spending Review submission, the lack of policy clarity is a major barrier to retrofitting at scale and pace. We hope the Heat and Building Strategy provides the long-term certainty on policy, regulation, reporting and funding that the sector needs.

4. Levelling up economic opportunity across the country

The Spending Review announced some important initiatives for regeneration and levelling-up, including:

- A £4bn new Levelling-Up Fund.
- More details on the UK Shared Prosperity Fund.
- A refresh of the Treasury Green Book.

The Review also confirmed that support for the existing Towns Fund would continue, with £621m in 2021-22 promised to support regeneration in 167 towns (more than the 100 initially identified).

A new Levelling-Up Fund

The Spending Review announced a new £4bn Levelling-Up Fund. This Fund will be specific to England, with £600m allocated in 2021-22. Final details will be published next year.

The fund will be open to competitive bids from all parts of England but will prioritise those in greatest need and areas that have received less government investment in recent years. The focus of the fund is on transport and community infrastructure, with support also for local arts and cultural initiatives. Awards will typically be to a maximum of £20m, although some exceptional cases may be supported.

NHF response

We welcome the announcement of the Levelling Up Fund. This presents a real opportunity for much-needed investment and regeneration in communities around the country.

The measure of success will be how significant a contribution to reducing the disparities between places and communities the fund makes. Some commentators have noted that the fund is worth considerably less that the Local Growth Fund it seems set to replace. We look forward to the publication of further details in the New Year.

The UK Shared Prosperity Fund

The Review provide further, but not yet final, details of the long-promised UK Shared Prosperity Fund (UKSPF).

The Chancellor announced that the detailed design of the fund will be published in the spring, as part of a UK-wide investment framework. He pledged that the government would “ramp up” funding, so that the UKSPF would reach the level of European Structural and Investment funding – around £1.5bn a year across the UK. In the more immediate term, the government will provide £220m in 2021-22 to support communities to pilot programmes and new approaches.

The UKSPF will be allocated in two broad parts: one part place-based (potentially including housing improvements, as well as infrastructure, community and cultural facilities, and business support), the other focused on groups of people, including through work-based skills initiatives and early years child services. Both parts of the fund will be focused on greatest need.

NHF response

We are pleased to see further details of the long-awaited UKSPF. We are pleased too, that a holistic range of interventions, including housing investment, will be eligible – and that support will be focused on people and places in greatest need. We had called for this in our Great Places report and subsequent engagement with the government.

While the exact profile of the UKSPF will not be determined until the next Spending Review, we welcome the provision of £220m to help local areas prepare over 2021-22.

We will work with officials and colleagues, including colleagues on the Housing and Employment Task Force, to understand and share more information on the UKSPF as it emerges.

Review of the Green Book

The review of the Treasury’s Green Book appraisal guidance responds to concerns that it was unhelpful to government’s ‘levelling up’ objectives by tending to favour investment in more prosperous areas, which delivered higher Benefit–Cost Ratios (BCR). The review process looked beyond the technical content to also consider the widely-varied understanding and application of the guidance. To address the issues identified, the following changes have, or will, be made:

- A greater emphasis on understanding and making the strategic case for interventions. The Green Book has been updated to make clear that BCRs should be considered at appropriate points in a balanced appraisal process.
- Reviewers' assessment of bids for support should become more constructive engagement, rather than simply delivering judgement.
- There will be greater investment in "ex-post" evaluation to improve understanding of which investments and approaches work well, and why.
- A more holistic approach will be encouraged for potentially transformational investments, the impacts of which are not well captured by Green Book appraisal techniques.

NHF response

The Green Book review brings welcome clarity to how project appraisal should be applied. This will help make best use of public investment in regeneration and levelling-up – something we have called for. But it is not clear that the continued emphasis on competitive bidding and central and political control of decisions will lend itself to the cultural change and more holistic perspectives the Green Book review found are required.

5. Improving outcomes in public services

Housing support and care

There is no new revenue funding for supported housing. There is new, one-year capital funding for supported housing to help people with high support needs live independently, through £71m for the Care and Support Specialised Housing Fund. This is an existing funding stream. Councils will get £300m for adult and children's services and be allowed to raise more in tax.

NHF response

The £71m capital funding to help people live independently is a step in the right direction to improve the supply of affordable specialist housing for older people and adults with disabilities or mental health problems. We have previously called for long-term security for capital and revenue funding for supported housing. Specialised housing can transform people's lives and reduce NHS spending. We need secure revenue funding and a long-term building programme to meet the growing need for these homes.

The extra funding for social care will help address some short-term pressures but we will continue to press for long-term certainty and adequate funding for our care and support services, because of high existing and increasing demand.

The Spending Review did not include additional funding for public health. During the crisis, supported housing providers have worked with local public health teams to mitigate the risks from coronavirus and keep people well. This partnership will need to continue as the pandemic continues.

Homelessness

The Spending Review announced £151m of new local government funding for rough sleeping and homelessness in 2021-22, and confirmed £103m funding for substance misuse and accommodation support that had been announced in the March Budget. £87m of funding will be used for long-term accommodation for rough sleepers. The remainder will go to supporting frontline services through the Rough Sleeping Initiative, funding local authorities to prevent homelessness, and helping prison leavers at risk of homelessness into private tenancies.

NHF response

We welcome the funding for rough sleeping, which is something we have called for. This will be a helpful boost to housing associations' important work to rehouse rough sleepers and other vulnerable groups, particularly while the pandemic continues. We are seeking clarity on how much revenue funding will be allocated to the long-term accommodation fund and other funds. The need for flexibility and adequate revenue funding have been part of our feedback on this year's rough sleeper accommodation funding.

It is welcome that local authorities will have Homelessness Reduction Act funding beyond 2020, which we have previously called for. Homelessness prevention is also ensured through the existence of wider support services and supported housing. The government should invest £1.6bn per year in housing-related support, to improve outcomes for public services, reduce temporary accommodation spend, support health and prevent homelessness.

Investment in 145,000 social homes per year, including 90,000 homes at social rent, will contribute to ending homelessness for those already in temporary accommodation, and prevent it for those at risk.