

Spending Round

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 Audio Version Available

Spending Round Wednesday 4th September 2019

Introduction

Today's Spending Round to set departmental revenue budgets for 2020-21 came exactly six weeks to the day since the new Chancellor took up his post. But as Labour's shadow chancellor John McDonnell said: "Nobody is fooled into believing that this is a proper and normal spending review."

Billions of pounds of additional expenditure were earmarked for education, policing and the NHS, reflecting the priorities the new Prime Minister has been outlining since he assumed his role.

The new housing team were on record prior to the statement as being committed to home ownership with the new Housing Minister, Robert Jenrick stating, "We will focus relentlessly on boosting supply and home ownership."

However, while capital investment was never going to be the focus of this Spending Round (see note below), housing was still remarkably low-profile within the announcements. The Chancellor made repeated commitments to 'level up' the regions but detail on these commitments will wait for the Budget later this Autumn and the multi-year Spending Review planned for 2020.

With a hurried re-scheduling of business amidst Brexit turmoil, today's 'fast track' one-year spending round replaced what would have been a more significant intervention by Mr Javid in his new role. Many may have been wondering if it would help that the Spending Round was being delivered by a former Housing Secretary. Mr Javid said just before the Spending Round, "I know from MHCLG that we need bold measures on housing".

However, given the focus on revenue spending, there were limited gains for MHCLG from this Spending Round. The key announcement of interest to NHC members is that as a previously 'non-protected' department, MHCLG will not face further cuts and that Local Government will receive a real-terms increase in funding for the first time in almost a decade. The Local Government settlement will provide some short-term relief for the NHC's local authority members but must be the down-payment on a longer-term settlement next year.

Key Announcements

- Day to day public spending increased by £13.8 bn
- Commitment to “turn the page on austerity” based on increased borrowing
- Local Government to receive a £3.5bn increase in ‘spending power’
- Adult Social Care extra £1.5bn for councils next year
- Rough Sleeping extra £54m new funding
- Levelling up across all parts of the UK – ‘every region will benefit’
- Confirmation of previous commitments to the Towns Fund
- Office for Veterans Affairs – will tackle the growing number of homeless veterans

About the Spending Round

It’s important to note that today’s fiscal event was a one-year fast track Spending Round focused on revenue budgets. When the Treasury announced that today’s statement would take place, they noted that it would fund Department’s day-to-day spending for 2020/21. Capital budgets (e.g. for housing investment) for the equivalent period were already in place. Future multi-year revenue and capital budgets will be set in a ‘full’ Spending Review slated to take place in 2020. The Spending Round documentation published today confirms capital budgets for 2020/21 are largely unchanged.

So, today’s announcement was never likely to include new arrangements for capital spending like investment in new social and affordable housing. Those decisions will be made in Spring next year, and the NHC will continue to make the case for the important role of the affordable homes programme in the North of England through the [#OurNorth campaign](#).

Main Proposals

Housing, Communities and Local Government

- MHCLG will receive a 2.7% real terms increase to the department’s resource budget from 2019-20 to 2020-21.
- A total of £422m resource funding to help reduce homelessness and rough sleeping, will include an additional £54m in 2020-21. This represents a real terms increase of 13% compared to 2019-20.
- £24m additional funding for the Building Safety Programme to support the new building safety regime and help prevent a tragedy like Grenfell happening again. This comes on top of £600m of Government funding for the removal of aluminium composite material (ACM) cladding in the private and social residential sectors.
- A total of £241m from the Towns Fund in 2020-21 to support the regeneration of high streets, town centres and local economies. The Chancellor’s speech suggests this is part of a £3.6bn total commitment to the Towns Fund.
- Continued funding for the Midlands Engine and Northern Powerhouse.

- Continued support to increase home ownership through the Help to Buy equity loan and other housing programmes, including providing Homes England additional funding to deliver more homes where people need them (this appears to be a reference to an increase in Homes England’s administration budget, rather than an increase in programme funding).
- MHCLG will consult on mandatory accessible housing standards in building regulations, ensuring new properties are built with good accessibility standards to reflect the needs of older and disabled people.

NHC Reaction

The positive news in this Spending Round was that there would be no further cuts in spending, but this also leave great uncertainty about long-term commitments to existing programmes.

As noted above, we will have to wait for the autumn Budget and the full Spending Review for confirmation on any expansion of programmes to ensure the Government will continue to support the North to create great homes and places.

The NHC backs the wider sector’s calls for an ambitious expansion of affordable housing funding. What must not be forgotten is that 1 in 3 affordable home completions supported by Homes England occur in the North – making a vital contribution to Government’s overall housing ambitions. This is particularly important to the North as it is one of the few housing funds that is not subject to ‘geographical targeting’ restrictions that prevent the vast majority of the North from accessing funds.

Commitment to “turn the page on austerity”

Local Government expenditure will increase by £1.1bn in cash terms.

With this increase in grant, Local Government Core ‘Spending Power’ is estimated to increase by £2.9bn in total in 2020-21. These changes will be reflected in the Local Government Finance Settlement for 2020-21. MHCLG will consult on the detailed methodology in due course. In addition, the Spending Round confirms that local authorities will receive additional resources through a real terms increase in the Public Health Grant and through the NHS contribution to adult social care through the Better Care Fund, which will increase by 3.4% in real terms, in line with the overall NHS long-term settlement.

Combined with the £2.9bn increase in Core ‘Spending Power’, these announcements mean local authorities can benefit from more than £3.5bn of additional resources made available in this Spending Round.

NHC Reaction

Local Government funding has been the most heavily reduced area of spending under austerity. This increase is therefore welcome but must be set in context.

IFS analysis shows that Local Government spending has fallen 21% in real terms since 2009/10; non-social care Local Government services have faced deeper cuts of almost 40%. We know from other studies that the cut to housing and planning services across the country has been more like 50% as it has been one of the worst-hit services.

The outlook for public spending remains highly uncertain and despite ‘turning the page on austerity’, these increases do not represent a reversal of previous drastic cuts for non-protected areas.

A disorderly ‘no-deal’ departure from the EU that causes short-term disruptions and permanent damage to the productive potential of the UK economy would, in the long term, mean lower incomes and less money available to spend on our public services. It is possible, therefore, that this Spending Round will represent a pause, rather than an end, to austerity.

Furthermore, a one-year spending round simply doesn’t provide enough certainty for good financial planning and management. Long-term clarity and transparency are vital to ensure financial plans at all levels of Government are accurate, efficient and sustainable. We hope and expect that the 2020 Review will set out such plans and begin to rebuild housing and planning capacity in our councils. We must create capacity in our councils to realise their housing ambitions.

Adult Social Care extra £1.5bn for councils next year

The Government will consult on a 2% Adult Social Care precept that will enable councils to access a further £0.5bn, bringing the total increase in funding for social care to £1.5bn; and Local Government’s business rate baseline funding levels will also increase in line with inflation. These figures are incorporated in the wider Local Government settlement outlined above.

NHC Reaction

Extra funding for adult social care is hugely welcome but much more needs to be done to provide housing that is needed for the most vulnerable.

The Government had committed to publishing a Green Paper on Social Care following the 2017 General Election and publication had been delayed many times. Towards the end of July 2019 rumours circulated that the Green Paper had been “ditched” and instead a White Paper would be published setting out its future policy intention rather than a consultative Green Paper.

The Government has said that “housing will be a crucial part of considerations for reform of care and support”, adding “we intend to set out proposals for existing, new, and specialised housing, to ensure people can live in a ‘safe and suitable’ home, for as long as possible”. The former Health and Social Care Secretary said that a Green Paper will have a “significant chapter on housing”. This needs to be published as soon as possible.

National Infrastructure and ‘levelling up’ the region

With a pledge to create a ‘new economic plan’ leading to a ‘decade of renewal’, the Chancellor pledged an ‘Infrastructure Revolution’.

The Government has pledged to launch an independent review into the future of HS2, which will decide whether to go ahead with the idea, alter it, or scrap it entirely. The Northern Powerhouse will hold its own review into the high-speed railway amid reports that the project may be scrapped.

There was continued support for the development of major transport projects, including pushing on with work on the Leeds to Manchester route of Northern Powerhouse Rail.

The National Infrastructure Strategy to be published later this year will set out the Government’s priorities for economic infrastructure and responding to recommendations in the National Infrastructure Commission’s National Infrastructure Assessment.

NHC Reaction

Despite relying on each other, housing and the rest of the infrastructure are always kept apart with housing not counting as infrastructure when it comes to investment. With MHCLG acting in a

coordinating role, government departments need to collectively build a consensus about the value and significance of housing and its connection to the current funding climate, infrastructure, transport rather than each department solely delivering their individual service responsibilities.

The Government must consider the implications of a strong and proactive housing policy on the wider economy. Serious consideration of the economic benefit of housing – just like rail networks, roads and the digital connection can't come soon enough.

Social Security

A £106m package to fund the Plan for DWP Excellence, which will deliver reform to support the most vulnerable in society. This includes:

- £40m additional funding for Discretionary Housing Payments to tackle affordability pressures in the private rented sector in England and Wales
- £36m to ensure DWP decision-making is accurate and the application processes are straightforward and accessible, as well as improving safeguarding by creating a new independent Serious Case Panel
- £7m to expand Jobcentre advisor support in schools for young people with special educational needs and extending eligibility for Access to Work to internships for disabled people, and
- £23m to fund a range of other measures, including support for vulnerable claimants and people with complex needs migrating to Universal Credit, additional outreach activities to support those who are homeless, and increasing the number of Armed Forces champions to support veterans when entering the labour market.

NHC Reaction

Despite much lobbying prior to the Spending Round, there were no additional measures relating to challenges faced by residents and landlords from Universal Credit and the freeze on rates of Local Housing Allowance. We await the Autumn Budget and 2020 Spending Round for these much-needed changes.

Commitment to Net Zero by 2050 through the Infrastructure Strategy

The National Infrastructure Strategy will provide further details of how the Government will achieve Net Zero by 2050.

NHC Reaction

Despite the Chancellor's speech referencing the need to reduce fuel bills for homes and offices, there was no allocation of any sizeable increase in funding to tackle the climate emergency, despite the Government's target to reach Net Zero carbon emissions by 2050. However, pressure is mounting on the Chancellor to act, with environmental groups calling for funding to double.

The latest Committee on Climate Change report concludes that 'UK homes are not fit for the future'. Nothing has been addressed through this Spending Round on the urgent need to address the role of residential properties in the commitment to net zero, despite the promise of a Future Homes Standard in the 2019 Spring Statement.

Office for Veterans Affairs – will tackle the growing number of homeless veterans

Government launched an Office for Veterans Affairs to help give former servicemen and women better and quicker access to medical treatment and training opportunities. This is also intended to tackle the growing number of homeless veterans. Veterans Minister Johnny Mercer and Paymaster General Oliver Dowden are in charge of the new body.

NHC Reaction

Veterans face particular issues when leaving the armed services – accessing housing and risks of homelessness are particularly acute. £5m secured from the Treasury for the 2020/2021 financial year will equip the Office for Veterans' Affairs to "fight for veterans from the heart of Government for the first time".

Conclusion

Given the Spending Round's focus on revenue spending, and the lack of any trailed announcements on housing, the low profile for housing in the statement is no surprise. The increases in Local Government expenditure are encouraging but must represent a down-payment on a longer-term settlement.

He described the departments for which he was funding increases were "lifelines of opportunity" and promised the country a 'decade of renewal'.

Attention will now turn to the Autumn Budget and multi-year Spending Review due in 2020. The Chancellor will face pressure to set out a more compelling offer on housing.

The NHC has been clear that to make housing policy work for the North, such an offer must include:

- A long-term settlement which enables our councils to rebuild housing and planning capacity, vital to secure our ambitions to boost housing quality and supply
- A significantly expanded affordable homes programme, with the North of England continuing to receive a significant proportion of this funding, which allows the North to deliver one in three of Homes England's affordable home completions
- A flexible Housing Quality Investment Fund, enabling us to level up quality in the North's private rented sector.

Continuing political uncertainty, including a potential Autumn election, mean that this settlement could be amended. This adds to the uncertainty at a time when public sector budgets remain under extreme pressure.