

Budget Briefing

Coronavirus Response Update

Housing

March 2020



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The New Chancellor

Rishi Sunak was appointed as Chancellor of the Exchequer in February 2020, having previously served as Chief Secretary to the Treasury from July 2019. Prior to his political career, Mr Sunak spent over 10 years in business, first as an investment banker for Goldman Sachs before moving to hedge fund The Children's Investment Fund.

Mr Sunak has been the Member of Parliament (MP) for Richmond (Yorks) since the 2015 general election and served as a Parliamentary Private Secretary at the Department for Business, Energy and Industrial Strategy from June 2017 until his appointment as a Minister for Local Government.

Key Challenges

- Pursuing the government's levelling up agenda
- Reducing homelessness and rough sleeping
- Addressing the UK's North/ South divide
- Setting out the HM Government's economic Coronavirus response
- Bringing forward potential reforms to Stamp Duty

Faced with a Budget shortly after being elevated to Chancellor, Mr Sunak's position has been made more challenging by the spread of the Coronavirus, which threatens to dominate the fiscal statement and distract from HM Government's domestic policy agenda.



"The Government are committed to boosting housing supply to ensure that hard-working people have a secure place to call home."

Rishi Sunak MP

The New Housing Minister

Christopher Pincher became the 18th UK Housing Minister in 20 years in February 2020. Formerly a Minister at the Foreign and Commonwealth Office, Mr Pincher is the latest Conservative MP to take on the challenging housing brief. No stranger to housing debates, in 2016 Mr Pincher spoke of the importance of small and medium sized enterprises in delivering the homes Britain needs. He said that larger developers should franchise some of their land bank to smaller developers to help delivery, alongside highlighting the need for mix of homes to help people move up and down the ladder.

Key Challenges

- Helping first time buyers on to the property ladder
- Extending permitted development rights
- Bringing forward the First Homes policy
- Increasing the UK's housing supply
- Reducing homelessness and rough sleeping

Taking on a role of critical importance to the government's agenda after a long running revolving door of ministers, Mr Pincher has to convince business, stakeholders and the public that he is committed to tackling the UK's housing issues long-term, rather than seeing the posting as a stepping stone to higher office. He has so far prioritised developing plans for low-carbon, age friendly homes.



"The new gold standard of building will have the future in mind – not just in the United Kingdom, but worldwide"

Christopher Pincher MP

Housing Policy Context

First Homes

A policy floated by Housing and Communities Secretary, Robert Jenrick MP in 2019, First Homes would give a discount on new homes purchased in the area where the person grew up. Key workers, such as nurses, police officers, firefighters, nurses and teachers would be given initial priority as will members of the armed forces.

The details of the scheme are not yet clear, and the government is currently consulting on the proposition. Shelter criticised the scheme as unaffordable as even with the reduction, the majority of the UK's private renters would still be unable to afford to purchase a home. Another criticism has been that as the discounted homes would be built under Section 106 agreements there is the possibility that the scheme will reduce the number of homes built for affordable rent.

Expanding Permitted Development Rights

HM Government extended permitted development rights at the previous Budget to reduce the necessity for planning permission to extend properties. This has allowed current homeowners to more easily expand their current residences. However, increasing the ease of expanding properties has not been without adverse consequences, such as it has meant that what were once affordable first time properties can be easily extended, increasing their price beyond the reach of a first time buyer when they return to the market. Furthermore, properties that would have been a first home can be extended rather than the owners moving to a larger home, decreasing fluidity in the market.

Stamp Duty

There have recently been reforms to stamp duty, with the introduction of relief for first time buyers. While these reforms have benefited some first time buyers, in London and the South East even with the relief, owning property remains beyond the reach of many potential first-time buyers. Stamp duty also serves as a disincentive for those looking to downsize, causing stagnation at the top of the market. However, fundamentally stamp duty is a significant source of revenue for the government, and the shortfall from any relief for first-time buyers or those looking to downsize will have to be found elsewhere in the government's revenues.

Key Announcements

The Chancellor made a series of announcements related to housing in the Budget, as part of a high-spend fiscal statement which largely increased government spending across the board.

The key housing announcements Mr. Sunak made were:

- An additional £9.5 billion for the Affordable Homes Programme which will see the programme allocate £12.2 billion of grant funding over five years to build affordable homes.
- The Chancellor announced £643 to reduce rough sleeping and provide accommodation and support services for homeless people. This funding provision for the homeless will be provided by a 2% Stamp Duty Land Tax surcharge of 2% on non-UK residents purchasing residential property.
- The Budget includes a £400 million brownfield fund for councils and Mayoral Combined Authorities with the aim of bringing more brownfield land forward for development.
- Mr Sunak announced that £1.1 billion from the Housing Infrastructure Fund would be made available to build 70,000 homes in areas of high demand.
- The Chancellor announced that HM Government would reduce interest rates for investment in social housing by 1% and making a further £1.15 billion of discounted loans available for local infrastructure projects.
- HM Government will invest an additional £1 billion to remove unsafe cladding from all residential buildings, private and social, above 18 meters.
- The Chancellor announced that the Structures and Buildings allowance will be increased from 2% to 3%, providing an extra £100,000 of relief if you are investing in a building worth more than 10m.
- HM Government will provide £242m of funding for new City and Growth Deals.

Reaction and Analysis



The Labour Party focused on the announcement on cladding, and the increase in private renters.



Former editor of the Times 'Bricks and Mortar' supplement Anne Ashworth speculated that the delay in the introduction of the Stamp Duty surcharge could be to stimulate short term activity in the housing market.



Great that housing is key to @RishiSunak @BorisJohnson @RobertJenrick infrastructure revolution. Largest investment for a decade. Now we must see it translate into homes people on low incomes can afford. Consensus is mounting all the time & from all sides to #buildsocialhousing

2:39 pm · 11 Mar 2020 · Twitter for iPhone

6 Retweets 16 Likes



Polly Neate, CEO of Shelter, responded positively to the housing announcements in the Budget.

In a budget dominated by the UK's response to Coronavirus, with a £30bn package outlined to mitigate the economic impact of the virus, one might have expected the remainder of the budget to be more fiscally conservative. However, in Rishi Sunak's first budget, he delivered a commanding performance and announced wide-ranging increases in public spending to pursue HM Government's 'levelling-up' agenda for the United Kingdom.

The focus for property in the Budget was one of increased funding, with significant tranches of money allocated to increase affordable housing delivery and tackle rough sleeping. With funding for homelessness and to improve the response to the Grenfell fire, Mr Sunak has moved to address significant areas of public concern and appeal to people who may have voted Conservative for the first time in 2019.

The large increase in funding for affordable housing was a further addressing of an issue of public concern, with the housing crisis having been a regular presence in the media and a frequent criticism of the government from opposition parties. Funding to identify and maximise brownfield sites will be a comfort to Conservative MPs in the South East who for a large part remain implacably opposed to any encroachment on the Green Belt surrounding London.

Frequently rumoured to be dramatically reformed, the changes to Stamp Duty were relatively minor with the only policy announcement being a surcharge for non-UK purchasers of 2%. Likely to be a relatively uncontroversial policy, the Chancellor has maintained the significant funding provided by Stamp Duty and refrained from offering any more reliefs or incentives.



Anne Ashworth
@AnneAshworth

Interesting that the 2 per cent stamp duty surcharge on overseas buyers will not be introduced until 2021. Will this spark an immediate property spending spree - which would earn lots of useful tax revenue?

[#stampduty](#) [#Budget2020](#)

1:36 pm · 11 Mar 2020 · [Twitter for Android](#)

6 Retweets 8 Likes



L&Q responded to the Budget with a quote from CEO David Montague. The National Housing Federation responded positively to the Chancellor's housing announcements.



CEO David Montague: "Devil in detail, but £600bn in capital projects over next 5 years, £12bn extension to the Affordable Housing Programme, a £1.1bn Housing Infrastructure Fund, £650m to help bring an end to rough sleeping and a £1bn Building Safety Fund are all very good news."



Chancellor Rishi Sunak sets out funding for UK housing, including a "building safety fund worth £1bn" to remove "all unsafe combustible cladding" from high buildings

[bbc.in/2lDEZbm](#) [#budget2020](#)



2:50 pm · 11 Mar 2020 · [Sprout Social](#)

4 Likes

COVID-19 Response

Housing

While the Chancellor's housing announcements, and those made by the Housing Secretary Robert Jenrick the following day were significant, all Government policies have been moved to a lower priority in the face of the Government-wide response to the COVID-19 outbreak.

The Government has effectively announced a freeze to the housing market, with new policies delaying payments and providing relief.

Specifically, the Government has announced:

- Advice to all UK citizens to, where possible, delay new house moves while social distancing measures are in place. This involves agreement from the banks to extend mortgage offers by up to three months.
- Mortgage relief, which means that mortgage holders, including buy-to-let holders, can apply for a three-month payment holiday. To incentivise this group to be more flexible with their tenants, buy-to-let holders are being offered this relief.
- A total halt to evictions for three months, including those tenants already in the system.

This intervention in the housing market is unprecedented in peace time. The Government's actions combine to effectively put the housing market in stasis for the foreseeable future.



Polly Neate ✓
@pollyn1

Thank you [@RobertJenrick](#) for listening and ensuring renters are well and truly safe from eviction. Very welcome full ban on evictions by [@mhclg](#)



Shelter ✓ @Shelter · 26 Mar

📢BREAKING: the government has changed its approach and is now introducing a FULL ban on evictions, giving much-needed protection for renters at this critical time during the #coronavirus crisis.

shltr.org.uk/i6d

[Show this thread](#)

8:27 pm · 26 Mar 2020 · [Twitter for iPhone](#)

Shelter CEO Polly Neate welcomed the announcement of halts to evictions.



National Housing Federation
@natfednews

We welcome this extra support for renters and reassure housing association residents that no-one will be evicted due to coronavirus.

We're ready to work with government to ensure not-for-profit housing associations get support with a loss of vital income housing.org.uk/news-and-blogs..



Ministry of Housing, Communities and Local Government · 18 Mar

We are introducing plans to protect private renters, including suspending new evictions. Find out more 🏠 #coronavirus #covid19 ow.ly/lt3A50yPbnZ



Emergency legislation will suspend evictions for renters

For more information and the Government's Action Plan go to gov.uk/coronavirus



6:01 pm · 18 Mar 2020 · [Twitter Web App](#)

The National Housing Federation welcomed the guarantees provided to renters facing evictions.



Tenants Union UK
@tenantsunionuk

Confirmed today the halt on evictions includes warrants already issued by courts. Tenants can breathe easy for 3 months, but we cannot go back to no fault evictions, or pre Coronavirus rates of Universal Credit or LHA. Lets fight for decent homes, rent control and social housing!

From tomorrow (27 March 2020) following a decision by the Master of the Rolls with the Lord Chancellors agreement the court service will suspend all ongoing housing possession action – this means that neither cases currently in the or any about to go in the system can progress to the stage where someone could be evicted. This suspension of housing possessions action will initially last for 90 days, but this can be extended if needed. This measure will protect all private and social renters, as well as those with mortgages and those with licenses covered by the Protection from Eviction Act 1977. This will apply to both England and Wales.

8:40 pm · 27 Mar 2020 · [Twitter for Android](#)

The Tenants Union UK welcomed the eviction halt but warned against potential backsliding after the outbreak has receded.

Planning

The COVID-19 outbreak has also had a significant impact on the planning sector, with social distancing measures impacting normal planning processes.

Last week, the Chief Planner gave advice to councils on how to operate during this time. This demonstrates that the Government, where possible, wishes local planning authorities to continue to progress their Local Plans even if an adjusted timetable is necessary.

The Chief Planner's advice on how the planning process should effectively continue during the outbreak included:

- Allowing council meetings to be held virtually so planning committees can go ahead
- Exploring technological solutions where planned meetings are unable to go ahead
- As far as possible, delegating planning decisions
- Where necessary, agreeing extensions to planning decision periods.

He emphasised the need for flexibility and pragmatism in the current environment to allow the planning process to function while facing a major challenge.



"The government is clear – no renter who has lost income due to coronavirus will be forced out of their home, nor will any landlord face unmanageable debts."

Robert Jenrick MP
Secretary of State for Housing,
Communities and Local Government

What Next?

For more information and support with
upcoming projects contact JBP



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