



**The Rt Hon Grant Shapps MP**  
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**Department for Communities and Local  
Government**

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Dear Colleague

### **Spending Review – Settlement for Housing**

We all knew the settlement was going to be tough – but not reducing the public deficit would be tougher. It would put the country's economic recovery at risk. The Government had to take hard decisions to address the level of debt that was in danger of crippling the UK. If we didn't tackle the deficit, mortgage rates would rise, making housing less affordable. The interest repayments on £1 trillion of debt would also suck money away from frontline services and future investment.

I believe that we have secured a package that will help deliver the homes this country needs over the Spending Review period. Despite the fiscal constraints, the Government is still investing nearly £6.5 billion of taxpayers' money in housing, with £4.5 billion to fund new affordable homes over the Spending Review period. As part of this investment we intend to provide £200m so that the Mortgage Rescue scheme can stay open to support vulnerable homeowners threatened with repossession and £100 million to bring empty homes back into use.

### **Increasing Supply – the Local Way**

Our commitment to increasing housing supply will be delivered by devolving power to local people and stimulating increased private sector investment. In April 2011 we will introduce the New Homes Bonus, a powerful fiscal incentive for local authorities to deliver more homes. We have set aside over £900m of funding and the scheme will match fund the Council Tax on every new home for each of the following six years. Many Local Authorities have the opportunity to benefit substantially from this scheme, which will commence in financial year 2011-12. A consultation on the scheme design will be launched in November 2010.

To support growth we will give Local Authorities the freedom to borrow against tax revenues and will also provide access to a Regional Growth Fund to fund capital projects which could support housing growth and market renewal schemes. By rationalising the current array of standards and regulations, the Government will reduce the cost of

development. We will also make better use of surplus public land to support housing and other locally-driven development. The Homes and Communities Agency (HCA) will be a much smaller investment and enabling agency, tasked with working more closely with Local Authorities.

### **Affordable Housing – Investing and Innovating**

Affordable housing will continue to provide valuable support to households who cannot afford to meet their own housing needs in the future. Existing social tenants will retain their security of tenure providing them with a home for life. However, different households have different needs, and not all families will need lifelong subsidy. Local authorities and housing associations need to be given a wider range of options for meeting the challenges different families face. We need a more flexible system of affordable housing – offering stability when it's needed; helping people move for work; and protecting vulnerable households. And given the huge pressures on the public finances, we also need to find ways of making limited public investment go further.

So in future, housing associations will have another option to offer households who need support for a fixed period. We are calling it Affordable Rent. This new tenure will allow greater flexibility, focus state support on those in greatest need for as long as they need it and secure greater value for money for taxpayers. I will be setting out further details on these reforms shortly.

We will invest over £2 billion of capital funding to help towards completing the Decent Homes programme, enough to more than halve the backlog over the spending review period, and reform the Housing Revenue Account. This reform will abolish the current annual centralised subsidy system, and replace it with a locally-run system where councils can keep their rental income and use it locally to maintain homes for current and future tenants.

Absorbing the economic regulatory functions from the Tenant Services Authority (TSA) into the HCA (and thus abolishing the TSA) will also generate additional cost savings and economies of scale. Consumer protection in housing is also going local - tenants will now be able to hold landlords to account with the help of their local MPs and councillors and through panels that they set up and control themselves.

### **Protecting the Vulnerable**

I am proud that the Homelessness grant has been protected with investment of £400 million and that reductions to the Supporting People programme have been minimised, with £6.5bn investment secured over the next four years. This reflects the Government's commitment to tackling homelessness and to protecting the most vulnerable groups in society. We have also protected our capital funding for Disabled Facilities Grants in line with the Coalition's commitment to help elderly people live at home for longer through home adaptations. Local Authorities will have more control over how this money is allocated.

All in all, I believe that the Spending Review provides the conditions for a thriving, fair and sustainable housing sector whilst fulfilling the Government's commitment to reducing the public deficit and decentralising power.

I know the housing sector will step up to the challenges ahead: I will do what I can to help you meet them and that is why I have asked the CLG housing team to work closely with you and your colleagues in the development and delivery of policy in the weeks and months ahead.

Yours

A handwritten signature in black ink, reading "Grant Shapps". The signature is written in a cursive, flowing style with a period at the end.

Grant Shapps  
Minister for Housing and Local Government