

25 May 2010

HCA Briefing note

Impact of HM Treasury announcement on HCA spending

Following yesterday's (24 May 2010) announcement by HMT on spending cuts, the Homes and Communities Agency will be implementing a package of programme savings totalling £230 million. This is part of a wider package of programme savings being made by our sponsor department – CLG – of £780 million for the current financial year 2010/11.

Programme savings

The HCA savings are made up of reductions to the following programme budgets:

- **National Affordable Housing Programme (NAHP) - £100 million**
This money is not yet allocated against any schemes.
Total 2010/11 budget = £2,401,659,000
- **Kickstart Round 2 - £50 million**
There are currently bids totalling £214 million that have gone through the due diligence process. The sum available to fund Kickstart projects will be reduced by £50m.
Total 2010/11 Kickstart (Round 1 and Round 2) budget = £420,200,000
- **Gypsy and Traveller programme - £30 million**
The 2010/11 bidding round (on which bids have been made, but not decided) will not proceed.
Total 2010/11 budget = £45,100,000
- **Housing Market Renewal - £50 million**
This represents a reduction on the allocations announced in December and will be subject to consultation.
Total 2010/11 budget = £311,000,000

Commitments on hold

In addition to the programme savings outlined (above), further commitments on the remaining uncommitted funds for the National Affordable Housing Programme, Kickstart Round 2 and Local Authority New Build programmes will remain on hold, until Government funding decisions are detailed in the Chancellor's 50 day budget on 22 June 2010.

The NAHP funding is currently not allocated to any specific schemes.

A full list of [Kickstart Round 2 schemes](#), approved by the Agency but not yet contractually agreed is linked along with a list of [LANB schemes](#), where legal agreements were not concluded prior to the election purdah period.

The HMR and Growth fund budget allocations for 2010/11 will also not be confirmed until June.

All affected stakeholders will be receiving correspondence from the HCA explaining the current situation and the implications.

The explanatory notes below cover the Agency's overall funding position.

Efficiencies

As part of the Government's overall drive to reduce operating costs, CLG and its Arms Length Bodies will be expected to make overall 'in year' efficiencies of 10 per cent in their running costs. (This will be in addition to the existing target saving of 3 per cent on operating costs as well as a 2 per cent cash standstill)

During 2010/11 the HCA will reduce its running costs in line with this. Saving will be achieved through a range of measures including job vacancy control, reducing use of consultants, reducing research and travel costs.

Comment

Commenting on the impact on the HCA, chief executive Sir Bob Kerslake said: "This represents the HCA's contribution to Government saving on both programmes and efficiencies, and we will aim to implement these in a way that minimises impact."

Explanatory Notes

1. The Housing Pledge was announced in June 2009. In total, the Pledge involved additional expenditure of £1.5bn in 2009/10 and 2010/11 to deliver 20,000 additional affordable housing starts. The Pledge was funded from a number of sources including redeployment of funds within the HCA's own budget.
2. An element of the Pledge funding was dependent on underspends arising from within CLG and other Government Departments, as reported to Parliament at the time (<http://www.publications.parliament.uk/pa/cm200910/cmselect/cmcomloc/391/39110.htm>). The Agency has managed its commitments to ensure that it could cover this sum should the underspends not be forthcoming.
3. As part of the Government's announcement on savings, it has been concluded that £780 million of previously agreed Departmental funding (including other Government Department underspends) can no longer be regarded as secure. The position on this funding will not be confirmed until the emergency budget in June.
4. Given the level of existing commitments of the Agency, we have decided to put a complete hold on all uncommitted spending until the position is clarified in the June budget. HMR Pathfinders and Growth Areas have also been advised to hold on their commitments until June.
5. The Treasury has indicated that it will 're-cycle' £170 million of the £500million of Government savings back into the Agency to reinvest in social rented housing. This has reduced the level of funding uncertainty.

The Agency will continue to fund existing commitments pending the June budget.

ENDS