



***What does the UK's fiscal position mean  
for housing and regeneration over the next  
5-10 years?***

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# Public spending and public sector jobs have increased significantly over the past 10 years

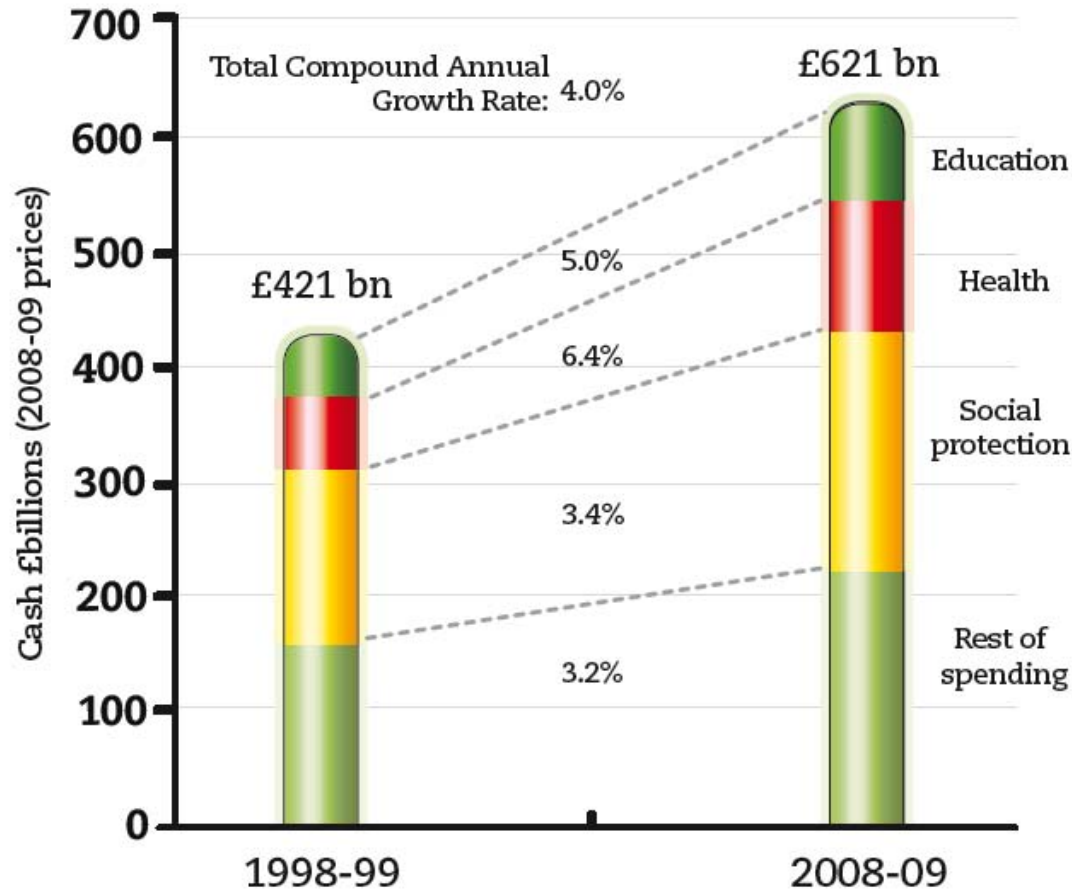


Chart 1: Growth in public spending (1998 - 2009) Source: HMT



# Capital spending has seen major increases as well

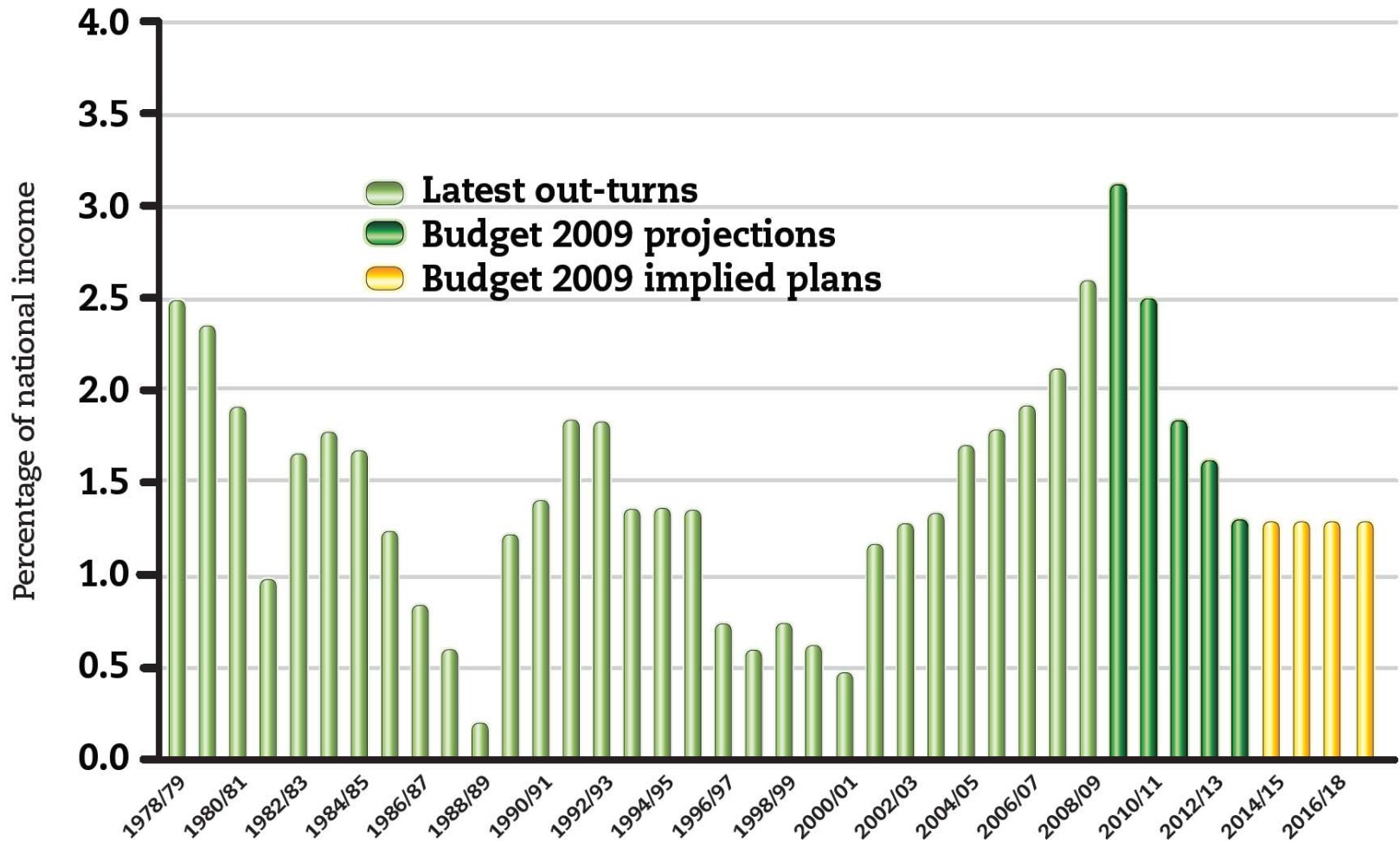


Chart 2: Public Sector Net Investment (1978/79 – 2017/18) Source: IFS

# And around 40% of this goes to housing and transport

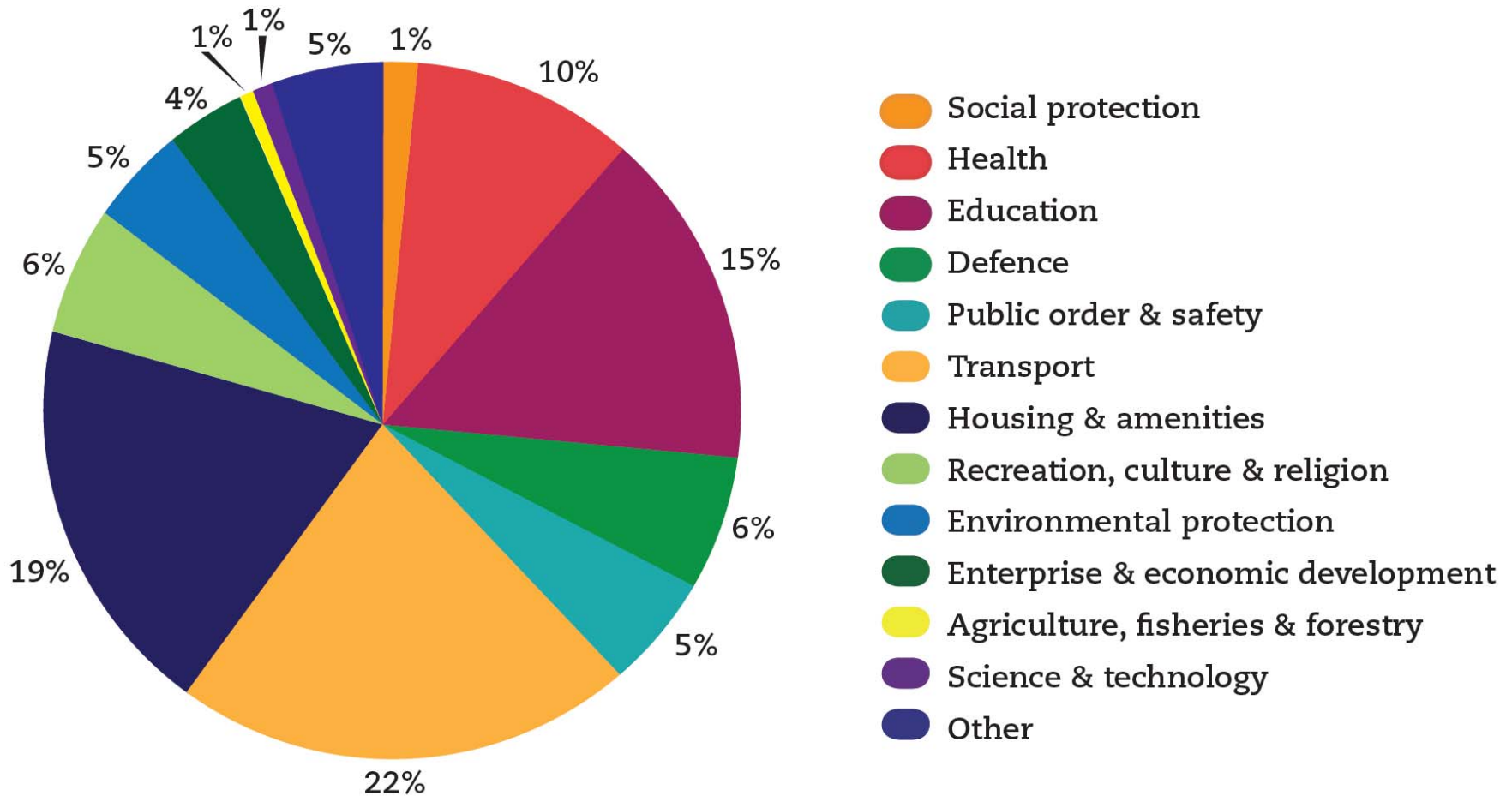


Chart 3: Capital spend split (2008/09) Source: HMT



# Worst recession since WWII, but next output data expected to reflect stabilisation

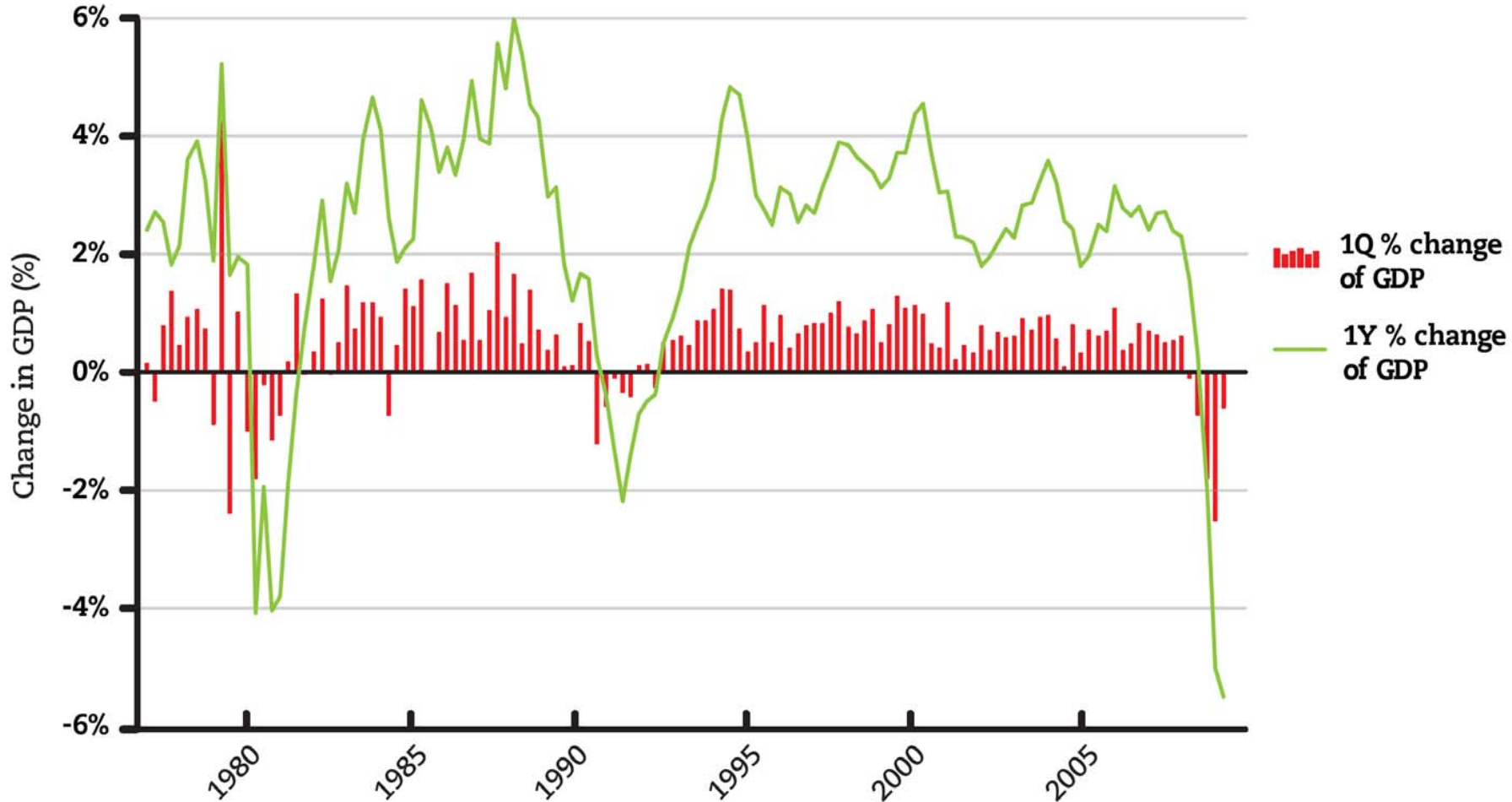


Chart 4: UK Gross Domestic Product (1975 - 2009) Source: HMT



# Supply of credit to commercial real estate has improved, but still big problems

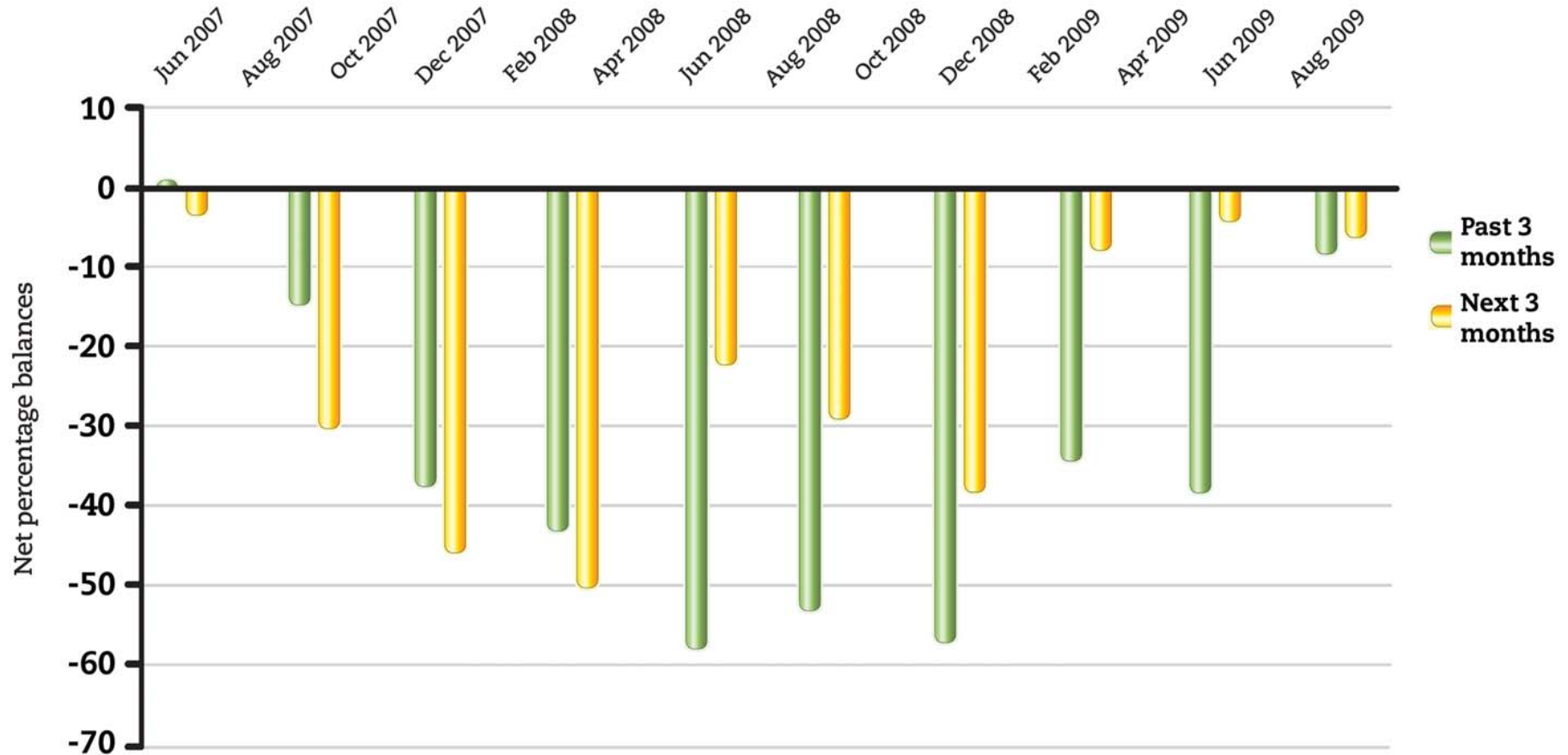


Chart 5: Credit conditions for commercial property sector (Jun 2007 – Aug 2009) Source: Bank of England

# Unemployment increased significantly. North hit harder than the South.

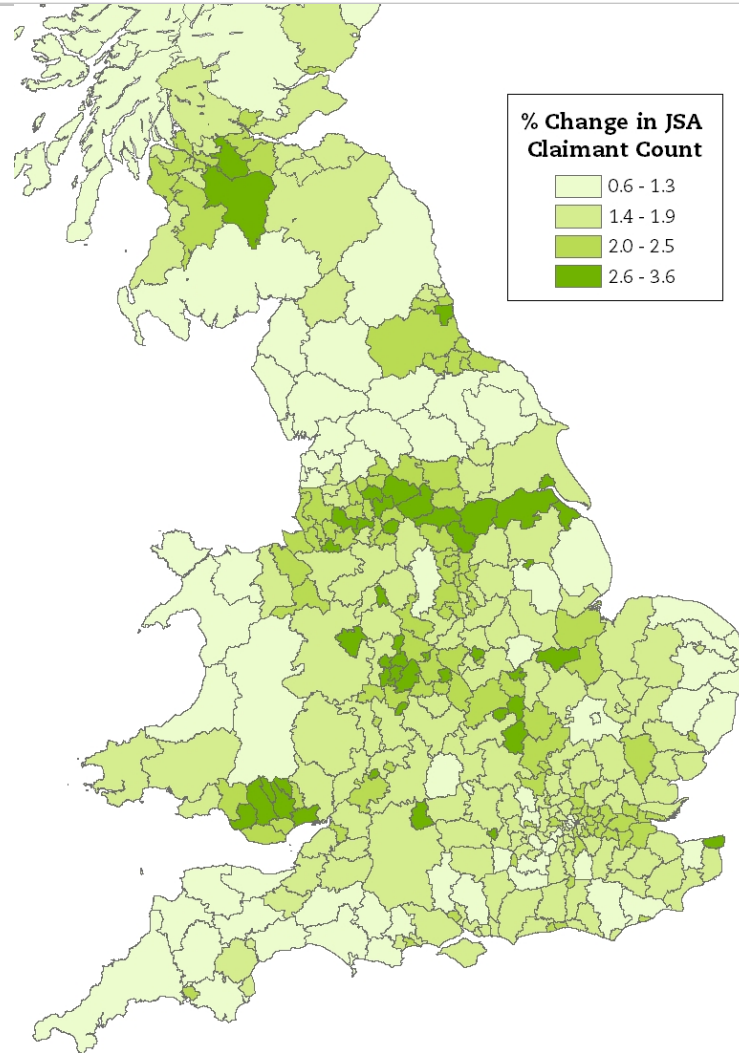

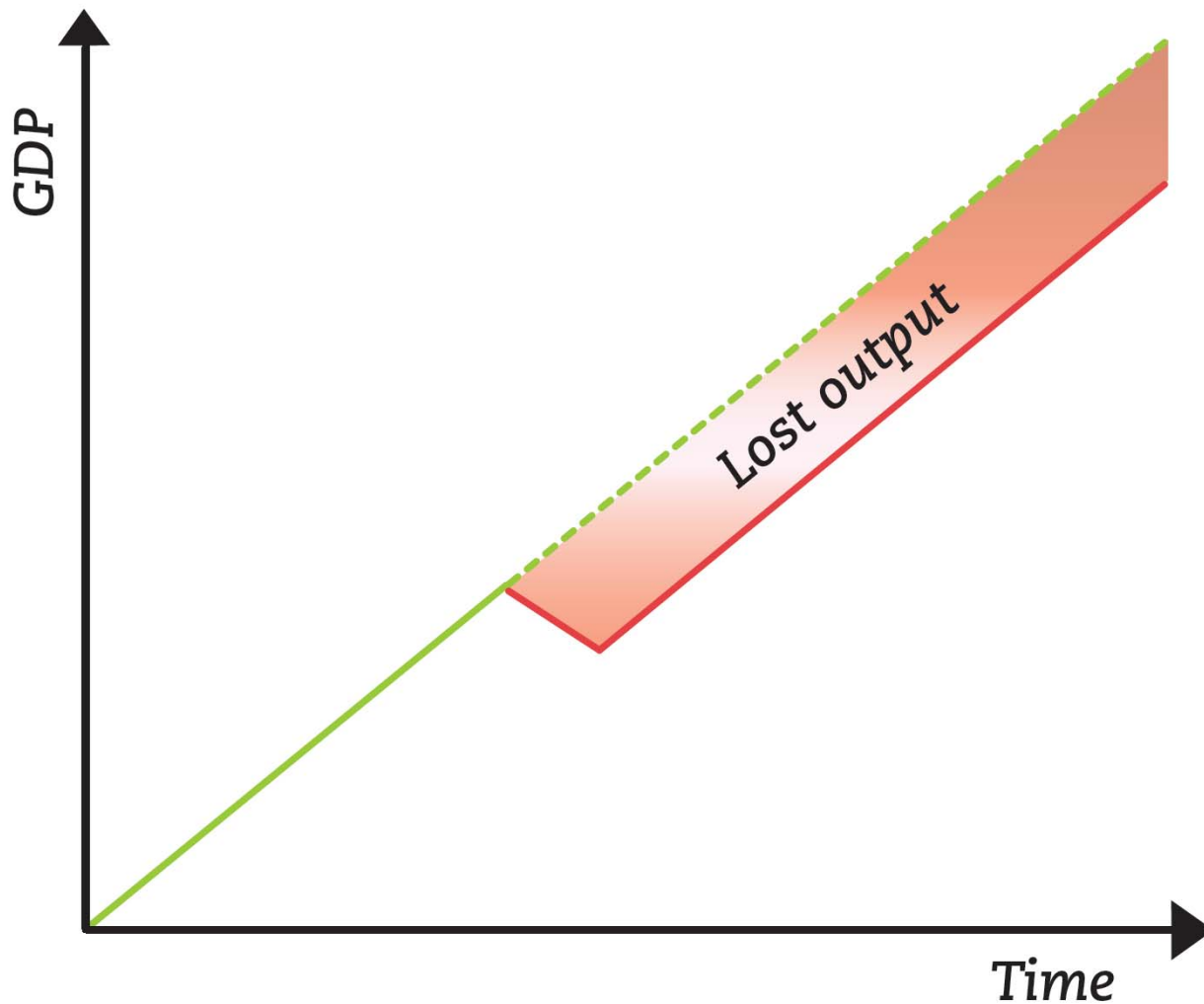


Chart 6: claimant count change (Feb 2008 – Sep 2009) Source: HMT



Economy may have been permanently damaged. Critical point for tax revenues.



# Depression averted, but fiscal position has deteriorated dramatically

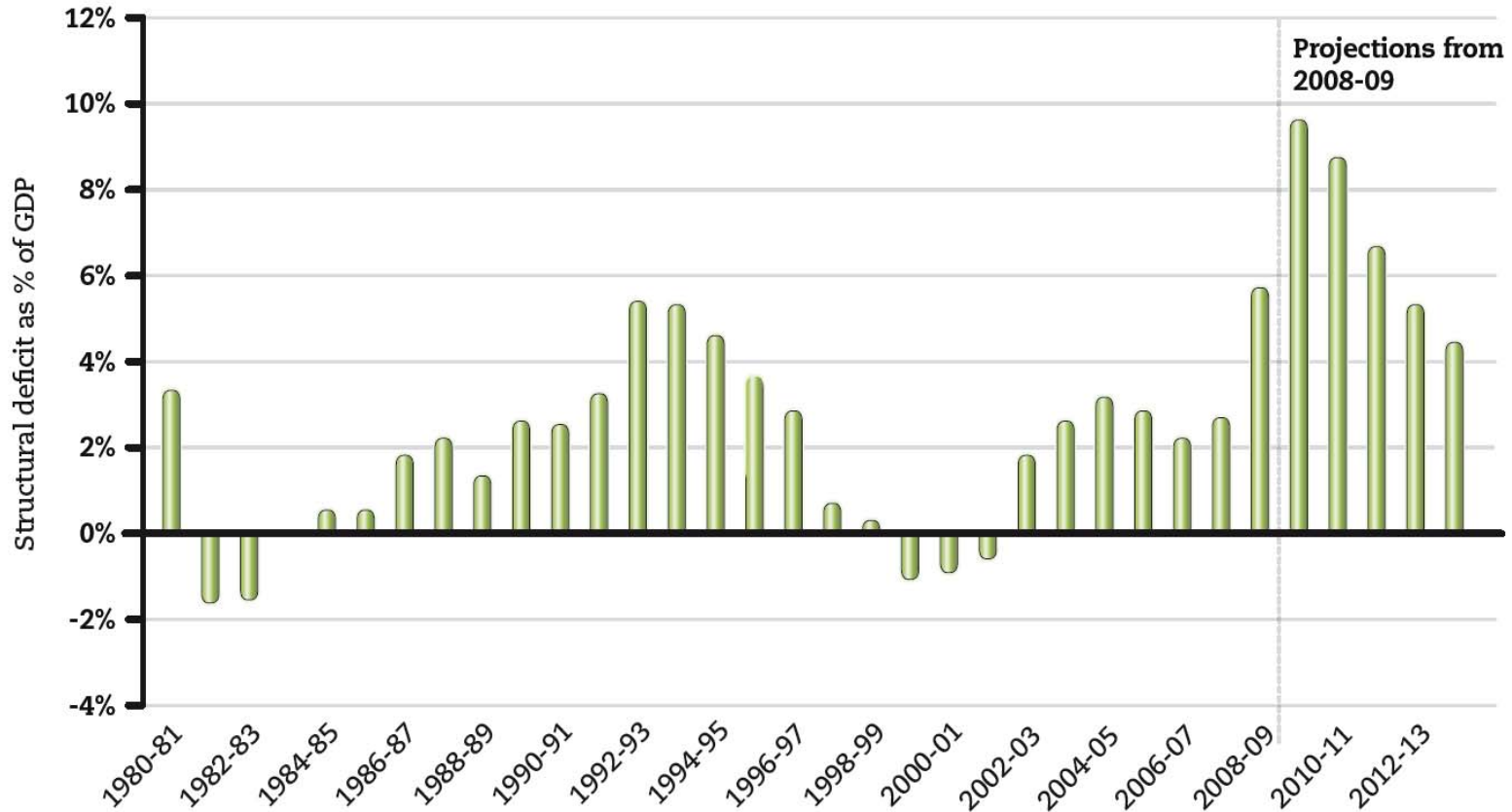


Chart 7: Treasury estimations of UK structural deficit (1980/81 – 2012/13) Source: HMT



# Left unchecked, this will see the public finances spiral out of control

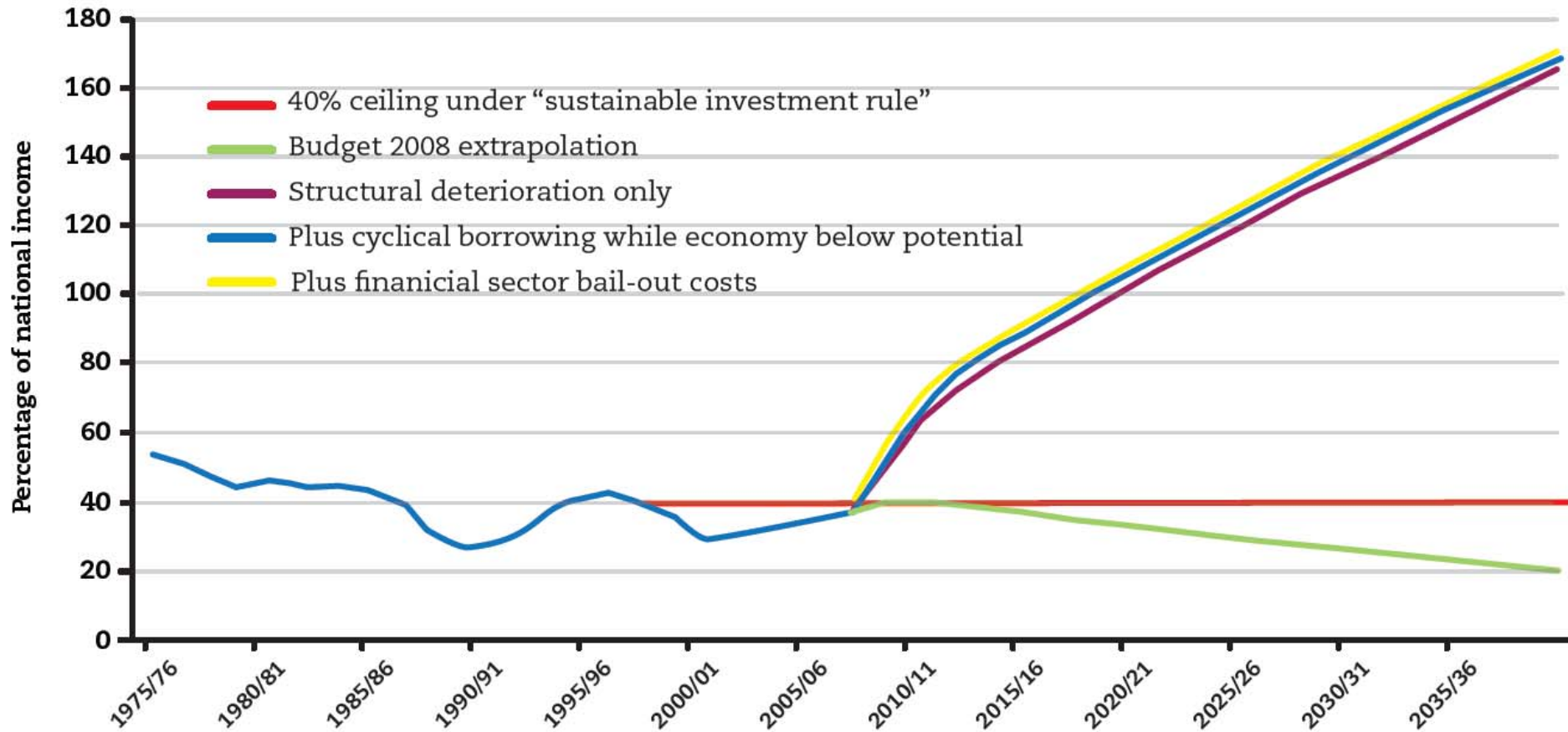


Chart 8: Public sector net debt projections without fiscal tightening Source: IFS



# Capital spend likely to get cut dramatically. Housing, transport and regen will be hit hard.

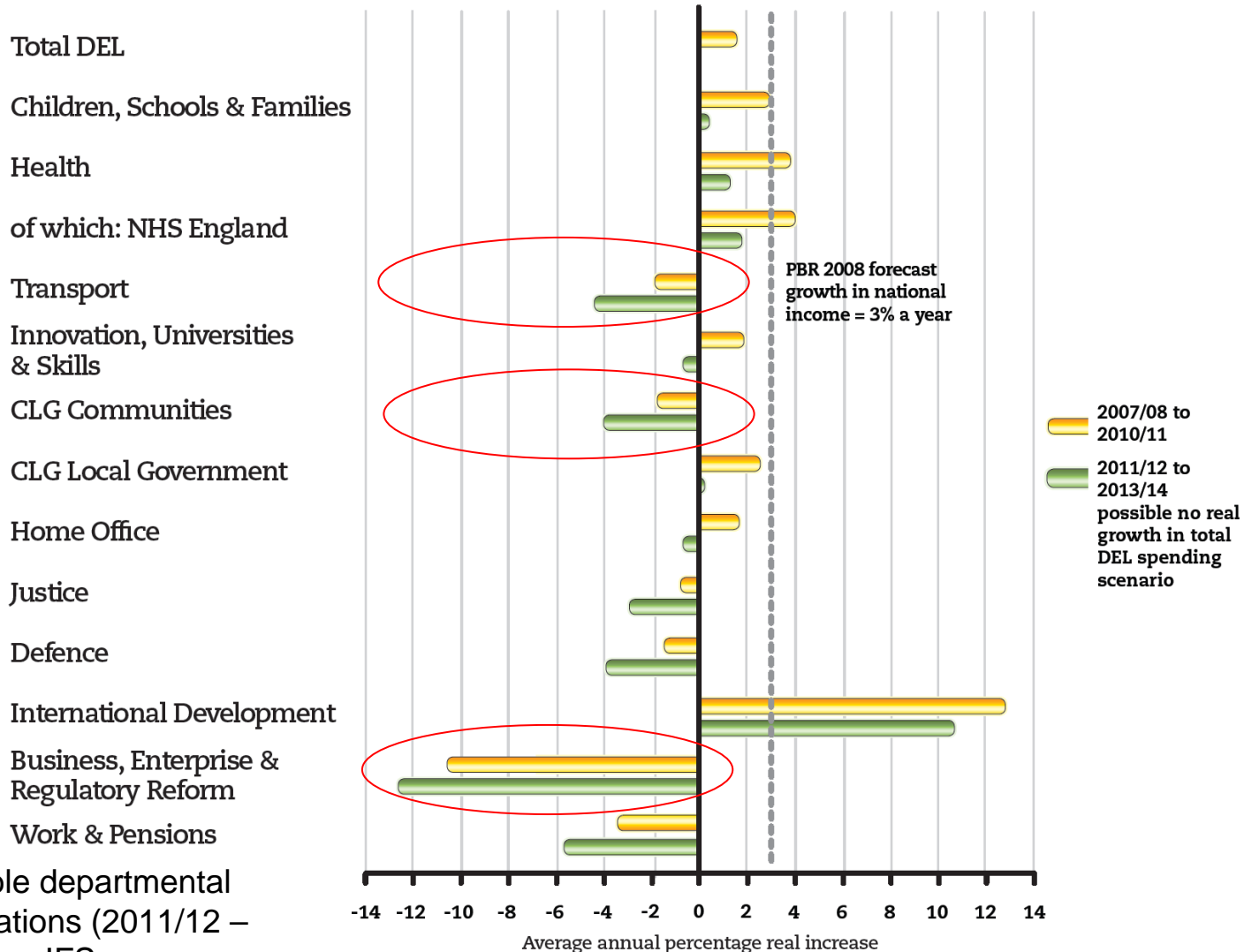


Chart 9: possible departmental spending allocations (2011/12 – 2013/14) Source: IFS



# What are the parties saying?

- **Labour:** fiscal tightening of 8% of GDP between 2009/10 and 2017/18, including significant drop in capital spend. Favour gradual adjustment process. Not much detail on where cuts will come.
- **Conservatives:** proposed cuts worth £7bn per year, but only 1/6<sup>th</sup> of what's needed. Favour quicker fiscal correction overall. Health ring-fenced.
- **Lib Dems:** public sector pay freeze, reduced tax credits, better defence procurement and scrapping of RDAs. Slow rebalancing. Criticised heavy cuts in capital spend.



# What is the Centre for Cities saying?

- Politicians need to be clearer about cuts and choices
- Capital spend shouldn't be cut too dramatically over next 5 years – housing, regen and transport spend need to be maintained
- Greater devolution to city regions would help them respond to financing challenges more effectively
- But stronger leadership and more pro-development attitude needed from some local politicians
- New approaches to financing needed, including greater partnership working and introduction of TIF/ADZ



# Cities Manifesto

- Elected 'metro mayors' with real tax-and-spend powers for Britain's biggest city regions
- National road pricing, with the revenues used to help fund transport improvements
- Simplified skills system with fewer quangos, a more powerful role for cities and stronger employment incentives for FE colleges
- Drop national housing target and increase housing supply by improving incentives for local authorities to deliver more housing