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The Rt Hon **John Healey MP**
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Dear Councillor Lupton

BUILDING BRITAIN'S FUTURE· HOUSING PLEDGE: **THE GROWTH FUND**

I am writing to give you more background on the Government's Housing Pledge announced by **the** Prime Minister recently, as part of Building Britain's Future. There are major opportunities for all areas to build new homes that local residents can afford to rent and buy, but it **also** involves some **re-profiling** and re-prioritisation across budgets.

We are committing an extra £1.5bn to fund an **extra** 20,000 affordable homes over this year and next. This **money** is available for your local authority to **consider** bidding for in order to build the low cost homes that people in your area **need**. It is on top of a total Government **investment** of £3bn this year to build 55,500 new affordable homes, which **are** essential in helping to meet Britain's housing need and **to** support jobs and the economy through the recession.

Making such a strong commitment to housing by funding extra homes when demands on public finances are so **significant** has required tough decisions. The majority of the extra money to build new homes comes **from** re-prioritising spending from other Government departments, but there are also decisions I have made on rescheduling, re-prioritising and greater efficiencies within this department's investment programmes.

The Growth Fund is intended to support the provision of infrastructure for planned housing growth. We must recognise, however, that the current exceptional economic circumstances mean that growth has been more difficult and much slower than envisaged in local growth and **infrastructure** delivery plans. Indeed, the delivery picture and the **infrastructure** investment needed today are very **different to those** envisaged when the **three** year Comprehensive Spending Review (CSR) funding **decisions** were made in 2007, and **when** individual funding allocations were made in 2007 and 2008. Major schemes are stalled or slowed down across the country and levels of private sector **interest** have fallen. Focussing on getting house building re-started and onto a recovery path is, therefore, a key priority and a significant part of the **new** funding will do that. That also means re-

prioritising existing funds.

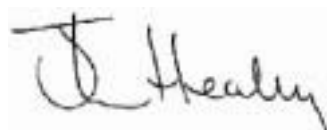
Tees Valley has already received in 2008/09-2009/10 a share of the £500m distributed to local authorities in the Growth Areas and Growth Points. I now want to let you know my proposals for 2010/11.

As you know, we set out last December our provisional allocations for 2010/11, but have still to confirm these. I am not proposing to change provisional revenue allocations for 2010/11 but, given the circumstances which I have explained, I am proposing to alter your capital funding for growth next year from £3,520,087 to £1,992,209. I am proposing a similar adjustment for all local authorities that are looking for central Government support for such capital investment through the Growth Fund. This means that despite the pressures on public finances your local authority will still have received over this three year CSR period a total of £4,855,790 in capital and revenue funding to support housing growth. I can assure you that we will take account of this in looking at how growth is funded in the next CSR and as the economic position improves.

As you know, we have removed the ringfencing from this funding giving local authorities the flexibility to best meet local priorities. Given the difficult economic circumstances, I would expect local authorities to be making full use of this flexibility to ensure that they are able to deliver local priorities that will maintain delivery and momentum in the housing market. I expect all local authorities that are receiving this funding to be able to account for the use that is being made of this funding locally. The Homes and Communities Agency's regional teams will work with you to provide support and advice on delivering your growth plans and we remain committed to supporting your long term housing growth plans.

I am proposing to apply a common approach across all Growth Areas and Growth Points with funding for each being altered by the same proportion. These funding proposals will be subject to a short formal consultation exercise, which my officials will write to you about shortly.

I appreciate that these budgetary changes, which I am making to the Growth Fund and other departmental investment programmes, are challenging but I hope you will agree that further measures to stimulate house building this year and next are the right way to prioritise housing funds for the affordable homes that are needed in so many parts of the country.



JOHN HEALEY MP