

# Budget 2015 Briefing

## 19 March 2015

This briefing highlights the current economic outlook and the main housing-related measures from the Budget 2015, along with initial comment.

The key documents can be found at:

- Budget  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/413949/47881\\_Budget\\_2015\\_Web\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413949/47881_Budget_2015_Web_Accessible.pdf)
- Economic and Fiscal Outlook (Office for Budget Responsibility)  
[http://cdn.budgetresponsibility.independent.gov.uk/March2015EFO\\_18-03-webv1.pdf](http://cdn.budgetresponsibility.independent.gov.uk/March2015EFO_18-03-webv1.pdf)

## **Introduction**

Even by the Chancellor's standards, this was a highly political Budget. With the election only seven weeks away and the Conservatives neck-and-neck with Labour, the Budget provided a political platform for the Chancellor to consolidate his 'Long-term Economic Plan' in the minds of voters and assure them that the economy is on the right track.

He praised the Government's economic record, including the return to growth, falling unemployment and the halving of the deficit. His message to the electorate is clear: the country faces a choice between staying on the path to prosperity or returning to the "chaos" of the past under Labour.

The Chancellor painted a rosy picture of the economy, but it is important to remember that we are only around half way through the cuts that are required if he is to reach a budget surplus by 2020. That said, the Budget was also noticeable for a significant dilution of the Chancellor's austerity plans. He has said he now aims to run a budget surplus of £7bn by the end of the next Parliament, rather than £23bn surplus he forecast in the Autumn Statement. This gives him room to ease spending cuts.

## **Economic forecasts**

OBR revised forecasts (figures in brackets = change from Autumn Statement, December 2014)

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
GDP growth	2.5% (0.1)	2.3% (0.1)	2.3% (-0.1)	2.3% (0)	2.4% (0.1)
CPI inflation	0.2% (-0.9)	1.2% (-0.5)	1.7% (-0.3)	1.9% (0.1)	2.0% (0)
RPI inflation	1.0% (-1.2)	2.1% (-0.8)	2.8% (-0.6)	3.1% (-0.5)	3.1% (-0.3)
Unemployment	5.3% (-0.1)	5.2% (-0.1)	5.3 (0)	5.3% (0)	5.3% (0)
Average earnings	2.3% (0.3)	3.1% (0)	3.7% (-0.2)	4.0% (0)	4.4% (0.5)
House prices	5.9% (-1.5)	4.9% (-1.0)	6.4% (0.6)	6.9% (1.8)	6.4% (2.6)

**Comment:**

The OBR has not made any significant changes to their forecasts for GDP growth from those made in December. GDP has been revised up by 0.1% this year and next but down by 0.1% for 2017.

Due in large part to falling oil prices feeding through to petrol and diesel prices, CPI inflation has been revised down to 0.2% for this year and is also down for 2016 and 2017. The Chancellor has confirmed that the Bank of England's 2% inflation target will remain, and the OBR expects inflation to remain below this level until 2019. With social rents pegged to CPI, this will have implications for registered providers' income streams over the coming years.

Unemployment is expected to fall to 5.3% this year and to remain around that level for the next five years. The OBR now expects average earnings to rise by 2.3% this year before rising to 4.4% by 2019. 2015 is expected to be the first year since the crisis that earnings growth outpaces inflation, and it is predicted to continue to do so for the foreseeable future. This will provide a welcome boost to the finances of customers who are in work.

House price growth has been revised down in the near-term, which could impact on the profitability of market sales programmes but should ease affordability concerns more generally. In the longer-term the OBR has revised up its forecasts.

**Housing and planning announcements**

- A new Help to Buy ISA scheme for first-time buyers. For every £200 saved for a deposit, the Government will top it up with £50 more. This will be implemented in the autumn and will run for four years. The maximum amount from the Government will be £3,000 (if a buyer saves £12k).
- The HCA will amend guidance and model leases to help streamline the sales process for shared ownership properties in outright ownership. The government will also launch a wider review into shared ownership.
- In support of a Public sector land housing target, the Government is committed to releasing land with capacity for up to 150,000 homes between 2015 and 2020.
- A re-announced commitment for 275,000 new affordable homes between 2015 and 2020.
- Following the announcement made in the Autumn Statement about Northstowe acting as a pilot site for the state acting as a 'commissioner' for new housing, the government has appointed the University of York to lead a study into the feasibility and economic impacts of direct commissioning of housing on a "significantly wider scale".
- To support brownfield development, the Government will launch a consultation into the compulsory purchase regime.
- 20 new Housing Zones – the first outside of London. These could support up to 45,000 new homes.
- A commitment to explore whether improving housing can help people with care needs stay in their homes longer and reduce costs to the NHS.

**Comment:**

This was undoubtedly a quiet budget for housing.

The announcement on a wider consultation around shared ownership is encouraging and a step in the right direction. Orbit's recent [research report](#) into shared ownership, written in conjunction with the Chartered Institute of Housing, showed that the tenure has an important role to play in tackling the housing crisis and meeting demand in the growing middle market.

The study into the feasibility of the public sector acting as a commissioner of housing is also promising and is an implicit acknowledgement that the market alone cannot meet housing need.

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