

Summer Budget 2015 Briefing

9 July 2015

This briefing highlights the current economic outlook and the main housing and welfare-related measures from the Summer Budget 2015.

The key documents can be found at:

- **Budget**
<https://www.gov.uk/government/publications/summer-budget-2015>
- **Economic and Fiscal Outlook (Office for Budget Responsibility)**
<http://budgetresponsibility.org.uk/economic-fiscal-outlook-july-2015/>

Context

This has been the first all Conservative Budget for almost 20 years. Unburdened by a junior Coalition partner, the Chancellor has sought to use this Budget to assert the Conservative Parties credibility as the stewards of the economy, a major factor in their General Election victory. The deficit is down to 3.7% as a share of national income and expected to fall over this Parliament, with a budget surplus of 0.4% in 2019/20. Hard choices lie ahead to run budget surpluses from 2019/20 onwards, which is enshrined in a new Fiscal Charter. This amounts to £20bn of departmental cuts over the next five years.

The long-awaited budget statement has brought some clarity to government priorities, particularly around welfare spending. With the manifesto committing to £12bn savings and with half of the welfare budget protected as it relates to benefits for older people, it has been widely anticipated that cuts will be made through tax credits and a reduction to the benefits cap. An overall cut to housing benefit has not materialised.

The Government have chosen to slow their implementation of these cuts over three, rather than two years, but they still represent the harshest series of cuts in generations.

The number of positive housing announcements has been very limited, with the introduction of a Help to Buy ISA perhaps most noteworthy.

Housing and planning

- **Social rents are to be reduced** by 1% a year over the next 4 years (i.e. 2%, 3%, and 4% in year 4).
- From 2017-18, social housing tenants on incomes above £40,000 in London and £30,000 in the rest of England will be **charged market/near market rent**. Housing Associations will be able to use the rent subsidy that they recover to reinvest in new housing.
- Introduction of a **Help to Buy ISA**, supporting people to save for their first home by providing them with a maximum government bonus of £3,000 on £12,000 of savings. First time buyers will be allowed to deposit £200 per month from 1 December 2015, with a one-off £1,000 deposit at the opening of the ISA.

- **Mortgage Interest relief** for residential landlords will be restricted to the basic rate of income tax. The restriction will be phased in over 4 years, starting from April 2017.
- The **Rent-a-Room relief** will be increased from £4,250 to £7,500 a year from April 2016.
- Changes to **inheritance tax** will see a new transferable nil-rate band introduced from April 2017. The allowance will be up to £100,000 in 2017-18, up to £125,000 in 2018-19, up to £150,000 in 2019-20, and up to £175,000 in 2020-21. This is in addition to the inheritance tax nil-rate band, which is set at £325,000 for the estates of individuals.
- **Reviewing the use of lifetime tenancies** in social housing to limit their use so that households are offered tenancies that match their needs, ensuring the best use is made of the social housing stock.
- Details on further planning reforms will be published on Friday this week.

Welfare

- Introduction of a new **National Living Wage** from April 2016 for over 25s, starting at £7.20 an hour and rising to £9 by 2020.
- The **benefits cap** has been confirmed, with benefits capped at £23,000 (down from £26,000) in London, and £20,000 outside London, down from £23,000.
- This significant change will build on the introduction of a £26k cap in the previous Parliament. At the time, the cap only affected a small number of large families, mainly London based. However the cap will affect around 90,000 households from all over the country. People on disability-related benefits and of pension age will be exempt. To help ensure local authorities are able to protect the most vulnerable housing benefit claimants, Government will provide £800 million of funding for Discretionary Housing Payments over the next 5 years.
- The Budget has confirmed to restrict access to Housing Benefit for under 21s. Parents whose children live with them, vulnerable groups, and those who were living independently and working continuously for the preceding six months will be exempt from this measure.
- Restriction to the child element in tax credits and Universal Credit restrictions for families with more than two children from April 2017.
- Most working-age benefits will be frozen for 4 years from April 2016. This will apply to JSA; ESA; Income Support; Child Benefit; applicable amounts for Housing Benefit; and Local Housing Allowance rates, with provision for high rent areas. The uprating freeze will extend to the Child Tax Credit and Working Tax Credit (excluding disability elements). However, all disability elements will continue to be uprated by prices each year.

- Introduction of a new **Youth Obligation** which will see 18 to 21 year olds on Universal Credit participate in an intensive period of support at the start of their benefit claim. After six months they will be expected to apply for an apprenticeship, traineeship, gain work place skills or go on a work placement.

Other

- **Introduction of a levy** on large UK employers to increase the number of apprenticeships. In England, employers will be able to access this funding for apprenticeship training. Details, including rates and implementation will be set out in the forthcoming Spending Review.
- Establishment of a £3 million fund to encourage innovative approaches, including refuge provision to help those suffering from domestic abuse.

Economic forecasts

OBR revised forecasts (figures in brackets = change from Budget, March 2015)

	2015	2016	2017	2018	2019
GDP growth	2.4% (-0.1)	2.3% (0)	2.4% (0)	2.4% (0)	2.4% (0)
CPI inflation	0.1% (-0.1)	1.1% (0)	1.6% (0)	1.8% (0)	1.9% (-0.1)
RPI inflation	0.9% (-0.1)	2.1% (0)	2.8% (0)	3.1% (0)	3.1% (0)
Unemployment	5.4% (0.1)	5.1% (0)	5.2% (0)	5.3% (0)	5.4% (0.1)
Average earnings	2.2% (0)	3.6% (0.5)	3.9% (0.2)	3.9% (-0.1)	4.1% (-0.3)
House prices	5.7% (-0.2)	4% (-0.9)	4.7% (-1.7)	5.3% (-1.6)	5.5% (-0.9)

Comment: Increased pressure for efficiency

This budget statement will have a significant impact to our operating environment. We must focus more than ever on delivering efficiency savings, value for money, making best use of our assets, and deliver quality services and high customer satisfaction as customers become more vulnerable.

Organisations will have to become better at activity such as Procurement, Business Improvement and Business Assurance to enable them to meet their business objectives – these services all have an important role in helping organisations to sustain growth and improvements.

Find out how Service Matters is helping Orbit and over 60 other social landlords to achieve this through our portfolio of services to deliver efficiencies.

[Discover how we helped Yarlington Housing Group to save £33,273 through Business Improvement activity.](#)

[Find out how we helped Trafford Housing Trust to deliver over £170,000 in Procurement savings.](#)

Contact us today on 024 7643 8150 or hello@servicematters.uk.com to discuss these implications.