WHAT YOU NEED TO KNOW ABOUT THE SUMMER BUDGET 2015

On Wednesday 8 July the chancellor delivered the first budget for the conservative government. This briefing outlines the measures that will impact on housing and provides some initial analysis.

In our budget submission to HM Treasury we asked for the following:

- Maintaining and improving the affordable homes programme
- Raising standards in the PRS by allowing local authorities to keep thefines from cases they have brought
- Increasing local authorities' ability to build by raising borrowing caps
- Supporting tenants in the private rented sector by establishing a £100million challenge fund to support vulnerable tenants
- Helping older homeowners on low incomes to downsize by removing the requirement to pay stamp duty.

Key measures for housing and welfare

<u>Welfare cuts</u>

The chancellor announced a number of measures intended to reduce spending on welfare.

- The overall benefit cap, currently set at £500 per week (£26k per year) for a working age household with children, will be reduced to £385 (£20k per year) or £442 (£23k per year) in London
- Housing benefit (HB) will be frozen for four years from April 2016, along with both child and working tax credits and a number of other working age benefits, including jobseekers' allowance (JSA), employment and support allowance (ESA), income support and child benefit
- Under universal credit (UC) the work allowance (the amount a claimant is allowed to earn in wages before their UC award begins to be reduced) will be abolished entirely for non-disabled, childless households. For all other households whose claim includes housing costs, it will be reduced to £44.30 per week (£192 per month)
- From April 2016 the income threshold for tax credits (equivalent to the work allowance for UC) will also be reduced from £123.46 per week to £74.04. In addition, the taper rate (the rate at which tax credits are then withdrawn) will be increased from 41% to 48%. This means that for every extra pound a claimant earns over £74.04, their tax credits will be reduced by 48p
- From April 2017 18-21 year olds submitting a new claim for UC will not be automatically entitled to receive the housing costs element (the equivalent of HB). There will be exceptions for:
    - those who are parents and whose children live with them
    - vulnerable groups
    - those who had previously been living independently and working continuously for 6 months

- From April 2017 18 -21 year olds receiving UC will also be subject to a new youth obligation. They will be expected to participate in a programme of support at the start of their claim and to apply for an apprenticeship or traineeship, gain work place skills or go on a work placement after six months
- From April 2017 new claimants in the ESA work-related activity group (those who receive the lower rate of ESA) will only be paid the equivalent of JSA. This is a reduction of £29 per week, however they will still receive additional support to help them seek work
- From April 2017 both the child element of UC and child tax credits will be limited to a maximum of two children in most cases. This will affect new UC claimants and households who have a third (or subsequent) child born after April 2017. However child benefit will still continue to paid on third and subsequent children
- From April 2017 the family element in tax credits, the first child premium in UC and the family premium in HB will all be abolished. In effect this means that the amounts paid for a first child will no longer be more generous than they are for subsequent children. Similarly, this will affect new UC claimants and households who have a first child born after April 2017
- From April 2017 parents claiming UC, including lone parents, will be expected to prepare for work when their youngest child turns two and to look for work they turn three
- From April 2018 payments made under the support for mortgage interest scheme will no longer be non-repayable. Instead they will be made as loans, which will be repaid either upon the sale of the home or when the recipient returns to work.

<u>Social housing rents</u>
Government will require all social landlords to reduce their rents by 1% every year for the next four years (rather than increasing them by CPI +1%, as previously expected). This reduction is described by government as social landlords' contribution to reducing the HB bill. The chancellor's aim is to reduce rents in social housing by on average 12% by 2020/21.

However tenants in social housing who earn more than £30,000 per year, or £40,000 per year in London, will be expected to pay market or near market rents. Local authorities will be expected to pay the extra money raised to the Exchequer to help with deficit reduction, housing associations will be expected to reinvest the money to build more homes. Government will be consulting on the detail of this measure.

<u>Lifetime tenancies</u>
Government will review the use of 'lifetime tenancies' for social housing with the aim of limiting their use and ensuring that best use is made of stock.

Other important measures

<u>Promoting home ownership</u>
The chancellor reiterated the government's support for home ownership through measures such as the extension of the right to buy to housing association tenants and the creation of help to buy ISAs, which will be available to savers from December 2015. There will also be a further announcement on planning reforms at the end of this week.

Other measures

The chancellor also announced a number of other measures which may impact on housing including that:

- A new national living wage will be introduced for over 25s. It will beset initially at £7.20 per hour and rising to £9 per hour by 2020
- Tax relief for buy to let landlords will be limited to the basic rate income tax
- A £3m fund will be established to find innovative approaches to tackling domestic violence
- Further powers will be devolved to the new Greater Manchester combined authority, including on planning and through the creation of a new land commission. More city deals will also follow in other parts of the country
- Public sector pay increases will be restricted to 1% pa for the next four years
- A new apprenticeship levy will be payable by all large firms, if they provide apprenticeships they will get back more than they contribute
- Inheritance tax will be increased on the main residence allowing people to pass on properties worth up to £1mto their children or grandchildren.

Initial CIH response

Our housing crisis means that millions of people have no choice but to rely on housing benefit to secure a roof over their head –including an increasing number of people in work, which has more than doubled from around 445,000 to just over a million in the last five years. Cutting the benefit cap risks making large areas of England unaffordable for larger families on benefits.

Action to restrict entitlement to benefits is at best a stop gap measure and at worst increases poverty and misery for already poor and vulnerable people. Long-term, effective action would focus on increasing our housing supply not further restricting access to our already insufficient and inadequate supply of homes.

Freezing working age benefits for four years fails to reflect the reality of the housing crisis –we have failed to build the number of homes we need for decades, which means the cost of housing and therefore the housing benefit bill is going up.

We know the government wants to tackle this issue, and housing professionals across the UK areready to work with them on the solutions that could make a real difference. But we're concerned that some of the measures announced today are going to make it more difficult for them to play their part in building the new homes we need and supporting people into work or training.

Social landlords built almost 60,000 homes in 2014/15 and have also made significant investment in employment and training support. We understand the government's desire to manage the cost of the housing benefit bill –but undermining their income by cutting social housing rents by one per cent a year over the next four years is going to make it much tougher to build new homes at a time when we desperately need to do so.