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Briefing:

Comprehensive Spending Review 2015

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

1. The Federation's overall reaction to the Comprehensive Spending Review

This Spending Review has been better than expected for housing. Within a wider context of reductions in spending for non-ringfenced areas, £6.9bn for housing shows just how high a priority it now is. The announcements in the budget provide the conditions for housing associations to build thousands more homes for people at all levels of the housing market.

The specific commitment of £4bn to build 135,000 new shared ownership homes by 2020/21 is a major opportunity for housing associations to build on a foundation of 82,000 shared ownership homes over the last ten years. Shared ownership is one of the most affordable routes into home ownership, so more people on lower incomes will be able to get a foot on the ladder. It is also noteworthy that the Department for Communities and Local Government (CLG) estimates that overall there are 100,000 rented homes within the programme to 2020/21.

We also welcome the pilot scheme for the Right to Buy for housing association tenants. It is right to test the approach to the scheme before it is rolled out more widely.

The Government's commitment to devolution continues apace, with the confirmation of retained local business rates and the possibility for elected mayors to raise rates to invest in infrastructure. We also had confirmation that by 2017 there will be at least five new northern mayors. We will continue to work with members to pursue the opportunities devolution brings.

The Comprehensive Spending Review (CSR) was not without its areas of concern. While the voluntary social care precept on Council Tax and the increase in funding for the Better Care Fund will help close some of the social care funding gap, the measures do not go far enough to avert the growing crisis. It is essential that proposed measures to integrate health and social care can begin to address this issue.

The announcement that social rents will not be higher than the Local Housing Allowance (LHA) in any part of the country is also concerning. For young people subject to lower limits and housing associations operating in areas where LHA is lower than social rents, the impact could be significant. We are particularly concerned about the potential impact on supported and sheltered housing where rents and service charges are higher due to the specialist nature of the buildings and the needs of the people living there. We are seeking reassurances from the Government that the LHA rate will not apply in supported housing. Additional funding for discretionary housing payments has been announced, but this cannot provide the long-term assurance needed for tenants or supported housing providers.

On balance, however, we should welcome this Spending Review. We have a continued commitment from the Government to invest in housing at a time of wider cuts, and we will do all we can as a sector to deliver more homes for more people. We can now start to make real strides towards achieving the *Ambition to Deliver* that we, as a sector, set out in 2014.

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

2. Introduction

On Wednesday 25 November the Chancellor, George Osborne, set out the CSR, which outlines how government money will be allocated over the next five years.

The key measures were:

Supply and home ownership

- A package of measures to deliver 400,000 affordable housing starts by 2020/21, with a focus on low cost home ownership, which included:
    - £2.3bn to help deliver 200,000 Starter Homes
    - £4bn to deliver 135,000 shared ownership homes – this represents a higher level of grant per home than previous rates
    - removing or relaxing the current restrictions determining access to shared ownership
    - £200m investment to deliver 10,000 Rent to Buy homes
    - £400m to deliver at least 8,000 specialist homes for older people and people with disabilities
    - continued funding from the legacy Affordable Homes Programme which will deliver the balance of homes to take the number up to at least 400,000.
- An extension of the Help to Buy equity loan scheme to 2021.
- The introduction of a London Help to Buy scheme.

Right to Buy pilot

- The Government will launch a pilot of the Right to Buy with five housing associations to inform the design of the final scheme.
- The five housing associations participating in the pilot are Riverside, Sovereign, L&Q, Thames Valley Housing, and Saffron Housing.

Land and planning

- Departments have committed to release land that will accommodate more than 160,000 homes.
- Support for small housebuilders through amendments to planning policy to support small sites and an extension of the £1bn Builders' Finance Fund to 2020-21.
- A new delivery test on local authorities to ensure delivery of homes against the targets set out in Local Plans.
- Changes that will allow local communities to allocate land for housing through Neighbourhood Plans, even if that land is not allocated in the Local Plan.
- Proposals for a more standardised approach to Section 106 viability assessments.
- Extension of the ability to appeal against unviable Section 106 agreements to 2018.

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Job title: Head of Policy
Direct line: 0207 067 1067
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Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

Welfare reform

- Housing Benefit for tenants in the social sector will be limited to the level of the relevant Local Housing Allowance (LHA) rate that applies in the private rented sector.
- Planned changes to Working Tax Credits will not go ahead so the income threshold and taper rate will remain the same.
- Reductions to Universal Credit work allowances announced in the summer Budget will still go ahead.
- The revised roll out timetable for Universal Credit was confirmed.
- From April 2017, the management fee for temporary accommodation will no longer be paid through Housing Benefit. Local authorities will be given funding directly to spend on temporary accommodation and homeless prevention measures.
- A new Work and Health Programme will commence after Work Programme and Work Choice contracts end, which will provide specialist support to jobseekers with health conditions or disabilities as well as those who have been out of work for two years.

Apprenticeship Levy

- The Apprenticeship Levy will come into effect in April 2017 for employers in all sectors. It will be payable by employers with an annual pay bill of over £3m per year.

Health and social care

- An additional £10bn per year more in real terms for the NHS, with £6bn made available by the first year.
- A commitment to further integration of health and social care services by 2020.
- Local authorities with adult care responsibilities will now have the ability to set a Council Tax precept of up to 2% on the current referendum threshold to help fund care services.
- Additional resources will be made available to local government via an improved Better Care Fund from 2017, with the funding rising to £1.5bn by 2019-20.
- Expansion of support for Social Impact Bonds investing £105m over the Parliament.

Devolution

- The Government reconfirmed its commitment to deliver a £12bn Local Growth Fund between 2015/16 and 2020/21 and will establish 26 new Enterprise Zones.
- An extension of the One Public Estate pilot, with £31m of funding to support local authorities to manage public sector land assets.
- A consultation on the New Homes Bonus, with a view to sharpening incentives for local authorities to deliver more homes.

Energy

- The Government will increase funding for the Renewable Heat Incentive to £1.15bn by 2020/21, while reforming the scheme to deliver better value for money.
- The current Energy Company Obligation (ECO) will be replaced from April 2017 with a new, cheaper domestic energy efficiency supplier obligation which will run for five years.

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Job title: Head of Policy
Direct line: 0207 067 1067
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Lion Court
25 Procter Street
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www.housing.org.uk

- The Government has consulted on changes to the Renewables Obligation and Feed-in Tariff schemes and will shortly publish a response to the consultations, detailing how to implement cost control on these schemes.

Regeneration

- £2.3bn in loans to help regenerate large council estates and invest in infrastructure needed for major housing developments.

This briefing covers each of these announcements, sets out any implications for housing associations and outlines the National Housing Federation's view.

In responding to the CSR, David Orr, Chief Executive of the National Housing Federation, said:

"Like the Chancellor, housing associations want to build even more new homes – that are affordable to rent and affordable to buy. This historic announcement provides the conditions for us to deliver thousands more homes for people at every level of the housing market."

"Housing associations built 40% of all new homes last year, 50,000 in total, and are ready to do even more in close partnership with Government."

3. The economy

Following the Chancellor's Autumn Statement, the Office for Budget Responsibility (OBR) has updated its economic forecasts for 2015/16 to 2020/21. GDP growth for 2015 is still predicted to be at 2.4%, with growth over the whole forecast period also predicted to be 2.4%.

The Chancellor referenced the weaker global picture at the beginning of his statement. This highlights anxiety about continued difficulty in the Eurozone, and also about debt levels in emerging economies, with the latter group having been the largest drivers of global growth in the last decade. The UK's exposure to the economic direction of these foreign markets is a definite source of concern.

Beneath the headline GDP figure, there were a number of other major policy and economic forecast changes:

- The OBR forecasts an improvement in the outlook for tax receipts, particularly in the middle years of the Parliament. The gross tax increases total £28.5bn from 2016/17 to 2020/21, made up predominantly of the new apprenticeship levy, larger rises in Council Tax, and the introduction of higher rates of Stamp Duty Land Tax for second homes and buy-to-let purchases. The OBR also forecasts a rise in Income Tax receipts and National Insurance contributions, partly due to modelling changes.
- The CSR has led to a softening of the spending cuts announced in the July Budget, and also the March 2015 Budget. Day-to-day central government spending is estimated to be

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

£22.9bn higher over the five years between 2016/17 and 2020/21 than previously forecast. This headline figure masks significant variation between departments, with local government witnessing the largest cut (56%).

- There will be a £5bn cumulative increase in welfare spending, with the cost of reversing of the main Tax Credit cuts (£9.4bn over the period) progressively offset by cuts to other benefits, such as Universal Credit.
- Capital spending, covering central government investment and capital grants, will be £11.9bn higher over the five year period. This is a cumulative real increase in capital spending of 20% over this Parliament, and a further 17% increase in the first year (2020/21) of the next Parliament alone.

The net result of the above changes (higher forecasted revenues and slower rate of spending cuts) is that the OBR still predicts that the Government is on course for a budget surplus of £10.1bn in 2019/20. It also continues to estimate that debt as a share of GDP will have peaked in 2014/15, partly due to forecast assets sales such as Lloyds shares and parts of the student loan book.

The decision by the ONS to reclassify housing associations as Public Non-Financial Corporations means public sector net borrowing in 2015/16 will be £4.6bn higher, at £73.5bn, than forecast in July. This translates into a 3.3 percentage point increase in public sector net debt as a proportion of GDP. Finally, it is also important to note that as the reclassification was backdated to 2008, the OBR has revised its budget forecasts to account for this change.

4. Main housing announcements

4.1 Supply and home ownership

The Government set out a five point plan for housing, intended to increase house building and increase home ownership.

Delivering 400,000 affordable housing starts by 2020/21

Government announcement

The Government outlined a package of measures to deliver 400,000 affordable housing starts by 2020/21, with a focus on low cost home ownership.

To help deliver 200,000 Starter Homes, they will set up a £2.3bn fund. We understand this will include £1.7bn of grant and £600m of recoverable investment, to support the delivery of up to 60,000 Starter Homes – with the remainder provided through planning obligations.

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

The Government will also invest £4bn to deliver 135,000 shared ownership homes. This constitutes a grant rate of around £29,600 per home, considerably higher than current rates of around £18,000 per home. Alongside this, the household income thresholds have been increased to £80,000 outside London and £90,000 in London. Other restrictions, such as local authorities' right to set additional eligibility criteria, will be relaxed or removed.

A further £200m will be invested to deliver 10,000 Rent to Buy homes. And at least 8,000 specialist homes for older people and people with disabilities will be delivered with £400m of funding.

Federation response

This package of measures is welcome recognition of the Government's ambition to increase house building and find innovative ways to help people into home ownership. The Federation has worked closely with the Government to emphasise how housing associations share these ambitions – and are keen to ramp up the number of affordable homes they build to rent and buy. The announcement of £6.9bn to deliver 400,000 affordable homes represents a significant investment in housing. Housing associations will have a key role to play in delivering this agenda.

We understand that some members will be concerned that the announcements made no reference to sub-market rented housing. However, the Government's assumption is that with existing and new commitments there is still funding for 100,000 new affordable homes for rent by 2020/21.

We are delighted the Government wants to boost shared ownership. The Federation has continually made the case for it as the most affordable and sustainable route into home ownership. This funding is a significant vote of confidence in housing associations. We know that there is huge demand and that our members have an appetite to increase shared ownership delivery. The decision to relax and remove local authority eligibility restrictions is also welcome.

We also welcomed the details about the £2.3bn fund for Starter Homes. We understand it will be split up as £1.7bn grant and £600m recoverable loan to deliver 60,000 Starter Homes. Housing associations and developers have both suggested the initial product was unviable and undeliverable, due to the impact on returns of the 20% discount on market value. This investment should help fill that gap in value and make them less risky and more viable.

We remain concerned at the expectation that 140,000 Starter Homes will be delivered through planning obligations. The Federation will continue to use the passage of the Housing and Planning Bill to emphasise how Starter Homes should not come at the expense of traditional affordable housing for sub-market rent and shared ownership. Just over 16,000 affordable homes were delivered through Section 106 in 2013/14. To achieve a rate of 140,000 over five years, that figure would have to increase by 75% to 28,000 per year. Starter Homes are likely to

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

improve viability assessments, but it will be a significant challenge to achieve such an ambitious increase through planning obligations and risks crowding out traditional affordable delivery.

We have also been advised that the £200m available to deliver 10,000 Rent to Buy homes will be grant, rather than recoverable loan. This is welcome and reflects the feedback the Federation provided. Funding this product through grant should help de-risk the development phase and improve development capacity.

We share the Government's ambition to increase opportunities to get on the housing ladder. We are working with the Government to explore how an equity stake offer might work for both housing associations and their tenants.

Looking at the OBR's forecasts, we can see that they expect the Government to provide £6.23bn of funding to housing associations between 2015/16 and 2020/21 – compared to £5.7bn as forecasted in July 2015. Within this, they expect housing associations to receive over £2.3bnof funding for sub-market rented housing – and over £3.6bn of investment to deliver shared ownership (or 90% of the £4bn announced). In 2020/21, the Government is expected to invest £1.7bn in housing associations – compared to £960m as forecasted in July 2015.

The level of funding identified for housing associations within the OBR's forecast suggests a higher level of grant will be available for shared ownership than within the previous programme. While we expect the programme for shared ownership will initially be drawn quite tightly, we will be working to achieve the flexibility members have told us they need to respond to local market conditions and housing need. Delivering a higher proportion of homes for shared ownership, Starter Homes and outright sale has the potential to generate surpluses to cross-subsidise the delivery of sub-market rented housing. The flexibility around Right to Buy replacements can also contribute to the delivery of new sub-market rented housing.

Extend the Help to Buy equity loan scheme to 2021 and create a London Help to Buy

Government announcement

The Government extended the Help to Buy equity loan scheme for a year to 2021 and created a London Help to Buy scheme. The latter will double the equity loan available to buyers with a 5% deposit to 40% of the value of a new build home, interest-free for five years.

Federation response

Given the popularity of the Help to Buy equity loan scheme, it is unsurprising that the Government has chosen to extend it for an additional year. Having helped 56,000 households into home ownership since its launch, it undoubtedly helped increase home ownership. However, there remain doubts over the extent to which it has genuinely improved affordability for households who are priced out of home ownership or has simply resulted in sales that would have gone ahead anyway.

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

As such it is helpful that this extension has been accompanied by a renewed focus on increasing the supply of shared ownership, and the launch of a London Help to Buy scheme. This reflects the fact that only 5% of initial Help to Buy equity loans have been completed in London. Members will of course be mindful of the potential impact of this change on appetite for shared ownership in the capital, but the scale of the affordability challenge is such that there is likely to be a place for both products.

Voluntary Right to Buy pilots

Government announcement

The Government will launch a pilot of the Voluntary Right to Buy scheme to inform the design of the final scheme. The give housing associations involved are Riverside, Sovereign, L&Q, Thames Valley Housing, and Saffron Housing. Tenants will be able to register their interest in the scheme from 25 November 2015. Tenants who have been a public sector tenant of one of the housing associations listed above for at least ten years and who live in one of the local authority areas within which the pilots are operating could be eligible to buy their home via the pilot scheme.

For further details of the pilots please see https://righttobuy.communities.gov.uk/am-i-eligible/housing-association-tenants/

Federation response

The Voluntary Right to Buy pilots are an important part of designing a process that works for housing associations and supports their tenants to own a home of their own. The Federation is working closely with the pilot associations to incorporate learning from the pilots into the design of the voluntary scheme overall. The pilots will work alongside the wider design programme for the Voluntary Right to Buy scheme across the country. We will be updating members over the next few weeks on details of the joint Voluntary Right to Buy Project Sounding Board we are setting up with CLG and of a series of member workshops on key implementation issues that members have raised.

The Federation will be working closely with members to ensure that the design of the Voluntary Right to Buy scheme reflects the needs of housing associations operating in very different housing markets up and down the country. We will be as transparent as we are able to be during the implementation phase and anticipate regular member updates on progress.

Accelerating housing supply through land and planning reforms

Government announcement

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

The Government made a number of announcements intended to deliver a more effective and efficient planning system. This included a new delivery test on local authorities to ensure delivery of homes against the targets set out in Local Plans. Also announced was the ability for Neighbourhood Plans to allocate land for housing, regardless of whether it is identified in a Local Plan. Proposals will also be bought forward to strengthen the performance regime of local authorities, whilst the Government will also review its position of the deemed discharge of planning conditions.

A number of pledges will improve access to land. The Government reiterated the initial policy on Starter Homes to the release of unused and previously undeveloped commercial, retail and industrial land for Starter Homes. But they have gone further in supporting the regeneration of previously developed brownfield sites within the green belt, providing it contributes to Starter Homes delivery.

The Chancellor also announced the release of public land that can accommodate 160,000 homes, backed SME housebuilders by amending planning policy to support small sites, and extended the £1bn Builders' Finance Fund to 2020/21.

The Government has announced proposals for a more standardised approach to viability assessments, and the extension of the ability to appeal unviable Section 106 agreements to 2018.

Federation response

A more effective planning system is vital to assist in the increased delivery of new homes, and taken together these measures are welcome. The new test will assist in monitoring housing delivery at a local level, and will make targeted intervention easier where local authorities are failing to meet their housing targets. This is especially relevant given the gap between objectively assessed housing need and Local Plan housing targets in some areas.

The deemed discharge of planning conditions, if bought forward, is welcome and something the Federation has long pushed for. Too often disagreements over pre-commencement conditions cause delays, and deemed discharge would help to speed up starts on site, reducing the burden on developers and housing associations.

Delivering a proportion of Starter Homes on unused and previously undeveloped commercial, retail and industrial land that would not otherwise have come forward for housing, alongside the £2.3bn fund, is the best way of ensuring Starter Homes are genuinely additional rather than simply displacing already planned homes. The decision to consider brownfield sites in the greenbelt for Starter Homes is a timely recognition of the fact that not all the green belt is equal or of the same quality. It highlights the ongoing need to regularly review the green belt, and the start of a more constructive conversation about meeting housing need.

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

The continued commitment to releasing public land for housing is again a welcome way of boosting land availability. The Government should go one step further and link the release of land to delivery. This would ensure homes are actually built on that land promptly. The Federation will continue to push for housing associations to gain priority access to public land, both to boost affordable housing delivery and ensure sites are built out quickly. The Government should also identify ways to bring this land forward at a lower cost, so that it genuinely supports the delivery of a range of tenures and speeds up build rates. Again, the Federation will continue to emphasise the need to revise HM Treasury guidance on best value. The release of new land could be linked with the recently announced permission in principle which would increase certainty, and help control the price. This delivers our ask as set out in our Plan for Homes, published in July this year, asking for sites for housing to be identified and zoned in Local Plans.

A fair and transparent approach to demonstrating viability is vital to ensuring that local communities benefit from development within their area, and it is welcome that the Government is considering a standardised approach to viability assessments. However, it is disappointing that the ability to appeal unviable Section 106 agreements has been extended to 2018. We believe it would have been right for this to come to an end in April 2016, through the exercising of the sunset clause within the Growth and Infrastructure Act 2013. However, given improving housing market conditions and other planning interventions, such as Starter Homes and an increased focus on shared ownership, we hope that developers will have less need to exercise the clause.

4.2 Welfare and work

Welfare spending

Since 2014 a cap has applied to all welfare spending apart from the state pension and automatic stabilisers (including Jobseeker's Allowance (JSA) and housing benefit passported from JSA). If the cap is not met then the Chancellor must account for this to the House of Commons. In light of the announcement that the planned changes to tax credits will not be going ahead, the OBR has assessed that the cap will not be met in 2016/17, 2017/18 and 2018/19. Spending is expected to be within the forecast margin in 2019/20 and 2020/21.

The Department for Work and Pensions (DWP) spending will be reduced, with real terms reductions of 22% on administration costs and 34% on technology spending. The Department's estate will be reduced by 20% and the number of job centres co-located with local authorities will be expanded.

Housing Benefit

Government announcement

Housing Benefit for tenants in the social sector will be limited to the level of the relevant LHA rate that applies in the private rented sector. This will include the shared accommodation rate

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

which applies to single people, with no dependents, under the age of 35. This measure will come into force in April 2018 and will only apply to new tenants who have signed their tenancy agreement after April 2016. It is expected to save £120m in 2018/19, rising to £225m in 2020/21.

Changes to temporary absence rules were also announced. From April 2016, the length of time that people can be temporarily absent from Great Britain and claim Housing Benefit will be reduced from 13 weeks to 4 weeks. There will be some exemptions – for example for the death of a family member if medical treatment is required abroad, or for members of certain professions. This change aligns Housing Benefit rules to the temporary absence rules for Universal Credit.

Additional Discretionary Housing Payment (DHP) funding will be made available to local authorities to protect the most vulnerable, including those in supported accommodation.

Federation response

We understand the need to bring down the Housing Benefit bill, but are deeply concerned about the impact on the day-to-day lives of those who will be affected – many of whom will be housing association tenants. Our belief remains that the best way to tackle the Housing Benefit bill is to build homes for social and affordable rent.

We await the full details on how the policy will apply, and the level of additional funding for DHPs, but are concerned that this will impact on the affordability of some properties. This is likely to be a particular issue in areas where private rents are low and social rents are close to or exceed the LHA. Our initial analysis indicates that at current letting rates, around 70,000 social tenants (including 49,000 housing association tenants) could be affected by this each year. We are still working on estimating the financial impact; recent work by the Institute for Fiscal Studies (IFS) on this approach estimated an impact of around £1,000 per affected tenant per year.

Applying the shared accommodation rate may also mean that social housing becomes unaffordable for some single people, as those under 35 will only be entitled to LHA based on the rate for a room in a shared house rather than on a one bedroom flat. There are some limited exceptions under the current rules. The shared accommodation rate doesn't apply to people with dependents, people entitled to the severe disability premium or in need of overnight care, care leavers under the age of 22, people aged over 25 who were previously homeless and have lived in a hostel for at least 3 months, or those who have left prison and whose accommodation has been secured under Multi Agency Public Protection Arrangements.

We are seeking reassurance from the Government that the LHA rate will not apply to supported and sheltered housing, where rents and service charges are higher due to the specialist nature of the buildings and the needs of the people living there. These costs are fixed and management and maintenance costs bear little relation to the local housing market which determines the LHA rate.

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

If the LHA cap did apply to supported housing this would leave a gap between the amount of rent and service charge payable and Housing Benefit available to tenants. New DHP funding was announced in the Spending Review, potentially meaning affected tenants would have to rely on a DHP to make up this difference. This cannot, however, provide the long-term assurance needed for tenants or supported housing providers. It is vital that the Government clarifies its long-term intention here as soon as possible.

We will also be seeking exceptions from the single room rate for some under-35s so that social housing can continue to house vulnerable people. We welcome the Government's intention to introduce this cut over time and only for new tenants.

Tax credits and Universal Credit

Government announcement

The Chancellor announced that changes to working tax credits would not go ahead. The income threshold will remain at £6,420 and will not be reduced to £3,850, and the taper rate, at which tax credits are withdrawn for income above this threshold, will remain at 41% and will not be increased to 48%. The changes to Universal Credit work allowances announced at the summer budget will still go ahead; these will be reduced to £2,304 for those with housing costs, and removed altogether for non-disabled claimants without children. No further changes will be made to the Universal Credit taper. People transferring from tax credits to Universal Credit will receive transitional protection.

It was confirmed that the rollout of Universal Credit is now planned to last until 2021. The rollout of the Universal Credit digital service will start in May 2016 and run until June 2018. All residual legacy benefit caseloads will move onto Universal Credit by 2021. The Minimum Income Floor, the level of earnings that a self-employed person has to earn in order to be entitled to Universal Credit, will rise in line with the National Living Wage rather than the National Minimum Wage.

Federation response

We are pleased that the changes to tax credits will not go ahead. This will make a huge difference to many low income families. However, the reduction in Universal Credit work allowances will have a negative impact as they were integral to the original design of Universal Credit because they give such a strong incentive to work. The impact of this change as well as the efficacy of transitional protection will need to be monitored as Universal Credit is further rolled out.

Temporary accommodation

Government announcement

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

From April 2017, the management fee for temporary accommodation will no longer be paid through Housing Benefit. Local authorities will be given funding directly to spend on temporary accommodation and homeless prevention measures. Funding for targeted homelessness intervention will also be protected.

Federation response

This change brings the treatment of the management fee in line with provisions for Universal Credit. We are pleased to see that this measure is fully funded with an additional £10m committed above the current expected spend. It will be important to keep this level of funding under review to make sure that it keeps pace with levels of demand and provision of temporary accommodation.

Employment support

Government announcement

A new Work and Health Programme will commence after Work Programme and Work Choice contracts end. This will provide specialist support to jobseekers with health conditions or disabilities as well as those who have been out of work for two years. Additional funding will be made available to the Work and Health Unit (a joint unit shared between the DWP and Department of Health) with at least £40m for a health and work innovation fund to pilot new ways of joining up health and employment programmes.

Job search conditionality with Jobcentre Plus support will be rolled out to a further 1.3 million claimants by 2020/21 including those who previous claimed Housing Benefit only. Savings will be made through the rationalisation of the Jobcentre Plus estate with increased co-location of services with local authorities. There was no more information on the Youth Obligation for 18-21 year olds which was a manifesto commitment and is due to commence in April 2017.

Federation response

We welcome greater clarity on plans for contracted employment support after the Work Programme which is expected to stop taking new referrals in April 2017. Around half of working-age social tenants are not in work and around one in three declares themselves to be disabled. This gives housing associations unparalleled access to those most likely to be involved with the new Work and Health Programme and a strong interest in its success.

Under devolution deals which have been agreed we expect the new programme to be co-commissioned in London and Greater Manchester with 'co-design' taking place in other combined authorities where this is part of a devolution deal. The creation of a £40m innovation fund is extremely welcome and will support the development of new approaches to join up across the health and employment system. We also welcome the moves towards increased co-location of services between local authorities and Jobcentre Plus which might, in some areas,

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

also support the co-location of housing services. We await further information on the detail of the new Work and Health Programme and will continue to engage with partners, such as the Employment Related Services Association and DWP, to influence the shape of future employment support programmes.

4.3 Apprenticeship Levy

Government announcement

The Apprenticeship Levy will come into effect in April 2017 for employers in all sectors. It will be used to fund apprenticeship training and is expected to generate around £3bn a year by 2019/20. The levy rate has been set at 0.5% of an employer's pay bill with each employer receiving an allowance of £15,000 to offset against their levy payment. This effectively means that the levy will only be payable by employers with an annual pay bill of over £3m per year.

It is intended to put control of apprenticeship funding into the hands of employers. Those who pay the levy will be able to access more support for apprenticeship training than they put in, via a top-up to their digital accounts. Employers who do not pay the levy will be able to access government support for apprenticeships. A new, business-led body, the Institute for Apprenticeships, will be created to oversee the levy and apprenticeship standards.

Federation response

Housing associations have a strong track record on apprenticeships, directly employing over 12,000 apprentices in the last three years. The Apprenticeship Levy has the potential to significantly alter how housing associations, both large and small, approach skills development for their staff and, potentially, their supply chain. We welcome further clarity on the operation of the Apprenticeship Levy. However, while we recognise its potential to give employers genuine control over the delivery of high quality apprenticeships, we are concerned about the size and scope of the levy in the context of other resource restraints facing housing associations. The levy will affect all employers across all sectors and our focus will be on working with partners, such as the National Apprenticeship Service, to help our members understand and make the most of the new environment for apprenticeships.

In our response to the consultation on the proposed levy, we called for it to be genuinely employer-led and structured to meet the needs of employers, and in this context we welcome the announcement of the new business-led Institute for Apprenticeships to oversee the levy. The Government response to the levy consultation includes some worked examples of the implications for individual organisations. Alongside the direct cost to individual businesses, the levy will have major implications for construction organisations as their existing training levy, administered by the Construction Industry Training Board (CITB), evolves to take account of the new environment. With a shortage of construction skills already proving challenging in many areas of the country we will be working with the CITB to understand any potential issues for the sector.

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

NATIONAL HOUSING FEDERATION

4.4 Health and social care

Health

Government announcement

The Chancellor confirmed the NHS will receive £10bn more in real terms by 2020/21 that in 2014/15, with £6bn available from 2016/17. This is £2bn more than the NHS asked for in its Five Year Forward View. The NHS will still be expected to find the £22bn of efficiency savings the review promised.

The additional funding should allow the NHS to expand its hospital and GP services into evenings and weekends. By 2020/21 the Government expects the NHS to deliver more election admissions to hospital, outpatient appointments, diagnostic tests, and free prescriptions. There will also be new hospitals in Brighton, West Birmingham and Cambridge. The Chancellor also announced an additional £600m for mental health services.

The ringfence on public health spending will be maintained in 2016/17 and 2017/18. The Government announced it will consult on options to fully fund local authorities' public health spending from their retained business rate receipts.

Federation response

The Federation welcomes this additional investment into the NHS which exceeds the requirement set out in the Five Year Forward View. With this funding secured, there will now be a significant emphasis on the need to find the promised £22bn in efficiency savings. We also welcome the additional £600m for mental health services.

It's not yet clear what the impact on funding for public health will be, but we would be concerned at any reduction in funding given the potential offered by a focus on prevention to reduce health costs overall.

Social care

Government announcement

A social care precept has been announced that gives local authorities the ability to raise new funding to spend exclusively on adult social care. This will give local authorities the flexibility to raise Council Tax in their area by up to 2% above the existing threshold. This could raise nearly £2bn a year by 2019/20 if all local authorities use this to its maximum.

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

Additional resources will also be made available to local government via an improved Better Care Fund. Created in 2013, the Fund creates a local single pooled budget to incentivise the NHS and local government to work more closely together. The additional funding will be made available to local government from 2017 and will rise to £1.5bn by 2019/20.

The Spending Review also outlines ambitious plans to integrate health and social care across the country by 2020 with local areas developing plans for this by 2017.

Federation response

Funding for social care is struggling to keep pace with demand and it is vital this doesn't put vulnerable people at risk. These services desperately need a sustainable financial settlement to avoid a real crisis for vulnerable disabled and older people. Whilst we welcome these announcements, as they will provide some additional funding for social care, we are concerned this is unlikely to be enough to meet the growing needs of our ageing population. We are also concerned that a council tax precept will have a differential impact across different local authorities which may not reflect the level of local need in an area. As a voluntary precept, there is also no guarantee that all local authorities would choose to implement it, meaning the actual sum raised may be less than the estimated £2bn.

The Federation has been lobbying for an outcomes-based funding framework for support services which would pool existing funds from across government departments, so we welcome the proposals around greater integration of health and social care. We await further information on these ambitious proposals. Housing is a key stakeholder in this agenda and it is important that housing associations are actively involved in the development and delivery of Local Plans.

Investment into support for vulnerable people

Government announcement

The Government has announced support for at least 8,000 specialist homes for older people and people with disabilities as well as continued investment in the Troubled Families programme to deliver better outcomes for 400,000 families by 2020.

The Government also intends to expand support for Social Impact Bonds, investing £105m over the Parliament to help deal with issues including homelessness, poor mental health and youth unemployment.

Federation response

The funding for specialist homes, whilst welcome, is smaller than for previous programmes and alone it is unlikely to keep pace with the need for these types of accommodation. The Spending Review document notes that there will be 'at least' 8,000 specialist homes. It is not clear

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

whether there will be additional funding coming via the Department for Health and we await further information around this.

The increased investment into Social Impact Bonds may offer opportunities for housing associations looking to innovate in the provision of health, support, employment or community investment programmes. The Federation has been in discussion with the Cabinet Office about the creation of a pooled central outcomes fund and we welcome the movement towards such an approach. Whilst Social Impact Bonds may not be appropriate for all services, they can be a valuable source of funding to de-risk payment by results contracts for providers and commissioners. We will continue our engagement with the Cabinet Office on this agenda and will keep members informed.

4.5 Devolution

Government announcement

To 'spread economic power and wealth through a devolution revolution' was the second of the four priorities set out in the Spending Review. This theme was, as ever, cross cutting and included a range of measures which may significantly impact the local operating environment for housing associations.

The Chancellor reconfirmed his recent announcement on the abolition of the uniform business rate and that by the end of the parliament local authorities would be able to retain all revenue from business rates. Local authorities will also be free to cut their rates and, for elected mayors, to raise rates to fund infrastructure.

Further fiscal devolution was also flagged as a potential direction of travel with the announcement of a consultation on changes to the local government finance system which could see local administration of housing benefit for pensioners and responsibility for funding public health devolved. A consultation was also announced on the New Homes Bonus, with a view to sharpening incentives for local authorities to deliver more homes.

There was a strong emphasis on re-balancing the economy via the Northern Powerhouse, confirming that by 2017 there would be at least five new northern mayors, backed by over £4bn of new government funding. The Chancellor restated that the Government is still negotiating further devolution deals with other major city regions. Specific reference was made to progress in Greater Manchester on an integrated approach to preventative services for children and giving the Mayor power to introduce a Community Infrastructure Levy.

The Government also promised to deliver on its commitment to £12bn of Local Growth Funding from 2015/16–2020/21 and will establish 26 new Enterprise Zones.

An extension of the One Public Estate pilot was also announced, with £31m funding to support local authorities to manage public sector land assets. The extension also encourages and

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk

empowers public sector land asset disposals. As stated in recent devolution deals, local authorities are now enabled to use 100% of fixed asset receipts (excluding Right to Buy) for revenue costs on public sector reform transformation projects.

Further powers for local authorities to set a council tax precept of up to 2% to raise funds for social care, and access to a £1.5bn Better Care Fund settlement, were also announced and these have been covered in more detail in the social care section of this briefing.

Federation response

Greater devolution of housing investment and planning powers through the establishment of new Enterprise Zones gives a real opportunity to tackle the housing crisis at a local level. We strongly welcome initiatives that will help bring forward public sector land for new homes, including the extension of the One Public Estate pilot. However, the Federation will be keen to understand if and how the changes that enable public sector asset receipts to be used for revenue funding may impact on the strategic disposal of land assets on flexible terms for broad housing outcomes.

The Federation will continue to engage both locally and with central government on this agenda and will work to support members to influence key strategic decisions being taken in their areas. We will also work to influence the content of consultations on the changes to the local government finance system and New Homes bonus prior to and after their publications.

4.6 Energy

Government announcement

The Government will increase funding for the Renewable Heat Incentive to £1.15bn by 2020/21, while reforming the scheme to deliver better value for money. The current Energy Company Obligation (ECO) will be replaced from April 2017 with a new cheaper domestic energy efficiency supplier obligation which will run for five years. The Government has consulted on changes to the Renewables Obligation and Feed in Tariffs schemes and will shortly publish a response to the consultations, detailing how to implement cost control on these schemes.

Federation response

Ending the housing crisis isn't just about building new homes, but also about making the ones we have fit for the 21st century. The UK currently has Europe's second worst domestic energy efficiency levels with the highest level of excess winter deaths since 1999, announced on the day of the Spending Review. Housing associations have long invested substantial sums in improving the energy performance of their stock and are natural allies to the Government's drive to improve the quality of England's housing.

While we welcome the extension of the Renewable Heat Incentive we have concerns that cuts to the ECO programme and Feed in Tariffs will not deliver the savings to consumers, particularly those in fuel poverty, that the Government desires.

Reform of both these schemes should do more to draw on the expertise and investment capability of housing associations. With the lowest household incomes of any tenure group in England and over 230,000 hard to treat housing association properties in EPC bands E-G, fuel poverty is a serious issue for housing association tenants. Refocusing the Renewable Heat Incentive and ECO to support these fuel poor households is a significant opportunity for the Government to reduce the burden on consumers, leverage in investment from housing associations, and build scale for the rollout of reliable renewable heat and energy efficiency products to the mass market.

4.7 Regeneration

Government announcement

The Government has announced £2.3bn in loans to help regenerate large council estates and invest in infrastructure needed for major housing developments.

Federation response

We welcome additional support for the regeneration of estates and investment in the infrastructure needed to deliver good quality new housing. Investment through a streamlined approach to capital funding could ensure that all areas can address local regeneration issues. Such investment should focus on rebuilding or demolishing homes, dealing with empty homes, and improving the quality of homes and open spaces. Like any loan financing, the terms and interest rates will be crucial in establishing the viability of the programme.

We believe this funding should be available for all large social housing estates. Housing associations are experts at regenerating neighbourhoods and are ideally placed to deliver a range of outcomes in partnership with local people and stakeholders.

Contact name: Lucy Grove
Job title: Head of Policy
Direct line: 0207 067 1067
Email: Lucy.Grove@housing.org.uk

Lion Court
25 Procter Street
London WC1V 6NY
www.housing.org.uk