Briefing Paper

The 2016 Budget:
Implications for Housing and Local Government

March 2016

The Houses of Parliament in Westminster where the 2016 Budget was delivered

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Introduction

George Osborne, Chancellor of the Exchequer, delivered his 2016 Budget in the House of Commons on 16th March 2016; against an economic backdrop of deteriorating public finances and a political backdrop of divisions in the government over the European Union referendum. It was therefore expected that the budget would contain a mixture of reductions in spending and measures that would be designed to be popular with the government's core voters.

This briefing paper summarises and provides comment on the implications of the budget for housing and local government.

Economic Background

The economic background has changed significantly since the spending review and autumn statement was announced in November 2015. At that time the Chancellor painted a positive picture of the economy and announced that budgets including Police, Adult Skills and 16-19 Education would be protected alongside the budgets for Defence, Education and the National Health Service. At the same time, he forecast that the government would achieve a budget surplus of £10billion by 2019/20.

Unit 3, Shire Hall, The Sands, Appleby in Westmorland, Cumbria. CA16 6XN.
Telephone: 017683-52165. Mobile: 07502-142658. Twitter @AdrianWaite.
E-Mail: Adrian.waite@awics.co.uk. Skype: Adrian.waite@awics.co.uk Website: www.awics.co.uk

Managing Director: Adrian Waite MA CPFA CIHM FInstLM
Registered Address as above. Company Number: 3713554. VAT Registration Number: 721 9669 13

Since then economic forecasts have become gloomier with the Office for Budgetary Responsibility downgrading its forecasts for growth in production and trade and reducing its forecasts for growth in productivity in the United Kingdom. The Institute of Fiscal Studies has reported that tax revenues will be reduced by £7billion by 2019/20 because of lower equity prices and sluggish growth in earnings. The Chancellor himself has also warned of the economic consequences for Britain of global uncertainties including economic slowdown in Asia and political instability in the Middle East.

The Government is also committed to raising income tax thresholds at a cost of £8billion a year.

It was therefore anticipated that the Chancellor would seek £4billion of additional savings from the 'unprotected' budgets that include those for local government, housing and welfare.

In his introductory remarks the Chancellor claimed that the United Kingdom economy was strong and that the government was on course to eliminate the budget deficit but that these forecasts are based on Britain remaining in the European Union. Economic growth is forecast to be 2.0% in 2016, 2.2% in 2017 and 2.1% a year thereafter. Growth in 2016 had been forecast to be 2.4% at the time of the autumn statement.

Public Expenditure

The Treasury's Budget book that is published alongside the budget statement states that:

"The government will build on the measures set out at Spending Review 2015 to deliver a surplus and ensure the sustainability of the public finances. Over the last five years' government expenditure was reduced from the unsustainable level of 45% of Gross Domestic Product in 2010/11. Spending Review 2015 set out savings of £21.5billion, of which £9.5billion was reinvested in the government's priorities. This Budget sets out that the government is adjusting those plans and will find a further £3.5billion of savings from public spending in 2019/20, in line with continuing action to ensure maximum efficiency from every pound of public spending. This is equivalent to less than 0.5% of total spending, in 2019/20."

The share of income spent by the state have been reduced from 45% to 40% since 2010 and it is planned to reduce this to 37% - the same level as is currently covered by taxation. Debt as a proportion of national income is forecast to fall from 83% where it was in 2010/11 to 75% in 2020/21. However, earlier targets to reduce debt as a proportion of income have not been met.

Public borrowing is forecast to be £72billion in 2015/16, £56billion in 2016/17, £39billion in 2017/18 and £21billion in 2018/19. After that the government is forecast to be in surplus by £10billion in 2019/20 and £11billion in 2020/21.

Measures to tackle tax avoidance and evasion are intended to save £12billion.

On The Andrew Marr Show on 13th March 2016, the Chancellor said the spending reductions amounted to:

"£1 in every £100 that the government spends (that is) not a huge amount in the scheme of things".

It is intended to save £3.5billion a year by 2019/20 through an 'efficiency drive'. The Treasury's budget book explains how this is to be achieved as follows:

"The Chief Secretary to the Treasury, with the support of the Paymaster General, will lead an efficiency review, which will report in 2018. This will review the efficiency of all departmental spending to inform future expenditure decisions. The government's spending priorities remain unchanged. As set out in Spending Review 2015, the defence and overseas aid commitments, the real-terms protections for the National Health Service in England, schools funding in England, the police and science will be maintained. The National Health Service has an ambitious programme of work underway to deliver £22 billion of efficiency savings and this is unchanged."

Significant elements of this approach appear to be:

- The balancing of the budget is to be achieved wholly through reductions in public expenditure rather than through increases in taxation. The government has made it clear that this has been its approach since 2010. However, some commentators have started to express doubts about whether it will be possible in the long-term to sustain public expenditure and taxation at 37% of national income in view of the projected significant increase in the elderly population. Regardless of the politics, a future government may be obliged to raise taxation.
- The budget is based on making reductions of £3.5billion in public expenditure but (with some exceptions that are outlined below) these reductions have not been identified. In fact, the budget identifies many commitments to increased expenditure and reduced taxation and very few reductions in expenditure. However, the government has renewed its commitment to protect expenditure on defence, education, health, pensions and police meaning that the planned savings will fall on unprotected budgets including housing, local government and welfare. Significant further reductions in expenditure in these areas can be expected to be announced – presumably in the 2016 autumn statement.

Pensions and National Insurance

Public sector pensions are to be reformed to save £400million with increased employers' contributions. The Treasury's budget book explains this as follows:

"The government's policy is to review the discount rate used to set employer contributions to the unfunded public service pension schemes every five years. The discount rate is based on the Office for Budgetary Responsibility's long term projections of Gross Domestic Product growth. Budget 2016 sets out that the recent assessment has resulted in a reduction in the discount rate which will increase the contributions employers pay to the schemes from 2019/20 onward. This will ensure that the costs of providing pension benefits in the future are fairly reflected in the contributions paid by employers, and that the pension promises made today are on a sustainable basis to ensure fairness to future tax payers."

From April 2018 employers will need to pay National Insurance contributions on pay-offs (for example, termination payments) above £30,000 where Income Tax is also due.

The government will support proposals by local administering authorities to establish both a small number of British Wealth Funds by combining Local Government Pension Scheme assets into much larger investment pools by 2018, and a national Local Government infrastructure investment platform.

The Treasury's budget book states that:

"The government has received ambitious proposals from Local Government Pension Scheme administering authorities to establish a small number of British Wealth Funds across the country by combining their assets into much larger investment pools. These pools will deliver annual savings of at least £200-300 million, and we will work with administering authorities to establish a new Local Government Pension Scheme infrastructure investment platform, in line with their proposals, to boost infrastructure investment.

The additional costs of national insurance and superannuation will presumably fall on local authorities without additional funding being provided. The merging of local government superannuation schemes has long been government policy with some commentators fearing that it may be a step towards the nationalisation of the scheme.

Devolution

George Osborne claimed that the government is introducing radical devolution in all parts of the United Kingdom. This includes devolution to the Welsh and Scottish Parliaments and to local authorities in England, Scotland and Wales. However, directly elected mayors are seen as critical to the devolution plans.

The Budget 2016 announces new devolution deals with the West of England, East Anglia, and Greater Lincolnshire. Building on existing devolution deals with Greater Manchester, Liverpool City Region, Sheffield City Region, the North East and Tees Valley, this means that 57% of the population of the North of England will be covered by an elected mayor. Establishing an elected mayor does seem to be an essential element of devolution from the government's point of view and failure to agree on this has delayed some deals including that in Cumbria.

The mayoral devolution deal with Liverpool City Region builds upon Liverpool's mayoral deal of November 2015, and gives Liverpool additional new powers over transport, pilots the approach to 100% business rate retention across the city region, and commits the city region and government to work together on children's services, health, housing and justice.

New powers over the criminal justice system are to be devolved to Greater Manchester. The radical devolution of justice responsibilities will enable Greater Manchester to offer seamless interventions for offenders as they transition between prisons and the community, and to join up public services to tackle the causes of crime and prevent reoffending.

The government has agreed a new mayoral devolution deal with Greater Lincolnshire. This will give Greater Lincolnshire significant new powers over transport, planning, and skills. Greater Lincolnshire will also receive control of a £450million investment fund over thirty years to boost economic growth.

The government has agreed a mayoral devolution deal with East Anglia, covering Norfolk, Suffolk, Cambridgeshire and Peterborough, giving the local area new powers over transport, planning, skills, a £900million investment fund over thirty years to grow the local economy, and access to £175million ring-fenced funding to deliver new homes.

As well as increasing the share of London's business rates retained by the Greater London Authority, the government will transfer responsibility for funding Transport for London's capital projects. This will give the Mayor of London control over almost £1billion more of locally raised taxes. The government will also explore with London options for moving to 100% business rates retention ahead of the full roll-out of the business rates reforms.

By the end of this parliament, 100% of local government resources will be raised locally whereas in 2010, 80% of local government expenditure was met by ring-fenced grants.

The Treasury's budget book states that:

"The government is transferring significant budgets and responsibilities to the local level, building upon the historic mayoral devolution agreements with Greater Manchester, Sheffield City Region, the North East, Tees Valley, Liverpool City Region and the West Midlands. The government has now agreed new mayoral devolution deals with English counties and southern cities too, reaching agreements with the West of England, East Anglia and Greater Lincolnshire. The government has also agreed a further devolution deal with Greater Manchester, including a commitment to work towards the devolution of criminal justice powers, and a second devolution deal with Liverpool City Region.

"Previously agreed mayoral devolution deals will also each receive un-ring-fenced single pots of funding to spend on local priorities, worth £2.86billion in total. This flexibility will allow areas to take more control over strategic investment. The single pots will initially include a five-year settlement rolling together existing transport funding, gain share investment funds and Local Growth Fund allocations. This will be supplemented in the future with further flexibility over central government funding. The Bus Service Operators Grant will also be devolved to areas that adopt bus franchising, and the Adult Education Budget will be included in the single pot from 2018/19 for those areas with devolved adult skills arrangements.

"The government will pilot the approach to 100% business rates retention in Greater Manchester and Liverpool City Region and will increase the share of business rates retained in London. This will help to develop the mechanisms that will be needed to manage risk and reward under 100% rates retention and will help authorities to build financial capacity to reform core services and invest in long term economic growth from 2017 – three years ahead of schedule. The offer is open to any area that has ratified its devolution deal."

The government's devolution agenda is broadly welcomed in local government. However, in common with many commentators, I am disappointed in the way that it is being introduced through a series of individual 'deals' in which government appears to be determining the details of the local arrangements, the powers and budgets that are to be transferred and the places in which devolution will take place. Indeed, in some areas – notably education – the government appears to be centralising services (see below). The process therefore appears to fall short or a genuine empowerment of local authorities and communities. There is also a suspicion that devolution will give local authorities responsibility for explaining reduced budgets for 'unprotected services' without giving them power to determine the allocation of resources.

Local Growth

The Treasury's budget book states that:

"The government believes local areas must be empowered to reach their potential in order to boost national productivity and growth. The Local Growth Fund gives Local Enterprise Partnerships control over £12billion of central government funding, ensuring that this money is spent in line with local priorities. The initial two rounds of Growth Deals have given local areas nearly £8billion to drive growth through investing in the infrastructure their areas need.

The government is now announcing further steps in the allocation of the Local Growth Fund, including:

- *Up to £1.8billion will be allocated through a further round of Growth Deals with Local Enterprise Partnerships later this year. The government will announce further detail on the process for the next round of Growth Deals soon.*
- *A further £2billion of the Local Growth Fund is being allocated through the Home Building Fund. This programme provides finance to developers to unlock large housing sites and bring forward the necessary infrastructure that large house building projects require.*

"The next round of the Coastal Communities Fund, for projects starting in 2017-18, will open for applications this summer. The CCF funds projects across the UK which support sustainable economic growth and jobs in coastal communities.

"Greater Manchester and East Cheshire, Sheffield City Region and Lancashire LEP, and the Midlands will each benefit from a science and innovation audit. These will help each of these regions to map their research and innovation strengths and to identify areas of potential global competitive advantage. Future audits in other areas will be announced later this year."

Infrastructure

The government considers that the Infrastructure Commission has got off to a good start and has recommended improvements to road and rail infrastructure in the north of England that the government has accepted. This includes the HS3 rail link between Leeds and Manchester (£60million); and upgrades to the A66 and A69 trans-Pennine roads. There will also be an additional £80million for Crossrail2 that will connect southwest and northeast London. However, almost half of the transport money committed had already been announced in the Autumn Statement.

Increases in flood defence budgets of £700million will be funded through an increased insurance levy. The Treasury's budget book states that:

"To fund increased investment in flood defence and resilience, the standard rate of Insurance Premium Tax will be increased from 9.5% to 10%. This ensures that the impact of the rate increase is spread broadly across the entire general insurance industry. Insurance Premium Tax is a tax on insurers. However, if they do pass the cost of this rate increase on to their business and household customers, the average combined home and contents insurance would only increase by £1, and the average motor insurance premium by £2 per year. All the revenue raised from this increase in Insurance Premium Tax will be invested in flood defence and resilience measures."

In my experience insurance companies do pass the cost of Insurance Premium Tax onto their customers!

A new Shakespeare North Theatre is to be built in Knowsley.

The Budget includes the allocation of the £50million Pothole Action Fund for England in 2016/17, enabling local authorities to fill nearly a million potholes. The government will also provide a further £130million to repair roads and bridges damaged by Storms Desmond and Eva. The Budget announces funding to improve local roads in the North. £15million will be allocated from the Pothole Action Fund to repair around 277,000 potholes during 2016/17, and the government is giving the go ahead to £24million from the Local Growth Fund to improve roads across North Yorkshire.

The Treasury's budget book explains the strategy as follows:

"The Spending Review prioritised long term investment over day-to-day spending. This Budget accelerates its commitment to invest £100 billion in infrastructure by 2020-21. The government is now accelerating its investment plans in priority areas to deliver around £1.5billion investment in areas such as housing, schools and transport over the next three years that would otherwise have taken place at the end of the decade. This will include bringing forward funding for the Highways Maintenance Challenge Fund and the Pothole Action Fund, and enabling the delivery of thirteen thousand shared ownership homes two years early. As set out in Spending Review 2015, capital budgets will be £12 billion higher than planned at Summer Budget 2015."

Issues related to the government's approach to infrastructure appear to include:
- A lack of involvement by local authorities in determining priorities for infrastructure or in managing infrastructure projects despite the government's commitment to devolution.
- An imbalance in the geographical distribution of government investment in infrastructure. Despite the announcement of a number of schemes in northern England, the United Kingdom government's infrastructure budgets remain heavily focused in London.
- The government's approach to accounting and budgeting that makes little distinction between revenue expenditure and capital investment and therefore places constraints on capital investment that many, including me, would consider unnecessary.
- A lack of recognition that housing is an important element of infrastructure with constraints being placed on investment in social housing – for example by the imposition of a 'borrowing cap' on local authority investment in housing.

Education

Schools will be 'set free from local authority bureaucracy' with all secondary and primary schools becoming academies. Additional funding will be provided. There will be a new national funding formula that the Chancellor said would be 'fair' and would be implemented before the end of this parliament. A white paper will be published by the Department for Education.

Schools in England are to be freed from local-authority control by 2022 and teaching days will lengthen under a £1.5billion package of measures designed to improve education standards. Speaking before the budget, George Osborne said:

"The Budget I'll deliver today will put the next generation first… I'm going to get on with finishing the job we started five years ago, to drive up standards and set schools free from the shackles of local bureaucracy."

Under these proposals, schools currently overseen by local government will have to convert into academies that are directly funded by the central government.

The Treasury's budget book provides more detail as follows:

"This Budget accelerates the government's schools' reforms and takes steps to create a gold standard education throughout England. The government will:
- *Drive forward the radical devolution of power to school leaders, expecting all schools to become academies by 2020, or to have an academy order in place to convert by 2022. The academies programme is transforming education for thousands of pupils, helping to turn around struggling schools while offering our best schools the freedom to excel even further.*

- *Accelerate the move to fairer funding for schools. The arbitrary and unfair system for allocating school funding will be replaced by the first National Funding Formula for schools from 2017/18. Subject to consultation, the government's aim is for 90% of schools who gain additional funding to receive the full amount they are due by 2020. To enable this the government will provide around £500million of additional core funding to schools over the course of this Spending Review, on top of the commitment to maintain per pupil funding in cash terms. The government will retain a minimum funding guarantee.*
- *Ask Professor Sir Adrian Smith to review the case for how to improve the study of maths from 16 to 18, to ensure the future workforce is skilled and competitive, including looking at the case and feasibility for more or all students continuing to study maths to 18, in the longer-term. The review will report during 2016*

"The government will invest £20 million a year of new funding in a Northern Powerhouse Schools Strategy. This new funding will ensure that rapid action is taken to tackle the unacceptable divides that have seen educational attainment and progress in some parts of the North lag behind the rest of the country. Ensuring access to an excellent education for all pupils is a critical step in ensuring the long term success and competitiveness of the Northern Powerhouse. The government will:
- *Boost investment to turn round performance in the toughest areas: bringing in support from the best leaders and schools into these areas, empowering the best local heads and schools to become leaders of school improvement and increasing funding available for turnaround activities in coasting and vulnerable schools.*
- *Invest more funding to see the best academy chains expand and to develop new sponsors in the North; the creation of a new Northern centre of the New Schools Network will encourage more, innovative, free schools in the region.*
- *Look at further ways to get and retain the best teachers in these areas.*
- *Ask Sir Nick Weller to lead an in-depth report into transforming education across the Northern Powerhouse."*

Soft drinks companies will pay a levy on drinks with added sugar from April 2018. This will apply to drinks with total sugar content above 5 grams per 100 millilitres, with a higher rate for more than 8 grams per 100 millilitres. This won't need to be paid on milk-based drinks or fruit juices. This will be used to double funding for primary school sports to £320million a year and the equivalent funding will be provided to the devolved administrations.

George Osborne also promised an end to the 'Victorian tradition' of schools finishing at 3.30pm. Schools will also be able to bid for free funding to provide their pupils with an additional five hours a week of lessons or extra-curricular activities.

Issues related to the government's approach to education include the following:
- While the government presents its plans to make all schools academies as one of decentralisation in that it removes the local authority from its role in education, the process could equally be seen as one of centralisation in which all schools will be nationalised and become the direct responsibility of the Department for Education. I remember being told that the decentralised education system in England was one of the pillars of our democracy with Education Ministers unable to interfere in schools. However, since then we have seen the introduction of a prescriptive national curriculum, national league tables, a 'top-down' inspection approach by Ofsted and now the centralisation of all schools as academies. I am not sure how this relates to devolution, localism and empowering front-line staff!

- Some commentators have commended the government on its bravery in proposing a national formula for distributing funding to schools. Their argument is that any national formula will redistribute resources resulting in there being 'winners' and 'losers'. It is often noted that in such circumstances the 'winners' soon forget their gains while the 'losers' will always resent their losses. It will be interesting to see how the new formula is devised. However, if the government's approach to funding local authorities is any guide we can expect a shift away from funding based on needs towards funding based on population and additional funding for rural areas. This may result in a re-distribution that favours rural and affluent areas and those with growing populations and reduces resources in urban and deprived areas and those with declining populations. I am sure I am not the only person who will await the government's consultation with interest!

Museums & Galleries

A new tax relief for museums and galleries will be introduced. This will be available to temporary and touring exhibitions from April 2017 – this will help museums and galleries create new exhibitions and display them around the United Kingdom. The government will consult on this during 2016.

Business Rates

Reforms to business rates involving increases in the threshold above which business rates become payable from £6,000 to £12,000 with a tapered introduction between £12,000 and £15,000 mean that 6,000 small businesses will pay no rates and 250,000 will have their rates cuts from April 2017.

The Greater London Authority will retain all its business rates from April 2017.

The Treasury's budget book states that:

"The government has concluded the business rates review and has decided to cut the burden on ratepayers in England by £6.7billion over the next five years, cutting business rates for all properties and ensuring that the smallest businesses pay no rates at all, while modernising the tax to make it fit for the 21st century.

"The government recognises that business rates represent a higher fixed cost for small businesses and this Budget cuts business rates from next year for half of all properties– 900,000 smaller properties – starting 1 April 2017. The government will:

- *Permanently double Small Business Rate Relief from 50% to 100% and increase the thresholds to benefit a greater number of businesses. Businesses with a property with a rateable value of £12,000 and below will receive 100% relief. Businesses with a property with a rateable value between £12,000 and £15,000 will receive tapered relief. 600,000 small businesses, occupiers of a third of all properties, will pay no business rates at all – a saving worth up to £5,900 in 2017-18. An additional 50,000 will benefit from tapered relief.*
- *Increase the threshold for the standard business rates multiplier to a rateable value of £51,000, taking 250,000 smaller properties out of the higher rate. This will reduce business rates for many small businesses – including some high street shops.*

"From April 2020, taxes for all businesses paying rates will be cut through a switch in the annual indexation of business rates from the retail price index to be consistent with the main measure of inflation, currently the consumer prices index, in line with the government's previous commitment to consider moving the indexation of indirect taxes from the retail price index once fiscal consolidation is complete. This represents a business rates cut every year from 2020. In 2020/21 alone it is worth £370million to businesses and the benefit will grow significantly thereafter.

"The government will also modernise the administration of business rates to revalue properties more frequently and make it easier for businesses to pay the taxes that are due:

- *The government will aim to introduce more frequent business rate revaluations (at least every three years) and will publish a discussion paper in March 2016 outlining options on how to achieve this to support both businesses and the stability of local authority funding.*
- *The government will transform business rates billing and collection. By 2022, local authority business rate systems will be linked to HMRC digital tax accounts so that businesses can manage their rates bills in one place alongside other taxes. As a first step, the government will work with local authorities across England to standardise business rate bills and ensure ratepayers have the option to receive and pay bills online by April 2017.*
- *Once local authority and HMRC systems are linked, the government will consider the feasibility of replacing small business rate relief with a business rates allowance for small businesses – this would be applied to a business's total property portfolio across local authority areas allowing businesses that grow and acquire more property to benefit from relief*

"These measures build on the devolution revolution confirmed at Autumn Statement 2015, which will allow local government to keep the rates they collect from business, give councils the power to cut business rates to boost growth, and give elected city-wide mayors the power to levy a business rates premium for local infrastructure projects – with the support of local business. Local government will be compensated for the loss of income as a result of the business rates measures above, and the impact considered as part of the government's consultation on the implementation of 100% business rate retention in summer 2016."

The budget does not explain how these changes will impact on the finances of local authorities especially in view of the government's intention to localise business rates and to withdraw revenue support grant. Local authorities will therefore await the consultation with interest.

Housing

The Chancellor recognised that the failure of the United Kingdom to build sufficient new homes has been a major brake on economic growth. The government is tackling this issue by taking measures designed to reverse the decline in home ownership through providing subsidies and changing planning laws.

The Treasury's budget book states that:

"The government supports home ownership and first time buyers. In addition to helping young people to buy their own home through the Lifetime ISA and Help to Buy, the Budget sets out further measures to deliver more housing. The Autumn Statement 2015 set out the government's commitment to delivering 400,000 affordable housing starts by 2020/21, including 200,000 Starter Homes and 135,000 Help to Buy Shared Ownership properties. This constitutes the most ambitious affordable housing programme since the 1970s.

"To deliver on these plans the Budget announces:
- *The launch of the Starter Homes Land Fund prospectus, inviting Local Authorities to access £1.2billion of funding to remediate brownfield land to be used for housing, to deliver at least 30,000 Starter Homes.*
- *The delivery of 13,000 affordable homes two years early by bringing forward £250million of capital spending to 2017/18 and 2018/19."*

The Housing & Planning Bill is still in Parliament with the Commons considering amendments proposed by the House of Lords. Some of these amendments have financial implications such as the amendments to the proposal to charge near-market rents to social tenants with relatively high incomes.

The Treasury's budget book refers to the concerns about the future funding of sheltered housing but does not really add anything to what has already been said. It states that:

"The government recognises the important work of providers of supported accommodation, including the providers of homelessness shelters and other services for those who may otherwise be sleeping rough. On 1 March 2016 the government confirmed that the date from which Local Housing Allowance caps apply to new tenancies in the supported accommodation sector will be delayed by one year. It will now apply to tenancies in this sector signed after 1 April 2017. The evidence review of the supported accommodation sector, due to report in the spring, will provide a foundation to support further decisions on protections for the supported housing sector in the long term."

Issues related to the government's approach to housing include:
- Not everyone agrees with the government's focus on home-ownership arguing that there is a continued need for social and affordable housing and that the government's reforms have discontinued social housing grant and reduced the potential to ensure social housing is provided through planning. However, the government view (that it made clear during the general election) is that the focus of housing policy should be on reversing the decline in home ownership.
- The government is providing significant subsidies for home-ownership – especially through the starter homes scheme. However, as with all subsidies care needs to be taken to ensure that the effect of the subsidy will be as intended. There is always a danger that subsidies will only increase demand and therefore prices thus frustrating their original intention.
- Many in the housing sector will be disappointed that the government did not take the opportunity to make a substantive statement on the future funding of sheltered housing. The problem here is that the government has provided in the Welfare Reform & Work Bill for social housing rents to be reduced by 1% a year from 2017/18 to 2019/20 and for housing benefit to be capped at local housing allowance rates from 2018. These measures threaten the viability of sheltered housing schemes that are essential for the housing of many elderly, disabled and other vulnerable people. The government has stated that it appreciates the problem and will propose a solution but one is still not forthcoming!

Planning

The government considers that one obstacle to the building of more homes is the planning system and that there is a need for it to be streamlined. The Treasury's budget book states that:

"The government has undertaken a series of reforms to streamline and simplify the planning system. Annual housing starts are now at an 8-year high and planning permission was granted for more than 250,000 homes last year alone. Further reform is needed to deliver the government's commitment to deliver 400,000 affordable housing starts by 2020/21, while continuing to protect the Green Belt. Budget 2016 therefore announces:

- *The government's intention to move to a more zonal and 'red line' planning approach, where local authorities use their local plans to signal their development strategy from the outset and make maximum use of permission in principle, to give early certainty and reduce the number of stages developers must go through to get planning permission.*
- *Measures to speed up the planning system, including minimising the delays caused by planning conditions, and ensuring the delivery of local plans by 2017, a consultation on options for increasing transparency in the property market, including by increasing the visibility of information relating to options to purchase or lease land.*
- *That the government will deliver provisions to provide greater freedoms and flexibilities for the deployment of mobile infrastructure, including reducing planning restrictions for existing telecoms infrastructure and allowing taller new ground based masts to be built*

"The government is committed to bringing more land into the planning system to ensure more families have a chance to own a home. At the Autumn Statement 2015 the government committed to releasing enough public sector land for 160,000 homes, over 50% more than in the last Parliament. The government will now go even further to release public sector land for housing:

- *For the first time ever Local Authorities are collaborating with central government on a local government land ambition, working with their partners to release land with the capacity for at least 160,000 homes, helping to support the government's policy on estates regeneration.*
- *The Homes and Communities Agency will work in partnership with Network Rail and local authorities to provide land around stations for housing, commercial development and regeneration. The government will set out shortly which sites will take part in the scheme*

"To increase densities on brownfield land, following the consultation on 'building up' in London, the government will consult on providing similar powers through devolution deals.

"The government supports the construction of a new wave of garden towns and cities across the country, with the potential to deliver over 100,000 homes. The Budget announces that the government will legislate to make it easier for local authorities to work together to create new garden towns, as well as consult on a second wave of Compulsory Purchase Order reforms with the objective of making the Compulsory Purchase Order process clearer, fairer and quicker.

"For areas that want to establish smaller settlements, the government will provide technical and financial support to areas that want to establish garden villages and market towns of between 1,500 to 10,000 homes. The government will shortly announce what planning and financial flexibilities will be offered to local authorities that submit proposals for settlements that deliver a significant number of additional houses."

Many in local government have argued that the current planning system does not present a barrier to the building of new homes. In particular, they point out that planning permission has already been given for numerous developments that have yet to be started.

Homelessness

The government has recognised that the doubling in homelessness since 2010 is 'unacceptable' and more than £100million has been earmarked for a series of measures aimed at helping people at risk of homelessness. This budget is designed to provide 2,000 accommodation places for rough sleepers who are ready to move on from crisis hostels and £10million for homelessness prevention projects. George Osborne said:

"Homelessness is simply unacceptable in our day and age. I am absolutely committed to helping homeless people get back on their feet, into safe accommodation and obtain the skills they need to get on in life. I won't stand by and see things going in the wrong direction – and we have a particular problem with rough sleepers in London. That's why I am announcing a major new package of measures to help get a grip on this problem."

The Treasury's budget book states that:

"To further support rough sleepers off the streets and to help those who are recovering from a homelessness crisis, Budget 2016:

- *Invests £100million to deliver low-cost 'second stage' accommodation for rough sleepers leaving hostel accommodation and domestic abuse victims and their families moving on from refuges. This will provide at least 2,000 places to enable independent living for vulnerable households and individuals, freeing up hostels and refuges for those in most acute need.*
- *Invests £10million over two years to support and scale up innovative ways to prevent and reduce rough sleeping, particularly in London, building on the success of the No Second Night Out initiative.*
- *Doubles the funding for the Rough Sleeping Social Impact Bond announced at the Autumn Statement 2015 from £5million to £10million, to drive innovative ways of tackling entrenched rough sleeping, including 'Housing First' approaches.*
- *Takes action to increase the number of rough sleeping European Union migrants returning to their home countries. Building on the success of the Operation Adoze pilot, the government will roll out a new approach in which immigration officials work with Local Authorities and outreach workers to connect rough sleepers to services that can return them home."*

It is understood some of the rough sleeper investment will be focused on Social Impact Bond projects. These are payment-by-results initiatives where providers and investors are paid only when they have shown they have turned around the lives of specific client groups. The £5million Social Impact Bond helping 831 rough sleepers in London rewards charities when they achieve positive outcomes for clients including reducing street sleeping, moving them into settled accommodation, reducing their use of National Health Service accident and emergency services, and getting them into sustained work or volunteering.

The 'Guardian' has reported that ministers have been studying the impact of a new homeless prevention duty introduced by the Labour administration in Wales last year. Early results of the policy show that more families' housing problems were sorted before they progressed to the point where the council formally accepted a duty of homelessness, suggesting that more intensive prevention work was helping to keep more people in their homes.

The mooted 'no one turned away' duty would force local authorities in England to provide all residents who are homeless or at risk of losing their home with practical assistance to maintain a tenancy or find a suitable place to live. However, local authorities in London have warned that a new Welsh-style prevention duty would not be enough tackle a crisis caused by increased rents, a shortage of affordable housing and inadequate housing benefits.

Welfare

The Treasury's budget book explains the government's strategy for welfare as follows:

"The government introduced the Welfare Cap at Budget 2014 to strengthen control of welfare spending, support fiscal consolidation and improve Parliamentary accountability for the level of welfare spending. The cap applies to welfare spending in Annually Managed Expenditure with the exception of the state pension and the automatic stabilisers. It is assessed at Autumn Statements.

"Summer Budget 2015 and Autumn Statement 2015 announced reforms to ensure that the welfare system is both fair and sustainable. The Welfare Reform and Work Bill legislates for the majority of these reforms. As announced by the Secretary of State for Work and Pensions, the Department for Work and Pensions will continue to deliver Personal Independence Payments in line with their original intention of supporting claimants with the greatest need in helping them meet the extra costs of their disability or long-term health condition. Spending in 2015/16 on Personal Independence Payments and its predecessor, the Disability Living Allowance, is expected to be over £3billion higher in real terms than in 2009/10. Spending on these benefits is forecast to be higher in real terms in 2019-20 than in 2009-10.

"The government's intention is for the cap to be met by the end of the Parliament when the Office for Budgetary Responsibility conducts its next assessment at Autumn Statement 2016. The Charter for Budget Responsibility requires the Treasury to set out the level of the welfare cap in the Budget Report... The Office for Budgetary Responsibility forecasts of the level of welfare spending are set out in the 'Economic and fiscal outlook', March 2016."

A week before the budget the government announced £1.2billion of savings on disability benefits by reducing entitlements to Personal Independence Payments. However, the disability budget will still increase by £1billion and the government states that the intention is to target this budget more effectively at those who need it most.

These budget reductions are the latest in a series of reforms, including the change from Disability Living Allowance to Personal Independence Payments, to proposed changes to Employment Support Allowance and the reductions in social care budgets that have affected disabled people.

Disabled charities have described the plans that are expected to affect an additional 400,000 people who will see their weekly Personal Independence Payments fall from an enhanced £82 to the standard £55, as devastating.

Liz Sayce, Chief Executive of Disability Rights United Kingdom said:

"It's a false economy to make cuts in the very areas that enable people to get their lives on track. We profoundly believe that disabled people have got so much to contribute to British society. But with the cuts to benefits, social care cuts and now the tighter regulation to Personal Independence Payments, we are really concerned it will jeopardise independent living for disabled people, leaving them socially isolated."

However, a spokeswoman from the Department of Work and Pensions said:

"The truth is that these changes are about ensuring that Personal Independence Payments is achieving its original purpose of supporting people with the extra costs associated with their disability. We have consulted widely with disability organisations, to ensure we get this right, and have been careful to protect people with the most complex needs. We continue to spend £50billion a year on disability benefits."

The government says that the majority of people leaving the 'motobility' scheme would be eligible for a £2,000 one-off payment and that claimants could also apply for an access to work grant for support to get to work. Analysis by the Department for Work & Pensions found that 33% of claimants who receive the daily living component of Personal Independence Payment qualify solely due to their use of aids and appliances.

Successive governments, including the Labour government of 1997-2010, the coalition government of 2010-15 and the current Conservative government have been concerned to gain better financial control over welfare budgets and to contain expenditure. George Osborne's remark that welfare expenditure, classified by the Treasury as 'annually managed expenditure' should really be called 'annually unmanaged expenditure' would probably find broad agreement.

However, the present government's approach is to balance the budget without increasing taxation, to seek a large proportion of the public expenditure reductions that it requires from the welfare budget and within the welfare budget to protect the entitlements of pensioners. This has led to significant reductions in entitlements for working-age people, especially disabled working-age people and those with children.

Given the fact that the government is now seeking further reductions in public budgets of £3.5billion it could be expected that they would seek to find a significant proportion of this from welfare budgets. One option would be to make further significant reductions to benefit entitlements for working age people including the disabled and those with children. However, many commentators argue that the capacity for reducing working age benefits has already been exhausted and that the government will be obliged to consider making reductions to the entitlements of pensioners – for example, by removing the 'triple lock' from old age pensions.

There are many who will await the government's next proposals on welfare with interest.

Devolved Administrations

Local Government and Housing and devolved matters in Scotland, Wales and Northern Ireland and so any increases or reductions in these budgets in England result in corresponding adjustments to the funding of the devolved administrations.

Welfare is not generally a devolved budget. However, some powers over welfare are soon to be devolved to the Scottish Parliament.

Scotland

Regarding Scotland, the Treasury's budget book included the following:

"The Scotland Bill delivers the legislative elements of the Smith Commission, while the new Fiscal Framework for the Scottish Government was agreed in February 2016. The powers in the Bill, covering tax, welfare and borrowing, will see the Scottish Parliament become one of the most powerful and accountable devolved Parliaments in the world.

"The government demonstrated its ongoing investment in Scotland through a £125million commitment to an Aberdeen City Deal earlier this year. Good progress has been made towards an Inverness City Deal. This Budget announces that the government will also work with local partners and the Scottish Government towards a deal for Edinburgh and South East Scotland.

"Edinburgh and the Lothians will also benefit from a science and innovation audit, to map the area's research strengths in data-driven innovation and identify areas of potential global competitive advantage.

"To support Scotland's cultural heritage, creative industries and communities, the government will contribute £5million to the Victoria & Albert Dundee and £150,000 towards local regeneration projects in New Cumnock.

"The government will also allocate £5million from banking fines for a new leisure facility in Helensburgh, which will benefit both local residents and Royal Navy personnel and their families stationed nearby at Faslane."

Wales

Regarding Wales, the Treasury's budget book includes the following:

"The government is taking forward the St David's Day agreement for Wales and is committed to delivering the Welsh Rates of Income Tax, alongside devolution of further powers, including on energy and transport. A funding floor for the Welsh Government was announced at the Spending Review.

"To reduce costs for businesses and families in Wales and the South West of England the government will halve tolls on the Severn River Crossings, once the Crossings are in public ownership, subject to public consultation. Alongside this, the government will review the case for free-flow tolling on the Crossings.

"The government has agreed a £1.2billion city deal for the Cardiff Capital Region with the Welsh Government and local partners. The government's £500million contribution to the deal will provide an investment fund for the region and support electrification of the Valley Lines railways, a central part of the ambitious Metro project. As announced in January, £50million will also be invested up to 2020/21 to create a new Compound Semiconductor Catapult in Wales. The government will open negotiations with local partners and the Welsh Government towards a deal for the Swansea Bay City Region, extending from Pembrokeshire to Neath-Port Talbot.

"This Budget opens the door to a growth deal for North Wales to help strengthen its economy and to make the most of its connection to the Northern Powerhouse. This government will look to the next Welsh Government to devolve powers down and invest into the region as part of any future deal."

Conclusions

As expected the 2016 budget represents a continuation of the government's established policies.

The focus of the budget was political – it included a number of announcements that are likely to be popular with the government's core supporters.

Significantly, the budget identified a need to reduce public expenditure by a further £3.5billion but did not identify where these reductions would be made. It is likely that they will be made in 'unprotected budgets' such as housing, local government and welfare.

In contrast there were a number of announcements about increased public expenditure!

For those involved in local government and housing the most significant announcements were regarding:

- Devolution
- Infrastructure
- Education
- Business Rates
- Housing
- Planning
- Homelessness
- Welfare

Adrian Waite
March 2016

UNITED KINGDOM BUDGET 2016 – THE IMPLICATIONS FOR HOUSING AND LOCAL GOVERNMENT

Webinar - Friday 18th March 2016 - starting at 2.00pm

The next United Kingdom budget will be presented on 16th March 2016. This webinar will provide a briefing on the budget and its implications for housing and local government including:

- A summary of the budget
- The implications for local government
- The implications for housing associations
- The implications for local authority housing services
- The implications for the devolved administrations in Scotland and Wales

Who should attend?

All those with an interest in housing and / or local government in England, Scotland and Wales including councillors, board members, housing officers, finance officers, representatives of tenants and residents and others.

The presenter will be Adrian Waite who has experience in the management and finance of local authorities and housing associations.

The webinar will start at 2.00pm and last for between 1½ and 2 hours.

Price: £25 plus VAT, total £30.

After the webinar attendees will be provided with a copy of the presentation used and a briefing paper.

For more information or to make a booking please click: http://www.awics.co.uk/webbudget16.asp

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Our Seminars

Details of all our seminars are available on our website at: http://www.awics.co.uk/seminars2016.asp

Our seminars include:
- The Housing & Planning Bill – The Implications for Housing & Local Government
- All You Want to Know about Housing Association Finance
- All You Want to Know about Scottish Social Housing Finance
- All You Want to Know about Local Authority Housing Finance
- All You Want to Know about Service Charges in Social Housing

Our seminars are held at venues in Cardiff, Edinburgh, Leeds and London.

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about us and our services please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk

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Unit 3, Shire Hall, The Sands, Appleby in Westmorland, Cumbria. CA16 6XN.
Telephone: 017683-52165. Mobile: 07502-142658. Twitter @AdrianWaite.
E-Mail: Adrian.waite@awics.co.uk. Skype: Adrian.waite@awics.co.uk Website: www.awics.co.uk

Managing Director: Adrian Waite MA CPFA CIHM FInstLM
Registered Address as above. Company Number: 3713554. VAT Registration Number: 721 9669 13