25 November 2016

Briefing:

Autumn Statement 2016

This briefing covers the main announcements relevant to housing and housing associations in the 2016 Autumn Statement. It sets out the implications of, and the Federation's response to, each announcement.

Contact name: Adam Morton
Job title: Policy Leader
Direct line: 020 7067 1077
Email: adam.morton@housing.org.uk

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

NATIONAL HOUSING FEDERATION

1. Introduction

On Wednesday 23 November 2016 the Chancellor Philip Hammond delivered the Autumn Statement to the House of Commons and the country, his first major fiscal event since taking office in the wake of the vote to leave the EU. The Chancellor framed his speech by recognising the underlying strengths of the UK economy, while warning that the risks and uncertainty we face in the coming years are significant.

In a marked break from his predecessor George Osborne, the Chancellor chose to focus on broad themes and policy direction, as opposed to individual tax and spend changes. Further evolution in government policy was demonstrated by the willingness to borrow to invest in infrastructure and innovation, in order to improve productivity and support economic growth.

Significantly, housing formed a key pillar of the Chancellor's new focus on productivity, and the Federation welcomes the Government's recognition that meeting the nation's housing needs will require additional government investment and a balanced approach to tenure and affordability.

The full Autumn Statement document is available on the Government's website, and we have summarised the relevant announcements in this briefing.
The key measures include:

- A new £23bn National Productivity Investment Fund (NPIF) targeted at areas that are critical for productivity.
- Investment in housing to sit within the NPIF, including:
  - a £2.3bn Housing Infrastructure Fund to unlock new housebuilding
  - an additional £1.4bn funding for 40,000 affordable homes
  - £1.7bn to accelerate construction on public sector land.
- Restrictions on grant funding for affordable housing will be relaxed to allow providers to deliver a mix of affordable homes to rent and buy.
- An allocation of £250m for a regional pilot of Voluntary Right to Buy.
- £3.15bn for the Greater London Authority (GLA) to deliver over 90,000 homes by 2020-21.
- A ban on letting agents' fees charged to tenants (aimed at improving competition in the private rental market and giving renters greater clarity and control over what they will pay). A consultation on this will follow shortly.
- A reduction of the Universal Credit taper rate from 65% to 63%
  An increase of the National Living Wage (NLW) by 4.2% from £7.20 to £7.50 from April 2017. This is estimated to be a pay rise for over a million workers.

Contact name: Adam Morton
Job title: Policy Leader
Direct line: 020 7067 1077
Email: adam.morton@housing.org.uk

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

Federation response

The Autumn Statement includes a number of announcements that the Federation and members can welcome. We are pleased that the Chancellor has heard our calls for additional investment and flexibility over tenure.

David Orr, Chief Executive, National Housing Federation:

"The Government is absolutely right to see housing infrastructure as critical to improving the nation's productivity. Housing associations are ready to step up and deliver the homes people in this country need.

"We have been calling on the Government to relax restrictions on existing affordable housing funding, so we are delighted with this announcement.

"Increased flexibility and extra investment will give housing associations the freedom and confidence to build even more affordable homes, including for rent, more quickly across the country.

"This extra investment in affordable housing demonstrates the strong relationship that housing associations have with the new Government.

"The decision to change the tapers in Universal Credit is welcome and a positive move for households which are just about managing. However, we will be raising our concerns with the Government about the changes to the LHA cap for those receiving Universal Credit from 2019.

"We look forward to working with Government and our members to develop a regional Voluntary Right to Buy pilot that works for housing associations and their tenants."

David's full response to the Autumn Statement is available on the Federation's website.

2. The economy

The Chancellor started his speech by praising the strength and resilience of the UK economy, referencing the International Monetary Fund's prediction that it would be the fastest growing major economy in the world this year.

However, he also announced a reduction in the Office for Budget Responsibility's (OBR) forecasts which are down from the March forecast, with cumulative growth over the whole period revised down by 1.4 percentage points to 7.4%.

Contact name: Adam Morton
Job title: Policy Leader
Direct line: 020 7067 1077
Email: adam.morton@housing.org.uk

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

	2016	2017	2018	2019	2020	2021
November 2016	2.1	1.4	1.7	2.1	2.1	2.0
March 2016	2.0	2.2	2.1	2.1	2.1	

OBR GDP growth forecast, November and March 2016:

The Chancellor also confirmed that the Government has dropped its target of delivering a budget surplus by 2019/20, and that public sector net borrowing is now set to be higher in 2020/21 than forecast in March, at £20.7bn, rather than a £11bn surplus – a change of just over £30bn.

The OBR attributes the change in its forecast to four key areas:

- Office for National Statistics' classification changes, such as the reclassification of Scottish, Welsh and Irish housing associations into the public sector.
- 'Non Brexit' forecast changes, such as lower tax receipts
- 'Brexit' forecast changes, such as lower migration, lower productivity growth and higher inflation
- The effect of changes in government decisions about public spending.

Across the spending period, the OBR suggests that the total impact on public finances of the vote to leave the EU is an additional £59bn. The chair of the OBR, Robert Chote, said the impact of the vote to leave the EU on growth is a reduction in the potential size of the economy of 2.4% in 2020.

The fourth category, "effect of Government decisions", includes decisions such as not going ahead with the previously announced changes to Personal Independence Payments, a change to Universal Credit tapers, and significant new capital investment in housing and infrastructure.

Given the changes in public finances, the Chancellor announced he was publishing a new draft Charter for Budget Responsibility, with three new fiscal rules superseding the old rules:

Contact name: Adam Morton
Job title: Policy Leader
Direct line: 020 7067 1077
Email: adam.morton@housing.org.uk

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

- "First, the public finances should be returned to balance as early as possible in the next Parliament, and, in the interim, cyclically-adjusted borrowing should be below 2% by the end of this Parliament.
- Second, that public sector net debt as a share of GDP must be falling by the end of this Parliament.
- Third, that welfare spending must be within a cap, set by the government and monitored by the OBR."

These new rules create 'fiscal headroom' for the Chancellor, meaning should the economic outlook deteriorate he retains options to spend more in the future should he consider further fiscal stimulus necessary.

3. Main announcements

Below we have summarised the main relevant announcements from the Autumn Statement.

Affordable homes

The Government announced that, as part of the NPIF, it will provide an additional £1.4bn of investment to deliver an extra 40,000 affordable housing starts by 2020-21.

Alongside this, the Government will also relax restrictions on grant funding to allow providers to deliver a mix of homes for affordable rent and affordable home ownership, to meet local housing need.

The GLA's affordable housing settlement was also confirmed, under which the capital will be given £3.15bn to deliver 90,000 affordable housing starts by 2020-21.

Federation response

In our submission to the Autumn Statement we emphasised how greater flexibility over government funding for affordable housing and additional investment in affordable housing would support housing associations to build more homes, more quickly. We therefore welcome these announcements, which illustrate how the Government has heard this message and, crucially, sees housing associations as key partners in delivering more affordable homes.

In advance of the Autumn Statement, members told us that greater flexibility would have allowed them to bid for 60% more homes under the initial bid round for the Shared Ownership and Affordable Homes Programme (SOAHP) 2016-21. They also told us that being able to deliver affordable rent homes would:

Contact name: Adam Morton
Job title: Policy Leader
Direct line: 020 7067 1077
Email: adam.morton@housing.org.uk

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

- allow them more control over their development programme
- improve access to and bring forward more sites
- accelerate build out rates
- remain counter-cyclical
- reduce sales risk and reliance on the market
- maintain a consistent flow of new homes.

The challenge will now be to deliver on the substance and ensure that the additional 40,000 homes, alongside existing commitments, are delivered.

The flexibility over tenure – so being able to deliver homes for affordable rent, rent to buy or shared ownership, according to the needs of the local housing market – will apply to both the new funding and the unallocated funding under the initial SOAHP 2016-21.

While we will seek further clarity from the Government on how this will be allocated, we would anticipate this being made available through Continuous Market Engagement. We would expect members to be able to bid for a mix of tenures and schemes, as under previous investment programmes, at a blended grant rate broadly equivalent to current levels (subject to the usual Homes and Communities Agency process).

The confirmation that London will be given £3.15bn will be a significant boost to members delivering affordable homes in the capital. We understand that this investment includes the initial £1.07bn share of the initial 2015-18 Affordable Homes Programme the GLA was previously given, but excludes any of the additional £1.4bn of investment announced – so, we would expect the GLA to also receive a proportion of that funding.

We expect the GLA to publish their funding guidance shortly, outlining their priorities for investment, which we anticipate will include homes for low cost rent, London Living Rent and shared ownership.

Delivering 90,000 affordable housing starts by 2020-21 is undoubtedly a challenging target, but also a huge opportunity for housing associations. We will continue to work with members and the GLA to identify ways to make it possible.

The Housing Infrastructure Fund

A new Housing Infrastructure Fund of £2.3bn was announced to help deliver up to 100,000 new homes. This will be allocated to local authorities on a competitive basis and will be targeted at providing the infrastructure needed to unlock new private house building in areas where housing need is greatest.

Contact name: Adam Morton
Job title: Policy Leader
Direct line: 020 7067 1077
Email: adam.morton@housing.org.uk

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

Federation response

This is a welcome announcement that recognises a lack of infrastructure is often one of the biggest barriers to housing development. This funding, to deliver upfront infrastructure, has the potential to play a critical role in unlocking more sites for housing – particularly large-scale strategic sites, new settlements and urban extensions.

We would expect members to build on their existing strong relationships and partnerships with local authorities to identify sites where this infrastructure funding could help bring forward more affordable and market homes.

Accelerated construction

Further to the announcement made in October 2016, the Government will invest £1.7bn by 2020-21 to speed up house building on public sector land through partnership with private sector developers.

Federation response

With the availability and affordability of land remaining the biggest barrier to increasing housing supply, we welcome the Government's continued commitment to releasing public land for housing. However, the Federation has continued to reiterate the need to go one step further and ensure homes are actually built on the land released.

This announcement is a step in the right direction. While we await more detail, we will continue to emphasise how housing associations are ideally placed to partner with the Government to ensure a broad range of affordable and market housing is built out on this land.

Voluntary Right to Buy

The Government will fund a large-scale regional pilot of the Right to Buy for housing association tenants. Over 3,000 tenants will be able to buy their own home with Right to Buy discounts under the pilot.

Federation response

We will continue the collaborative process of working with members and with the Government to make this pilot work for housing associations and tenants.

We know that you and your tenants are awaiting further details, including a start date, for the national scheme, and that the uncertainty makes business planning more challenging. We will be seeking clarity on this as soon as possible.

We'll provide support over the coming weeks as detail of the pilot emerges, including member meetings and webinars, and information for you to share with tenants.

Contact name: Adam Morton
Job title: Policy Leader
Direct line: 020 7067 1077
Email: adam.morton@housing.org.uk

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

Local infrastructure

The Government will award £1.8bn to Local Enterprise Partnerships (LEPs) across England through a third round of Growth Deals. This will be divided up as follows:

- £556m to the North of England
- £392m to LEPs in the Midlands
- £151m to the East of England
- £492m to London and the South East
- £191m to the South West.

Awards to individual LEPs will be announced in the coming months – with funding intended to improve transport connections, unlock house building, boost skills, and enhance digital connectivity.

Federation response

The Government's recognition of local infrastructure as a key to unlocking productivity is welcome, as is explicit connection between housing and infrastructure. However, it is unlikely that the funds will be directly applicable to new housing.

Housing associations should work with their combined authorities and LEPs in partnership to support the joined up provision of housing and infrastructure.

Future welfare savings and changes to Universal Credit

The Government will deliver welfare savings already identified but has no plans to introduce further welfare savings measures in this Parliament beyond those already announced.

From April 2017, the taper rate that applies in Universal Credit will be reduced from 65% to 63%. This will let individuals keep more of what they earn and strengthen work incentives. The Government estimates that three million households will benefit from this change.

For general needs housing, the Local Housing Allowance (LHA) cap has been delayed until April 2019 but will now apply for all tenants on Universal Credit, as well as to Housing Benefit tenants whose tenancies began or were renewed since April 2016. This was announced in the ministerial statement on supported housing on Monday 21 November, further details are on the Federation's website.

Federation response

The reduction in the Universal Credit taper rate will help working people and improve work incentives but does not replace the money lost by working people from the reduction on the work allowances announced last year.

Contact name: Adam Morton
Job title: Policy Leader
Direct line: 020 7067 1077
Email: adam.morton@housing.org.uk

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

The application of the LHA cap to all Universal Credit claims regardless of when the tenancy started means that many more people will be affected by this cap in 2019. We are particularly concerned about the impact of the Shared Accommodation Rate of LHA on people under 35 and how younger people in receipt of benefits to top up their income can afford to live in social housing.

4. Conclusion

The Autumn Statement outlined the challenges facing the nation's economy and firmly placed housing at the centre of a more interventionist approach from the Government.

By responding to the sector's calls for additional investment and tenure flexibility, the Government has shown it recognises the unique role that housing associations play in meeting the nation's housing needs and supporting improved productivity and economic growth across the country.

It is now vital for housing associations, in conjunction with national and local government partners, to build upon this statement of intent from the Chancellor and deliver the step-change in supply that is needed.

Contact name: Adam Morton
Job title: Policy Leader
Direct line: 020 7067 1077
Email: adam.morton@housing.org.uk

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