Community Housing Cymru

In-depth Briefing

Autumn Statement 2016

Chancellor Philip Hammond today delivered his first Autumn Statement as Chancellor of the Exchequer; delivering an update on the state of the UK's economy following the vote to leave the European Union and making a number of new policy pledges.

The Chancellor claimed that the UK economy had 'bounced back' from its earlier recession, and was now expected to be the fastest growing advanced economy in the world this year. Following the vote to leave the European Union, he outlined plans to tackle a number underlying economic weaknesses, including low productivity and the housing crisis.

Economic growth is predicted to be higher than forecast in 2016, at 2.1%, but weaker growth in 2017 is predicted due to uncertainty over Brexit.

The key headlines of the Chancellor's announcement that will impact housing associations include:

- A 'National Productivity Investment Fund' including a £1.4bn of funding to build 40,000 new affordable homes in England, with increased flexibility on grant

- A ban on letting agents charging fees to tenants in England

- A reduction in the Universal Credit taper rate from 65% to 63%

- £400m in extra capital funding for Welsh Government

- A new overall welfare cap for the UK Government

- No further welfare cuts during this Parliament

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Detail on funding announcements:

1. Funding for affordable homes

The UK Government's 'National Productivity Investment Fund' (NPIF) will provide £23bn of infrastructure investment between 2017-18 and 2021-22. This fund will be targeted at four strategic areas: housing, transport, digital communications and research & development.

The government announced that it will relax restrictions on grant funding in England to allow providers to deliver a mix of homes for affordable rent and low cost home ownership. The NPIF will provide an additional £1.4bn to deliver 40,000 housing starts by 2020-21.

Impact: The NPIF, extra funding for housing, and relax restrictions on grants are all England-only changes. However, the £1.4bn spend in England is equivalent to £70m of Barnett consequential funding in Wales – roughly the reduction in regeneration capital spending seen in the Welsh Government's draft budget. CHC is calling on Welsh Government to invest this money in housing-led regeneration schemes as part of a successor programme to Vibrant & Viable Places.

2. Housing Infrastructure Fund

A new Housing Infrastructure Fund of £2.3bn was announced by the Chancellor; this will also be funded by the NPIF. It will be allocated to English local authorities on a competitive basis, and is aimed at providing infrastructure targeted at unlocking private house building in areas where housing need is the greatest.

Impact: The Government expect that the new infrastructure will deliver up to 100,000 new homes in England.

3. A reduction in the Universal Credit taper rate

The taper rate – the rate at which benefits are reduced based on a claimant's income – will be reduced from the current rate of 65% to 63% in April 2017. This will let individuals keep more of the money they earn when they are in work, and the Government say it will strengthen incentives for individuals to work.

Impact: UK Government estimates that 3 million families across the UK will receive more income as a result of this change. However, this is a modest reduction to the taper rate in contrast to the previous cuts to the work allowance.

4. Confirmation of changes to Local Housing Allowance

Further to the announcement by the Secretary of State for Work & Pensions earlier this week, the Autumn Statement confirmed that the Local Housing Allowance cap will be delayed until 2019, and from that point will be applied to ALL new and existing claims under Universal Credit, and to Housing Benefit claimants whose tenancies began or renewed from April 2016 onwards.

Impact: CHC is working with our members to fully assess the impact of this change on our members' tenants. We are concerned that many tenants will not receive enough money to fully cover their rent payment, and will be making the case for sufficient transitional arrangements to be put in place.
We also have concerns about the way in which LHA rates are calculated, and will be working with UK and Welsh Governments to ensure they are truly reflective of the local market.

Alongside this, we will be working with Welsh Government on the new devolved top up fund for supported housing to ensure it meets the needs of tenants in receipt of support.

5. A new overall welfare cap for the UK Government

The UK Government announced in 2014 that it would introduce an annual welfare cap to strengthen government control over welfare spending and increase Parliamentary accountability of welfare spending. Following a number of changes to welfare spending in recent years, the Government has reassessed the level of the cap, and is introducing a new medium-term welfare cap.

The cap is based on current forecasts by the Office for Budget Responsibility, and will apply to welfare spending in 2021-22. To manage unavoidable fluctuations in welfare spending, there will be a margin rising to 3% above the cap; the cap will only be breached if spending exceeds the cap plus the margin at the point of assessment.

The new cap was also accompanied by a pledge from the Chancellor that there would be no further cuts to welfare in this Parliament (i.e. up to 2020).

Impact: The new cap is intended to give the Government more flexibility on welfare spending. Coupled with a pledge that there will be no further cuts to welfare during this Parliament, it is likely to mean that the Government is less likely to make short-term responses in response to welfare forecasts.

The new cap will form part of the Chancellor's amended Charter for budget responsibility, and while the OBR will only formally assess spending against the cap in 2021-22, the Government will continue to assess progress against the cap on an interim basis annually.

6. Consequential funding for the devolved nations

Increased infrastructure investment will result in additional capital funding being made available to each of the devolved administrations through the Barnett Formula.

Impact: Over the next five years, Welsh Government will receive a further £400m in funding, while the Northern Ireland Executive and Scottish Government will get £250m and £800m respectively. Welsh Government will also receive an extra £35.8m in revenue funding.

7. Increased 'National Living Wage'

The National Living Wage will increase from April 2017 to £7.50 per hour. This is an increase from the current rate of £7.20 per hour, but is significantly less than the Living Wage Commission's 'official' Living Wage of £8.45 per hour (£9.75 per hour in London).

Impact: The increase is lower than expected, with forecasts earlier in the year expecting a rise to £7.64 per hour.

8. Further announcements of interest

- The UK Government will fund a large scale regional pilot of the voluntary Right to Buy scheme, giving 3,000 tenants the opportunity to buy their Housing Association home in England.
- Letting agents will be banned from charging agency fees to tenants in England, 'as soon as possible'.
- Confirmation of the UK Government's earlier announcement of a £1.7bn fund to speed up house building on public sector land
- The Personal Allowance on Income Tax will rise to £12,500 by the end of the Parliament. It will rise by inflation thereafter, rather than in line with wages as previously announced.

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