



# In-depth Briefing

## Budget 2016

Today, March 16<sup>th</sup>, the Chancellor of the Exchequer, George Osborne, unveiled the UK Government's budgetary plans for 2016/17 and beyond, stating that the UK Government will focus on putting the next generation first.

The over-arching theme of the budget was that of supporting children and future generations. Key headlines included a move for all schools in England to become free Academies and the introduction of a levy on sugar – or a 'sugar tax'. Both of these headline changes will mean additional funds for Wales through consequential funding, but it will be up to the Welsh Government to decide how it wishes to spend any additional money.

With an unsteady global economy, the government announced that previous forecasts of increases to productivity and economic output have been revised down but says that its long-term economic plan has made the UK prepared for the challenges of an uncertain future for the economy. In continuing its long-term economic plan the government has committed to cutting an additional £3.5m from public spending (a reduction of 0.5%), supporting businesses through changes to corporation tax and capital gains tax, increasing personal allowance to £11,500 and the higher rate threshold to £45,000 and the creation of a flexible Lifetime ISA for young people and a higher ISA limit for all.

For Wales, the Chancellor announced a 50% reduction in the Severn Tolls once the bridges are in public ownership in 2018, another boost to South East Wales on the back of the confirmation of the Cardiff City Region city deal which was announced yesterday.

In addition, the Chancellor announced plans to begin discussions on a similar City Deal scheme for Swansea and to ensure that North Wales plays a part in the Northern Powerhouse plans for Northern England. Though the Government claims to 'devolve unprecedented powers', no further forms of devolution were announced for Wales despite plans to devolve criminal justice to Greater Manchester. The Government did, however, reaffirm their plans to devolve income tax powers to the National Assembly for Wales without the need to hold a referendum.

## Summary of Changes:

- Confirmation of changes to the way in which Personal Independence Payments (PIP) are calculated.
- Confirmation of a one year delay in applying the Local Housing Allowance cap to Housing Benefit for supported housing schemes
- A small cash increase in Welsh Government capital and revenue budgets late in the next Assembly term
- Confirmation of the Cardiff City Deal and the announcement of discussions on further regional devolution



- Announcement of a number of new savings schemes
- Reorganisation of statutory financial guidance providers, including the Money Advice Service

Measures directly affecting Welsh Housing Associations

### **1. Personal Independence Payment reform**

As announced by the Secretary of State for Work and Pensions last week, the UK Government will make a number of changes to Personal Independence Payments, including:

- Changes to the way entitlement to PIP is determined; a reduction in the number of assessment points awarded for needing to use an aid or appliance to carry out two of the 'daily living' activities assessed. This will take effect for new cases and re-assessment from January 2017.
- Altering arrangements for terminally ill claimants migrating from Disability Living Allowance (DLA) to PIP, meaning that claimants who are granted a greater award under PIP will get that higher award from the date of the decision, rather than remaining on their DLA award for the standard four week waiting period
- Considering the case for long-term reform of disability benefits and services

#### **Impact:**

There are currently around 52,000 claimants of Personal Independence Payments in Wales, with a further 92,000 still claiming Disability Living Allowance who will be impacted by these changes. The UK Government estimate the aids and appliances change will make significant changes of around £1.2bn across the UK.

### **2. One year delay in applying the Local Housing Allowance cap to Housing Benefit for supported accommodation**

The date from which new or renewed tenancies in the social sector will be subject to the cap on Housing Benefit at the relevant Local Housing Allowance rate will be deferred for supported accommodation – from April 2016 to April 2017 – to enable the government to complete a review of supported accommodation.

#### **Impact**

The one year pause in applying the cap to supported accommodation gives DWP the opportunity to continue their strategic review of supported housing through Ipsos MORI, but it does not offer certainty to tenants or social housing providers over the future of supported housing. CHC will continue to provide support to members involved in the review, and we will work with the DWP to ensure that it captures the full picture of what is offered by supported accommodation and that the needs of the devolved nations are captured in any UK-wide policy.

Our recent survey of Welsh housing associations found that the rent for 57% of supported accommodation is over the current LHA rate, and we are clear that the UK Government's offer of a slight increase in DHP is inadequate. Figures from the survey show that the total DHP required to mitigate the cap's impact for supported accommodation will reach an unsustainable £21.3m per year.



The Local Housing Allowance cap will still apply to all other new tenancies signed from April 2016, with any cut to housing benefit applicable from April 2018, and CHC's priority will now be to ascertain the exact details of this policy which are still unclear. We estimate that around 10,000 claimants will be affected in April 2018, and it is imperative that tenants and landlords entering into a tenancy from this April have clarity and certainty about these changes.

### 3. A £1.2bn city deal for the Cardiff Capital region; discussions on growth deals for Swansea and North Wales

As announced yesterday, a deal has been signed for a Cardiff Capital region City Deal which will see the UK Government contribute £500m to the overall £1.2bn package to support electrification of the Valleys lines and the South East Wales metro project.

The Chancellor also announced that discussions will begin with partners, including Welsh Government, over a Swansea City deal extending from Pembrokeshire to Neath Port Talbot, and urged the next Welsh Government to devolve powers and investment to North Wales to create a growth region that is more integrated with the UK Government 'Northern Powerhouse'. For further information: <http://www.bbc.co.uk/news/uk-wales-35803351>

#### Impact

The Cardiff City deal will see significant infrastructure and skills investment in the ten local authorities that form part of the Capital Region, and aim to drive a more strategic approach to planning, which will have implications for other infrastructure development including housing. The governance arrangements and final details of the City Deal will be formulated following this announcement and Community Housing Cymru will work with members throughout the Capital Region to develop and influence the housing offer.

### 4. Increased capital and revenue budgets for Welsh Government

The changes made by the UK Government's budget will result in small increases to Welsh Government's budget, in cash terms, late in the next Assembly term. These changes, outlined below, will lead to a £358m increase in revenue, and £22m increase in capital over the next four years.

Welsh Government Resource Department Expenditure Limit (DEL) (£bn)

|                   | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-------------------|---------|---------|---------|---------|---------|---------|
| Autumn Statement  | 12.9    | 13.0    | 13.1    | 13.2    | 13.3    | *       |
| March 2016 Budget | 12.8    | 13.0    | 13.3    | 13.3    | 13.4    | *       |

Welsh Government Capital Department Expenditure Limit (DEL) (£bn)

|  | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|---------|---------|---------|---------|---------|---------|
|--|---------|---------|---------|---------|---------|---------|



|                   |     |     |     |     |     |     |
|-------------------|-----|-----|-----|-----|-----|-----|
| Autumn Statement  | 1.5 | 1.5 | 1.5 | 1.6 | 1.6 | 1.7 |
| March 2016 Budget | 1.5 | 1.5 | 1.6 | 1.6 | 1.7 | 1.7 |

## Impact

Welsh Government has stated that this small increase to their budget does not undo six years of UK Government austerity. However, increased revenue and capital budgets will mean that there is more money available for projects such as Supporting People and funding such as Social Housing Grant.

### 5. New savings schemes

The Chancellor launched two new savings schemes as part of his budget: *Help to Save* and *Lifetime ISAs*.

**Help to Save** will allow individuals in low income households to save up to £50 a month into a Help to Save account and receive a 50% government bonus after two years. Account holders can then choose to continue saving under the scheme for a further two years. The scheme will be open to all adults in receipt of Universal Credit with minimum weekly household earnings equivalent to 16 hours at the National Living Wage or those in receipt of Working Tax Credits. Accounts will be made available by April 2018.

**Lifetime ISAs** will be made available from April 2017 for adults under the age of 40. Savers will be able to contribute up to £4,000 per year, and receive a 25% bonus from the government. Funds, including the government bonus, can be used to buy a first home at any time from 12 months after the account opening, or be withdrawn from age 60. Alongside this, the overall tax free ISA subscription limit will be increased to £20,000 from April 2017.

## Impact

Both these schemes will be available to housing association tenants.

### 6. Public Service pension changes

Employers offering public service pensions will be required to pay higher contributions following a government review of the SCAPE discount rate. The discount rate is used to set employer contributions to the unfunded public service pension schemes, and will be set at 2.8% with employer contributions increasing from 2019-20.

### 7. Reorganisation of statutory financial guidance providers, including Money Advice Service

The government will restructure the statutory financial guidance providers – the Money Advice Service, The Pensions Advisory Service and Pension Wise – aiming to ensure that consumers can access the help they need to make effective financial decisions. The new delivery model will direct more funding to the front line and focus support on areas of greatest consumer need. It will include:



- A new pensions guidance body, to make sure that consumers can get all their pensions questions answered in one place, at all stages of their lives
- A new, slimmed down money guidance body charged with identifying gaps in the financial guidance market and commissioning providers to fill these gaps to ensure that consumers can access the debt advice and money guidance they need

### Measures impacting on housing elsewhere in the UK

A number of other announcements were made in the UK Government's budget impacting on housing outside of Wales which may be of interest, including:

**£250m of capital investment** in housing that was previously announced during the Autumn Statement will be accelerated, enabling the delivery of 13,000 shared ownership homes in England two years earlier than planned.

English Local Authorities are collaborating with UK Government **to release land with the capacity for at least 160,000 homes**, helping to support the government's policy on estates regeneration. Alongside this, 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.

**£115m of funding to support rough sleepers and tackle homelessness**, including £100 million to deliver low-cost 'second stage' accommodation for rough sleepers leaving hostel accommodation and domestic abuse victims and their families moving on from refuges, and a further £10 million over two years to support and scale up innovative ways to prevent and reduce rough sleeping.

If you have any questions on this briefing, please contact Aaron Hill, CHC's Public Affairs Manager, 02920674820 or via email [aaron-hill@chcymru.org.uk](mailto:aaron-hill@chcymru.org.uk)

**Community Housing Cymru**  
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