AUTUMN STATEMENT 2022

ON-THE-DAY BRIEFING

Thursday 17th November 2022

NORTHERN HOUSING CONSORTIUM
VOICE OF THE NORTH

Introduction

Against the backdrop of high inflation, rising interest rates and weak growth, the new Chancellor Jeremy Hunt made his first major fiscal statement, the Autumn Statement, on Thursday 17th November.

The Office for Budget Responsibility (OBR) published revised forecasts for the economy and public finances alongside the Autumn Statement.

After a politically eventful summer and early Autumn, the social housing sector was looking to the new Chancellor's Statement for the impact it will have on the development of affordable housing, responding to the energy crisis with surging levels of fuel poverty and bolstering local government finance with many local services facing severe cutbacks due to spiralling costs caused by inflation and demand pressures.

The Chancellor had already reversed much of September's mini-budget announcements. Apart from stamp duty changes, very little from the September mini-budget remained, and even they did not survive today's Statement intact.

The housing sector was looking to the Autumn Statement to ensure that councils and housing associations have adequate funding to meet cost and demand pressures as the highest numbers of households in fuel poverty live in social housing. The financial outlook for social housing landlords risked being bleak if further spending reductions were added to these existing pressures.

The Chancellor set out the government's priorities as stability, growth and public services. His Autumn Statement measures aim to grow the economy by investing in energy security, infrastructure, and innovation. Overall, the package balanced tax rises with spending reductions, with significant tightening planned beyond 2025.

Key announcements

- A 7% cap on rent increase in the social rented sector for 2023/24, with an exemption for Supported Housing
- Working age benefits will rise in line with inflation next year – an increase of 10.1%; though local housing allowance will remain frozen
- The threshold for paying the 45p top rate of tax will be lowered from £150,000 to £125,140
- Further cost of living payments in the next fiscal year and a further £1bn for the extension of the Household Support Fund
- £6bn in new funding from 2025 to improve energy efficiency, with an Energy Efficiency Taskforce established, aiming to reduce energy demand by 15% by 2030
- The permanent stamp duty reductions announced by the previous Chancellor to now end in 2025
- At least £1.7bn investment confirmed for Round 2 of the Levelling Up Fund
- Over £600bn in capital investment over the next five years to level up infrastructure across the UK
- The Energy Profits Levy windfall tax for energy firms has been increased from 25% to 35% until 2028
- The NHS budget will be increased by £3.3bn in each of the next two years

Responding to the Autumn Statement, the NHC's Chief Executive Tracy Harrison said:
"The NHC welcomes the Chancellor's decision to uprate benefits in-line with rising prices – this will help people through the crisis. However, we are very concerned that he intends to freeze local housing allowance in cash terms. Our Northern Housing Monitor shows that the proportion of private rentals in the North advertised at rents above the relevant LHA has grown from three-quarters of ads in 2017 to more than four out of five in 2019, to a position where almost nine out of 10 properties advertised for rent are too expensive for someone reliant on LHA. This position is unsustainable and will drive homelessness.

We have always argued that the long-term solution to the energy crisis is energy efficiency. We therefore welcome the further £6bn investment in energy efficiency from 2025; and we look forward to working with BEIS to ensure that homes across the North benefit from this. It will be important that more detail comes forward soon so that the supply chain has visibility of long-term demand.

The Government's 7% rent cap for social housing provides certainty, and will help councils and housing associations to balance affordability for tenants as well as continuing their important work to tackle fuel poverty through green home upgrades and provide important services to tenants."

Social Housing Rent Cap

The Chancellor confirmed that the Government will cap social housing rent increases at 7% for 2023-24 only, reverting to the CPI+1% increase formula from 2024-25.

Treasury costings confirm that the cap will not apply to Supported Housing provided by Registered Providers. Rents in this stock will be allowed to rise by up to CPI +1%.

The 7% announcement marks a change from the policy set out in the consultation, which proposed a 5% cap, did not include an exemption for supported housing and included options for a continued cap in 2024/25.

The cap is just that – a cap – and therefore councils or housing associations could set rent increases below this rate. Treasury documents confirm there remain uncertainties in responses to the cap, particularly relating to local authority housing stock, and DLUHC have said they 'strongly urge' providers to consider setting lower increases where possible.

The National Housing Federation have indicated that they have commitments from housing associations representing 80% of shared ownership properties to implement a voluntary 7% cap on rent rises in shared ownership accommodation, which sits outside the scope of social housing rent regulation.

The Department for Levelling Up, Housing and Communities (DLUHC) have confirmed to us that they will implement the 7% cap decision via a statutory Direction to the Regulator of Social housing shortly. We also understand the Department will launch a call for evidence on whether social landlords should be permitted, gradually over time, to bring rents back up to the level they would have been had the 7% cap not been applied.

NHC Reaction

The NHC had argued that if Government were minded to set a cap, of the options under consideration, the 7% level provided most flexibility for Boards and Councillors, who we continue to believe should oversee rent levels. We are pleased to see an exemption for Supported Housing; and welcome the proposed call for evidence on a 'catch up' mechanism, which we will respond to in due course. It will be important that any mechanism is considered in the light of a renewed long-term rent settlement.

Regional rebalancing

Levelling Up Fund

The Chancellor stated that the Government "remains committed to levelling-up" and spreading opportunity across all areas of the UK. To support this, the Autumn Statement confirmed that the second round of the Levelling Up Fund (LUF) will allocate at least £1.7 billion to priority local infrastructure projects. Successful bids will be announced before the end of the year.

NHC Reaction

The first LUF round saw £1.7 billion awarded to 105 successful projects across the UK and the Autumn statement committed to match this in LUF Round 2. Much of the process, including investment themes, eligibility and the role of MPs is expected to remain the same in round two.

The key factor will be whether this funding reaches the places most in need and whether the metrics support identification of those places most in need for economic recovery and the need for regeneration. It is expected that this round of the Fund will also be updated to account for the exceptional economic impacts of Covid-19.

Investment Zones

The Government will refocus the Investment Zones programme and the existing expressions of interest will not be taken forward.

A new programme will support a limited number of the highest potential knowledge-intensive growth clusters, working with mayors, devolved administrations, local authorities, businesses and other local partners including Universities to consider how best to identify and support these clusters. The first clusters will be announced in the coming months, ahead of the Spring Budget.

NHC Reaction

As expected, the new Chancellor has scrapped investment zones which were the former Prime Minister's proposed growth-boosting areas offering streamlined planning regulations and tax benefits. It was widely anticipated in the run-up to the Autumn Statement that the zones could not proceed due to the potential loss in tax revenues.

A significant number of local authorities in the North put together bids for the investment zones, having to rush through applications in just 10 days. Much of that work could be rendered obsolete. This throws a further spotlight on the way that local authorities are expected to compete for a wide range of funding pots at short notice. The alternative proposal forms part of the Chancellor's Innovation Priority bringing knowledge-potential growth to left behind areas and offers the opportunity to grow research and innovation strengths in these areas.

Devolution

The Government reaffirmed its commitment to devolution, and in particular the Levelling Up White Paper promise to agree devolution deals with all areas in England that want one by 2030. To this end, the Chancellor announced an agreed devolution deal with Suffolk County Council and indicated 'advanced discussions' were taking place with Cornwall and Norfolk.

Reference was made to similar talks with 'an area in the North East of England', indicating the possibility of a North East Combined Authority *including* Durham continues to be the 'will they, won't they' of the devolution agenda. Once finalised, and if Durham joins with Northumberland and Tyne & Wear authorities, instead of a much-discussed County Deal, then these deals will increase the proportion of people living under a directly elected mayor with devolved powers in England to over 50%.

The Chancellor again promised soon to be signed 'trailblazer' deals with Greater Manchester and the West Midlands Combined Authorities. These, slated to be signed by early 2023, would look to provide strengthened powers around skills, transport and housing and would act as a blueprint for other existing devolved authorities.

Of equal interest is the announcement that these trailblazer negotiations will also include the potential to provide single departmental-style settlements to the GMCA and WMCA, beginning at the next Spending Review. If successful, similar funding arrangements could be extended to other Combined Authorities if the Government deems appropriate, noting the need to ensure appropriate accountability.

NHC Reaction

Over the last few months devolution has proved to be one of the more robust elements of the levelling-up agenda and it is welcome to see a recommitment to both devolution and devolution as envisaged in the Missions of the Levelling Up White Paper.

Whilst more areas are set to enjoy devolved arrangements, many in the North will look upon the 'trailblazer' talks with Greater Manchester with anticipation. Here, there is now the potential to revive Mayor Andy Burnham's proposal of a Housing Quality Pathfinder as a cross sector programme to enforce housing decency and support vulnerable tenants.

Finally, many in regional and local government will be pleased to see an alternative to competitive bidding on the agenda albeit as part of initial, tentative talks. To date the funding of levelling-up has been criticised as resource-intensive, disjointed, and preventing the ability to think long-term. Many will welcome the prospect of flexible funding that can make best use of local knowledge and accountability.

Energy Efficiency

The Chancellor emphasised that the Government is now seeking to focus on energy independence and energy efficiency. He announced a new Energy Efficiency Taskforce charged with delivering a 'new national ambition' of reducing energy demand from buildings and industry by 15% by 2030. This is equivalent to a £450 pa saving on household bills.

Specific initiatives announced:

- **Energy Price Guarantee –** As expected, the Government announced changes to the energy price guarantee to take effect from April 2023. This increases the upper limit on the price of energy units, with the effect that costs for a typical household will rise from £2,500 per year under current arrangements to £3,000 per year from April 2023. This is expected to save the Government £14bn and will be kept under review. A new approach is being developed for use from April 2024, with options including social tariffs under consideration.
- **Cost of living payments -** to provide additional help, an additional £900 cost of living payment will be made to households on means-tested benefits in 2023/24. Pensioner households will receive an additional £300 in the same year; and individuals on disability benefits will receive an additional £150 cost-of-living payment. Whilst these cost-of-living payments are in some cases more generous than current support (the cost of living payment was £650 for those on means-tested benefits this winter), the £400 Energy Bill Support Scheme, which all households received, has not been continued.
- Those who use **alternative fuels** (e.g. oil, LPG or coal – often found in rural off-grid areas) will now receive a £200 Alternative Fuels Payment as soon as possible this Winter. This is a doubling of the £100 payment previously announced for these households.
- The Chancellor announced that £6bn of **additional energy efficiency funding** will be made available from 2025-2028, in addition to what the Government say is £6.6bn allocated in this Parliament. There is no detail on how the £6bn of funding from 2025

will be allocated between the various schemes that already exist. For context, the NHC estimate that of the £6.3bn of home energy efficiency commitments made in the 2019 Conservative Manifesto, around £1.9bn has so far come forward; a further £4.3bn of commitments to Home Upgrade Grants and Social Housing Decarbonisation remain outstanding from the manifesto commitments. A further £2.9bn was pledged in the manifesto to decarbonise public buildings.

- The **Energy Bill Relief Scheme**, which helps non-domestic energy consumers, will be reviewed, with changes expected to reduce the scale of support from April 2023, limiting support to those most affected.

NHC Reaction

The shift in emphasis towards energy efficiency is welcome, and we will look to engage with the Taskforce in due course. The £6.6 billion announced from 2025 is significant in that it creates a long-term commitment, but the sums involved suggest a continuation of current levels of investment, rather than the ramping-up needed. We will be pushing for early certainty on the allocation of this funding to individual schemes, in order to create certainty for landlords, councils and the retrofit supply chain.

Help for homeowners

Stamp Duty

The Chancellor confirmed today that changes to Stamp Duty Land Tax (SDLT) announced in September 2022 are a temporary reduction.

The nil rate threshold of SDLT will remain at £250,000 for all purchasers of residential property in England and Northern Ireland, alongside the nil-rate threshold paid by first-time buyers at £425,000, until 31 March 2025 in an effort to support the housing market. After that, the Government will “sunset” the rates.

There is no detail yet on how SDLT will be treated after 2025, though our assumption is that rates will return to the previous levels of £125,000 for all purchasers, and £300,000 for first-time buyers.

NHC Reaction

Maintaining the current SDLT rates until 2025 is welcomed, particularly in light of the OBR’s forecast that housing activity will slow over the next two years. However, given that first-time-buyers need an average of 5 years to save for a deposit, those at the start of that journey now may find affording a new home post-2025 significantly more difficult. We look forward to further clarity on plans for SDLT post-2025.

Support for Mortgage Interest

Current rules on Support for Mortgage Interest require nine continuous months of Universal Credit payments before support with interest payments to a lender can begin.

To support mortgage borrowers with rising interest rates during periods of low-income, the Chancellor announced today that those on Universal Credit will be able to apply for a loan to help with interest repayments after three months, instead of nine. The Government will also abolish the zero earnings rule to allow claimants to continue receiving support while in work and on Universal Credit.

NHC Reaction

We welcome the significant reduction in waiting-time for this support to be paid at a time when living costs and mortgage rates are so high. The abolition of the zero earnings rule will also relieve considerable pressure on borrowers who are struggling.

Welfare, Work and Pensions

Uprating of Benefits

The Government confirmed benefits will rise in line with inflation, measured by September CPI which is 10.1% this year. As a result of uprating both working age and pension benefits, around 19 million families will see their benefit payments increase from April 2023.

The benefit cap will also be raised in line with inflation by 10.1% in April 2023, so that more households will benefit from uprating. The cap will be raised from £20,000 to £22,000 for families nationally, and from £23,000 to £25,323 in Greater London. For single adults this will be a raise from £13,40 to £14,753 nationally and from £15,410 to £16,967 in Greater London. This is the first time the cap has been increased.

The State Pension will be uprated by inflation, in line with the commitment to the Triple Lock. The standard minimum income guarantee in Pension Credit will also increase in line with inflation from April 2023 (rather than in line with average earnings growth). This will ensure pensioners on the lowest incomes are protected from inflation and do not lose some of their State Pension increase in the Pension Credit means test.

National Living Wage

From 1st April 2023, the Government will increase the National Living Wage (NLW) by 9.7% to £10.42 an hour, for those aged 23 and over, following the recommendations of the independent Low Pay Commission (LPC). This represents an increase of over £1,600 to the annual earnings of someone in full time employment and is expected to benefit over 2 million low paid workers. This is in line with the ambitious target for the NLW to reach two-thirds of median earnings by 2024, and for the age threshold to be lowered to those aged 21 and over.

Local Housing Allowance

Treasury policy costings published alongside the Autumn Statement confirm that Local Housing Allowance will be frozen at 2022/23 cash levels.

In-Work Conditionality for Universal Credit (UC) Claimants

The Government announced it will bring forward the nationwide rollout of the In-Work Progression offer, starting with a phased rollout from September 2023. This will mean that over 600,000 UC claimants that are in work will be required to meet with a dedicated work coach so that they have support to increase their hours or earnings. This is in addition to the Government's recent announcement to raise the Administrative Earnings Threshold from January 2023, from the equivalent of 12 hours to 15 hours at the National Living Wage, which will bring more claimants in-work and on low earnings into a more intensive regime of work coach support.

Employment and Support Allowance: delay managed move

The Government is pushing back the managed migration of claimants on income-related Employment and Support Allowance (with the exception of those receiving Child Tax Credit) to UC to 2028. Employment and Support Allowance claimants are still able to make a claim for UC if they believe that they will be better off, and this will not affect the managed migration of other legacy benefits onto UC.

Household Support Fund

An additional £1 billion will be provided to enable the extension of the Households Support Fund in England over 2023-24. The fund that is administered by local authorities to deliver support to help households with the cost of essentials. It will be for the devolved administrations to decide how to allocate the additional funding.

NHC Reaction

NHC members have been supporting tenants and residents continuously in mitigating the impact of the financial pressures they continue to face through these very challenging times. The NHC welcome the news that social security and the benefit cap will be uprated with inflation, NHC and others across the sector and beyond have been calling for this, to ensure fairness and compassion. It is a lifeline for many and rely on this level of support.

As the [NHC's Northern Housing Monitor 2022] published last week outlined, those on the lowest income are hit hardest and least resilient to financial shocks due to the cost of living crisis and rising inflation

Local Housing Allowance (LHA) was not covered in the Chancellor's statement today, digging deeper into the Policy Costing Statement that supports the Autumn budget, it states that Local Housing Allowance rates remain at 22/23 cash levels. This is extremely disappointing as there have been recent calls by the sector including the NHC and many others like Shelter to increase the rates of LHA to at least cover the cheapest 30% of local rents, to avoid a wave of homelessness.

Our Northern Housing Monitor shows that the proportion of private rentals in the North advertised at rents above the relevant LHA has grown from three-quarters of ads in 2017 to more than four out of five in 2019, to a position where almost nine out of 10 properties advertised for rent are too expensive for someone reliant on LHA. This position is unsustainable and will drive homelessness.

Although the NHC welcome the announcement of the uprating of benefits, with rents rising, the continued freeze in LHA is a real term cut in support for renters and comes at a time when nearly 9/10 properties advertised for rent in the North are advertised 'above' the existing LHA, and will continue to see tenants and residents struggling.

We will look out for further details published around the additional In-Work Conditionality announced today, as we do have concerns for those who are unable to work extra hours due to caring responsibilities, health, and other factors. This needs to be managed on a case-by-case basis, with plenty of flexibility to ensure it doesn't create further issues and pressures and push people further into poverty and crisis.

The announcements today around the uprating of benefits is a great starting point, but times ahead are difficult for the sector and their tenants and residents. We will continue to work with our members to support them through this, and work with Government.

Council Tax

Whilst not mentioned in the initial speech from the Chancellor, in the corresponding Autumn Statement documents published by the Treasury, there is mention of council tax flexibility. Council tax referendum limits will be increasing to 3% per year from April 2023. Additionally, local authorities with social care responsibilities will be able to increase their social care precept by up to 2% per year.

NHC Reaction

We are seeing greatly increasing costs for local authorities. The Chancellor praised the response to the pandemic whilst stating that pandemic costs needed to be paid for. Local government was at the forefront of those costs. Additionally, the cost-of-living crisis is causing additional costs for local authorities that many councils are struggling with. We have seen articles recently that councils are struggling with costs, and some have mentioned possible bankruptcy.

Prior to the Chancellor's announcement, NHC had joined the Local Government Association and others in calling for further year on year funding for local authorities. Whilst extra income would be generated from any tax increase, we agree with the LGA that a more sustainable way to fund frontline services would be through an increased revenue settlement from Government. This will allow for greater capacity in our local authorities to realise our potential by developing project pipelines, and to cope with growing demands on frontline services – particularly in parts of the North where a smaller council tax base limits the ability to raise funds via Council Tax.

If you would like to discuss any of the details in the Autumn Statement, please contact the NHC's Karen Brown (Senior Policy Advisor) at Karen.Brown@northern-consortium.org.uk