
## Introduction

Chancellor Jeremy Hunt has today (15 March 2023) set out his first Spring Budget outlining the Government's plans on taxes and key decisions on spending.

Following the Chancellor's announcements, the Office for Budget Responsibility (OBR) has published its economic and fiscal outlook. The OBR are expecting inflation to fall sharply to 2.9% by the end of 2023.

The Spring Budget was set against a backdrop of growing pressure to do more to help people cope with the ongoing cost of living crisis. Energy costs, private rents, food prices and childcare costs have all been the focus of debate. In the run-up to the Budget, Government has also focussed efforts on helping social housing residents, through their new 'Make Things Right' campaign, and we understand the review of the Decent Homes standard is expected to pick up pace soon – sign up for updates.

At the Northern Housing Consortium we used our budget representation and influencing work to highlight the immediate need to uprate the Local Housing Allowance (LHA) back to the 30th percentile and ensure it reflects the real cost of renting in future years. Ending the freeze on support for private renters' housing costs makes economic sense too – as members tell us the freeze is resulting in homelessness presentations and driving up the use of costly temporary accommodation. Many in the housing sector focussed their efforts on this policy issue, including the Chartered Institute of Housing and Shelter – as it was widely seen as something the Government could do now to help people.

Commenting on the continued LHA freeze, NHC CEO Tracy Harrison said: *"We are hugely disappointed that the chancellor has failed to use his Budget to uprate Local Housing Allowance. This will be a blow to renters across the red wall, who have seen rents consistently rise since 2020 while support for housing costs has been frozen. The continued freeze on LHA also puts our councils under huge pressure and is likely to result in more homelessness presentations and drive up the use of temporary accommodation."*

Members will be aware, the NHC also has long term asks on investment in energy efficiency of existing homes, on brownfield land remediation and local authority capacity. For the Spring Budget we added to these by supporting a coalition, including Age UK and National Energy Action, calling on the Government to:

- spend at least £6bn annually to help upgrade homes.
- improve training and supply chains to support the rollout of heat pumps.

- set aside an initial £5bn for home insulation and £3bn for the installation of heat pumps.

While the Chancellor did not make announcements on energy efficiency investment at the Budget, we understand the Government is planning further net zero announcements this month, which may include allocations from the second wave of the Social Housing Decarbonisation Fund.

The Chancellor set out the Government's priorities for growth.

**We welcome the Government's announcements to:**

- maintain the support for households' energy costs for a further 3 months, protecting them from an average increase of £500. But this is a short-term fix. The long-term solution includes more funding for energy efficiency, so people can afford to run their homes without relying on temporary handouts.
- ensure prepayment meter customers will no longer be charged more than those who pay via direct debit from July, saving pre-payment meter households on average £45 a year on their energy bills.

**Important announcements for the North include:**

- **Further devolution to Mayoral Combined Authorities**, with Greater Manchester's devolution trailblazer announced, including significant control over the Affordable Homes Programme.
- **8 new Investment Zones across England**, with 6 in the North, backed by £80m in funding over 5 years.

Our on the day analysis of the Chancellor's announcements is set out below.

## Local Housing Allowance

In documents published alongside the Budget, the Treasury has confirmed that Local Housing Allowance (LHA) will remain frozen at current rates. LHA is the eligible rate of support for housing costs available to private renters. LHA has been frozen since the beginning of the pandemic, while rents across the three Northern regions have risen. This has led to growing gaps between real rents and the support available to renters.

In the run-up to Budget, the NHC and others had made a strong case to reset LHA to ensure it covers at least the bottom 30% of local rents, as it is intended to do. Our Budget Representation warned that the continued freeze would make it even harder for existing private renters to make ends meet, risking homelessness and making it increasingly difficult for local authorities to discharge their homelessness duties effectively - thereby increasing use of expensive and unsuitable temporary accommodation, including bed and breakfast accommodation.

***NHC reaction:*** *We are hugely disappointed that the Chancellor has failed to use his Budget to uprate Local Housing Allowance. This will be a blow to renters across the red wall, who have seen rents consistently rise since 2020 while support for housing costs has been frozen. The continued freeze on LHA also puts our councils under huge pressure and is likely to result in more homelessness presentations and drive up the use of temporary accommodation.*

## Devolution Deals

Within the budget, the Chancellor announced two "Trailblazer" Devolution Deals, which are aimed at giving communities more control over their spending. Currently, these deals have been agreed with the Greater Manchester Combined Authority (GMCA) and West Midlands Combined Authority (WMCA). According to the Treasury, these devolution deals will lay the blueprint for the future of English devolution, give leaders greater control over local policies and empower local leaders to drive growth.

Included within both deals are new arrangements for data partnership agreements, fiscal devolution by extending 100% business rates, rail partnerships, long term budgets, devolution of non-apprenticeship adult skills functions, employment support, research support, net zero funding and strategic productivity partnerships. The aim is to introduce a single funding settlement (along the lines that Scotland and Wales receive) for both Trailblazer MCAs from the next Spending Review.

In terms of accountability, the deals include new frameworks to recognise the powers and responsibilities of each of these deals. Through these deals, both Greater Manchester and West Midlands will be subject to three levels of accountability; the Local Government Accountability Framework, the English Devolution Accountability Framework and a commitment to building a culture of greater scrutiny and accountability, including a scrutiny protocol.

The aim of these deals is to ensure that there is more control for local communities over their spending and their priorities. There are plans to negotiate new devolution deals across England which would include investment for areas committed to electing a mayor or leader.

The GMCA Trailblazer Deal has been published today. There are significant changes to the operation of the Affordable Homes Programme in Greater Manchester contained within it:

- A new trailblazer approach to the delivery of the current Affordable Homes Programme (AHP) 2021-26. GMCA will set the strategic direction for the AHP in its region and acquire a growing role in key operational decisions such as site selection and provider choice, whilst still working through Homes England.
- Grant funding for social rent will be possible in all ten of GMCA's local authority areas
- GMCA will have the right to challenge Homes England funding decisions which it believes are inconsistent with the strategic direction set, and will be able to challenge and escalate decisions to the Department for Levelling Up, Housing and Communities.

In the subsequent Affordable Homes Programme (2026 onwards), GMCA will be able to 'direct' Homes England to identify and bring forward sites for affordable housing, set GMCA standards for affordable housing, and approve funding allocations to schemes.

Details of other housing announcements in the Deal are as follows:

- The Government will devolve £150 million brownfield funding to GMCA to deploy across the region to drive placemaking, housing, commercial development and urban regeneration. This will be deployed within this spending review period, supporting GMCA to deliver 7,000 homes.
- In recognition of GMCA's track record of delivery through the Housing Investment Fund, the Government will waive the requirement for funding which has not been lent at the end of the financial year to be returned to the consolidated fund. As part of this,

an evaluation will be undertaken by GMCA and DLUHC to assess the success of the Fund.

- The Government and Homes England will work with GMCA through the existing GMCA Homes England Strategic Place Partnership to agree a set of housing outcomes for delivery.
- Government and GMCA agree to work jointly to deploy the range of levers available to them to deliver place-led regeneration. Homes England will leverage the full spectrum of their existing capacity, programmes and partnerships – for example with Network Rail.
- Trial a range of regulatory interventions to improve housing quality in the private rented sector in Greater Manchester as part of a 'Greater Manchester Housing Quality Pathfinder', including:
  - Approval for a larger selective licensing area.
  - 'Policy Sandbox' – a joint taskforce comprising of GMCA, Greater Manchester Integrated Care Partnership, DLUHC and the Department for Work and Pensions to drive improvements to the renting experience for tenants and landlords and the quality of homes in the private rented sector, while mitigating risks of negative unintended consequences.
  - £3.9 million to GMCA to lease 200 good quality private rented sector properties for homeless families, contributing to eliminating the use of bed and breakfast accommodation for homeless families in Greater Manchester other than in exceptional circumstances.

***NHC reaction:*** *These are significant announcements for Greater Manchester and are likely to shape and influence the direction of subsequent devolution deals with other Northern MCAs. Whilst the arrangements* do not go as far as London *(where Homes England functions are exercised directly by the GLA), the powers go* much further than previously *seen outside London This is a positive step in devolution, giving more autonomy to local regions. The current GM Mayor has made significant commitments to deliver Truly Affordable Net Zero Homes, and the Trailblazer Deal should support delivery of those commitments.*

## Levelling Up and Regeneration

### Investment Zones

As promised in Autumn, the Chancellor has announced 12 potential Investment Zones across the country, 8 in England and at least one in each of Scotland, Wales and Northern Ireland. The Investment Zones programme aims to create growth clusters across the UK. The English Investment Zones look to bring £80 million of interventions per Zone over 5 years, including tax reliefs and grant funding. The Budget paper states that each Investment Zone will drive the growth of at least one key future sector – green industries, digital technologies, life sciences, creative industries and advanced manufacturing. Local governments and research institutions will be able to tailor their Investment Zone plan to meet their local circumstances.

The plan for Investment Zones state that they will have access to a single 5-year tax offer matching Freeports, consisting of enhanced rates of Capital Allowance, Structures and Buildings Allowance, relief from Stamp Duty Land Tax, Business Rates and Employer National Insurance Contributions. This is paired with access to flexible grant funding to support the development of skills and apprenticeships, improve local infrastructure and provide business support. Proposals will be able to include up to a maximum of 3 sites (totalling 600 hectares) and the amount of grant funding will depend on the number and size of sites. Plans for Investment Zones must include how they will promote growth in priority sectors, including identifying private sector match funding. The development will be completed in collaboration with mayoral combined authorities and in partnership with local universities, councils, businesses and central government. The proposal must also include how it will contribute to the UK reaching net zero by 2050.

The areas to host proposed Investment Zones in the North are: Greater Manchester Mayoral Combined Authority, Liverpool City Region Mayoral Combined Authority, the proposed North East Mayoral Combined Authority, South Yorkshire Mayoral Combined Authority, Tees Valley Mayoral Combined Authority, West Yorkshire Mayoral Combined Authority. The proposed East Midlands Mayoral Combined County Authority and West Midlands Mayoral Combined Authority also benefit. Investment zone proposals will be led by the relevant mayoral combined authority.

***NHC reaction:*** *After the scrapping of previous proposed Investment Zones in the Autumn Budget, the Government has laid out its plan for investment across the country in the new budget. Of the 8 proposed investment zones, 6 of these will be in the North of England which is welcomed. This more focused approach has the potential to bring millions of pounds worth of investment to the North, though Government will need to be mindful of the experience of previous Zones, which were often accused of relocating, rather than creating, jobs.*

**Levelling Up Partnerships**

The Chancellor announced the roll out of new Levelling Up Partnerships supported by £400 million in targeted funding to regenerate local areas. With many located in the North, Levelling Up Partnerships will be used to provide bespoke place-based initiatives backed by the “collective power of Government” to unlock investment and local growth.

In each area the Government will work with local leaders in regional and local government, community organisations, and residents to identify and address the “biggest barriers to levelling up”.

Areas in the North to host a Levelling Up Partnership include Kingston upon Hull, Middlesbrough, Blackburn with Darwen, Redcar and Cleveland, Wakefield, Oldham, Doncaster, South Tyneside, and Rochdale. A methodological note setting out how these areas were chosen has been published by the Department for Levelling Up, Housing and Communities.

**Regeneration Projects**

The Budget also confirmed over £200 million for 16 new regeneration projects. These projects have already been assessed and will commence this year, with many being cited by Government as projects under £10 million to “ensure quick delivery”.

Of these projects, there is £58 million targeted for areas in the North West including a new community hub in Stockport, the transformation of Bootle town centre, and the redevelopment of markets as well as transport connectivity improvements in Rossendale.

Subject to final subsidy checks, areas in the North to benefit include:

- £6.6 million in Wigan
- £8 million in Blackpool

- £5.6 million in Kirklees
- £5.4 million in Salford
- £20 million in Redcar and Cleveland
- £20 million in Blackburn with Darwen
- £16.4 million in Northumberland
- £20 million in Rotherham

A further £160m of regeneration projects in English Mayoral Combined Authorities areas was also announced. These projects include £5m for tackling homelessness and poor-quality temporary accommodation in Greater Manchester, and £12.5m for the Leeds Flood Alleviation Scheme Phase 2. A full listing can be accessed on the Department for Levelling Up, Housing and Communities' website.

**Levelling Up Fund & Community Ownership Fund**

The Chancellor announced a third round of the Levelling Up Fund will proceed as planned later in 2023 with a further £1 billion to level up places across the UK.

The Spring Budget also confirms funding for an additional 30 projects under the existing £150 million Community Ownership Fund designed to assist communities to take ownership of assets at risk of closure. These additional projects take the number of areas to have benefitted up to almost 100. No details were given on the location of the new projects.

***NHC reaction:*** *With the announcement of Levelling Up Partnerships to drive regeneration, many in the housing sector will note the omission of a role for Homes England. The Levelling Up White Paper previously announced a new remit for the agency to work with local areas on regeneration but there has been little further news beyond previously announced projects in Blackpool and Sheffield, and continuing work in Greater Manchester. Homes England's resource and expertise would be a major contribution towards any Levelling Up Partnership, further clarification on their role would be welcome.*

## Local Leadership – Local Enterprise Partnerships

The Government confirmed its intention to roll back from Local Enterprise Partnerships (LEP) with central support to be withdrawn from April 2024 subject to consultation.

It is suggested that in the future LEP functions on economic development will be assumed by local government. DLUHC and the Department for Business and Trade will consult on proposals before confirming a decision. An updated policy position will be confirmed in the summer, outlining next steps.

***NHC reaction:*** *The passing of LEP functions to tiers of regional and local government were first considered in the Levelling Up White Paper's Devolution Framework. These changes will be logical in many areas of the North where Mayoral Combined Authorities have been announced, whether as new or expanded institutions. Those currently without such arrangements will be keen to see the detail come the summer.*

## Nutrient Neutrality

The Budget recognised that high levels of nutrient pollution in protected sites are stalling housing delivery across 74 Local Planning Authorities, reflecting a major barrier to the Government's house building ambitions. The 2022 Northern Housing Monitor set out the areas affected in the North of England.

The Spring Budget announced further support to ensure 'nutrient neutrality' obligations can be delivered, thereby reducing the risks facing developers building homes in affected areas.

DLUHC will open a call for evidence from local authorities in England for locally led nutrient neutrality credit schemes. Where high quality proposals are identified, government will provide funding to support clearer routes for housing developers to deliver 'nutrient neutral' sites, in line with their environmental obligations.

***NHC reaction:*** *Nutrient pollution is an urgent problem holding back development. Despite recognition of the issue in the Levelling up and Regeneration Bill, more immediate steps are needed to unlock and speed up housebuilding. Local authority areas affected were looking to the Spring Budget to target investment to affected areas to aid the development of local solutions such as creating new wetlands which can offset the pollution, but these can be expensive. An immediate short-term solution for affected areas is needed to address this pollution and water availability before longer-term solutions are put in place to stop the pollution at the source so the land can be built on and unlock development.*

*We await the call for evidence from DLUHC to Local Planning Authorities which commits to provide funding for high quality, locally-led nutrient mitigation schemes.*

## New Housing Revenue Account Rate for the Public Works Loan Board

The Government announced it will bring forward a new discounted Public Works Loan Board (PWLB) policy margin to support local authorities borrowing for Housing Revenue Accounts and the delivery of social housing. This measure introduces a new 40 basis point discounted rate at the PWLB for Local Authorities' Housing Revenue Account borrowing for one year. This measure will be effective from June 2023. The policy costing for the Treasury is set out as £10 million pa to 2027/28.

***NHC reaction:*** *At the Autumn Statement on 17 November 2022 the Government confirmed they would introduce a one-year 7 percent rent ceiling for social housing in 2023/24, in response to the inflation-driven cost of living crisis that is severely impacting residents.*

*With the Consumer Price Index (CPI) increasing by 9.6 per cent in the year to October 2022, and Bank of England forecasts showing CPI is expected to remain high throughout 2023, the rent ceiling represents a real-terms reduction in income for local authority Housing Revenue Accounts (HRA). This comes at a time when councils are already having to re-evaluate HRA business plans in light of a number of compounding factors.*

*The reduced investment available for developing new affordable housing can be expected to also place greater pressures on local authority finances, including through the additional funding required to keep older existing stock that may otherwise be redeveloped at an adequate standard. The lower levels of new affordable housing supply will also place greater pressures on local housing markets and increase the need for homelessness support by local authorities. The reduction in borrowing costs announced today is welcome, but will likely play a marginal role in increasing delivery.*

*The NHC has called for a fair settlement to ensure the long-term financial viability of council HRAs and their ability to maintain investment to ensure adequate standards within the housing stock, along with support for tenants during a cost-of-living crisis.*

## Energy Pricing

The Energy Price Guarantee (EPG) places a limit on the price households pay per unit of gas and electricity. In the face of retail energy costs that are expected to remain historically high through the spring, the Government announced it is maintaining the EPG at its current £2,500 per year level for an additional 3 months (April to June 2023). The planned increase to a level of £3,000 per year will therefore be implemented on the 1st July, rather than 1st April as previously announced.

The Government is also removing the premium paid by over 4 million households using prepayment meters (PPM), bringing their charges into line with comparable direct debit customers until the EPG ends and saving them an average of £45 a year. PPM consumers are disproportionately vulnerable, on lower incomes and in fuel poverty, and therefore are more exposed to price changes. Looking beyond the end of the EPG, the Government will ensure the PPM premium is ended on a permanent basis. The Government supports Ofgem's ongoing work to review PPM costs and has asked the regulator to report by the autumn on any additional regulatory options, including options for ending the PPM standing charge premium, so that they are ready for implementation in April 2024.

***NHC reaction:*** *We welcome the news that the average annual energy bills will stay around £2,500 instead of soaring to £3,000. But that still means that energy bills have more than doubled since start of the energy crisis.*

*With energy bills predicted to fall from July onwards, this temporary change will bridge the gap and ease the pressure on bills but a longer-term plan to protect consumers from volatile energy prices is needed.*

*The reform of energy bills so that households on pre-payment meters will not pay more for their energy than those on direct debit is long overdue. The extra charges that struggling households would have paid will instead be met under the Government-funded Energy Price Guarantee at a cost of £200m. This still leaves 7.5 million UK households in fuel poverty.*

*The 'poverty premium' also manifests itself in the poor-quality housing that many low income households live in, where they are unlikely able to afford to make modifications which would improve energy efficiency. The need for targeted support for the most vulnerable households is as urgent as ever and unless we tackle the least efficient housing stock in Europe, the poorest households will simply not be able to afford a warm and safe home.*

## Home Energy Efficiency / Social Housing Decarbonisation

There were no announcements in the Chancellor's Spring Budget today on the successful projects for Social Housing Decarbonisation Fund (SHDF) Wave 2.1. The NHC has received indications that an announcement is due shortly, and we will share this with members as soon as it is published.

The Government has also confirmed that it will set out further action later this month to ensure energy security in the UK and meet net zero commitments.

## Employment and social security

The Chancellor announced a wide range of measures to reduce the barriers to work – supporting people in work and encouraging people back into employment, including:

- **Launching a new 'Returnerships' apprenticeship for people over 50s**, to provide the skills and support they need to move back into work.
- **Attracting international talent through a new migration package**, which includes adding five construction occupations to the Shortage Occupation List and expanding the range of short-term business activities covered under the UK's six-month business visit visa offer.
- **Abolishing the Work Capability Assessment** and **changing eligibility for the health top-up in Universal Credit**, which will be passported via the Personal Independence Payment benefit. People will be able to try work without fear of losing their benefits and receive tailored Work Coach support.
- **Publishing a Health and Disability White Paper**, to support people claiming benefits who are long-term sick and disabled.
- **Launching a new Universal Support programme**, which will match people who want to work with existing job vacancies, and support people to enter and stay in work by funding training and workplace support. The Government will eventually support 50,000 places a year.
- **Supporting people with long-term health conditions to access the services they need** and feel supported to return to or remain in work. Support will be put within mental health and musculoskeletal services and the Individual Placement and Support scheme will be expanded.
- **Supporting work search and preparation** for around 700,000 carers of children aged 1-12 claiming Universal Credit.
- **Creating a new pilot, 'WorkWell'**, to integrate employment and health support for people with health conditions, helping people into employment and to stay in work.
- **Increasing the Administrative Earnings Threshold**, which decides how much support and Work Coach time claimants receive based on their earnings.

***NHC reaction:*** *As expected, the Chancellor has focused on ways to get people back into work and support people to stay in work. He has also announced within the detail a new migration package, which will add five construction occupations to the Shortage Occupation List.*

*These changes may reduce barriers to employment for employees and tenants, and open-up new opportunities for people to join the housing sector – widening the pool of people available to recruit from.*

*They may also help support the construction industry, which in turn may assist members with their build and retrofit plans.*

*We broadly welcome the announcements, if these changes filter through into reality and enable the housing sector to support their colleagues and customers, and to also bring new talent, skills and capacity into our sector.*

## Childcare reform

The Chancellor announced large-scale changes to the way childcare can be accessed, recognising that the employment rate and hours worked of parents drops after childbirth and persists until school age, with mothers disproportionately affected.

**Working parents**

There will be a substantial increase in the amount of free childcare that working families can access. The Government will provide over £4.1 billion by 2027-28 to fund 30 free hours per week for working parents with children aged 9 months up to 3 years in England, where eligibility will match the existing 3 to 4 year-old 30 hours offer.

This will close the gap between the end of parental leave and the start of the current free childcare hours offer.

From April 2024, working parents of 2 year-olds will be able to access 15 hours of free childcare per week. This will be extended to working parents of 9 month to 2 year-olds from September 2024.

From September 2025, all eligible working parents of children aged 9 months up to 3 years will be able to access 30 free hours per week.

**Childcare providers**

The Government is also uplifting the hourly funding rate paid to providers, to deliver the existing free hours offers in England, helping providers to manage cost pressures. The Government will provide £204 million in 2023-24, paid from September 2023, and £288 million in 2024-25.

To increase flexibility for providers and the availability of childcare provision for parents, there will also be a change in staff-to-child ratios from 1:4 to 1:5 for 2 year-olds in England, to align with Scotland and other countries. This change will come into force from September 2023, subject to parliamentary procedure. The Government will also increase choice and affordability for parents, by taking action to increase the number of childminders. The Government will provide start-up grants for new childminders, including those who register with a childminder agency.

**Wraparound care**

The Chancellor acknowledged that only 64% of primary schools currently offer childcare at both ends of the school day, and set out an ambition that all parents of primary-aged children in England can access care in school from 8am to 6pm. The Government will provide £289 million in start-up funding to enable schools and local authorities to test options to increase the availability of wraparound childcare in the longer term, with national roll out over academic years 2024-25 and 2025-26.

**Parents on Universal Credit**

Currently, only around 13% of households eligible for the childcare element in Universal Credit claim it. The current offer means parents on Universal Credit in work can claim back 85% of their childcare costs and this is paid in monthly arrears. This presents an issue for many low-income families who struggle to find the funds to pay for their childcare upfront.

To help address this issue for parents on Universal Credit in Great Britain who are moving into work or increasing their hours, the Government will make sure they have support with childcare costs upfront when they need it rather than in arrears. This will help remove a barrier that many low-income parents face on Universal Credit when thinking about going back to work or increasing their hours.

The Government will also increase support for parents on Universal Credit who face the highest childcare costs, often because they are working longer hours, by increasing the Universal Credit childcare cost maximum amounts to £951 for 1 child and £1,630 for 2 children.

***NHC reaction:*** *These changes are welcome. Making childcare easier to access will improve the working prospects of those in our communities: a boost to income and opportunity will improve lives and places. Changes to the way childcare costs are paid to Universal Credit claimants is particularly welcome, where upfront charges make moving from benefits to work difficult, and in many cases unfeasible.*

*These changes also benefit our member organisations, opening up a wider pool for local recruitment, and reducing the burden on existing colleagues with childcare responsibilities.*

If you would like to discuss any of the details in the Spring Budget, please contact the NHC's Joanne Wilson (Head of Policy) at joanne.wilson@northern-consortium.org.uk