NORTHERN HOUSING CONSORTIUM
VOICE OF THE NORTH

AUTUMN STATEMENT 2023
ON-THE-DAY BRIEFING
Wednesday 22nd November 2023

The Chancellor, Jeremy Hunt, today delivered his Autumn Statement amid a setting of a stuttering British economy, struggling public services, record-high levels of taxation and some of the highest levels of peacetime public borrowing and debt.

After the Government met its target of halving the level of inflation, following its fall from a multi-decade high of 10.7% to 4.6%, many Conservative backbench MPs had been calling for any fiscal headroom available to the Chancellor to be used to cut income and inheritance taxes. The Chancellor has himself publicly agreed that tax levels are higher than he would like to see but stressed that any changes to this would need to be considered alongside maintaining sustainable public finances, supporting the UK economy back to growth, incentivizing additional business investment and not allowing inflation to tick up once again.

Today, the Chancellor announced a series of tax cuts, which he framed as part of the Government's long-term strategy for growing the economy and getting more people into work. Government says these will cut taxes for over 29 million working people, measures include reducing employee National Insurance contributions by 2% from 6 January 2024.

Ahead of the statement, the Northern Housing Consortium (NHC) submitted a representation to HM Treasury, calling for the urgent uprating of Local Housing Allowance (LHA) rates to ease affordability pressures in the private rental sector (PRS), the release of remaining Social Housing Decarbonisation Funds (SHDF) alongside a long-term funding commitment of £6 billion per year for housing retrofit, and additional funds for local authorities to effectively monitor and enforce compliance with the Decent Homes Standard when it is applied to the PRS for the first time.

Northern Housing Consortium CEO, Tracy Harrison, also met the Housing Minister before the Autumn Statement to once again call on the Government to uprate the LHA as a matter of urgency.

The Chancellor's announcement that he intends to unfreeze LHA and uprate the benefit to the 30th centile in April will therefore be welcome news for renters and councils across the North.

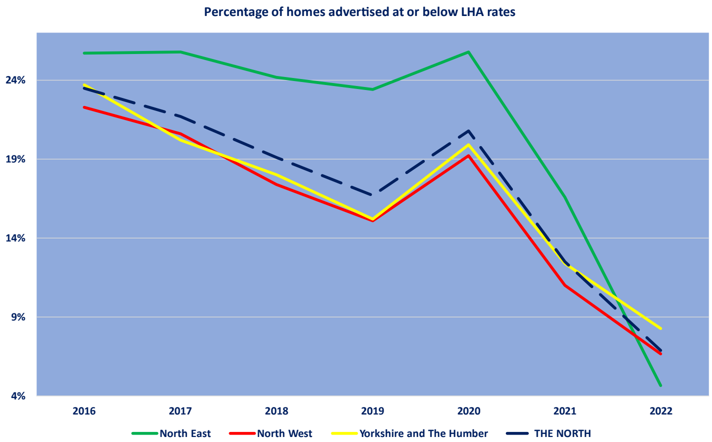
This NHC on-the day briefing summarises this, and other relevant announcements. If you would like to discuss any of the details in the Autumn Statement, please contact the NHC's Joanne Wilson (Head of Policy) at joanne.wilson@northern-consortium.org.uk

Local Housing Allowance

The Chancellor confirmed that the Local Housing Allowance (LHA) will be unfrozen so that it once again covers the 30th percentile of local market rents from April 2024. The Government claims this will give 1.6 million households an average of £800 of support next year. However, the indicative spending figures provided alongside the Autumn Statement indicate that in future years, rates will be frozen again in cash terms following this 2024 uplift.

LHA rates have been frozen in cash terms since 2020 while rent levels have risen dramatically. Since 2018, lower quartile rents have risen by 17.2%, 27.7% and 30.8% in the North East, Yorkshire & Humber and the North West respectively.

This has led to an affordability crisis in the private rental sector for those on low incomes, with the forthcoming 2023 Northern Housing Monitor showing that only 6.9% of homes advertised for rent in the North are at or below the Local Housing Allowance. In the North East, this figure is even lower at just 4.7%. The chart shows the decline of proportion of homes advertised at or below the LHA rates in each Northern region since rates were frozen in cash terms since 2020.



This affordability crisis has led to increased private sector evictions and is directly leading to increased levels of homelessness. This is why the NHC called for the uprating of the LHA to be one of the Chancellor's priorities at this Autumn Statement.

This is a very welcome change which will provide much needed support for low-income renters and reduce the risk of homelessness increasing due to affordability pressures in the private rental sector.

Welfare benefits and pensions

The Chancellor confirmed that Universal Credit and other related benefits would be uprated, as usual, in line with the September CPI rate of 6.7% rather than October's lower figure of 4.6% as had been speculated in some media outlets. The use of the 6.7% figure will result in an average increase of £470 for each household.

The state pension triple lock, which ensures that the state pension is uprated in line with whichever is highest of CPI, average wage growth or 2.5% was maintained, with the state pension being uprated by 8.5% in line with the rate of average wage growth presenting a cash increase of £221 a week.

Another pension-related announcement was that the Government will launch a call for evidence on a 'Lifetime Provider Model' and small pots consultation. This will consider the implementation of pension models where employees can request that a new employer pay their pension contributions into their existing pension pot, rather than having numerous pots throughout their career as well as other means to consolidate small pension pots.

Back to Work welfare reforms

The Chancellor also announced "The Back to Work Plan", a suite of "measures to make work pay" with an eye to supporting more people into work, and to reducing the total cost of benefit entitlements paid to those who are out of work due to long-term sickness, mental health issues or disabilities.

These measures included:

- Restart scheme:
  - The 'Restart' programme of employment support for the long-term unemployed will be extended for two years from 2024.
  - Eligibility is also to be extended to those who have been on Intensive Work Search for six months, rather than the current requirement of nine months.
  - If individuals have completed the Restart programme and remain unemployed for 18 months, they will undergo a review conducted by a work coach. This review may introduce new claimant commitments, such as mandatory work placements or new intensive work search activities. Any individual who refuses new commitments 'without good reason' **may have their claim closed and their benefit payments stopped.**

- Work Capability Assessment (WCA) and 'fit note' reforms:
  - Reforming the activities and descriptors in the WCA that determine whether individuals should be considered unfit for work and entitled to related benefit payments. Reforms are to be implemented from 2025, with additional focus on changing working patterns such as the increasing number of positions that allow employees to work from home.
  - Exploring end-to-end reforms of the fit note process including a new design for fit notes and trigger points for referrals for people who have received a fit note for a prolonged period, with a consultation to be launched in 2024.
  - Trialing methods to increase speed and accessibility of referrals to health and employment services, including through digital means.

These, further welfare reforms and measures to expand employment support that form 'The Back to Work Plan' can be found from page 87 of the Autumn Statement document, available here.

Apprenticeships

Alongside these announcements, the Government emphasised the aim to support employer-based training in England to offer a high-quality alternative route to higher education for all ages. The Chancellor announced £50 million funding to deliver a two-year high-quality apprenticeships pilot to stimulate training in the growth sectors (Digital Technology, Green Industries, Life Sciences, Advanced Manufacturing and Creative Industries) and address barriers to entry.

NHC comment: *The Chancellor's decision to unfreeze Local Housing Allowance so that it once again meets the 30th percentile of local market rents is very welcome. This will provide support for private tenants on low incomes who are experiencing severe affordability pressures which are in turn leading to increased levels of homelessness.*

We also welcome the decision to follow regular practice in raising benefits in line with the September CPI figure and maintaining the state pension triple lock by increasing in line with average wage growth, rather than using lower alternative figures.

The decision to freeze LHA rates in cash terms at 2024 levels, indicated within the accompanying spending plans, is, however, disappointing. This simply means that as private rents rise beyond April 2024, government support for private renters on low-incomes will become increasingly insufficient. Rather than solve the issue of private rental affordability, the Chancellor has merely kicked it into the long grass with a short-term fix. In the long-term, a commitment to peg the Local Housing Allowance to the 30th percentile of local market rents in perpetuity, alongside an ambitious programme of affordable housebuilding, presents a genuine long-term solution.

Local authority housing announcements

In addition to announcements on planning covered below, the Government made 4 further announcements which will be of particular interest to NHC local authority members:

- Discounted rates for housing revenue account borrowing from the Public Works Loan Board will be extended until June 2025. These discounts, first announced at the Spring 2023 Budget, provide a 40 basis point discounted rate, and were previously only intended to last for 1 year.
- A £450 million third round of the Local Authority Housing Fund (LAHF) is intended to deliver an additional 2,400 homes; consisting of new temporary accommodation and homes for Afghan refugees. The LAHF is a capital fund that has so far been allocated £750 million for similar purposes.
- £120 million homelessness funding for the devolved administrations and local authorities in England, including to support Ukrainian households who can no longer remain in sponsorship as part of the Homes for Ukraine Scheme.
- Thank you payments for Homes for Ukraine sponsors have been extended for a further year, these remain at £500 per month.

NHC comment: *We welcome these commitments, though note they are largely extensions of existing schemes rather than new initiatives. We were disappointed that today the Chancellor has missed the opportunity to invest in local authority housing enforcement functions, in anticipation of a revised and extended Decent Homes Standard; as we had called for in the NHC's Autumn Statement Representation.*

Energy Efficiency

The Government announced that the existing Affordable Homes Guarantee Scheme has been expanded by a further £3 billion, supporting housing associations to access more funding for energy efficiency works and more funding for new affordable homes. The Government says this will help the scheme deliver 20,000 new homes and improve energy efficiency for thousands more.

There were several announcements around the energy network. Notably, the Government plans to make the energy system more efficient by reforming the planning system to speed up approvals and set out a plan to reduce times to get projects connected to the grid. In addition, the government will deliver over £600 billion of planned public sector investment over the next 5 years, supporting energy security, Net Zero and public services. There are also plans for a study by the National Infrastructure Commission to make the electricity distribution fit for net zero.

Finally, there has been a full response by the Government on the Electricity Network Commissioner's report on accelerating electricity transmission network build. Alongside this, the Government has published its proposals on community benefits for electricity transmission infrastructure, with a more detailed policy plan to come in 2024. Proposals include an energy bill discount for properties located close to network infrastructure, up to £1,000 per year up to 10 years. You can read more about that here.

Other cost-saving green energy measures announced include:

- A new, six-year Climate Change Agreement scheme where participants that meet targets will be entitled to reduced rates of Climate Change Levy from 1 July 2027 to 31 March 2033.
- An expansion of the Energy-Saving Materials VAT relief to additional technologies, such as water-source heat pumps, and bringing buildings used solely for a relevant charitable purpose within scope.

NHC comment: *The expansion of the Affordable Homes Guarantee Scheme is welcome, providing Northern housing associations with access to funding needed to help deliver homes and make homes suitable for net zero. We hope that additional steps taken by the Government to make the country more energy efficient can have long-term benefits for tenants.*

A note on social housing rents

There had been some speculation – which the Chancellor acknowledged in his speech - that the Government might adopt October's lower inflation figure as the basis for benefits uprating. Speculation in the sector had focused on the implications this might have for social housing rent setting, which, like benefit uprating, uses the September inflation figure.

The Chancellor confirmed in his speech that the Government would use the (higher) September inflation figure as the basis for benefits uprating, as is convention. This means universal credit and other benefits will rise in April by 6.7% (see above).

There have been no announcements today from the Treasury, Department of Levelling Up or the Regulator of Social Housing relating to social housing rents for 2024 or beyond.

Levelling Up

On 20th November, the Government announced £1 billion of funding to 55 local projects as part of Round 3 of the Levelling Up Fund. This funding was spread across the country, with the North West receiving £128 million, the North East £59 million and Yorkshire and the Humber £169 million.

In addition to this funding, the Chancellor announced in the Autumn Statement a further £37.5 million to support 'high-quality' regeneration projects across the UK. This funding was allocated by Ministers to five high-scoring low-cost (under £10 million) Levelling Up Fund bids which were previously unsuccessful and includes funding to two Northern places: Eden and Warrington.

The Chancellor also announced new measures on **Investment Zones**, with an extension to the Investment Zone programme from five to ten years, doubling the funding and tax reliefs in Investment Zones from £80 million to £160 million, up to 2033-34.

Furthermore, the Government has announced the next set of Investment Zones, including a new Greater Manchester Investment Zone focusing on advanced manufacturing and materials. The Zone has received investment from private sector organisations and partners expect it will leverage £1.1 billion in private investment as well as creating 32,000 jobs in the Greater Manchester region across 10 years. New Investment Zones were also announced in the West Midlands and East Midlands. The Government has now confirmed details of 6 of 13 Investment Zones in the UK – including a West Yorkshire Investment Zone announced on the 20th November – and will work with local partners with the aim of confirming details of all Investment Zones by summer 2024.

NHC comment: *We are pleased to see the Government continue to commit to funding for levelling up projects across the North of England, particularly in high priority areas. We are committed to our focus of putting housing at the heart of a rebalanced country and will continue to encourage the Government to move away from short-term competitive funding pots, towards longer-term allocations of more flexible regeneration funding.*

Devolution

Government has announced plans to deepen and extend devolution in England. These include a:

- Memorandum of Understanding, which sets the approach to the single funding settlements to be implemented at the next Spending Review for Greater Manchester Combined Authority.
- New 'Level 4' of the devolution framework, devolved institutions with a directly elected leader will be able to draw down from this framework.

These deliver greater powers, for example around local transport, but will come with new scrutiny expectations.

Four new devolution deals were announced, as well as the intent to expand Level 2 devolution to eligible councils across England.
In the North the new deals are:

- Level 3 deals – Greater Lincolnshire, Hull and East Yorkshire.
- Level 2 nonmayoral deal – Lancashire.

Government also said that discussions on the trailblazer devolution deal with the North East have started, with a view to finalising a deal in spring 2024. The first North East Mayor will be elected in May 2024.

NHC comment: *We are pleased to see Government devolve further funding and powers to Combined and Local Authorities in the North of England, and widen the areas covered by devolution deals. This is something the NHC has called for and supported over many years. Trailblazers deals in particular will be closely scrutinised by other areas as potential model for further future devolution.*

Planning Reform

The Chancellor today set out measures to 'reform the planning system' with reference to the length of time taken to deliver infrastructure projects. Alongside the Statement, the Treasury published the Government's response to the National Infrastructure Commission report on improving nationally significant infrastructure planning, which includes achieving targets for reducing consenting times for Nationally Significant Infrastructure Projects.

Alongside reforms to deliver faster infrastructure, the Government announced proposals to strengthen the capacity of the planning system by introducing a new premium planning service with guaranteed accelerated decision dates for major applications and fee refunds wherever these are not met. These services will improve what is described as a 'patchwork approach' of Planning Performance Agreements.

The Chancellor confirmed £110 million will be made available through the Local Nutrient Mitigation Fund. This aims to support Local Planning Authorities (LPAs) affected by nutrient neutrality rules to deliver high quality local nutrient offsetting schemes, unlocking up to 40,000 homes over the next five years.

An extension of Permitted Development Right will allow the conversion of one house into two flats – the Chancellor announced a consultation on a new Permitted Development Right for subdividing houses into two flats without changing the façade. This will be implemented in 2024 following consultation early in the New Year.

NHC comments:

<u>New premium planning services</u> – *Planning reforms are included in the Levelling up and Regeneration Act (LURA) and will create substantial resource demands for LPAs, particularly during the transition phases. Northern LPAs have lost a disproportionate amount of capacity over last ten years. This new proposal must include a realistic assessment of how much capacity will be needed to make severely under-resourced planning authorities capable of delivering the 'premium service' or default the fees – potentially harmful for LPAs with real capacity challenges.*

<u>Nutrient Mitigation</u> – *The LURA does include some measures on mitigation but does not fully address the issue for housebuilders. In the North, the Teesmouth & Cleveland Coast catchment area has had homes delayed as has the River Eden catchment, chiefly in the Carlisle area. Our own estimate is that 40% of the homes affected are at reserved matters or discharge of conditions planning stages and must demonstrate nutrient neutrality before a planning approval can proceed. The Levelling Up Secretary, Michael Gove, has been vocal on this issue promising major deregulation of rules around nutrient neutrality which would reduce the burden of mitigation on developers. In the latest twist of the LURA, the House of Lords rejected amendments proposed by the Government that would have abolished the requirement for new developments in sensitive catchment areas to be nutrient neutral, therefore this requirement remains in place. It was therefore to be expected that the Government would make further announcements, and the Chancellor delivered on that today with funding for LPAs to support mitigation. It remains to be seen how far £110 million will stretch to support local authorities to mitigate environmental impacts.*

<u>Permitted Development Rights</u> - *further reforms to extend Permitted Development Rights (PDRs) through a new PDR to enable one house to be converted into two homes is a continuation of Government support for the use of PDRs to increase the supply of homes and contribute to the overall housing supply numbers. There has been increasing concern about the impacts of extended permitted development rights, with concerns including the*

design and quality of residential units created through the rights, and potential safety issues in some conversions. We will continue to support local authorities' vital role in enforcing good standards through the planning system and the ability to exempt areas from PDRs.

Labour Party Response to the Autumn Statement:

With a General Election due in the next thirteen months, today's Autumn Statement had a distinctly pre-election feel. Shadow Chancellor Rachel Reeves used her response to lay claim to Labour being the true party of economic and fiscal responsibility. With little indication of how a future Labour Government may deal with announcements inherited from the Chancellor, Reeves focussed in on what she described as 13 years of failure; on growth, debt, Levelling Up, and the cost of living crisis.

Faced with jibes from the Chancellor on her own use of the 'copy and paste' function, Reeves accused Hunt of producing his own cover versions of Labour policies. On consolidating pensions to spur business investment, and notably on planning reform to unlock energy infrastructure and housebuilding.

With the cost of living crisis and pressure on 'working people' a consistent theme, Reeves reminded the House of what she called the 'Tory Mortgage Penalty' and that costs had risen for tenants as well as landlords, a pointed remark to the Chancellor.

The political tone of the exchanges, and the Chancellor's announcement that he will use emergency legislation to ensure his National Insurance rate cut takes effect from January 2024, led some commentators to speculate that the odds of a Spring 2024 election are increasing.