

Tenant Services Management Board - 23 July 2015

Briefing Paper on the Budget July 2015 and effect on Social Housing.

Below are listed the main headline changes announced by the Chancellor of the Exchequer George Osborne in the budget statement delivered on the 8th July 2015:

- Social housing rents to fall by 1% per year for the next four years
- Benefit cap lowered to £20,000 (£23,000 in London)
- No automatic entitlement to Housing benefit for under-21s
- High-earning social housing tenants to pay more rent

Taunton Deane Borough Council is analysing the details of these changes to see how they impact tenants and the Housing Revenue Account Business Plan. The Tenant Services Management Board will receive further briefings once this analysis is completed.

The following provides more detail of the changes.

1. Rent setting Reduction of rents in social housing by 1% per year for the next four years

Previously, social housing rents could increase by 1% more than inflation – a formula set by the chancellor in 2013 and intended to last for 10 years. However, this was changed in the budget announcement.

The Government will reduce rents in social housing in England by 1% a year for four years from April 2016. This will be taken forward via the Welfare Reform and Work Bill.

The rent reduction does not apply to shared ownership. The Welfare Reform and Work Bill also states that other exceptions will be considered by the Secretary of State.

The Welfare Reform and Work Bill specifies that this change will not apply to housing associations where the Regulator determines that compliance would jeopardise financial viability.

2. Pay to Stay for higher earning tenants in social housing

The Government will require high income social tenants to be charged a market or near market rent. The threshold will be a household income of £40,000 in London and £30,000 elsewhere in the country.

The policy proposes that Housing Associations will be able to retain the additional income generated from these rents, whereas councils will be obliged to direct these monies to the Treasury

Government will consult on the detail of this policy before it is implemented.

3. Changes to Welfare Benefits

3.1 Household benefit cap Government announcement

The household benefit cap will be reduced to £23,000 per year in London and £20,000 in all other parts of the country.

There will be a lower cap for single person households of £15,400 in London and £13,400 in other areas.

The cap has been in operation since April 2013, and affects households of working age who are not in employment and are not disabled. Claimants who are affected have their housing benefit reduced to bring their income under the cap. If a claimant gets at least 16 hours work the cap is removed.

It is likely that the lower cap will be phased in during 2016-17, details of when and where it will be introduced will be set out in regulations.

Housing benefit can only be backdated for 4 weeks from April 2016

7 waiting days to be introduced for Universal Credit from August 2015 (ie no benefit payable for first 7 days of claim)

3.2 Benefit changes for 18-21 year olds

From April 2017, young people aged 18-21 making a new claim to Universal Credit will no longer be automatically entitled to the housing element.

This policy will not apply to parents whose children live with them, certain vulnerable groups and those who may not be able to return home to live with their parents.

Young people who have been living independently and have worked continuously for the previous six months will be able to receive housing support for six months whilst they look for work.

18-21 year olds on Universal Credit will also participate in an intensive regime of support from the first day of their benefit claim via a new Youth Obligation from April 2017.

After 6 months they will be expected to apply for an apprenticeship or traineeship or gain skills via alternative routes.

3.3 Discretionary housing payments (DHPs)

The Government has set out the level of funding for Discretionary Housing Payments (DHPs) over the next five years.

2016-17: £150m

2017-18: £185m

2018-19: £170m

2019-20: £155m

2020-21: £140m

3.4 Benefit and tax credit uprating freeze

The rates of most working-age benefits will be frozen for four years from April 2016. The freeze will apply to Jobseeker's Allowance, Employment and Support Allowance, Income Support, Child Benefit, Child Tax Credit and Working Tax Credit (excluding disability elements), applicable amounts for Housing Benefit, and Local Housing Allowance rates, with provision for high rent areas.

The freeze does not apply to Maternity Allowance, Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay, Statutory Shared Parental Pay, and Statutory Adoption Pay, disability, carers and pensioners' premium in the frozen benefits, the Employment Support Allowance Support Group component, and other disability, carer and pensioner benefits. These will continue to be uprated in relation to prices or earnings as applicable.

Aside from applicable amounts, the freeze does not apply to Housing Benefit in the social sector as different arrangements were announced with rents decreasing by 1% each year for the next four years.

4. Tenancies - Review of lifetime tenancies in social housing

The Government will review the use of lifetime tenancies in social housing with a view to limiting their use and “ensure that households are offered tenancies that match their needs and make best use of the social housing stock”.

5. Additional housing announcements

5.1 Right to Buy

Although not included in the Budget itself, during his Budget speech the Chancellor did reference the Government's plans to extend Right to Buy to housing association tenants. This policy will be brought forward as part of the Housing Bill expected in the autumn.

5.2 Help to Buy ISA

People saving to buy their first home will be able to save up to £12,000 in a Help to Buy ISA, and government will match this with 25% up to £3000. Savers can pay in £1000 up front and then £200 a month

5.3 Energy Allowable Solutions

The Government does not intend to proceed with the zero carbon Allowable Solutions carbon offsetting scheme.

This could restrict plans for renewable energy and those aimed at reducing social housing tenants' energy bills.

5.4 Planning Brownfield land

A commitment to speeding up delivery of development on brownfield land through the introduction of a new zonal system.

5.5 Support for victims of domestic abuse

The Government will set up a £3m fund to encourage innovative approaches to help people suffering from domestic abuse, this includes refuge provision.

The fund will be open to proposals from local partnerships that demonstrate how people's needs could be met in innovative ways, working through collaboration.