Chartered Institute of Housing

What you need to know about the Spring Budget

March 2024

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On 6 March, the Chancellor of the Exchequer published his Spring Budget. Housing did not feature much but this guide summarises the measures that members are likely to be interested in, alongside CIH's response.

Our initial response to the package of measures was published on our website following the announcement. A copy of our pre-Budget submission is available here.

Key announcements

- Councils to get more flexibility on the use of Right to Buy receipts, with the cap increased from 40 per cent to 50 per cent on the proportion of the cost of a replacement home that can be funded
- Stamp duty land tax (SDLT) exemption for registered providers of social housing in England and Northern Ireland when purchasing property with a public subsidy, and public bodies exempted from the 15 per cent anti-avoidance rate of SDLT
- £20m in a social finance fund to build up to 3,000 community-led homes (over 10 years)
- A second round of the Local Nutrient Mitigation Fund to help restart schemes stalled by the nutrient neutrality crisis
- £3m to match industry funding for a programme to boost planning capacity in local authorities
- Abolition of Furnished Holiday Lettings tax regime to remove the tax advantage for landlords who let short-term furnished holiday properties over those who let longer-term
- Capital Gains Tax cut, with the higher rate for residential property disposals cut from 28 per cent to 24 per cent
- Household Support Fund extended by six months to help with cost of living.

Housing and planning in England

Support to boost planning capacity and streamline process

Announcements around planning included piloting the use of artificial intelligence (AI) solutions to support planning authorities to streamline their local plan development processes. A welcome announcement was made to boost capacity in the planning system, with the government committing £3m to match industry-led funding for a skills and education programme to attract more people to take up roles as local planners in planning authorities.

The government also published a consultation on the proposed design of the new accelerated planning system.

Tax changes

From 6 April 2024, the Furnished Holiday Lettings (FHL) tax regime will be abolished, meaning short-term and long-term lets will be treated the same for tax purposes. In addition, from 1 June 2024 the Multiple Dwellings Relief (a stamp duty relief that reduces the duty payable when an individual or company purchases two or more dwellings in one transaction or as part of a series of linked transactions) will be abolished. There is a risk that this could undermine the impact of the former.

There were small changes that will help to unlock routes for providing new homes in the sector. Changes to the Stamp Duty Land Tax (SDLT) exemption removes uncertainty for registered providers of social housing and allows for greater exemptions in SDLT for providers when purchasing homes.

More flexibility on Right to Buy receipts

There were amendments to the cap on Right to Buy (RTB) receipts for local authorities, who can now meet up to 50 per cent of the cost of a replacement home from receipts, up from 40 per cent previously. This may allow local authorities to replace more homes lost through the Right to Buy scheme, which has been the main reason for the net loss of more than 200,000 social rented homes since 2011.

Some new funding

In relation to community housing, an investment of £20m was announced in a social finance fund to support the development of community-led housing schemes over ten years, subject to a business case.

There were also small funding settlements to support housebuilding in London, Cambridge and Leeds.

What was missing?

In our Budget submission, we called on government to increase grant levels to boost the supply of affordable housing, to counter the continuous underinvestment in social housing development in England. The Budget sadly failed to address this and provided no increased financial support for development to meet growing housing need.

We also called for investment in supported housing, particularly ringfenced revenue, to make existing and new schemes viable. Supported housing provides a strong foundation for older people and those with long-term conditions, such as learning disabilities, to live independently. It plays a crucial role in helping people with care and support needs, including those who have experienced homelessness to get back on track and move on to and sustain long-term housing. Given the pressures on public services such as health and social care, failing to invest in a successful preventative service like specialist housing was a missed opportunity.

It was disappointing that there was no reference in the Budget to homelessness given the rapidly rising numbers of households experiencing it. Ahead of the Spring Budget, CIH along with others in the sector, signed a letter to the Chancellor which made clear the dire situation facing providers of homelessness services. In our submission, we called on the government to uplift homelessness support in line with inflation, invest in homelessness prevention, ringfence a proportion of spending on homelessness services for women and invest in scaling up Housing First. The Budget was silent on all of this.

There was also no support for first-time buyers, either in the form of a 99 per cent mortgage or stamp duty changes, despite some trailing in advance.

Welfare, work and pensions across the UK

Benefits

There were no significant new announcements on welfare – most changes had already been announced in the November Autumn Statement which were:

- Basic benefit rates to rise by 6.7 per cent (the previous September CPI figure). The state pension rises by 8.5 per cent due to the triple lock policy. You can find the new rates here (which have been confirmed by the up-rating order).
- Local housing allowance rates to be reset at the 30th percentile (based on the rent officer's list of rents for the year ending 30 September 2023) or the national caps if lower. The national caps were raised by between 12 and 18 percent. You can find the new rates for England here.

The earnings threshold for the child benefit tax charge will rise from £50,000 to £60,000 and the benefit will taper away to zero at earnings of £80,000.

Support for struggling households

The Household Support Fund (due to end this month) was extended by six months which was welcome, but councils need more certainty to be able to address local hardship, and arguably the current need will still be just as great in September.

The government acknowledged the challenges created by deductions from universal credit loans and extended the repayment timeframe from 12 to 24 months. It also announced cancellation of the £90 charge for debt relief orders which deters some people from applying for them.

In our submission we called on the government to reform welfare provision to support those on the lowest incomes, for example removing the two-child limit and the benefit cap, so we would have liked to see them go further.

Energy across the UK

There were no significant announcements relating to energy, decarbonisation, fuel poverty, or net zero in the Spring Budget. CIH had called for the government to produce additional support with energy costs and debt, as well as a range of measures to boost decarbonisation in the residential sector and support the development of green skills.

The Chancellor noted Ofgem's earlier decision to 'levelise' standing charges for prepayment meter (PPM) and direct debit (DD) customers from April 2024. This is welcome confirmation that PPM customers will no longer pay a premium to access gas and electricity.

Measures were also announced that continue government's work on grid connection reforms. This included announcements to launch a new electricity grid connections process in January 2025, and to work with the Electricity System Operator to outline further reforms to the grid queue process by summer 2024.

Devolved nation funding

For measures that are not UK-wide, funding for the devolved administrations will be determined through the normal operation of the Barnett formula and Block Grant Adjustments. It is for the devolved administrations to decide how to spend any additional funding on priorities in Scotland, Wales, and Northern Ireland. Scotland was awarded an additional £293.5m and Wales an extra £170m. Northern Ireland will receive a £100m consequential.

The Deputy First Minister in Scotland, Shona Robison MSP, last week announced that any capital consequentials following to Scotland from the Budget would be prioritised for affordable housing. Although the consequentials are in the resource budget both Treasury and Scottish Government rules do allow it to be used for capital spending if that political choice is made.

Office of Budget Responsibility's March 2024 Economic and Fiscal Outlook

The March forecast from the Office of Budget Responsibility (OBR) has no mention of affordable homes funding. Two items of broad relevance to the housing sector are its changed forecasts of house prices and migration levels.

House prices to fall less than expected

The OBR expects house prices to fall around two per cent in 2024, slightly under half of the five per cent they expected in November. This is mainly due to a lower mortgage rate forecast. The average house price in the UK is forecast to fall to slightly under £275,000 in the final quarter of 2024. The OBR expects house prices to grow around two per cent in 2026, and around 3.5 per cent in 2027 and 2028. That would see nominal house prices surpass their historical peak in the first quarter of 2027.

Migration forecast to fall, but to remain high

Having reached a record high of 745,000 in 2022, net migration stood at 670,000 in the year to mid-2023, around 70,000 higher than assumed in the OBR November forecast. Following the policy measures announced since November, the OBR's central forecast now assumes annual net migration falls back to 315,000 in the medium term. But in the November forecast it was projected to fall to 245,000, so migration is now likely to stay at a level higher than it was pre-pandemic.

Overall CIH response to the Spring Budget

CIH had called on government to use the 2024 Spring Budget to reform welfare provision, invest in homelessness prevention, drive decarbonisation of the residential sector, increase grant levels to boost social housing supply and invest in supported housing. Whilst there were some welcome measures it did none of this.

Overall, it was a disappointing short-term Budget which failed to deliver on the government's 'long-term' plan. It could have extended the Affordable Homes Programme beyond 2026 and helped boost grant rates to support more social housing and start to tackle the housing emergency. It could have provided more help for councils in financial distress. There was no new support to tackle fuel poverty and encourage housing decarbonisation. And no investment in supported housing which would help reduce pressure on other front-line services. Overall, a missed opportunity.