Chartered Institute of Housing

What you need to know about the Spring Budget

March 2023

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On 15 March, the Chancellor of the Exchequer published his Spring Budget, designed to boost growth. Alongside this, the Office for Budget Responsibility (OBR) published its economic and fiscal outlook.

This guide summarises the key measures that members are likely to be interested in, together with CIH's response. Our initial response to the package of measures was published on our website following the announcement. A copy of our budget submission is available here.

Key announcements

- Energy price guarantee remains at current level for another three months and prepayment meter bills brought in line with direct debits
- Welfare reforms to encourage more people to work
- A discount on Public Works Loan Board (PWLB) borrowing rates for local authorities building new affordable housing
- New 'trailblazer devolution deals' for Greater Manchester and West Midlands, allowing them to "set the strategic direction" for Affordable Homes Programme funds
- New funding for levelling up and regeneration
- Increasing availability of veterans' housing
- Support for local charities and community organisations

Energy (UK)

Support with bills

Support with energy bills will continue for another three months in England, Wales and Scotland (as trailed in advance). (Energy is regulated separately in Northern Ireland, where bills will be held at £1,950 per year for an average household.)

Under the Energy Price Guarantee (EPG), the government has been limiting energy bills for an average household to £2,500 a year. The guarantee will continue at the same level until July, by which time the price of energy is expected to have dropped. However, the extension of the EPG is still an effective price increase, due to the ending of the Energy Bills Support Scheme that provided a £400 discount to households over the winter, and there are no plans to repeat it next winter. Prepayment meter customers will pay the same rate as direct debit payers from July (but no change to those who pay quarterly by cash or cheque who will still pay more). CIH had called for the EPG to be extended, and for prepayment customers to be treated the same as those paying by direct debit.

The budget also announced £380 million of financial support for heat network customers. Most have never been protected by Ofgem's price cap, and prior to the implementation of the EPG, they faced energy cost increases of up to 700 per cent. Consequently, while heat network operators were obliged to pass through the support they received from the Energy Bill Relief Scheme, it is welcome to see that residents supplied by heat networks will receive additional support. We expect further detail on the implementation of this to be forthcoming, as well as a consultation to develop options to support domestic consumers on a non-domestic meter.

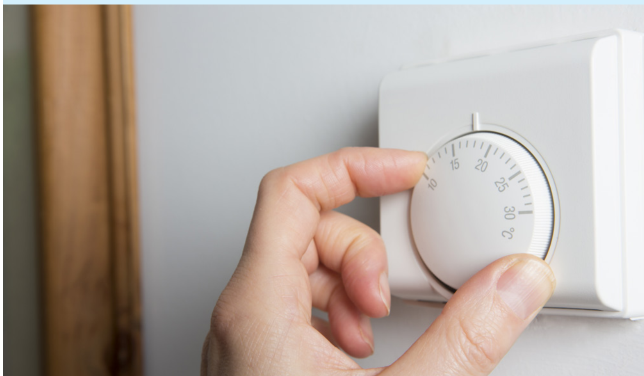
Call for evidence on VAT relief for energy saving materials

Alongside the budget the government published a call for evidence on options to reform the VAT relief for the installation of energy saving materials in the UK. The call for evidence suggests the possible extension of the relief to include buildings used solely for a relevant charitable purpose.

CIH response

We welcome government support to help ease pressure on high energy bills but a longer-term plan to tackle homes with poor energy efficiency and protect customers from volatile energy prices is urgently needed. This includes the 730,000 social rented households in England defined by the UK government as living in fuel poverty. Although the EPG is being maintained, analysis by the Energy and Climate Intelligence Unit (ECIU) suggests that homes with an Energy Performance Certificate (EPC) in band E will be paying almost £1,250 more for their energy bills in April compared to before the energy crisis began.

In contrast, the ECIU suggests that those living in 'net zero homes' with good insulation and low-carbon heating will have energy bills around 60 per cent less than the UK average, paying £925 less a year. Average annual energy bills are also expected to remain above £2,000 in the winter of 2023/24, with those in the least efficient homes needing to spend far more to keep their homes warm. We therefore welcome the call for evidence on options to reform VAT to support installation of energy saving materials but would also have liked to see the extra money promised on energy efficiency brought forward to fulfil the Government's manifesto commitment.



Welfare (UK)

The Budget included a wide range of measures designed to support people to enter work, increase their working hours and extend their working lives including:

- 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 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 one to twelve 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
- Launching a new 'Returnerships' apprenticeship for people over 50, to provide the skills and support they need to move back into work

- 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
- Announcements on childcare with a planned expansion of 'free' childcare hours in early years.

For more detail see [Spring Budget 2023 factsheet – Labour Market Measures - GOV.UK (www.gov.uk)]() and [Spring Budget 2023 factsheet – Disability White Paper - GOV.UK (www.gov.uk)]()

CIH response

We welcome the focus on employment support and childcare costs but are concerned at some of the language used to describe people in receipt of benefits. We await further detail on the changes proposed to universal credit before giving a firm view on impact.

A notable and important omission from the budget package in terms of support for people was any movement on the local housing allowance (LHA) rate which was left frozen at 2020 levels. We are very disappointed that government did not use this opportunity to restore LHA to the 30th percentile, as we and many others had called for. The decision to leave rates frozen means that the affordability gap for the 1.9 million private renters who rely on housing benefit to cover their rent will only grow, ultimately resulting in increased homelessness. We urge government to look again at this.

Housing (England)

Whilst not mentioned in the budget speech, the detail of the budget indicates some important changes on housing.

New preferential Public Works Loan Board (PWLB) interest rate for council housebuilding

A new preferential interest rate for council housebuilding will 'help stimulate new social housing supply and support the viability of existing schemes to shore up current programmes'. The PWLB will offer a 40 basis point (0.4 percentage points) reduction for all borrowing for the purposes of council housing expenditure through the Housing Revenue Account for one year from June 2023. This will be subject to review at the end of that period. The rate will be available in 2023/24 and the first quarter of 2024/25. Councils are encouraged to utilise the rate to deliver new council housing. (HMT has written out to councils on the details of the offer and will be updating the DMO website in due course.)

It is hard to judge how much impact this change will have but it is encouraging to see government seeking to encourage new council building. CIH continues to call for a fair funding 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.

Funding for veterans' housing

The budget included a package to support veterans. £20 million will go towards the Veteran Capital Housing Fund - a project that will provide extra housing for veterans through the development of new builds and the refurbishment of social and charitable housing for veterans. The funding comes on top of an £8.5 million package announced last year to end veteran homelessness.

Devolution of Affordable Homes Programme

The Affordable Homes Programme will be devolved outside of London for the first time, supporting project pipelines of up to £400 million, and new powers on housing quality. (See further detail under Levelling Up below.)

Nutrient neutrality credit schemes

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, this government will provide funding to support clearer routes for housing developers to deliver 'nutrient neutral' sites, in line with their environmental obligations.

CIH response

There was little in the budget to address the wider housing challenges - we had called for government to increase grant levels to provide the number of social rented homes needed and to invest in existing and new supported housing, but the budget simply referenced the existing Affordable Homes Programme. It is now vital that the government works with the sector to help make progress on giving more people access to affordable, decent and secure homes.

Levelling up and Regeneration (UK)

Trailblazer devolution deals

The Chancellor announced two "Trailblazer" devolution deals, aimed at giving communities more control over their spending, with the Greater Manchester Combined Authority (GMCA) and West Midlands Combined Authority (WMCA). These equip the authorities with new levers over local transport, employment, housing, innovation and net zero priorities. They include a commitment to local authorities retaining 100 per cent of their business rates, and to providing single multi-year funding settlements at the next spending review. There are plans to negotiate new devolution deals across England which would include investment for areas committed to electing a mayor or leader.

The Trailblazer deals have been published – see [West Midlands] and [Greater Manchester]. There are significant changes to the operation of the Affordable Homes Programme and wider housing funding/delivery contained within them. The deals also propose a broader devolution of retrofit and energy efficiency funding, including commitments to work with both combined authorities to drive minimum energy efficiency standards in the social and private rented sectors and deliver effective advice on retrofit to local residents.

We welcome these developments which are likely to shape and influence the direction of subsequent devolution deals. We hope that they will support increased funding for regeneration and retrofit, as well as provision of new build.

Investment zones

As promised at the autumn statement, the Chancellor announced twelve [investment zones] across the UK – eight in England and at least one in Scotland, Wales and Northern Ireland. The investment zones programme aims to create growth clusters across the UK. Local governments will be able to tailor their investment zone plan to meet their local circumstances.

The investment zones will have access to a single five-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 coupled with access to flexible grant funding to support the development of skills and apprenticeships, improve local infrastructure and provide business support.

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. Proposals must include how they will contribute to the UK reaching net zero by 2050.

Eight places in England have been shortlisted, including the East Midlands; Greater Manchester; Liverpool; the North East; South Yorkshire; the Tees Valley; the West Midlands; and West Yorkshire. Government is working closely with the devolved administrations to establish how investment zones in Scotland, Wales and Northern Ireland will be delivered.

Levelling Up partnerships

New Levelling Up partnerships were announced, supported by £400 million in targeted funding to regenerate local areas. These will be used to provide bespoke place-based initiatives 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". Partnership locations have been selected based on the analysis in the Levelling Up White Paper which considered places in England against four key metrics: the percentage of adults with Level 3+ qualifications; gross value added (GVA) per hour worked; median gross weekly pay; and healthy life expectancy.

The government will consult with the devolved administrations and local government to explore potential options in Scotland, Wales, and Northern Ireland. For more information see [Levelling Up Partnerships: Methodology Note - GOV.UK (www.gov.uk)]

Regeneration projects

The budget confirmed over £200 million for 16 new regeneration projects across England and a further £160 million of regeneration projects in English mayoral combined authority areas. These include £5 million for tackling homelessness and poor quality temporary accommodation in Greater Manchester. For further details see here.

Community ownership fund

The budget also announced funding for a further 30 projects across the UK as part of the existing £150 million Community Ownership Fund. For more information see here.

CIH response

The new regeneration funding is welcome, but much more investment should be targeted at improving the quality and energy efficiency of people's homes, which would contribute to energy security, achieving net zero goals and helping to level up left-behind communities.

Other

Support for charities and local community organisations

The budget includes a pledge of £100 million for frontline charities and community groups, to help them support vulnerable people. Most of the money (around 75 per cent) will be delivered during 2023/24 as grants for frontline charities and community organisations in England most impacted by increased demand for support from vulnerable people, and increased delivery costs. Approximately 25 per cent will be used to fund measures over the next two years to increase the energy efficiency and sustainability of voluntary, community and social enterprise (VCSE) organisations, again in England. This, DCMS says, could include new boilers, heat pumps and insulation allowing them to deliver more efficient services for vulnerable individuals.

CIH response

We welcome the announcement of additional support for local charities supporting families and communities through the cost of living crisis, especially as government support for energy bills tapers off. Charities around the country continue to face rising costs and higher demand for their help so this is any additional support is a positive step. We look forward to hearing more about how this extra money will be targeted to those most in need. However, we would have liked to have seen additional targeted funding to support homelessness services, many of which are on the brink of shutting down due to rapidly increasing costs. Without a full inflationary uplift for homelessness support, hundreds of services could still close altogether, despite the extra funding announced. We also repeat our call for government to provide an emergency fund to support women and children subject to domestic abuse, including migrant women and women with no resource to public funds.

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.

The Scottish Government will receive an additional £320 million, the Welsh Government £180 million and the Northern Ireland Executive £130 million.

We will update members as further detail is released. If you have any questions, please contact the policy team by emailing policyandpractice@cih.org.