Chartered Institute of Housing

What you need to know about the Autumn Statement

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Introduction

On 17 November, the Chancellor of the Exchequer published his [Autumn Statement] (budget), designed to "deliver a plan for stability, growth and public services". (Much of September's mini-budget had already been reversed.) Housing did not feature much in the Statement, aside from stamp duty changes and confirmation of a social rent cap, but the measures announced on welfare, energy, health, and social care will impact the sector. This guide summarises the key 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 Budget submission is available here.

Key announcements

- A seven per cent cap on rent increases in the social rented sector in England for 2023/24, with an exemption for supported housing and a commitment to issue a call for evidence on a "catch up" mechanism (rent convergence)
- The "permanent" stamp duty reductions in England and Northern Ireland announced in the mini-budget to end in March 2025

- Working-age benefits to rise next year in line with September's CPI inflation – an increase of 10.1per cent, but local housing allowance remains frozen at 2020 rates
- Confirmation of pensions triple lock
- Further cost of living payments in 2023/24 (up to a value of £1,320 per person) and a further £1bn for the extension of the Household Support Fund
- Investment zone proposals in England dropped in favour of research clusters
- Energy Price Guarantee remains until 2024, but at a lower rate. £6bn in new funding from 2025 to improve energy efficiency, with an Energy Efficiency Taskforce established, aiming to reduce energy demand by 15 per cent by 2030. Commitment to further action on consumer protection
- At least £1.7bn investment confirmed for Round 2 of the Levelling-Up Fund and over £600bn in capital investment over the next five years to level-up infrastructure across the UK
- Up to £8bn in funding for NHS and adult social care by 2024/25, of which £3.3bn targeted at helping NHS reduce numbers of patients discharged into the care system. Reform of adult social care charges paused.

Housing & planning (in England)

The social rent cap

Following consultation, the social rent cap for 2023/24 will be set at seven per cent, with an exemption for supported housing providers. This supersedes what would otherwise have been a potential rent increase for social tenants of up to 11per cent. The government estimates that the cap will save the average tenant in the social rented sector £200 next year. It will also generate an overall saving to the government of around £630m over five years (via a reduced benefit bill).

Government will implement the cap by issuing a statutory direction to the Regulator of Social Housing shortly and will consult separately next year on social housing rent policy from 2025 onwards. To inform this, the Department for Levelling Up, Housing and Communities (DLUHC) will launch a call for evidence on whether social landlords should be permitted, over time, to bring rents back up to the level they would have been had a seven per cent cap not been applied.

Background

The consultation set out several options for the cap (three per cent, five per cent or seven per cent) and sought views on whether it should potentially cover two years up to 31 March 2025. Having reviewed the responses, the government concluded that a seven per cent cap strikes "an appropriate balance" between protecting social tenants from high rent increases and ensuring that social landlords are able to continue to invest in new and existing social housing and provide decent homes and services. To ensure its financial viability and its critical role in supporting some of the most vulnerable, supported housing will be exempt from the cap.

Following the Budget, the National Housing Federation (NHF) announced that housing associations representing 80 per cent of shared owners will also cap their rents at seven per cent (For shared ownership properties, annual rent increases are usually limited to RPI plus 0.5 per cent; RPI is currently running higher than CPI.)

CIH response

We have been clear that affordability for social housing tenants and residents is paramount but that rents also need to be balanced with the need for ongoing investment in housing. On that basis we originally called for and now support the government's decision to cap rents at seven per cent for one year, recognising that this is a **maximum** limit and not a target. Housing providers should look hard at whether they can set rents below this and continue to do all they can to support tenants impacted by the cost of living crisis. In our response to the consultation, we called for any related benefit savings generated by the cap to be used to support tenants and residents, but we understand that they will not be set aside for this.

We welcome the NHF announcement of a voluntary cap of seven per cent for shared ownership homes, matching the social housing rent cap. This will provide much needed reassurance for shared owners. There remains concern that providers exercise restraint in increasing their service charges, as these remain at local discretion.

We support an exemption from the rent cap for supported housing providers, which we called for in our consultation response. This will help protect the future viability of much needed care and support services which often operate with very tight margins. The majority of people living in supported housing have their rent paid for partly or in full via benefit.

We welcome confirmation that government will consult on the 2025 rent settlement and invite evidence on possible rents convergence.

Stamp duty

In September, the government raised the threshold at which homebuyers start paying stamp duty from £125,000 to £250,000 in England and Northern Ireland. It also increased the threshold at which first-time buyers start paying stamp duty from £300,000 to £425,000. The Autumn Statement announced the reversal of these changes from April 2025.

CIH response

Our analysis for the 2021 [UK Housing Review Briefing Paper] suggests that previous cuts to stamp duty benefited existing owners by raising market activity and pushing up prices, at the expense of first-time buyers. There is a likelihood that the decision to reverse the cuts announced in September may generate a rush of transactions before the end date of tax relief, as happened twice (in England and Northern Ireland) during the pandemic. CIH favours wholesale reform of property taxation, including stamp duty, but this is not yet contemplated by government.

Investment zones

As expected, investment zones will be refocused, with the programme intended to catalyse a limited number of high potential knowledge-intensive growth clusters. The existing expressions of interest will therefore not be taken forward. More information will follow and work with mayors, devolved administrations, local authorities, businesses, and other local partners will be undertaken to consider how best to identify and support these clusters. (The zones had originally been designed to speed up economic growth through streamlined planning rules and tax breaks, largely by promoting development.)

CIH response

We had expressed concern that the investment zones, as originally proposed, could threaten delivery of affordable housing. We do however recognise the frustration felt by local authorities who worked hard to put together bids for the original investment zones, at a time when resources are very stretched.

Council tax

Council tax referendum limits will increase to three per cent per year from April 2023. Local authorities with social care responsibilities will also be able to increase their social care precept by up to two per cent per year.

Welfare, work & pensions across the UK

Benefits uprating

From April 2023, inflation-linked benefits and tax credits will increase by 10.1 per cent, in line with September CPI. This means:

- Single people over 25 currently claiming universal credit will get an extra £33.83 a month, as the allowance will rise from £334.91 to £368.74 a month
- Couples or single parents claiming tax credits will get an extra £214.65 a year, as the allowance will rise from £2,125 to £2,339.65 a year.

The overall benefits cap will also rise with inflation - from £384.62 to £423.45 a week for couples and/or single parents and from £257.69 to £283.72 for single adults.

For pensioners, government announced the return of the triple lock for both new and basic state pensions, so they will rise by 10.1 per cent. Roll-out of universal credit has been delayed so pensioners in receipt of housing benefit will continue under the current system until 2028/29 (instead of 2024/25).

CIH response

There had been some suggestion that government might increase benefits in line with earnings rather than inflation which would have resulted in a significant real-terms cut. CIH had joined with many others in calling on government to honour its commitment to continue with the normal uprating of benefits by inflation so we welcome confirmation of this, along with an increase to the household benefit cap. However, those on the lowest incomes will still face almost impossible pressures this winter so we continue to call on government to consider bringing the uprating forward. Households who have faced a real-terms benefits cut cannot wait for the system to catch up.

Local housing allowance

A notable and important omission from the budget package in terms of support for people was any movement on the local housing allowance rate which was left frozen at 2020 levels.

Background

The local housing allowance (LHA) is used by the Department for Work and Pensions (DWP) to calculate how much universal credit or housing benefit a tenant can receive to pay their rent. Before being frozen in 2016, LHA rates covered the cheapest 30 per cent of rents in a local area. In response to the pandemic in 2020, LHA rates were restored to the 30th percentile but rates have been refrozen since then, meaning housing benefit has not kept pace with inflation. This is particularly challenging as rents in the private rented sector are increasing at their fastest rate in 16 years.

CIH response

We are very disappointed that government did not use this opportunity to restore local housing allowance to the 30th percentile, as we and many others had called for. The decision to leave rates frozen at 2020 levels 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 rent arrears and homelessness (which are already rising). We would urge government to look again at this.

We also repeat our call, along with many partners, 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.

Support for mortgage interest

To support mortgage borrowers with rising interest rates, from spring 2023 the government will allow those on universal credit to apply for a loan to help with interest repayments after three months, instead of nine (support for mortgage interest). The government is also abolishing the zero earnings rule to allow claimants to continue receiving support while in work and on universal credit.

CIH response

We welcome the significant reduction in waiting-time for this support to be paid at a time when living costs and mortgage rates are so high. The abolition of the zero earnings rule will also relieve considerable pressure on borrowers who are struggling.

National Living Wage

From 1 April 2023, the National Living Wage (NLW) will increase by 9.7 per cent to £10.42 an hour, for those aged 23 and over, following the recommendations of the independent Low Pay Commission. This represents an increase of over £1,600 to the annual earnings of someone in full time employment and is expected to benefit over two million low-paid workers. This is in line with the ambitious target for the NLW to reach two-thirds of median earnings by 2024, and for the age threshold to be lowered to those aged 21 and over.

In-work conditionality for universal credit claimants

The nationwide rollout of the In-Work Progression offer will be taken forward, starting with a phased rollout from September 2023. This will mean that over 600,000 universal credit claimants in work will be required to meet with a dedicated work coach to support them to increase their hours or earnings. This is in addition to the government's recent announcement to raise the Administrative Earnings Threshold from January 2023, from the equivalent of 12 hours to 15 hours at the National Living Wage, which will bring more claimants in-work and on low earnings into a more intensive regime of work coach support.

Employment and support allowance

The managed migration of claimants on income-related employment and support allowance (ESA) - with the exception of those receiving child tax credit - to universal credit will be delayed from 2024/2025 to 2028/29. ESA claimants are still able to make a claim for universal credit if they believe that they will be better off, and this will not affect the managed migration of other legacy benefits onto universal credit.

Cost of living payments

There will be more one-off cost of living payments (in addition to the existing cost of living payments made this year) up to a value of £1,320 and they will be UK-wide. The payments will be tax-free, will not count towards the benefit cap and will not have any impact on existing benefit awards. Details and timings are yet to be confirmed but in summary:

- an extra £900 for those on means-tested benefits
- an extra £300 for pensioners
- an extra £150 for those on disability benefits.

For more information see Cost of living support Factsheet - GOV.UK (www.gov.uk)

> CIH response
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> We're pleased to see government introducing additional targeted support via the benefits system which is the most effective way of getting help to the people who need it most. We are however concerned about the lack of support available to those with no recourse to public funds. We have joined with others in writing to the Home Secretary to draw attention to this.

Overall response

Whilst we welcome the support measures announced, one-off payments and uprating benefits do not make up for rising rents, energy bills and other costs when inflation is running at a 41-year high. The Joseph Rowntree Foundation's analysis highlights how much worse off many young people and families will be. It will be very difficult for these people to wait for further support until next April.

Energy across the UK

Energy Price Guarantee

The Energy Price Guarantee will remain in place until April 2024, although the limit on how much households will pay per unit of gas and electricity will be raised from April 2023. This means that the typical household would pay £3,000 per year on their energy bills, up from £2,500 currently. The typical household will save £500 a year on their energy bills from April 2023, compared to saving £900 this winter. The government will consult on amending the scheme as soon as possible after April 2023 so that households which use very large volumes of energy have their financial support capped, to prevent taxpayers subsidising households with extremely high usage. They will explore the best way to ensure that vulnerable high-energy users, such as those with medical requirements, are not put at risk.

> CIH response
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> Whilst we welcome the extension of the price guarantee, we are concerned that energy bills of £3,000 per year will be unaffordable for many households. These measures leave seven million households in fuel poverty this winter, rising to 8.6 million in April if no further support is announced. We also believe that proposals to penalise high-energy users with capped support could unfairly punish people living in energy-inefficient homes who cannot afford to invest in efficiency measures, particularly social and private renters who have little control over investment in their own homes. Furthermore, we are concerned that people will fall through gaps in the exemption proposed for vulnerable high-energy users. The cost of living payments to households on means-tested benefits will help, but leaves people on low incomes but not in receipt of benefits without the support they need.

Consumer protection

The government will develop a new approach to consumer protection from April 2024 onwards, including options such as social tariffs, to deliver a fair deal for customers, improve resilience in the energy market and support an efficient and flexible energy system.

CIH response

We would strongly support the introduction of a social tariff as a means of ensuring that energy bills are and remain affordable for vulnerable households and those on the lowest incomes. However, the question remains what happens between now and then?

Alternative Fuel

The level of support through the Alternative Fuels Payment has been doubled to £200 for households that use alternative fuels, such as heating oil, liquefied petroleum gas (LPG), coal or biomass, to heat their homes. This will be delivered as soon as possible this winter. This payment will also be made to all Northern Ireland households, in recognition of the prevalence of alternative fuel usage there. The government will also provide a fixed payment of £150 to all UK non-domestic consumers who are off the gas grid and use alternative fuels, with additional 'top-up' payments for large users of heating oil based on actual usage.

CIH response

We welcome the additional support through the Alternative Fuels Payment but note that the mechanism for paying this to eligible households has still not been determined. The government urgently needs to find an effective method for identifying households using alternative fuels.

Energy Bill Relief

The Treasury will review the Energy Bill Relief Scheme to determine what support will be provided to non-domestic energy consumers beyond March 2023, including households on heat networks. The findings will be published by 31 December. It is likely that some businesses will continue to receive support beyond March 2023, but the overall scale of support will be significantly lower.

Through the Energy Bills Support Scheme Northern Ireland, eligible households will receive support equivalent to a £400 discount on their energy bills.

CIH response

We welcome the commitment to determine ongoing support for non-domestic energy consumers before the end of the year. Support for households on heat networks must continue beyond March 2023. Many social landlords running heat networks will be entering into new contracts at higher prices after March 2023, so without an extension of the relief scheme would have to pass on much higher costs to residents.

Energy Efficiency Taskforce

The government has announced an Energy Efficiency Taskforce and a new long-term commitment to drive improvements in energy efficiency, with an ambition to reduce the UK's final energy consumption from buildings and industry by 15 per cent by 2030. New government funding for energy efficiency measures worth £6 billion will be available from 2025 to 2028.

CIH response

Investing in energy-efficiency measures is the most effective way to reduce energy demand and household energy builds. The government's long-term commitment to energy efficiency is welcome, but we cannot afford to wait until 2025 for new funding to invest in a national insulation programme. Doing so now would help households with their energy bills and reduce the money the government must spend through the Energy Price Guarantee.

Overall response to energy measures

While the Chancellor made some welcome extensions and additions to energy bills support, overall, these measures will leave millions of households struggling this winter and next year. Low-income households not in receipt of means-tested benefits have been left to fall through the cracks. An annual cap of £3,000 on energy bills will be unaffordable for millions, and without further support will mean 8.6 million households will have to endure fuel poverty from April 2023. Further commitments for energy-efficiency measures are welcome, but with no new funding for the next three years this does not do enough to support households struggling now. Nor does it allow sufficiently fast progress towards the government's decarbonisation targets. The government should follow through on its suggestion to introduce a social tariff to ensure that vulnerable and low-income households can afford to heat their homes, next year and in the long-term.

Health and social care across the UK

These are devolved issues, but funding increases will also occur in devolved administrations through the Barnett formula.

Adult social care

Government has allocated up to £8bn in funding for NHS and adult social care by 2024/25. Of this, £3.3bn is targeted at helping the NHS reduce the number of patients who should be discharged into the care system. As set out above, there is also scope for additional council tax support.

CIH response

The reform of adult social care charges has been paused, to relieve pressure on councils. Nothing further has been stated about the other measures proposed in People at the heart of care: adult social care reform white paper, such as the commitments made for integrating housing into local strategies or developing new models of care. CIH welcomed the focus on housing to support independent living and wellbeing in the white paper and is concerned that there should not be any delay to implementing those commitments alongside the delay to the larger funding reforms.

The reliance on council tax funding for social care has a significant weakness in that the areas most needing additional funding are generally also those with least capacity to raise sufficient funds through this mechanism, so we would prefer to see more centralised funding distributed according to level of local needs.

Levelling up across the UK

Funding

The Autumn Statement confirmed that the second round of the Levelling Up Fund (LUF) will allocate at least £1.7 billion to priority local infrastructure projects. Successful bids will be announced before the end of the year. (The first LUF round saw £1.7 billion awarded to 105 projects across the UK so the Autumn Statement committed to match this in round two.)

CIH response

We welcome confirmation of this funding. Its impact will be judged by whether it reaches the places most in need of economic recovery and regeneration.

Devolution

The government reaffirmed its commitment to devolution and the Levelling Up White Paper

promise to agree devolution deals with all areas in England that want one by 2030.

Departmental spending

We wait to see how capital programmes, such as the Affordable Homes and Supported Housing Improvement programmes, will be affected by departmental spending cuts. The Office for Budget Responsibility says the capital cuts from 2025 "reverse half of [the previous Budget's] increases to department capital spending." This suggests possible cuts in capital starting in the last year of the current Affordable Homes Programme 20121-26 and the equivalent programmes in Scotland, Wales and Northern Ireland.

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 £1.5bn over two years because of spending decisions for England, although the value of this extra money has already been eroded due to inflation. Wales was awarded an extra £1.2bn over two years, Northern Ireland will receive a £600m consequential paid over two years.

Overall CIH response to the Autumn Statement

There is much to be welcomed in this package of measures, which we called for in our Budget submission, but there are several areas where we would urge government to go further. Millions of households will continue to struggle this winter and next year without further support. We continue to call for:

- Restoration of local housing allowance rates to at least the 30th percentile and a return to annual uprating
- A ban on energy companies forcibly switching customers to prepayment meters
- A commitment to bring forward additional funding for energy-efficiency measures in homes and additional support for those who will struggle this winter
- Increased investment and grant levels to provide the number of homes at social rents we need each year
- More investment in existing and new supported housing to meet a range of needs
- A concerted programme to raise the energy efficiency of the existing housing stock at pace, in accordance with the government's statutory carbon reduction targets.

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