



Institute for
Fiscal Studies

The Budget and Spending Review: what do they mean for social housing?

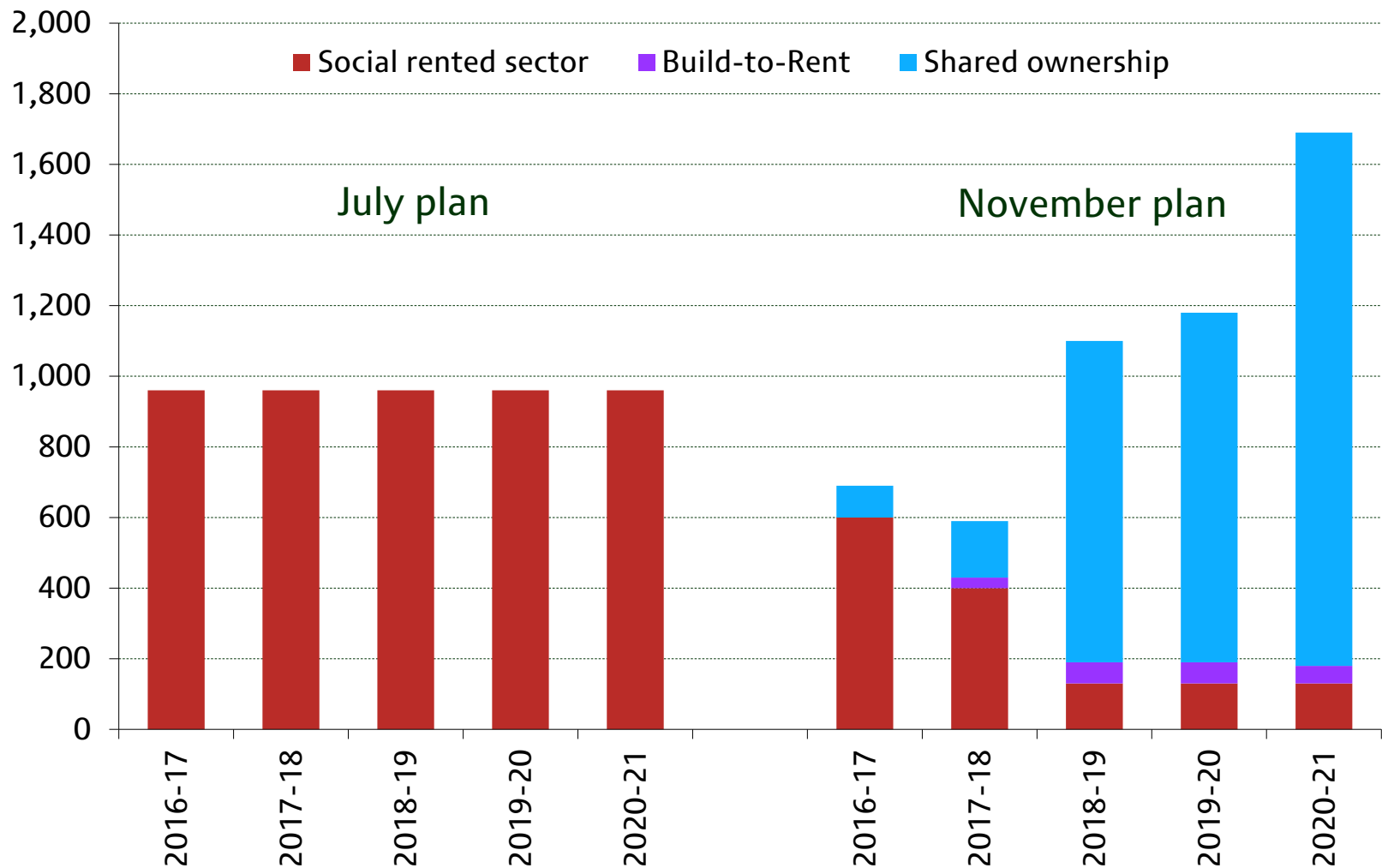
Robert Joyce



The July Budget: social rents in England

- Social rents cut by 1% per year for 4 years. By 2019-20:
 - 12% cut relative to previous plans (CPI + 1%), given new CPI forecasts
 - We estimate that's £2.3bn less annual income for social landlords (of which £1.3bn is from housing associations)
- Presumably also increased uncertainty over level of future income
 - U-turn on pledge for rises of (CPI + 1%) between 2015 and 2024
- 'Pay to Stay': from 2017-18, tenants with incomes over £30,000 (£40,000 in London) charged market or 'near market' rents
 - Housing associations (but not councils) can keep extra revenue
 - Important details of policy yet to be specified; but certainly won't compensate HAs' for loss of rental income from 1% annual cuts

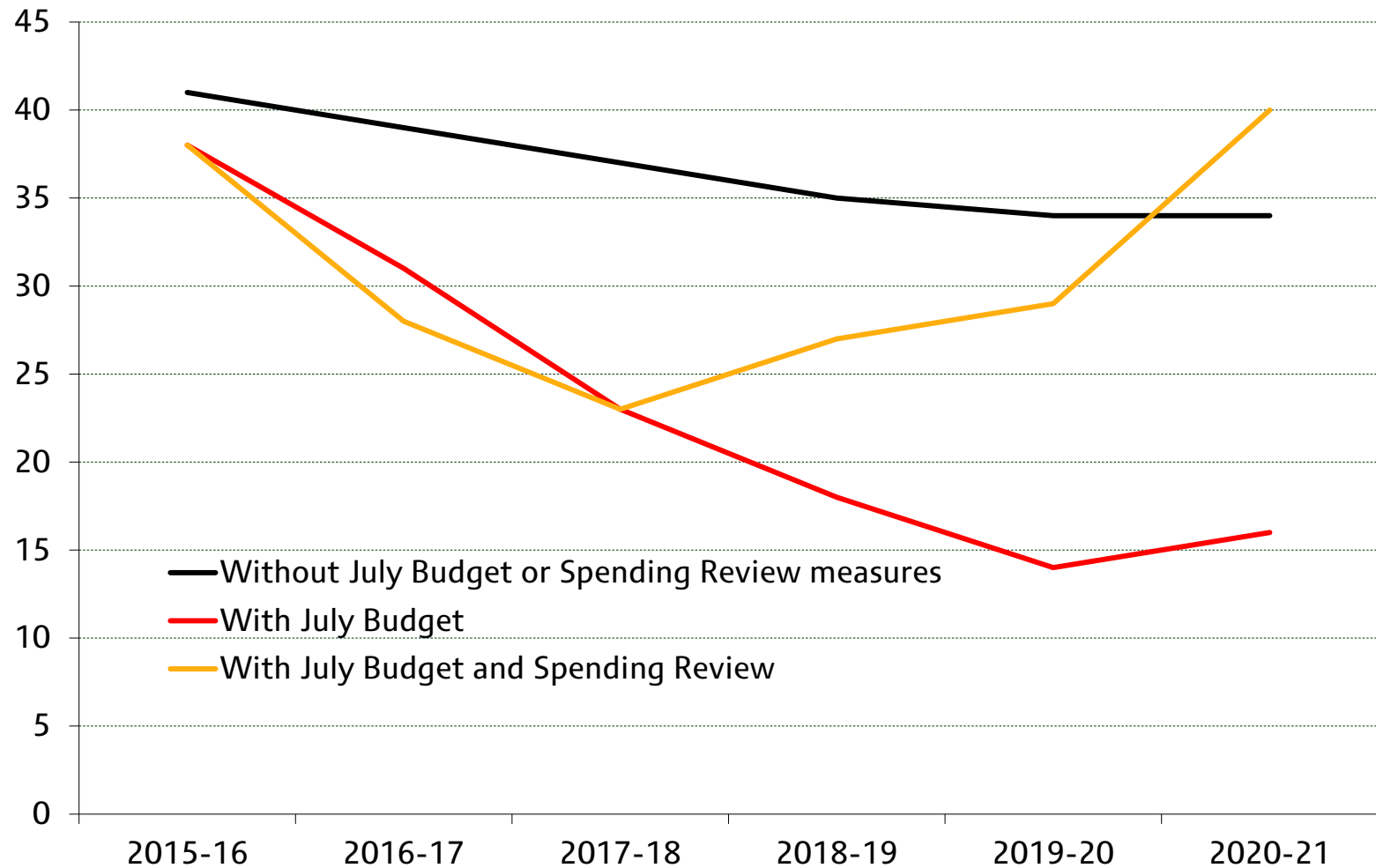
Capital grants to housing associations (£ million)



Source: Table B.4, Appendix B of OBR's *Economic and Fiscal Outlook*, November 2015

New builds by housing associations (thousands)

Forecasts from Office for Budget Responsibility



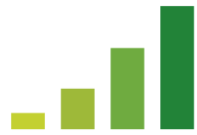
Source: Chart B.1, Appendix B of OBR's *Economic and Fiscal Outlook*, November 2015

Housing benefit cut for social tenants

- LHA caps on HB in private sector extended to new social tenancies
 - Applies from April 2018, on tenancies signed from April 2016
 - Small in short run: cuts HB by £225m in 2020-21
- But will get much bigger. If applied to all social tenants now:
 - HB would be cut by £1.1 bn (from base of around £25bn)
 - 800,000 households would lose average of £1,300 per year
- Long-run effects larger still if social rents grow faster than HB caps (which are CPI-indexed)
- How will this affect allocations, rent-setting and rent collection?
 - Especially in areas where social rents are closer to market rents

Many challenges ahead for social housing providers

- Less income from social rented sector...
 - Substantial cuts to both rents and capital grants ahead
- ...alongside much more support for shared ownership (S-O) tenure
 - Increasing role for cross-subsidisation?
 - S-O brings income forward: will it be re-invested / leveraged?
- Looks to be more uncertainty over future
 - Social rent policy seems very unstable
 - HAs must compete with private sector for shared ownership grants
 - Increases in grant funding announced last week very back-loaded: will they be delivered?
- Adjustments to other changes
 - Implementation of Pay to Stay
 - Significantly less generous housing benefit system



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