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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