

**Report of Head of Finance Environments and Housing Item 11:Appendix 2**

**Report to Housing Advisory Board Members**

**Date: 28<sup>th</sup> July 2015**

**Subject: Financial implications of the Chancellor of the Exchequer's July budget statement**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**1. Summary Position**

This report details some of the key issues arising from the Chancellor of the Exchequer's budget speech to Parliament on July 8<sup>th</sup> 2015 which have direct implications for Housing Leeds.

Specifically the report details the implications of the announced reductions in housing rent whilst at the same time highlighting some of the other announced changes in respect of housing tenancies and benefits reductions.

**2. Key issues for Housing Leeds arising from the Chancellor's speech**

**a) Housing rent reductions**

The Chancellor announced that for each of the next 4 years (2016/17 to 2019/20) Housing rents will reduce by 1% each year and then revert back to the previous policy of CPI+1% from 2020/21. On a cash basis this equates to a reduction of £20.5m in rental income over this four year period which will then start to be offset by reverting back to annual rent increases of CPI+ 1% in 2020/21. These reductions in rental income will be required to be managed along with having to absorb pay, price and service pressures.

The HRA Financial Plan was based on the assumption that rents would increase in line with CPI +1% each year for 10 years as per the Government Policy introduced last year – in essence a 3% increase pa (based on the Government CPI target of 2%). The Chancellor's announcement last week is therefore a 4% pa reduction from the Plan for each of the next 4 years (2016/17 to 2019/20). When

compared to the level of resources assumed in the Financial Plan this equates to a loss of £283m of rental income over a 10 year period (2016/17 to 2024/25).

The projected loss of rental income will have implications for Executive Board approved investment strategy for the HRA and this will be required to be managed through a combination of identifying efficiencies and cost reductions in the HRA, the use of the borrowing headroom and the review and re-phasing of capital investment plans (including new build).

#### **b) Pay to Stay**

Local Authority and Housing Association tenants in England who earn more than £30k (£40k in London) will be required to pay up to market rent with the increase i.e. the difference between what these tenants pay now and what they will have to pay, being collected by the Local Authority/ Housing Association and then being paid direct to Government. At the moment Local Authorities do not require tenants to provide details of their income so this information will be required to be captured in order that it can be determined whether or not the tenant should pay social rent or market rent.

#### **c) Benefits adjustments**

A lower benefits cap is to be introduced (£23k in London in London and £20k elsewhere from April 2016). Information has been requested from the Welfare and Benefits section as to how many Council tenants will be impacted upon by these changes.

From April 2017 tax credits and universal credit will only support the first two children. People who have an additional child will not get extra help and people who make a new claim will only get money for two children. There will be exceptions for multiple births.

The Chancellor announced that job seekers aged 18 to 21 years old will no longer be able to claim housing benefit. Information has been requested from Benefits as to how many Council tenants will be affected by this but it is understood that such proposals will affect around 6k young people who claim job seekers allowance and housing benefit in the north.

#### **d) Life time tenancies**

The Budget document contains plans for a review of the use of lifetime tenancies in social housing to limit their use and ensure that households are offered tenancies that match their needs, and ensure the best use is made of the social housing stock.

### **3. Conclusion**

As detailed above the proposed 1% reduction in rents for each of the next four years can be readily quantified and the implications of this need to be managed so that the Housing Revenue Account remains sustainable.

In respect of the other announcements detailed above further information is required to inform what the implications are for Leeds tenants.

### **4. Recommendations**

Housing Advisory Board members are asked to note this report

### **5. Background documents**

Chancellor of the Exchequer 's speech to Parliament on July 8<sup>th</sup> 2015.