Budget 2016

A Foundations briefing

March 2016

Background

On Wednesday 16 March the Chancellor George Osborne delivered his fourth budget in 12 months. The autumn statement had already announced accelerating the integration of the Health and Care System, including a significant uplift of the Disabled Facilities Grant within the Better Care Fund. It also addresses housing issues in terms of supply and homeownership. On local government finances, the chancellor looked forward to the devolution of tax and spend powers by allowing local authorities to retain local business rates in the course of this parliament and set a 2% precept to cover rising costs in social care. A Foundations briefing on the Autumn Statement setting out the direction of travel may be found here.

Budget 2016 contains fewer announcements that fundamentally affect HIA services, local housing authorities and registered providers of housing and support services. In part this reflects a consolidation of the priorities set out last year as well as an explicit focus on opportunities as a “Budget for the Next Generation”. Budget 2016 concentrates on:

- Reforms of the business tax systems.
- Devolution of power to sub-regional entities
- Infra-structure commitments
- Education and health of children and young people
- Supporting savings and cutting taxes for working people.

As such it adds little of substance to the commitments to integrate health and care and the future of some housing services within it, outlined in the autumn statement. Nevertheless, the detail of the budget report provides glimpses on the implications and indications for the immediate future for the sector and its customers.

The challenge of delivering local services

The budget is largely concerned in working through the implications of lower than forecast economic growth and tries, by shifting priorities and timetables, to ensure that the Chancellor achieves the targets he has set himself, particularly the budgetary surplus of £10 billion in 2019-20. To achieve this, the budget looks to cut public spending over and above the savings announced in the autumn by a further £3.5 billion. The statement sets out ambitions to make these cuts by savings on public sector pension contributions, adjustments to the overseas development assistance in line with the downgraded growth forecasts and control of private finance agreements. Nevertheless, at local level this will translate in additional pressure on budgets for services.

The Autumn statement looked forward to the phased retention of business rates by local authorities over the parliament. The government is thereby seeking to replace a national government allocation with locally raised taxes. Foundations has previously noted that there remains a great deal of uncertainty in relation to whether this would enable local authorities to spend more in cash terms by 2019-20 or whether local authorities in highest need would be able to raise sufficient resource. The reforms of local business rates envisaged in this budget cut local business rates for half of all commercial properties. Although local authorities will be compensated for the loss of income as a result of the business rate measures, this will have the effect of reversing a policy which sought to localise taxes and replaces it with a system of compensation payments from the centre. This further increases the uncertainty face by local planners and providers of services.

In addition to budget constraints and financial uncertainties, this week's announcement looked forward to more efficient and competitive practices in the procurement of local services as the government announced a consultation on new rules requiring local authorities to be transparent about the cost of the in-house services they provide, and whether there could be savings from using competitive external providers

As local authorities continue to face real pressure and uncertainty over the resources they have available to deliver services, it is more important than ever to change how these services may be delivered. This is particularly true of the Disabled Facilities Grant which has been almost doubled this year. The opportunity to explore the flexibilities that exist in the DFG legislation and the opportunities that exist for much more effective collaboration with health and care providers and commissioners in addressing the metrics of the Better Care Fund will generate better outcomes for patients, service providers and commissioners. There has never been a better time for HIA service providers including housing authorities and commissioners to seize both opportunities.

Housing

The budget restates and provides additional detail to commitments on Housing supply and home ownership.

- It brings forward plans to deliver 13,000 shared ownership homes by 2 years.
- It seeks to accelerate the delivery of additional houses by measures designed to ease and speed up the planning system and its requirements as well as support the capacity of local authorities to establish significant increases in housing, particularly new garden villages and towns.
- It looks to allow the use of the new high rate stamp duties levied on 'Buy to Let' and second home investors for support of community led housing development particularly in communities where the impact of second homes is acute.

Although the supply side incentives being created by this and previous spending announcements have little impact on older and disabled people in existing housing stock, there is a real need for housing related support services to ensure that the pathways into and out of shared ownership and housing with care options are open to customers locally. The innovation in the supply of shared-ownership and housing with care does mean that the choices available to people who own their own home are growing all the time. Housing options and move on services will therefore become more important as people are able to exercise real choice and retain equity in some form or another.

In terms of support for people experiencing homelessness, Budget 2016 provides:

- £100 million for low cost ‘second stage’ accommodation for people leaving hostels or refuges. This is estimated to equate to 2000 places.
- £15 million on innovative initiatives such as ‘No Second Night Out’ in London, the rough sleeping social impact bond and the supported repatriation of EU rough sleepers.

Pensions and Benefits

As a budget aimed at the next generation, the report has little to add to the commitments made in last year’s announcements. It includes a number of technical amendments to support the pension freedoms enacted last year. Foundations really welcomes the announcement of better advice and information for those about to make decisions about their aspirations in later life by the creation of a pensions industry led ‘Pensions Dashboard’ and a new pensions guidance body. This should enable people coming up to retirement to view all their retirement savings in one place by 2019 and get all their pensions questions asked in one place. Together with greater clarity in the definition of what constitutes financial advice and some support for ways in which to pay for it, this should mean that more people are able to make informed choices about their financial options in later life. The creation of a ‘Lifetime ISA’ for the purposes of house purchase or pension savings provides some flexibility for younger people to plan their future.

The budget confirms the intention to limit the number of people eligible for the Personal Independence Payment (PIP) by reducing the number of assessment points awarded to people requiring aids, appliances and adaptations to carry out daily living activities. It also looks forward to ‘consider a long-term reform of disability benefits and services’.

We think that the creation of the Pensions Dashboard and a one stop shop for pension advice is really welcome. In the coming years, HIA and Housing service providers will need to engage their customers in a ‘Big Conversation’ about how they want to ensure a healthy old age in a home of their choice. People will only be able to exercise more informed choices about healthy ageing at home if they have a clear view across their health, housing and income choices. This is particularly true as government is clearly expecting more people to be able to pay for the choices they make in addressing needs and wants associated with growing old. Historically, HIAs and Housing Authorities have been pretty good at providing expert advice on housing. However this is not true of financial advice. With housing and pension wealth increasingly being treated as the same pot, collaboration with the new Pensions Advice services will be a welcome opportunity to ensure he sector continues to provide person-centred holistic advice and support.

It is therefore a pity that the budget also seeks to restrict the number of new claimants of PIP by changing assessment criteria and that the only national provision of debt and financial management advice, Money Advice, is being disbanded under this budget. HIA and Housing services providers should look to local providers of debt and benefit advice to ensure their customers continue to have access to support in managing their household income.

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