Chartered Institute of Housing

What you need to know about the mini budget

26 September 2022

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On 23 September Chancellor Kwasi Kwarteng announced a new Growth Plan which includes widespread tax cuts and the reversal of the National Insurance rise. The Plan also includes elements that will impact residents and providers in the housing sector. In summary:

Stamp duty cut

The government has cut stamp duty with immediate effect. The nil rate band has been doubled from £125,000 to £250,000 in England and Northern Ireland, with government estimating that 200,000 more people each year will be able to buy a home without paying duty. (Scottish and Welsh governments, to whom decisions on stamp duty are devolved, will receive funding through their agreed fiscal frameworks "to allocate as they see fit".)

For first-time buyers, who until now paid no stamp duty on homes of up to £300,000, the threshold has increased to £425,000. The threshold for relief has also increased from £500,000 to £625,000.

The equivalents of stamp duty land tax in Scotland and Wales are devolved issues, so depend on Scottish and Welsh Government decisions. (See 'devolved nation funding' section.)

For more information see the Government's Stamp Duty Cut Fact sheet.

Investment zones and planning reform

Government is creating new investment zones to 'liberalise planning rules in specified agreed sites, releasing land and accelerating development'. These plans for low-tax investment zones for businesses will last at least ten years, and businesses will benefit from full stamp duty land tax relief on land bought for commercial or residential development.

The government has confirmed it is in discussions with 38 local authorities to establish investment zones in England and plans to offer a similar opportunity in the devolved nations. Mayoral combined authorities that host a zone will receive a single local growth settlement in the next Spending Review period.

The selection criteria for investment zones, the process for designating sites and details on liberalising planning in these areas will follow. For more information see the Government's Investment Zones Fact sheet.

The Chancellor used the announcement to criticise delays in the planning system and to signal a new bill in the coming months to help "unpack that complex patchwork" of planning restrictions. The new Planning and Infrastructure Bill is intended to accelerate priority major infrastructure projects across England, by: minimising the burden of environmental assessments; making consultation requirements more proportionate; reforming habitats and species regulation; and increasing flexibility to make changes to a Development Consent Order once it has been submitted. It is not clear what this will mean for the Levelling Up and Regeneration Bill, currently before Parliament.

Alongside reforms to the planning system, the Chancellor said that the government will increase the disposal of surplus government land to build new houses.

Welfare

The Administration Earnings Threshold, which puts people into different work search 'regimes', will be increased to 15 hours from January 2023 (it was due to be increased to 12 hours from 26 September.) This will see around 120,000 more people claiming universal credit forced into a more intensive job search regime or risk having their benefits cut. (The threshold, which means the difference between the Intensive Work Search labour market regime and the Light Touch labour market regime, determines whether claimants are required to search for work.)

No new measures for help with household energy bills through the benefits system were announced and the Chancellor refused to confirm whether benefits would be uprated in April in line with this month's CPI figure (as is normal practice) – expected to be around 9.9%. A statement on this is expected in the full budget in November.

Energy

Following the support set out in the recent Energy Price Guarantee, the government will bring forward legislation to implement new obligations on energy suppliers to help customers take action to reduce energy bills by around £200 a year. The scheme, which will start in April 2023, is expected be worth £1bn over the next three years and will build on the current Energy Company Obligation (ECO) arrangements. At least half of the support will be targeted at the most vulnerable households (those in fuel poverty), but a second part of the funding will focus on energy efficiency improvements for the least efficient homes in lower council tax bands. A separate scheme will be developed in Scotland. (NB. The Energy Price Guarantee scheme will not take effect in Northern Ireland until November, however households will see backdated support for October to ensure parity with GB.)

The Chancellor also confirmed £2.1bn in funding over the next two years to support local authorities, housing associations, schools and hospitals to invest in energy efficiency and renewable heating. This appears not to be new money, but a confirmation of funding for the next rounds of the Social Housing Decarbonisation Fund, the Public Sector Decarbonisation Fund, and the Home Upgrade Grant. However, the amount of funding allocated to the SHDF may be less than indicated in previous announcements; the Treasury has noted that circa £700m of this funding will be for the SHDF wave 2.1, while the Department for Business, Energy & Industrial Strategy bidding documents state that up to £800m will be made available.

Housing supply

The Chancellor also signalled 'further reform' to accelerate housing delivery, noting that 'later this autumn, the government will set out its vision to unlock homeownership for a new generation by building more homes in the places people want to live and work'.

CIH response

We shared our initial response to the Chancellor's (not so mini) 'mini Budget' on its publication. Having now reviewed the Growth Plan we would highlight the following:

Stamp Duty

Our recent 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. We are therefore concerned about whether this reform will achieve its desired impact.

However, a key difference from the stamp duty cuts during the pandemic is that these are announced as 'permanent' cuts, which means that should be no rush of transactions before the end date of tax relief, as happened twice (in England and NI) during the pandemic.

Planning reform and investment zones

Given the Levelling Up and Regeneration Bill is currently at committee stage in the House of Commons we need urgent clarity on the legislative framework to deliver on new housing supply. The planning system has long been singled out as barrier to delivery, but often the issues stem from lack of resources so it's important that government ensures local authorities are given the support they need to manage any system change.

New investment zones must recognise the importance of affordable housing, which contributes to economic growth, speeds up the delivery of new homes and ensures the right mix of homes to support local communities. Although unmentioned in the government's fact sheet, there is concern that the zones may allow new housing development to take place without any developer contributions (i.e. section 106 agreements) to provide affordable housing.

Welfare

We are facing an unprecedented cost of living crisis. The recently announced energy price guarantee will help lessen its impact but thousands of households will still be in fuel poverty. Benefits need to rise so that those on the lowest incomes can cope with increased living costs. This was needed even before the latest inflation spike. We summarised the changes needed in our recent letter to the Prime Minister:

- Bring forward the planned uprating of benefits from next April to this October
- Limit deductions from Universal Credit for prior overpayments/sanctions
- Remove the benefit cap and two-child limit
- Restore local housing allowance rates to at least the 30th percentile and return to annual uprating

We are therefore disappointed to see that rather than introducing any of these changes, the government has focussed on cutting benefits, with a change to thresholds. Many of the part-time workers that will be "cracked down on" are unable to work more, for example parents and unpaid carers, and the changes outlined will only make life harder for them.

Energy

We welcome the commitment to do more to help bring down energy bills and support organisations with energy efficiency measures. We are also glad that this government is continuing to meet previous funding commitments for existing energy efficiency schemes. However, we are concerned that this government may be allocating less funding than previously indicated for the next round of the SHDF. The SHDF is a crucial driver of energy efficiency work in the social rented sector and we would urge the government to prioritise funding for this scheme. We hope to see further government support over the coming months, given the huge potential for reducing energy demand and improving energy security through tackling energy inefficiency in our homes.

Housing Supply

It's good to see a reference to building more homes. It is essential that the stamp duty and tax cuts announced are matched with new homes, most notably more social housing. We need around 340,000 new homes need to be supplied in England each year, of which 145,000 should be affordable (Heriot-Watt University).

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.

Next Steps

We expect a full Budget in November and will keep Members updated on the implications for housing.

For further information please contact the policy team at policyandpractice@cih.org.