

Community Housing Cymru



UK Budget 2023

Introduction

This fiscal statement sets out significant changes to the UK Government's spending on public services and taxation. The OBR predicts that the UK will not enter a technical recession this year, facing a contraction of 0.2%. The projections reported predict inflation to fall from 10.1% to 2.9% by the end of 2023.

The budget outlines Westminster's three main priorities to halve inflation, grow the economy and get debt falling. This briefing sets out some key headlines on issues of particular relevance to Housing Associations and their tenants. It is important to note, however, that not all announcements will apply to Wales; a Welsh government response to policies that are devolved to Wales, such as education, is anticipated.

Cost of living

Energy bills support

The Chancellor announced that energy bill support will continue and the Energy Price Guarantee (EPG), which caps bills at £2,500, will be extended for a further three months until June 2023. The planned £500 hike in average energy bills has been scrapped.

The government is also providing domestic UK Heat Network customers on non-domestic heating contracts with a new, sector specific rate which will be set at a level to ensure these customers do not experience disproportionately higher energy bills under the Energy Bills Discount Scheme than customers under the EPG.

Business Protection

The Climate Change Agreement scheme will be extended for two years to allow eligible businesses £600 million of tax relief on energy efficiency measures.

Prepayment meters

The government is announcing protectionary measures to support the 4 million households on prepayment meters (PPM). The Chancellor announced that prepayment meter charges will be brought in line with comparable direct debit customers until the EPG ends. This is on top of Ofgem's existing ban on the forced installation of prepayment meters which ran until the end of March.



The government announced a commitment to look beyond the end of the EPG and ensure the PPM premium is ended on a permanent basis. The chancellor noted that the government is wholly supportive of Ofgem's ongoing work to review PPM costs and is awaiting a report on any additional regulatory options, including options for ending the PPM standing charge premium.

Our response

We are pleased to see the Chancellor confirming today that prepayment meter charges will be brought in line with direct debit customers. Last year, we called on UK Government to reduce the pressure of energy costs for Welsh social housing tenants in our [Time to Act report](#).

Social housing tenants are still facing high energy costs at a time when the Energy Bill Support Scheme comes to an end. Whilst the continuation of the EPG for a further 3 months will provide some relief for social housing tenants, the creation of a social tariff for fuel poor households would provide the longer term protection needed for low income households. We continue to call on the Welsh and UK Government to work with Ofgem to develop proposals for an energy bills social tariff.

We also recognise the implication of the reduced support recently announced for the Energy Bills Discount Scheme, and will continue to work with members to determine the impact.

Welfare

The Chancellor was keen for this to be seen as a 'back to work budget', with key changes introduced for welfare and employment. The budget allocates a total of £3.1bn a year by 2024 - 25 to help get more people back into employment.

Universal Credit Sanctions

The Chancellor announced measures to increase sanctions for those on Universal Credit without a health condition, a group made up of around two million people, who do not take employment opportunities or meet job search thresholds.

For those working low hours, the Administrative Earnings Threshold will be increased from 15 hours to 18 hours National Living Wage for individuals, so anyone working below these hours will receive more coaching and a more intensive conditionality regime.

Universal Credit Childcare Costs

Childcare costs will be paid upfront to parents on universal credit who want to increase their working hours, increasing the maximum they can claim by almost 50%.

Disability Benefits Reform

The Chancellor announced the 'Universal Support' programme, a new voluntary scheme which will provide up to £4000 per person to assist individuals with disabilities and long-term health conditions to find a job. It will fund up to 50,000 people per year.

For those forced to leave work due to physical or mental health issues, £400 million has been made available to increase the availability of mental health and musculoskeletal resources and expand the Individual Placement and Support scheme.



Over 50s

The DWP's 'Mid-Life MOT' strategy will see an increase in capacity in order to provide financial, health and career guidance. The number of over 50s on universal credit that will receive the service will increase from 8000 to 40,000 a year.

Our response

We continue to call on the UK Government to take action to ensure that the welfare system provides a sufficient safety net so that Welsh social housing tenants can afford to pay for food and other basic essentials. Simply increasing benefits in line with inflation will not address the deficit in sufficiency that exists within the Universal Credit standard allowance, and the flaws that exist with the benefit cap. In addition, by creating additional sanctions for claimants the government risks increasing the financial hardship that social housing tenants in Wales experience.

Welsh Government Funding

£180 million will be made available to the Welsh Government, alongside £320 million for the Scottish Government and £132 for Northern Ireland. There will also be £20 million available for the Welsh Government to restore the Holyhead breakwater.

Other announcements

Pensions

The Chancellor outlined plans to remove incentives for doctors and other NHS staff to work reduced hours or retire early. NHS clinicians have claimed that unpredictable pension tax charges are deterring them from remaining in the NHS. The Chancellor has thus increased pensions annual tax-free allowance from 40,000 to 60,000.

The lifetime allowance, which was previously £1 million, has been abolished. This aims to stop 80% of NHS doctors from receiving a tax charge and incentivise people to stay in work for longer.

Childcare

The budget hopes to bring reform to the childcare system in England. The current [Wales](#) equivalent is open to 3 or 4 years with up to 30 hours of early education and childcare a week available to those in education or employment. The changes in England will include those aged 1-2 years.

Fuel

The planned increase in fuel duty has been frozen for the next financial year and the 5p fuel cap has been maintained.

Investment in alternative energy

The Chancellor emphasised investment in the green economy, announcing £20 million of support for Carbon Capture and Storage (CCUS). Nuclear power will also be reclassified as environmentally sustainable and therefore will be able to access similar funding streams to Green Energy.



The Chancellor has announced Great British Nuclear to enable nuclear projects, support the UK's nuclear industry and provide opportunities to invest.

Support for Ukraine

The government is providing an extra £5bn for defence and national security priorities over the next 2 years. This is in recognition of the deteriorating security environment where the UK must be able to deter and defend against increasing threats, as described in the Integrated Review Refresh. This budget allocation highlights the government intention to honour its commitments to invest 2.5% of the GDP in defence over the longer term.

Levelling up - Investment Zones

12 new investment zones, with at least one in Scotland, Northern Ireland and Wales, will each have access to £80 million worth of levelling up support.

Public borrowing

Public sector net debt (PSND) currently stands at almost £2.5 trillion and the OBR forecasts that the PSND will reach 100.6% of GDP in 2022-23.

Borrowing remains elevated in the near term but will fall over the forecast reaching £49.3bn (1.7% of GDP) by 2027-28.

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