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Implications of the Summer 2015 Budget on the Advice Sector

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Summer 2015 Budget



- Introduces a raft of changes, including to
 - Minimum wage rates
 - Taxes
 - Welfare
 - Social Housing
 - Childcare Funding
 - Student Finance
 - Apprenticeships
- The purpose of this presentation today is to invoke a discussion about:
 - What these changes mean for our local advice sector
 - What we need to set in place to cope with these changes
- Remember these changes are not yet law!

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Changes to Pay



- Minimum wage will undergo an accelerated increase.
- It will rise to £7.20 per hour from April 2016, for those aged 25+
- By 2020 it should be over £9 per hour

- Also, from April 2016 public sector pay will rise 1% per year for four years

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Tax changes



- Workers:
 - Personal allowance increases to £11,000 in April 2016, planned to rise to £12,500 by 2020
 - By 2020 minimum wage earners won't have to pay any tax
 - Changes to taxation of dividends from April 2016
 - Significant cuts to Inheritance Tax from April 2017
 - Reduction to tax free pension contributions for high earners from April 2016
 - Higher rate threshold increasing to £43k pa from April 2016

- Businesses:
 - Corporation tax cut to 19% in 2017 and 18% in 2018
 - Annual Investment Allowance for businesses raised to £200k pa from January 2016
 - Employment Allowance raised to £3,000 from April 2016

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Tax changes continued



- Private landlords:
 - from April 2016 will need to prove they needed to spend money on wear and tear to claim it back
 - By 2020 tax relief for costs will be restricted to 20%
- Emigrants
 - Non-domiciled status will be abolished from April 2017
- Banks:
 - 8% tax on banking sector from January 2016
 - Phased reduction of bank levy from 0.21% to 0.1% by 2021
 - Overseas subsidiaries excused from bank levy from January 2021
- Other:
 - Insurance Premium Tax raised from 6% to 9.5% from November 2015
 - Road tax changes from 2017 for new vehicles

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Welfare – a summary



- April 2016
 - Benefit Cap lowered to £20k pa outside of London
 - Four year freeze of benefit rates, excluding pensioner, disability and statutory benefits
 - Tax Credit cuts to threshold and taper
 - Universal Credit cuts to work allowances
 - Housing Benefit cuts to family premium and backdating
 - Support for Mortgage Interest not available for first 39 weeks
 - Also, from April 2018, this will be a loan instead of a benefit

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Welfare – a summary



- April 2017
 - Only two children allowed in HB, Tax Credits and UC claims
 - Family element cut from new CTC and UC claims
 - ESA and UC WRAG components cut
 - UC lone parents – work search compulsory from youngest aged 3
 - UC Youth Obligation for 18-21 year olds
 - No housing costs for 18-21 year olds (with exceptions)

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Social Housing



- Rent Levels:
 - Social rents reduced 1% year on year from April 2016
 - Government previously agreed RSLs could increase rents by CPI+1% for next 10 years
- Pay to Stay:
 - All households earning £30k pa or more will be required to pay market rent for their social housing property
 - Possibility of there being a taper undecided
 - Encourages tenants to buy their home instead
- Right to Buy (not mentioned in budget but an election pledge):
 - Tenants who began renting from a social landlord after stock transfers will now have access to similar right to buy provisions
 - Will be funded by Local Authorities selling their high value stock

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Others



- Child Poverty (not in the budget, but in the Welfare Reform and Work Bill)
 - Redefining how this is measured
- Childcare
 - From September 2017 3 and 4 year olds will receive twice as much free childcare – 30 hours per week
- Student Finance
 - From 16/17 academic year, £8,200 a year will be available for students from low income households
 - However, maintenance grants will be replaced by loans
 - Paid back only when earning £21,000pa
- Apprenticeships
 - 3 million new apprenticeships by 2020, funded by a levy on large employers
- Tax evasion
 - More funding for HMRC to tackle tax evasion

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So what does this mean for us?



- Low wage earners will earn more and be taxed less – but this is more than offset by the cuts to welfare
- New welfare recipients will in some cases have far more limited support than current claimants
- Support for large families is especially diminished
- Restrictions to social housing will make affordable housing even more scarce
 - right to buy will mean more stock lost,
 - rent reduction will reduce income
 - pay to stay will not likely offset these losses
- Cuts to benefits will increase the number that cannot afford to pay their rent and other priority bills
- Increased cases of severe poverty and indebtedness?
- What do you think?

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What next?



- What do we need to do to prepare?
- What training do we need?
- How are we going to fund this?

- **DISCUSS!**



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