navca
local focus national voice

Autumn Budget 2017

1. Local infrastructure & charity – a summary of relevant points

Yesterday's Budget largely ignored local infrastructure and charities, containing little that is directly relevant to the sector. Whilst much of the Budget was centred around business and physical infrastructure (e.g. roads, rail, bricks and mortar), there was no commitment made to supporting social infrastructure and no mention of increasing spending on many key public services such as social care.

Charity & local infrastructure - what's included:

- There will be changes to Gift Aid from April 2019, simplifying the system and reducing the three current donation thresholds down to two.
- Insurance premium tax rates have been frozen until at least 2022/23. This is good news for charities following speculation that a rise would be likely and that this in turn would result in charities having less money to spend on charitable activity.

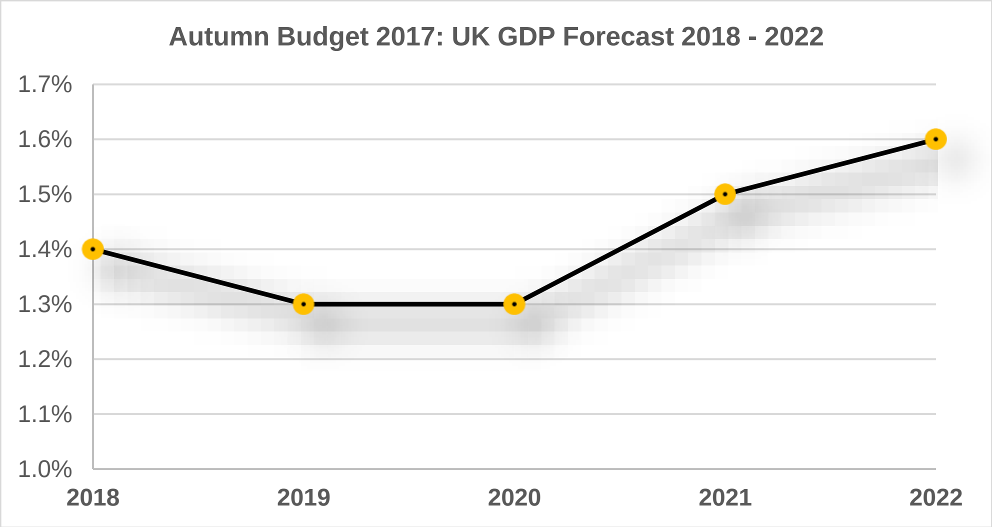
Key Omissions:

- We were not given details on how Brexit will impact the EU funding that charities receive, or what will replace this funding once the UK leaves the EU.
- There were no measures announced to support voluntary and community groups, to boost social enterprise or to encourage increased volunteering.
- Over the past few years the Charity Commission's Budget has been almost halved; slashed from £40m to around £21m. Further cuts are expected and Government also plans to consult on proposals to charge charities to meet this shortfall. The Budget made no reference whatsoever to the under resourced Charity Commission, or how its funding gap will be plugged.
- The Commission on Dormant Assets recently outlined that between £1-2bn dormant financial and non-financial assets could be put to social use, putting resources in the hands of communities to solve their own problems. However, the Budget lacked any reference to how dormant assets could help local communities.
- The UK's social care system is stretched to crisis point. Alarmingly, the budget made no acknowledgement of this and no commitment to the much needed increased spending on key services such as mental health and the care of older people.

The omission of the voluntary and community sector from the Budget is short-sighted, and demonstrates a Government standpoint that economic growth is dependent on GDP growth, business and investment in physical infrastructure. This budget has ignored the fact that prosperity is also dependent upon strong, sustainable and well supported communities, and that charities, voluntary and community groups play an invaluable role in fostering these.

2. General economic forecast

- **Economic growth forecasts (GDP and productivity) have been revised downwards and are predicted to fall over the next three years, possibly a result of uncertainty around Brexit.** GDP growth is forecast to fall and stagnate over the next three years, picking up again by 2021.



Source: HM Treasury: Autumn Budget 2017 Policy Paper

- Inflation is set to peak at 3% this year and then fall.

3. Related to local infrastructure & charity

Brexit

- £3bn is set aside for Brexit preparations, including as contingency for the possibility of leaving the EU without a deal. This is a significant increase from the initial allocation of £700 million**,** and could arguably have been better spent on improving public services and supporting local communities.
- There has been no mention of the impact of Brexit upon charities in receipt of EU funding. Recent research by the Directory for Social Change suggests that UK charities risk losing £258.4 million in funding as a result of Brexit. The 2017 Conservative Party manifesto promised to use EU funds that come back to the UK after Brexit to create a 'Shared Prosperity Fund,' but has made no mention of the plan since then and has failed to answer a formal question from DSC on the steps being taken to ensure that charities could bid for funding from the Shared Prosperity Fund. Yesterday's Budget did nothing to clarify or dispel concerns around post-Brexit funding.

Universal Credit

- The Chancellor referred to concerns over the operational delivery of Universal Credit, with £1.5 billion to make changes that are "necessary and overdue". The seven-day waiting period when applying for Universal Credit is being removed so that entitlement will begin on the first day of a claim. Claimants who need an advance will be able to access a full months' payment within five days of applying. It will be possible to apply for advances online and the repayment period will be extended from six to twelve months. New claimants in receipt of Housing Benefit will continue to receive this for a further two weeks (with the intention of "making it easier for them to pay rent")

- All in all, this is a positive move, particularly for charities who work with Universal Credit beneficiaries. The new proposals may also make it easier for some claimants to avoid eviction whilst waiting for Universal Credit. Research by The Trussell Trust, Oxfam, Child Poverty Action Group, & the Church of England, found that foodbank use is significantly higher in areas where there is full Universal Credit roll-out. The research stated that claimants may experience "immediate, acute financial crisis" caused by issues such as delays in receipt of payment. Three of five key Universal Credit asks made by The Trussell Trust to Government have been adopted in this Budget:

Universal Credit Asks – to Government by The Trussell Trust

1. ***Reduce the 6 week wait for the first Universal Credit payment***
2. ***Make advance loans available and make repayment plans more affordable***
3. ***Legacy benefits like Housing Benefit should be paid until Universal Credit payments kick in***
4. Fix administrative problems such as lost paperwork and delays that leave people without money
5. Reassess the 4-year benefit freeze as current benefit levels may not cover the cost of living

Source: The Trussell Trust

Housing & homelessness

- **Affordability** – targeted affordability funding will be increased by £125 million over the next two years, aimed at helping 140,000 people, in areas where private rents have been rising fastest**.** The proposed package however, is very small compared to the billions that will be put aside for housebuilding. As it's targeted at those on low incomes/benefits in expensive private rented accommodation, the measures are more likely to benefit landlords than the renters themselves.
- Consultation is to be launched on the barriers to long term tenancies in the private sector and how landlords can be encouraged to move in favour of these over less secure tenancies. (This won't do anything in the short to medium term to increase the supply of housing to families and individuals looking for long term tenancies).
- **Grenfell Disaster** – the Chancellor pledged to give further financial support (£28 million) to the Royal Borough of Kensington & Chelsea Council (RBKC) for mental health support services, counselling, regeneration support and the development of a community space. It will be interesting to see how RBKC engages/works with local infrastructure organisations, community groups and charities to deliver for and support the community, once funding is allocated (no indication given on when this will be). Although the allocation of funding to support Grenfell residents is positive it is a very reactive move. There was no mention of funding that would run into billions to fit sprinklers in all high rise accommodation across the UK and potentially prevent another tragedy occurring. Recent arguments by the Labour party outline that only 2% of high

rise blocks have sprinklers and some councils (including Nottingham, Salford and Westminster) claim they have been denied funding for safety improvements.

- **Rough sleeping** - Government will invest £28 million into three Housing First pilots in Manchester, Liverpool & the West Midlands. A Homelessness Taskforce will be set up with targets to half rough sleeping by 2022 and eliminate it by 2027. Whilst the commitments to address rough sleeping are admirable, they do not go far enough. A decade to deal with the rough sleeping crisis is too long. Additionally, no mention was made of measures or funding to tackle other forms of homelessness; e.g. the "hidden homeless" (those turned away by local authorities and are disproportionately more likely to be from disadvantaged groups; including single parent families, young people and those from BAME backgrounds), nor does it address the problem of families living in temporary accommodation.

Other housing related announcements in the Budget:

- Government will give local authorities power to charge 100% council tax premium on empty properties.
- £8 billion of financial guarantees will support private building and £2.7 billion will be allocated to a new housing infrastructure fund.
- Five new garden towns.
- A planned one million new homes on the Cambridge/Milton Keynes/Oxford corridor by 2050.
- The Homes and Communities Agency becomes Homes England to pool expertise, planning and purchasing powers.
- £44 billion will be allocated as capital funding to help build 300,000 homes a year by 2020.
- Oliver Letwin to chair a review exploring ways to speed up planning permission.
- £34 million investment into construction skills.

Employment, earning & the cost of living

- There was an overall failure to acknowledge that growing inflation and the rising cost of living, along with the ongoing squeeze on wages, has caused a crisis. Referring to "Making work pay" the Chancellor announced that the National Living Wage (the minimum wage for people aged over 25) will increase by 4.4%, "giving 2 million, full time, low paid workers a £600 increase in pay". In real terms this is only by 33p per hour, taking it from £7.50 to £7.83. Government is now no longer on course to meet its target of increasing the National Living Wage to £9 per hour by 2020.
- On the cost of living, the personal income tax allowance will increase to £11,850 and the higher tax threshold will be increased to £46,350. Basic Rate tax payers will be £1,075 better off than they were in 2010. Charities will also need to check that donors are still paying tax for Gift Aid.
- **Tobacco & Alcohol Duty –** there was a passing recognition of the need to address problem drinking amongst vulnerable people, particularly cheap access to potent white ciders, with duty set to increase on these from 2019. The Chancellor's decision to freeze duties on other alcoholic drinks may largely be due to lobbying pressure from industry bodies such as the Scotch Whiskey Association, Wine and Spirits Trade Association (WSTA) and the Association of Licensed Multiple Retailers (ALMR). There is a planned 1% increase on tobacco.

- **Travel –** the Chancellor acknowledged that travel is an important factor for families and business and has cancelled a rise in fuel duty and frozen passenger duty for short haul and long haul economy (funded by an increase on premium class tickets). There will be a new railcard for 26 – 30 year olds giving a discount of up to a third off travel. There was no other announced action on the cost of rail fares, which are at their highest in five years (increasing at a rate of over three times higher than the average annual pay rise).

NHS

- Despite strategic forward planning outlined in the NHS Five Year Forward View, the NHS is still under pressure. The Chancellor pledged £3.5 billion of capital investment for buildings and facilities in the NHS in England by 2022- 23. This amount includes £2.6 billion for the NHS's Sustainability and Transformation Partnerships to improve facilities, and help local areas deliver more integrated care for patients, and better meet demand for services. Whilst additional NHS funding is critical, this still falls short of the £4 billion recently called for by Simon Stevens.
- Allocating additional funds should, in theory, support NHS Trusts and CCGs to deliver their transformation plans and more funding could provide opportunity for increased commissioning and innovative working with the voluntary sector. It must be noted however that the additional funds from Government to the NHS are not committed for the specific purpose of joined up working/co-commissioning with the voluntary sector, and so there will be difficult arguments to be won against other STP priorities.

Gift Aid

- As of April 2019, charities will be able to give donors a higher level of benefit and still claim Gift Aid on certain donations. Donation value categories will be reduced from three to two. You can find more information on this here.

Tax

- The VAT threshold for businesses will remain at £85,000, with a planned consultation to look at how its design could better incentivise business growth. There had been speculation that this threshold would be significantly reduced to £20,000 in order to bring it in line with the rest of Europe, which would have affected smaller charities, putting some into crisis. The decision to keep the threshold at £85,000 is therefore good news.

- From April 2018, Business Rates will rise in line with the lower rate Consumer Prices Index (CPI) measure of inflation, not the Retail Prices Index (RPI). Future Business Rate revaluations will take place every three years rather than five. The controversial Staircase Tax, (which ruled that businesses occupying separate floors of a single building would be charged for more than one rateable site), will also be addressed. Affected businesses will have their original bill reinstated. These measures are intended to save businesses £2.3 billion against the burden of the rates over the next 5 years.

- In London a scheme allowing local authorities to collect and retain 100 per cent of business rates will be piloted next year. This could have a negative impact on charities, which currently receive an 80 per cent mandatory relief on business rates on property occupied for charitable activity. Local authorities can apply an additional, discretionary 20 per cent relief on top of this. There is a lack of clarity on where a100 per cent retention of business rates would leave charities, and if councils would be less likely to continue allowing voluntary exemptions.

- Insurance premium tax rates have been frozen until at least 2022/23. This is good news for charities following speculation that a rise would be likely and would result in charities having less money to spend on charitable activity.
- Measures to tackle tax avoidance are forecast to raise £4.8 billion by 2022-23.

Physical infrastructure (transport/roads/digital connectivity)

- The Budget includes recognition of the need redress disparities in economic performance by region and a traditional primary focus on London. The Chancellor announced the launch of a £1.7 billion Transforming Cities Fund. Half of this will be allocated to the six localities with elected Metro Mayors, the rest will be allocated to other areas via open competition.
- £300 million will be allocated to the Northern Power House and Midlands Engine to fund HS2 infrastructure rail improvements.
- £30m will be allocated to improving digital and mobile connectivity on the Trans-Pennine train routes.
- £500 million will be invested into the tech sector, including full fibre broadband and developing 5G infrastructure. This is potentially good news for tech-based charities and also positive news for charities rural based. £20 billion has also been promised to help UK tech businesses to scale up, again this increased investment could be positive news for charities in the digital/tech sector.

Devolution

- A second deal has been agreed with West Midlands Combined Authority and a deal is now agreed with North of the Tyne. A Local Industrial Strategy is being developed by Greater Manchester Combined Authority. Commitment was made to funding replacement rolling stock on the Metro in Tyne & Wear and an investment of £123 million was committed to Redcar Steel.
- The Chancellor announced progress on negotiations with City Deals in Scotland & Wales, and £2 billion was allocated to the Scottish Government, £1.2 billion allocated to the Welsh Assembly and £660 million allocated to the NI Assembly, which will boost the Belfast Growth Deal.