



## Budget 2016: summary and analysis

This briefing outlines some of the key announcements [in the Budget 2016](#), and Locality's analysis on the likely impact to our members and the people our members work with.

The Chancellor framed his Budget within the context of 'weak global economic performance' and international productivity challenges, presenting a 'dangerous cocktail of risk' which the UK must take measures to avert.

Within this context, the Chancellor made the case for 'stability' and a further £3.5 billion efficiency savings by 2019/2020. His speech repeatedly stressed the need for 'long term solutions to long term problems' and that this was a Budget for 'the next generation.'

The key (non) announcement which will affect the community sector was that the feared changes to business rate relief for charities were **not** included in the Budget. Announcements were also made around new funding to community-led housing, and new social impact bonds to address homelessness.

This briefing includes more detail on:

- [Business rates relief for charities](#)
- [Devolution and local government](#)
- [New funding for community-led housing](#)
- [New homelessness funding](#)
- [Welfare changes - cuts to personal independence payments](#)
- [Debt advice - Money Advice Service scrapped](#)
- [New funding through LIBOR fines and tampon tax](#)
- [Missed opportunities - community assets](#)

### **Business rates: rates relief for charities protected**

#### ***Rates relief for charities***

Ever since the Chancellor first announced the devolution of business rates to local authorities in October last year, Locality have been concerned about the implications this move would have for business rates relief for charitable organisations.

Along with a number of other sector organisations, [we wrote to the Chancellor](#) in February calling on him to protect this vital relief - which is currently set at a mandatory 80%.

The Chancellor's speech and Budget document were suspiciously quiet about the future of the relief. However, the Treasury later confirmed that the mandatory level of 80% is being

protected. This doesn't rule out a future change, and the community sector needs to be ready to strongly make the case for why business rates relief is so important.

### ***Other business rates changes***

There were a number of other changes to business rates which were included in the Budget - including cuts to business rates for small businesses - which will also benefit social enterprises.

Early analysis calculates that the cumulative cost of these changes will be £6.7 billion. At a time when local government is facing extreme constraints on their finances - the key question is whether this will be paid for centrally by the Treasury, or by local authorities as rates are localised.

## **New 'Devolution Deals' announced**

The Chancellor extended his ambition for a 'North South East West Devolution Revolution' with announcements of new 'Devolution Deals' in the West of England, East Anglia, and Greater Lincolnshire.

This will include a role for these combined authorities in designing local Work and Health Programme. Greater Manchester is also being given greater powers over criminal justice as well as a 'Life Chances Investment Fund.'

We've been [making the case for devolution to better involve the community sector](#), arguing that ultimately devolution will do more for people and communities if it strengthens their involvement in decision making. We also need to see a commitment from combined authorities to 'onward devolution' and strengthening neighbourhood governance.

## **Community-led housing**

The Chancellor announced that £60 million of additional receipts from new Stamp Duty taxes on second homes and buy-to-let properties would be spent on community-led housing in rural and coastal communities.

This is a really encouraging announcement - it shows that the government is listening to our calls about the value of community-led housing and the role it can play in alleviating the housing crisis and strengthening communities.

However, we would like to see this kind of investment being made across the country. Whilst the government's rationale for spending this money in coastal and rural communities (predominantly in the South West) is that these are areas where the impact of people buying up second homes is most keenly felt, we would argue that the case is also strong for investing in community-led housing in all neighbourhoods, including city centres.

## New funding for homelessness

The Budget included a new fund of £115 million towards homelessness. With rough sleeping having doubled since 2010 - the need for this money is desperately obvious. However, as [organisations such as Crisis](#) are already pointing out, what is needed are solutions to tackle the structural causes of homelessness.

We would also argue that affordable housing needs to be prioritised by this government, and have been raising concerns that [the current Housing and Planning Bill risks skewing housing provision away from affordable housing](#).

The new investment includes increased funding for a Rough Sleeping Social Impact Bond. Whilst new money is welcome, we know that SIBs can be inaccessible and inappropriate for community organisations. We are working on plans to publish a report later this year on the future of social investment and alternative forms of funding that brings together our members' experience of different models of financing.

## Welfare spending - cuts to personal independence payments

Despite heavy opposition, led by disability campaigners, the Budget confirms moves from the Department for Work and Pensions to reduce payment eligibility for personal independence payments (PIP). More than half a million people are set to lose up to £150 a week.

And despite measures in the Budget designed to help lower income families - such as raising the personal tax free allowance to £11,500 and a new 'Help to Save' scheme - in reality this will not offset the [huge impact of cuts](#) to Universal Credit which take effect next month.

## Money advice service to be scrapped

The government's Money Advice Service, introduced in 2010 to provide people with independent financial advice, is being cut. The National Audit Office has previously [raised concerns about the lack of value for money](#) from the service, and public awareness of the service has also been low.

However, important questions need to be answered around how services funded through the Money Advice Service will be sustained - Locality members, some of whom are funding by the service, are all reporting increasing demand for debt and money advice services and this demand is only likely to increase over the coming years.

The Budget document states that the Money Advice Service will be restructured, along with the Pensions Advisory Service and Pension Wise, to provide a "new delivery model

[which] will direct more funding to the front line and focus support on areas of greatest consumer need.”

## **Funding for charities from Libor fines and Tampon Tax.**

The Budget announced a number of charities that will receive funding from £45 million diverted banking fines.

This has become a common move from the Chancellor - and this year’s main beneficiaries are military charities. We’ve [previously called](#) for a more strategic approach to Libor fines and for this money to be used for capacity and skills building across the whole of the voluntary and community sector - rather than the current system of singling out specific good causes.

The Chancellor has also added to the list of charities that will benefit from funding from controversial VAT on sanitary products. These charities are mainly women’s health and domestic violence charities, but also includes grant making bodies Comic Relief and Rosa.

## **Missed opportunities - community assets**

In the weeks leading up to the Budget, we had been [calling on the Chancellor](#) to use the Budget as an opportunity to outline a comprehensive strategy on how he will support community asset ownership.

In the context of the Autumn Statement in November 2015 - where it was announced that local authorities would be ‘encouraged and empowered’ to sell off their owned assets to raise revenue - we have been calling for the establishment of a ‘Community Capital Fund.’

This fund would use 3% of all local authority asset sales to provide investment for community organisations to take on and manage community assets, as well as provide central support and advice on asset transfer.

This is a missed opportunity for the Chancellor - this would have been an important way to invest in the ‘long term solutions to long term problems’ - which was one of his chosen soundbites for the day.

We will continue to call for clarity on how community assets will be protected amid this expected fire sale of local authority owned assets.

## **Contact details and next steps**

The Policy Team at Locality will be keeping you updated with further analysis emerging out of the Budget - through our regular policy blog and our ‘inside story’ policy update mailings for members.

For any comments or questions about this briefing, please do get in touch with Locality's Policy and Public Affairs Manager - Louise Winterburn at [louise.winterburn@locality.org.uk](mailto:louise.winterburn@locality.org.uk)