Autumn Budget and Spending Review submission 2024

National Housing Federation

6 September 2024

Summary

Housing associations are uniquely placed to support the new mission-led government to kickstart growth, end the housing crisis, tackle the climate emergency and rebuild public services. To do this, our sector needs swift financial stabilisation, targeted strategic investment and long-term certainty. To build, we first need to lay strong foundations.

We welcome the government's early commitments to essential planning reform, as set out by the Deputy Prime Minister in July 2024, and, as part of this fiscal event, giving housing associations the rent stability they need. We are also delighted that the government plans to publish a long-term housing strategy. The NHF and our members have long made the case that the housing crisis can only be resolved in full with a long-term outcomes focussed plan and are ready to support the government to develop it. This fiscal event is the opportunity to kickstart that process.

Housing associations are anchor institutions in their communities, with a track record of collaborative delivery in every part of the country. Housing associations already build a quarter of new homes and drive growth, improve the energy efficiency of 50,000 homes annually and aid a variety of public services through supported and older persons' housing provision. For every £1 of public grant housing associations unlock £4 of private investment. They also save residents £9bn every year compared to if they were living in the private rented sector and save the government £6bn annually through reduced welfare spending.

The recommendations in this submission, taken together, would create the conditions for housing associations to: help deliver the biggest increase in affordable housebuilding in a generation; progress our shared priorities through investment in existing homes to make them safe, green and high-quality; and play a critical role in

supporting public services to rebuild. We have structured our submission around this government's missions.

Mission: Kickstart growth - how housing associations can help deliver 1.5m new homes

Building social homes is both the key to ending the housing crisis and kickstarting growth. Research from Shelter and the National Housing Federation, carried out by CEBR, shows that building 90,000 social rented homes would result in economic net benefits worth £51.2bn. Due to current significant financial and regulatory pressure and uncertainty, many housing associations are reducing their development programmes and their expenditure on Section 106 homes. To turn this around, we are asking for:

- A 10-year rent settlement with annual increases capped at CPI+1% and a fair and consistent approach to rent convergence for those homes below formula rent is needed to rebuild housing association capacity. NHF analysis shows this is on average affordable for social housing tenants. Adjustments to the welfare system should also be made to provide appropriate protections for both existing and future social housing tenants.
- A rapid boost to the Affordable Homes Programme, extending the current programme by one year, with a funding boost, a shift towards social rent, and greater flexibilities around grant rates and regeneration.
- A new long-term Affordable Homes Programme from 2026 for social rent and shared ownership, with minimum funding of £4.6bn per year on average for the first Parliament, on a minimum five-year rolling basis.
- Changes to the scope of the Economic Crime Levy for housing associations.

Mission: Break down barriers to opportunity through safe and decent homes

Housing associations are committed to providing safe, high-quality homes that are fit for the future. But the scale of necessary investment, on average £40,000-50,000 per home, is too substantial for housing associations to meet alone. With a partnership approach between our sector and the government, we can ensure residents' safety more quickly, meet these investment challenges and further unlock new development and regeneration capacity. We ask that the government:

- Provide equal access to the Building Safety Fund and Cladding Safety Scheme to social landlords.
- Underwrite buildings insurance risk for buildings with safety defects.
- Remove VAT from building safety works, extend and expand the relief on Energy Saving Materials and review VAT for all refurbishment works.
- Ensure that the funding commitment to support people to evacuate residential buildings in an emergency supports the most vulnerable.
- Review and prioritise the timeframe for introducing additional regulatory requirements.
- Work with our sector to develop building safety, decency and decarbonisation funding into a new long-term £2bn per year Social Housing Investment Fund.

Mission: Clean energy superpower – housing associations can underpin the Warm Homes Plan

Housing associations are already at the forefront of tackling the twin challenges of the climate crisis and fuel poverty. Housing association homes are more energy efficient than any other tenure and because of our scale we have a unique ability to drive retrofit innovation and supercharge the supply chains that all other housing tenures will draw upon. To get the Warm Homes Plan underway we recommend the government:

- Quickly roll out Wave 3 of the Social Housing Decarbonisation Fund (SHDF) with a funding boost in line with Labour's Warm Homes Plan.
- Develop a new round of the Energy Company Obligation and review social housing's access to it.
- Implement the recommendations of the National Infrastructure Commission's Second National Infrastructure Assessment, to ramp up the delivery of heat pumps and heat networks alongside a social energy tariff.

Mission: Build an NHS fit for the future – housing associations' role in rebuilding public services

Supported housing helps half a million people in the community and is a vital part of a sustainable housing, health and social care system. Supported and older persons' housing relieves pressure on a range of public services and will be essential if we are to build an NHS fit for the future. We recommend the government:

- Provide emergency revenue funding for housing-related support to local authorities in financial crisis, roll over support contracts for one year, and extend and uplift the Rough Sleeping Initiative and Homelessness Prevention Grant, to ensure vital homelessness and supported housing services can continue to operate.
- Commit to long-term, ring-fenced and increased funding for housing-related support which is held nationally but distributed locally and is at least £1.6bn per year to ensure the continued viability of vital supported housing provision.
- Reinstate the £300m Housing Transformation Fund, or an equivalent, to integrate health, social care and housing and deliver supported housing strategically.
- Commit to 167,000 more supported homes by 2040 and ensure the AHP and rent settlement covers the costs of achieving this.

Introduction

The National Housing Federation (NHF) is the voice of England's housing associations – not-for-profit social landlords that provide more than two and a half million homes and support for around six million people across England. Our members also provide other services that enable individuals to have a better quality of life in their neighbourhood and communities. **Housing associations save their residents £9bn every year compared to if they were living in the private rented sector, and the government £6bn through reduced welfare spending.**

Our sector wants to do more, and the scale of the housing crisis demands we continue to effectively partner with local, regional and national government to do so. **There are 8.5 million people in England who can't access the housing they need.** This includes two million children (1 in every 5) who are living in overcrowded, unaffordable or unsuitable homes. Households in England are facing **record levels of homelessness** with over 150,000 children living in temporary accommodation, including 5% of all children in London. Rough sleeping increased by 27% between 2022 and 2023. **The total cost to society of poor housing is estimated at £18.5bn per year.** The UK has amongst the leakiest homes in Europe, which means people can't afford to keep them warm and our carbon emissions are unnecessarily high. That cost is borne by vital public services including health and care, and the economy through lower productivity and worse educational outcomes.

Housing associations are uniquely placed to support this mission-led government to **kickstart growth, end the housing crisis, tackle the climate emergency and**

rebuild public services. But as it stands, housing associations are facing a wide range of financial pressures that will inhibit their ability to do so. This fiscal event offers a critical opportunity to change that.

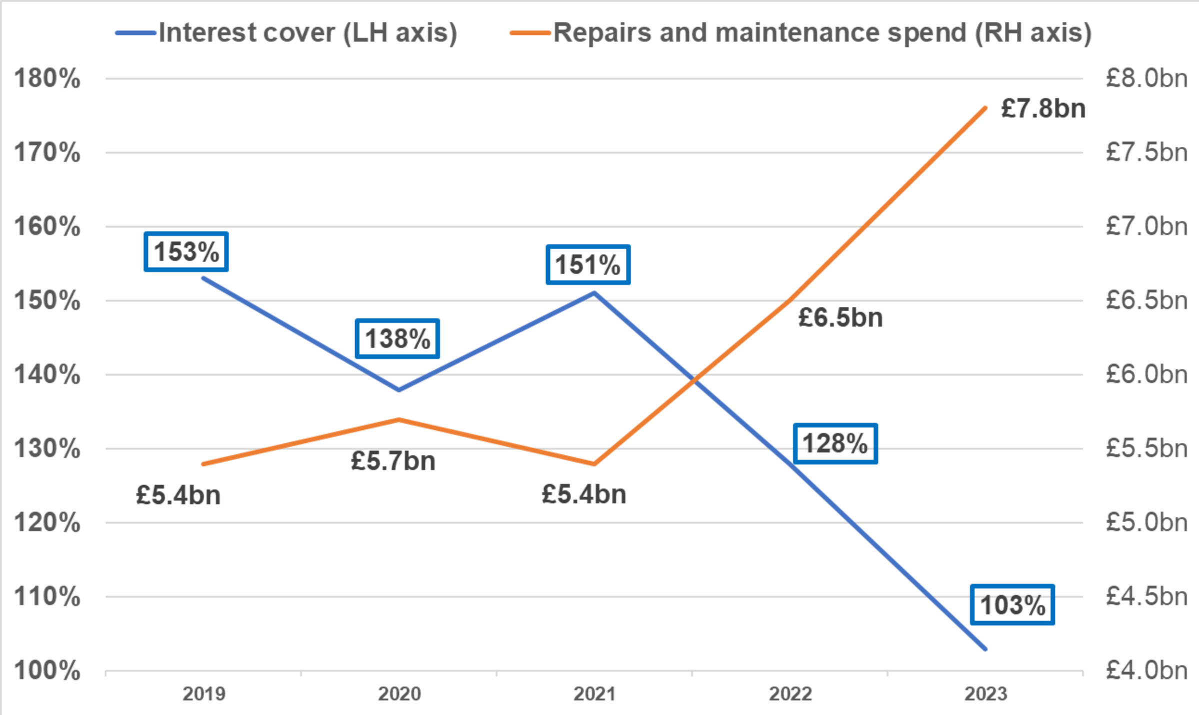
Housing association finances – a model under pressure

Housing associations have faced 14 years of both capital and revenue funding reductions, and significant policy and regulatory change and uncertainty. In 2010, grants for social homes were slashed by 63%. **Since 2015, real terms rents have fallen by 15%, meaning housing associations' rents were £3bn lower last year than they would have been without government intervention.** The reduction in financial capacity that this has generated has left housing associations highly exposed to the much higher rates of inflation and interest rates that we have experienced over the last two years. Additionally, housing association spending on repairs and maintenance hit a record high of £7.7bn in 2022/23, 20% higher than the prior year. The Regulator of Social Housing's quarterly survey shows a further increase in repairs and maintenance spending to £8.2bn in the year to June 2024.

This escalating and necessary investment in existing homes is only forecast to rise to ensure they are all fully compliant, safe, decarbonised, high quality, and fit for the future. **NHF analysis shows this could reach £40,000-50,000 on average per home** and current government funding support is not sufficient for this challenge. In the coming years our sector needs to spend:

- Around £6bn on building safety, with £4bn planned during 2022-2027.
- At least £36bn to decarbonise all housing association homes.
- An unknown scale of investment to incorporate a new regulatory system and measures such as the new Decent Homes Standard and Heat Network Technical Standards.

Taken together, these pressures on both housing associations' income and expenditure – combined with major policy uncertainty - have rapidly **eroded housing associations' capacity and confidence to borrow and to build.** Absent of policy and funding change, we anticipate some housing associations will need to increase the rate at which they sell homes in order to protect their financial sustainability. Falling interest cover is the primary constraint on housing associations' ability to borrow. **Last year the sector average fell rapidly to a new low.** Many organisations have interest cover well below this.



To ensure housing associations can support the government to deliver on its missions and priorities our sector needs swift financial stabilisation, targeted strategic investment and long-term certainty. To build, we first need to lay strong foundations.

We welcome the government's early commitments to essential planning reform and, as part of this fiscal event, giving housing associations and councils the rent stability they need. We are also delighted that the government plans to publish a long-term housing strategy. We and our members have long made the case that the housing crisis can only be resolved in full with a long-term outcomes focussed plan and are ready to support the government to develop it. This fiscal event is the opportunity to kickstart that process.

The recommendations in this submission, taken together, would create the conditions for housing associations to: help deliver the biggest increase in affordable housebuilding in a generation; progress our shared priorities through investment in existing homes to make them safe, green and high-quality and play a critical role in supporting public services to rebuild.

Mission: Kickstart growth - how housing associations can help deliver 1.5m new homes

Building social homes is both the key to ending the housing crisis and kickstarting growth. Research from Shelter and the National Housing Federation, carried out by CEBR, shows that building 90,000 social rented homes would result in economic net benefits worth £51.2bn. Most of this impact would happen quickly – £32.6bn would be generated within a year of building the homes, supporting almost 140,000 jobs. Within three years, the programme would break even, with the wider economic benefits surpassing the upfront cost of building, largely by boosting the construction industry. **For every £1 of public grant housing associations would unlock £4 of private investment.**

Housing associations actively support the government's 1.5m new homes target and want to play their essential part in delivering it and the government's ambition for the biggest increase in affordable housebuilding in a generation. **Housing associations have continued to build a quarter of all new homes over the last few years despite the challenging financial environment outlined above**. Whilst the macroeconomic environment has started to ease, many of the financial and regulatory pressures faced by the sector are only set to increase and **many housing associations are reducing their development programmes and expenditure on Section 106 homes.**

This has to change. Savills analysis for the NHF shows that **demand for market homes alone will not deliver 300,000 homes per year, even with planning policy reform.** The contribution of housing associations is and will be essential. History shows us that **we have only built more than 300,000 homes per year when social housebuilding has contributed a third or more of the total**. Today, social housing will be built by both housing associations and local authorities.

An increase in social housebuilding will be vital to building 1.5m homes this parliament. This is because homes for market sale are only built and sold at a rate which keeps the price steady or rising. However, building homes of different tenures – including a large proportion for social rent – speeds up housebuilding because there is so much demand for social housing that homes can be let as fast as they can be built.

Relying on private sales alone is also dangerously cyclical – building stops as soon as the economic environment takes a downturn. This has a knock-on impact on employment, skills and capacity in our construction sector. **Grant-funded social housebuilding can pick up the slack and sustain housebuilding regardless of what is happening in the economy.** That long term certainty and ability to ride out downturns means that publicly funded social housebuilding is the only way to protect jobs and generate sustained investment in improving construction sector productivity.

Supply-side reforms to the planning system are important and we warmly welcome the action the government has already taken. But ensuring there is demand for new homes is equally important – and **grant-funded social housebuilding is the best route to doing this**, because of the high levels of need for additional social homes**.** Rebuilding the financial capacity of housing associations and local authorities and delivering long term certainty will be vital. A long-term rent settlement and funding for the Affordable Homes Programme remain the first building blocks for housing-led growth.

A new rent settlement: restoring housing associations' capacity and confidence to borrow, invest and build

Income from social housing rents underpins housing associations' investment in existing homes and services for residents, and their ability to borrow to build new social homes. Housing associations received £15.2bn in rent in 2022/23, 63% of their total turnover.

A combination of rent cuts and the 2023/24 rent cap mean that rental income is now 15% lower in real terms than in 2015. In the last financial year, this reduced housing associations' income by £3bn. We welcome the government's early commitment to a new rent settlement to rebuild housing associations' capacity. **We are seeking a commitment to a 10-year rent settlement with annual increases capped at CPI+1% and a fair and consistent approach to rent convergence for those homes below formula rent.**

This long-term rent settlement is a **fundamental enabler of our ability to be an effective mission-delivery partner of government.** As well as giving housing association boards the confidence to sign off long term investment plans and take on large new developments, it gives rating agencies and lenders confidence in the sector's financial resilience, improving the cost and quantity of debt available to the sector. It also supports social landlords to deliver match-funded grant schemes such as the SHDF.

The rent settlement's link to inflation is crucial to ensure that rising costs are matched by rising rents. The additional one percent will gradually restore real terms rents to their previous level and is vital for funding the investment needed in new and existing homes. **With rent increases of CPI or less, some organisations will struggle to fund the investment needed in their existing homes, and the whole sectors' financial capacity to build new homes will be severely constrained.**

The need for a stable, long-term rent settlement has been supported by a range of organisations including lenders to the sector such as Lloyds Bank and the Local Government Association, Chartered Institute of Housing and council housing landlords.

Reintroducing a fair approach to rent convergence

The social rent formula is designed to set a level of rent for each home that is affordable, considering local incomes and rental prices. However, in practice many households pay less than the rent set by the formula, for a range of historical reasons, and most recently because of the impact of the 7% rent cap on rises for existing tenants in 2023/24.

The fact that all the sector's rents have not yet converged means that residents can be paying very different rents even though they live in identical, adjacent properties. This is inconsistent, arguably unfair, and hard to administer and explain to tenants. Labour's convergence policy was introduced in 2000 to address this problem, and it allowed rents to gradually catch back up to the level set by the formula, up until its abolition from rent policy in 2015.

Reintroducing convergence would unlock additional financial capacity to invest in existing homes and services, while ensuring that no-one pays more in rent than the social rent formula determines is appropriate and affordable for their home. This gap would have to be made up gradually so that it is fair and affordable for existing tenants. The previous convergence policy allowed for an additional £2/week rent increase on top of the usual annual increase, for tenants whose rents were below the social rent level. We suggest a similar approach is adopted again, to ensure that residents only experience a small increase in their rent above standard annual uplift.

This convergence policy should become a permanent feature of rent policy. This would give housing associations the flexibility to hold back rents to support affordability in some years but catch back up slowly in future. **We estimate that reintroducing convergence would deliver an additional £3.9bn in rental income over 10 years.**

Ensuring appropriate protections for both existing and future social housing tenants

We share the government's desire to ensure there are appropriate protections for both existing and future social housing tenants alongside any new rent settlement. **Housing associations are acutely aware of the ongoing impact of the cost-of-living crisis on their residents and of the implications it has on our social purpose, to provide affordable, safe, good quality homes to people on lower incomes.**

Housing associations work hard to ensure their residents can access all the welfare support they may be entitled to and often provide their own discretionary funding schemes. Furthermore, our sector's ongoing investment to improve the energy efficiency of our homes will also bring down fuel bills and improve overall affordability. NHF analysis has previously shown that upgrading the remaining social rent homes to EPC A, B, or C could save residents more than £700m a year in heating costs. This equates to an average saving of 42% or £567 per household per year. Many housing associations also do significant work to support residents to access more and improved employment opportunities.

Our proposal for a stable commitment to ten years of rent increases at CPI+1, plus convergence, would still mean rents are affordable for tenants and still lower, in real terms, than they were in 2015. NHF analysis also shows that social rents for two-bedroom properties increasing at CPI+1% and converging on formula remain affordable (less than 33% of incomes) across practically the whole of England over a ten-year period for households on lower quartile incomes. This is also the case for households on 10th percentile incomes when benefit entitlements are considered. Even three-bedroom homes remain affordable to households on 10th percentile incomes across 98% of the country (taking benefits into account) as long as wage growth keeps pace with inflation.

For almost all the households who rely on housing benefit and Universal Credit to pay their rent, their benefit payments will increase as their rent payment increases.

The exception is households affected by the Household Benefit Cap, and by the bedroom tax. Despite some affected households' access to additional support through Discretionary Housing Payments we recommend that the government:

- Review the two-child and household benefit cap as well as the bedroom tax
- Review the five-week wait for Universal Credit
- Partner with housing associations to make Universal Credit work for residents by ending the 53-week rent year and co-designing improvements to the Landlord Portal to streamline the Universal Credit process and reduce costs.

A renewed Affordable Homes Programme

Whilst a rent settlement will improve housing association capacity and confidence to borrow and build, housing associations also need certainty regarding grant funding for new homes. **As well as the certainty of future funding, a boost to the current Affordable Homes Programme is urgently needed to prevent a downturn in delivery.**

Despite the programme running until April 2026 (with starts on site permitted until 30 September 2025), the NHF has already shared details with government officials of schemes where previously expected funding is no longer available. Extending the current programme by one year, with an appropriate level of additional funding, would allow grant for starts on site up until September 2026 and **prevent a cliff-edge in delivery** whilst allowing the government to design and consult on a future programme. This extension would cost an additional £1.65bn assuming that:

- The extension applies to both Strategic Partnership and Continuous Market Engagement delivery
- It includes a route for strategic partners to get additional funding, either through an extra amount added to their allocated Strategic Partnerships funds or allowing access to CME funding in addition
- The existing tenure scheme conditions of the AHP are maintained.

This one-year extension should be accompanied by a commitment to further multi-year funding in a new AHP from 2026, to be confirmed in this fiscal event and with details consulted on during 2025. To ensure this AHP helps deliver the biggest increase in affordable housebuilding in a generation and underpins the 1.5m homes target, NHF analysis shows this new AHP should **prioritise social rent and shared ownership, with minimum funding of £4.6bn per year on average for the**

first Parliament, on a minimum five-year rolling basis. There should also be improved, more flexible grant funding to drive regeneration projects and to meet the target for 10% of the AHP to deliver supported housing.

Housing associations and the Economic Crime Levy

The Economic Crime Levy is having a disproportionate impact on the capacity and services of many housing associations given their relatively low level of risk in this area. Many housing associations are falling within scope of the levy because of small but important aspects of their business activity. These include the provision of free debt advisory services to tenants, shared ownership advice and resales and some lending activity such as consumer credit authorisations or deferred payment arrangements for leaseholders. Many of our members have reported being subject to the levy amount for large organisations (£36,000) and some have reported being subject to the very large levy amount, which is increasing from £250,000 in 2024 to £500,000 in 2025.

We have been actively engaging with HMRC and the FCA to articulate these concerns and we are preparing a full impact assessment for HM Treasury following a consultation with our members. **We would welcome discussions as part of this fiscal event around creating a limited exemption or special category for housing associations,** to ensure that compliance costs can be relative to the sector risk and revenues can be further invested in the delivery of homes and services.

Mission: Break down barriers to opportunity through safe and decent homes

Housing associations are already investing [record amounts in existing homes](). NHF analysis shows that we will need to invest a further average of £40,000-50,000 per home to make them safe, green and fit for the future. A new rent settlement and regeneration funding from the AHP will be essential for future-proofing existing homes but will not be sufficient alone**. The strategic objectives driving these investment requirements in existing homes are supported by housing associations but without concurrent government financial support they will further undermine our capacity to build new homes and deliver growth.**

Over the next five years, housing associations plan to spend around £50bn on repairs, maintenance and investment in their existing homes. Without capital grant, this will have to be paid for from tenants' rents. But much of this investment –

particularly in building safety and decarbonisation – couldn't have been planned for when the homes were built, and is not appropriate to load on to rent. **The level of investment required is a significant constraint on housing associations' ability to build new homes.**

Therefore, there is a strong case to increase the grant-funding available for existing homes – to ensure homes are safe and decent and ensure we can continue to build new ones. **Our modelling shows that grant funding of around £2bn per year – covering safety, quality and decarbonisation works** – would deliver rapid improvements to safety, quality and energy efficiency, and significantly improve housing associations' financial capacity to invest in new homes.

We want to work in partnership with the government to design this long-term funding, but in the immediate context of this fiscal event we are making a series of defined recommendations in both this section and the subsequent section covering the Warm Homes Plan.

Provide equal access to the Building Safety Fund and Cladding Safety Scheme to social landlords

Since the tragic fire at Grenfell Tower, social landlords have been working at pace to identify buildings with combustible materials and remediate them as quickly as possible. We welcome the recommendations of the Grenfell Tower Public Inquiry, and the government's commitment, reiterated in response to the Inquiry's phase two report, to help accelerate remedial works programmes. Our sector is ahead of the private sector in progressing remedial works programmes but there remain 1,715 buildings 11m+ in our sector that have not yet started or completed the remedial works needed to fix life safety critical defects.

We agree with the Prime Minister's view that remedial works should take place more quickly, and the Inquiry's report represents a moment of change. We therefore welcome the commitment in the Labour Party manifesto to "take decisive action on building safety," "take steps to accelerate the pace of remediation across the country" and "put a renewed focus on ensuring those responsible for the crisis pay to put it right." The findings of the Grenfell Tower Public Inquiry, and the fire in a high-rise building in Dagenham at the end of August underline the importance of remedial works continuing at pace.

Housing associations have been largely excluded from the £5.1bn of public funding for building safety remedial works, leaving them and social tenants through their rents to pick up the costs. Housing associations can only access government funding to pay for remedial works to buildings in which leaseholders live, or for the proportion of works relative to the proportion of leaseholders living in a housing association building. **Private building owners have received almost 90% of the government funding for remedial works to buildings 11m+.** We believe the current funding settlement is discriminatory and inconsistent with the principle that those responsible for the crisis should pay to fix it. It also means that public funding is allocated not on the basis of risk, but on the make up of building owners and residents.

As a result of this exclusion from government funding pots, our members' only avenues to recover costs from those responsible for the building safety crisis are lengthy, costly and imperfect. We believe the government could alleviate this by holding contractors to account in the same way as with developers, **but it could take a decade to fix buildings with safety defects without further financial intervention from the government.** The best way to accelerate the pace of remediation, is to ensure housing associations can fully access the Building Safety Fund and Cladding Safety Scheme. **This call is backed by End Our Cladding Scandal and the HCLG Select Committee.**

Housing associations want to ensure residents' safety as quickly as possible. By supporting housing associations with their building safety programmes, the government could help the sector to do so, helping more people to feel safe in their homes.

The impact of building safety funding on housebuilding

Taking data from government funding pots on the average spend per building for cladding remedial works, it could cost around £3.36bn to remediate the remaining cladding issues in buildings in our sector. We estimate that it could cost around £6bn to remediate all defects in housing association homes.

Every £1 spent on remediating building safety defects equates to £1 that our members cannot spend on providing new social homes. Housing associations in London have previously told us they may have to scale back future development by up to a third, and with an even more challenging economic environment, we believe this impact could now be even greater. Some smaller organisations have had to seek mergers entirely due to the costs of building safety works. **NHF analysis has found that if £3.36bn were to be invested in housing supply, together with additional investment that it could attract, it could result in 67,000 new homes.**

Many organisations with building safety programmes are those operating in high value areas of acute housing need, such as London and the South-East. The current funding settlement for building safety therefore more greatly impacts on the housing crisis in these areas where it is most acutely felt.

Since the last government committed £5.1bn of funding for building safety, it announced measures to recoup £3bn over 10 years from the Building Safety Levy and changed the rules to obligate developers to pay back funding or pick up the costs of cladding work that would previously have been eligible for government funding, resulting in savings or reimbursement for the taxpayer. Developers currently estimate this figure at £3.18bn. **The government could make that funding available to housing associations, which would be cost neutral, bring economic benefits from the provision of social homes, and ensure that social housing tenants and leaseholders were made safe as quickly as possible.**

The government could also pursue a tax on many of those responsible who have not yet contributed to solving the building safety crisis such as insulation and cladding manufacturers. The Grenfell Tower Inquiry found that a significant reason why Grenfell Tower came to be clad in combustible materials was the "systematic dishonesty on the part of those who made and sold the cladding panels and insulation products." It is therefore completely just that those manufacturers contribute to cost of making safe the defective buildings that had a role in creating.

Underwrite buildings insurance risk for buildings with safety defects

Housing associations that have buildings with safety concerns are working with competent professionals to determine the remedial works needed to their buildings. These conclusions will be based on the methodology set out in the PAS 9980 standard, which the government endorses. However, our members tell us that buildings insurance providers consistently expect buildings to be remediated above this standard as a condition of insurance on affordable terms.

Developers who have signed up to the Developer Contract, and responsible contractors who are agreeing to remediate buildings they constructed, will typically only carry out works recommended following a PAS 9980 assessment. This means that any additional works an insurer requires will have to be paid for by the housing association, unless they want to absorb additional buildings insurance costs. This issue will also affect leaseholders, who pay service charges to cover the cost of insuring a building.

Some of our members who have already completed remedial works on their buildings have been asked to conduct additional works by their building insurer. In one example, this will cost the organisation £6 million for works to three buildings, or the insurer will revoke existing cover by the end of the year.

We are calling on the government to **develop an underwriting scheme that social landlords can access, that would provide affordable cover to buildings that have been remediated, or will be remediated, to the PAS 9980 standard.**

Improving VAT to drive investment in existing homes

The government could further drive strategic investment in existing homes through a series of changes to VAT on building safety, energy efficiency and wider refurbishment works.

The government should zero-rate VAT on building safety works. If remaining cladding remedial works will cost £3.36bn, zero rating VAT on them could mean a future saving for social landlords of £559.5m. This would also reduce the funding paid out by the Cladding Safety Scheme and Building Safety Fund to future applications, as these funds pay VAT where it is applicable. If this were to be used for building more social homes, together with the additional investment it could attract, NHF analysis has found it could fund more than 11,000 new homes. This is in relation to cladding costs, so the saving and impact on social housing supply could be even greater if applied to a larger range of safety works.

The government should **extend the zero-rating on energy saving materials to 2030** and ensure the in-scope technology list is reviewed and expanded. The government should also allow the possibility of apportioning a single contract between energy saving materials and other works, as is currently available with other zero-rated reliefs available for construction. For reasons of practicality, availability of contractors, costs and reducing inconvenience for residents, it is common practice for housing associations to grant a single contract of refurbishment works. This means that the VAT relief is not accessible for many organisations. **The current**

scope of zero rating for energy saving materials incentivises multiple contracts which is neither cost nor time efficient.

As part of a long-term housing strategy, the government should consider mechanisms to **better-align and coordinate VAT reliefs for all refurbishment, safety and decarbonisation works** on existing homes.

Supporting the most vulnerable to evacuate

We welcome the commitment that the government has made to bring forward proposals to support disabled and vulnerable residents to evacuate from a building in an emergency, particularly in light of the Grenfell Tower Inquiry repeating its phase one recommendation around evacuation in its phase two report. **Disabled residents must never be treated differently, particularly when it comes to their personal safety. We therefore also welcome the government's commitment to funding this work for next year, with future years' funding to be confirmed as part of the Spending Review.**

Housing associations already provide support to residents who would not be able to evacuate independently, including by assessing their needs and offering any reasonable adjustments to reduce the risk of fire in their flat, and that could enable them to get out of a building if they need to. For some residents, this will include offering a Personal Emergency Evacuation Plan setting out they should do in an emergency.

We understand from our members that there will sometimes be residents living in buildings whose circumstances mean that evacuation cannot be guaranteed. The government has not set out how its proposals would enable social housing providers to support these residents, and we believe that this must be addressed. **The government's commitment to providing funding for evacuation support must ensure that the circumstances of the most vulnerable residents are accounted for.**

Providing regulatory clarity

The NHF and our members have strongly supported the changes introduced to the regulatory and oversight system for housing associations. **Through our sector leading Together with Tenants project, we supported the case for more accountability and a stronger voice for social housing tenants.**

Housing associations have been investing time and resources into homes and services to ensure readiness for the new consumer regulatory system introduced in April this year. Alongside this, they have further invested in complaints handling and learning to improve services for residents and ensure they meet the requirements of the Housing Ombudsman's revised and now statutory Complaint Handling Code. There are further changes yet to be introduced to the sector that were all consulted on during the first half of 2024. **We are committed to working with the government on the detail of how and when these additional measures are implemented.**

A new Decent Homes Standard

Housing associations are committed to providing decent, high-quality homes and investing to ensure they are fit for the future. The social housing sector has fundamentally reassessed how it can and should maintain and improve residents' homes, through the Better Social Housing Review and implementing strengthened consumer regulation. 90% of housing association homes meet the current DHS (compared to 79% of private rented homes). **We continue to ask, alongside other housing bodies, for the government to finalise the new DHS as quickly as possible with an aligned funding package, to provide long-term investment certainty to housing associations.** This new DHS should also provide clarity on Minimum Energy Efficiency Standards to ensure housing associations have the clarity they need to play their essential role in delivering the government's Warm Homes Plan.

Mission: Clean energy superpower – housing associations can underpin the Warm Homes Plan

Housing associations are well-prepared to underpin the government's proposed Warm Homes Plan and play a vital role in:

- Delivering the government's Clean Power by 2030 mission through home energy demand reduction
- Meeting the 5 million home upgrades by 2030 target
- Meeting the government's statutory carbon reduction obligations under Carbon Budgets Four (2023-27) and Five (2028-2032) and our 2030 Nationally Determined Contribution

- Meeting the statutory fuel poverty target of EPC C by 2030 for all fuel-poor homes

Housing association homes are already the most energy efficient of any tenure, with the highest proportion (72%) in EPC band C or better. Since 2012, with limited grant funding and a challenging operating environment, housing associations have upgraded the energy efficiency of around 500,000 homes.

However, there remain 715,000 housing association homes below EPC C. Most housing associations are already striving to retrofit these homes by 2030 ahead of official targets and regulation. **Based on the pace of annual home upgrades in the last 10 years, we need to nearly double our current rate of progress to meet this ambition.** Housing associations cannot do this alone, but with the right funding and policy clarity, we can contribute a sixth of the government's 5 million home upgrade target directly and, just like in housebuilding, play a substantial indirect role in accelerating the progress of other tenures. Housing associations have homes of every archetype in every area of the country making us essential to multi-tenure and area-based retrofit schemes. Our expertise and scale allow us to supercharge the supply chains, workforce and innovation that other tenures will rely on in their own decarbonisation journeys.

The Social Housing Decarbonisation Fund

The Social Housing Decarbonisation Fund is widely accepted as the most successful of the government's energy efficiency grant schemes and **housing associations more than match-fund it with their own investment.** Our members are confident that Wave 3 is the best-designed iteration of the scheme yet and are ready to make use of it. To give certainty to housing associations and the supply chain **Wave 3 of the SHDF should be confirmed and rolled out as quickly as possible.**

Wave 3 should be increased in line with the government's Warm Homes Plan ambitions and the recommendations of the National Infrastructure Commission (around £5bn to 2030). This additional funding injection can also be an opportunity to reprofile the annual grant delivery levels currently set out in draft Wave 3 guidance (40/40/20 over 3 years) to ensure the SHDF increases over time to meet the challenge of 2030. **This will provide greater long-term confidence to both landlords and supply chains.**

Alongside the SHDF, **a new iteration of the Energy Company Obligation scheme should be brought forward** and social housing's access to it reviewed to ensure the scheme design aligns effectively with the SHDF, new heat network regulations and strategic decarbonisation and fuel poverty priorities. Social housing residents contribute to ECO through their bills as all others do, but have been largely excluded from benefitting from the scheme in recent iterations.

The clean heat transition

The Climate Change Committee argues that 10% of all homes need to be fitted with a heat pump by 2028 and that by 2030 we should be installing around 1m heat pumps every year in homes across the country. Housing associations are prepared to help the government meet these targets and we support the recommendations made by the National Infrastructure Commission for additional funding for social landlords and policy changes to be brought forward to support this.

Despite housing associations work to improve the energy efficiency of homes and support residents to claim all the income and fuel poverty support they are entitled to, 330,000 households or 13.3% of housing associations homes remain in officially defined fuel poverty. Housing associations want to work with government to better-support those in fuel poverty this year. In the medium-term without reforms to energy pricing, heat pump rollout is often incompatible with reducing fuel poverty as UK electricity is around four times as expensive as gas. **Reducing running costs will be crucial to lifting households out of fuel poverty and so the government should work to remove all levies from electricity bills and introduce a social energy tariff.**

Two-thirds of heat networks are managed by social landlords and **housing associations are committed to working with the government and OFGEM on the development and implementation of the new regulatory regime.** However, this new regulatory regime will have cost implications for housing associations which have not yet been fully analysed – particularly for the Heat Network Technical Assurance Scheme (HNTAS). The government should work with housing associations to deliver this analysis and ensure ongoing sufficient funding is aligned with HNTAS and made available through schemes such as:

- The Heat Network Training Grant
- The Heat Network Efficiency Scheme
- The Green Heat Network Scheme

Mission: Build an NHS fit for the future – housing associations' role in rebuilding public services

Supported housing helps half a million people in the community, with around 75% of it delivered by housing associations. It is a vital part of a sustainable housing, health and social care system and relives pressures on a range of public services. **Without supported housing, 41,000 more people would be homeless, 30,000 people would be at risk of homelessness, and we would need 14,000 more inpatient psychiatric places, 2,500 additional places in residential care and 2,000 more prison places.** Waits for supported housing availability is the single largest reason for delayed discharge from mental health hospitals, attributed to more than 100,000 days of delayed hospital discharge in 2023/24. Supported housing can save the government around £3,000 per person annually for older people, rising to £12,500-£15,500 for people with a learning disability or mental health needs.

Supply of supported housing is not keeping up with demand. By 2035, the number of people over the age of 60 in England will reach 29% of the population. To meet that projected demand, we need to build to build 38,000 new homes for rent for older people per year, of which a third should be extra care or sheltered housing, and we need to build at least 167,000 more supported homes generally by 2040. **Without adequate supply of supported housing, thousands of people could go without the support they need**, costing the public purse and leaving people who could live independently with support facing long stays in residential or institutional care, or at risk of homelessness.

In local authority homelessness services, relief duties were at an all-time high in the year ending March 2024, at 177,980. Similarly, main duty acceptances reached 63,420, the highest in 16 years. As well as the impact homelessness has on individuals and families, it generates a financial, social, and economic burden for society and puts pressure on public services. Higher rates of medical, mental health or criminal justice service use are associated with homelessness. Research shows public spending would fall by £370m if 40,000 people were prevented from experiencing one year of homelessness.

Unlocking the benefits of supported and older persons' housing

Supported housing is in high demand but faces severe financial pressure, constraining new developments and reducing supply. A 2024 NHF survey showed

32% of providers had closed supported schemes in the last year and 60% expected to close schemes in future due to viability. **The erosion of housing-related support funding, such as the former £1.8bn per year Supporting People programme for local authorities, is the main cause of financial pressure on supported housing.** Support funding was cut by 69% between 2010 and 2017. Spaces in single homelessness schemes have shrunk by 24% since 2010, with some under-pressure County Councils ending entire homelessness support contracts.

In the short-term with the threat of decommissioning and funding pressures on service-provision very real for supported housing schemes now, the government should provide **emergency revenue funding for housing-related support to local authorities in financial crisis, roll over support contracts for one year and extend and uplift the Rough Sleeping Initiative and Homelessness Prevention Grant**, to ensure vital homelessness and other supported housing services can continue to operate.

In the medium-term, to drive forward public service reform and promote a community, partnership approach to providing public services, the government should help local authorities and integrated care boards to plan for, fund and commission supported housing, so it is part of a strategic plan to meet assessed local housing need. **This should include reinstating the £300m Housing Transformation Fund or an equivalent**, to integrate health, social care and housing and deliver supported housing. Supported and older people's housing providers can work with councils and health partners to meet local need strategically.

In the longer-term, so that councils can commission supported and older people's housing, the government should **commit to long-term, ring-fenced and increased funding for supported housing and support services, which should be held nationally but distributed locally, and be at least £1.6bn per year to ensure the continued viability of vital supported housing provision, rising to up to £3.4bn a year by 2040.**

Housing associations have a significant appetite to develop new supported housing. However, huge barriers exist to progressing these plans. To meet demand, the government should **commit to 167,000 more supported homes by 2040. To do this, there must be improved, more flexible grant funding to meet the target for 10% of the Affordable Homes Programme to deliver supported housing, within a stable long-term rent settlement that must also cover the actual costs of delivering supported housing.**