Spending Review submission 2025

National Housing Federation

Summary

The National Housing Federation is the voice of England's housing associations – not-for-profit social landlords who provide homes for six million people. This response has been written following extensive engagement with and input from our 570 members.

Housing associations are uniquely placed to support the government to deliver the Plan for Change – by kickstarting growth, ending homelessness, building 1.5m new homes and tackling the climate emergency.

We welcome the government's early commitments to essential planning reform, and proposals for a long-term, inflation-linked rent settlement as part of the Autumn Statement.

We are also delighted that the government is working 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.

The Spending Review is the opportunity to set out that plan alongside the funding needed to deliver it, and to align the government's long-term strategies on housing, homelessness and infrastructure.

Rebuilding financial capacity to build new homes

Building social homes is both the key to ending the housing crisis and kickstarting growth – delivering on the Plan for Change.

Building 90,000 social rented homes would result in economic net benefits worth £51.2bn, and £31.4bn in societal benefits including reduced homelessness, better life chances for children, higher employment, improved health, and reduced spend on welfare benefits and criminal justice.

A significant increase in social housebuilding is vital to meeting the government's 1.5m homes target.

However, due to significant financial pressure and a challenging operating environment, many housing associations are reducing their development programmes and their expenditure on Section 106 homes.

As the Labour manifesto recognised, to turn this around requires a package of measures to rebuild capacity, unlocking housing associations' ability to borrow and build new social homes. This includes:

- **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, as set out in detail in our response to the recent consultation on social housing rents.

- **Targeted grant funding and policy support for the safety, quality and decarbonisation of existing social homes,** to speed up remediation, improve homes, and unlock borrowing capacity for new supply.

To ensure housing associations rebuild financial capacity to invest in new homes, while also meeting building safety standards, we are asking for:

- Equal access to the Building Safety Fund and Cladding Safety Scheme for social landlords.
- Underwriting of buildings insurance risk for buildings with safety defects.
- Zero-rating of VAT on building safety works.
- Adequate funding for evacuation support.

To rebuild financial capacity while also investing in improving the future quality of social homes, the Spending Review should include:

- Funding to meet the requirements of an updated **Decent Homes Standard,** alongside clarity on standards and realistic implementation timescales.

To deliver the required improvements in decarbonisation and energy efficiency, alongside investment in new homes, the spending review should:

- Continue to fund the Warm Homes: Social Housing Fund in line with manifesto commitments and the NIC assessment – delivering £5bn in total investment by 2030.
- Ensure sufficient funding is made available to deliver the required investments in heat networks, particularly for the Heat Network Technical Assurance Scheme.

A new Affordable Homes Programme

Rebuilding financial capacity will mean housing associations can continue to borrow to invest in new homes. To deliver new homes this must sit alongside a **new, long-term and ambitious Affordable Homes Programme that prioritises social rent and shared ownership,** with higher grant rates to reflect the current operating environment. It should also include funding for regeneration, and transition funding to ensure no drop-off in delivery between programmes.

Our modelling of housing association finances shows that our sector could deliver **320,000 new affordable homes over five years** with the following support in place:

- Ten-year rent policy of CPI+1% annual increases and the reintroduction of convergence.
- £2bn per year in grant to invest in existing social homes.
- Lower interest costs.
- A ten-year Affordable Homes Programme with an average of £4.6bn per year over its first five years.
- An increase in delivery of affordable homes via s106.

Looking more broadly at the whole social housing sector, an Affordable Homes Programme of £7.8bn per year across all social landlords, with a larger uptick in s106, could deliver **500,000 homes over five years – one third of the government's 1.5m home target**.

In this case – development by year 5 would reach 140,000 affordable homes, including 90,000 for social rent. If sustained into subsequent years, this would be enough to meet housing need and to make the contribution we estimate is required to build 1.5m new homes.

Saving supported housing

Supported housing helps half a million people in the community and is a vital part of a sustainable housing, health and social care system. But it is facing a financial crisis, exacerbated by the recent changes to National Insurance. To ensure a sustainable future for supported housing, we are calling for:

- Long-term and increased funding for housing-related support, clearly identifiable in consolidated funding allocations, starting with £1.6bn per year until a full assessment of need is undertaken.
- Reinstating the £300m Housing Transformation Fund, or an equivalent, to integrate health, social care and housing and deliver supported housing strategically.
- Committing to deliver at least 180,000 more supported homes by 2040, with clear funding in the Affordable Homes Programme, and making sure supported homes form part of the 1.5m homes target.
- Ensuring that the long-term housing strategy and homeless strategy recognise the vital role of supported housing in the housing system, and the long-term housing strategy specifically considers housing for older people.

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.**

A long term plan for housing

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 (one in every five) who are living in overcrowded, unaffordable or unsuitable homes.
- **Households in England are facing record levels of homelessness** with almost 160,000 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.

For all these reasons, it is vital that the Long-Term Housing Strategy sets out ambitious, long-term outcomes covering both our new and existing homes, and the vital role of supported and older persons housing, and that the Spending Review puts in place the funding to deliver them.

It will also be important that the Long-Term Housing Strategy is closely aligned with the Homelessness Strategy and the Long Term Infrastructure Strategy, to allow all three to deliver to their potential.

Housing association finances – a model under pressure

Housing associations strongly support the government’s 1.5m new homes target and want to play their part in delivering it and the government’s ambition for the biggest increase in affordable housebuilding in a generation. **Housing associations have built a quarter of all new homes over recent years**.

However, as a result of policy and funding choices in recent years, the housing association financial model is under pressure and **many housing associations are reducing their development programmes and expenditure on Section 106 homes.**

Housing associations have faced 15 years of both capital and revenue funding reductions, and significant policy and regulatory change and uncertainty.

In 2010, grants for social homes were cut 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. Simultaneously, the need to invest in existing homes has risen substantially. Housing association spending on repairs and maintenance hit a record high of £8.8bn in 2023/24, 13% higher than the prior year and 55% above pre-pandemic levels reported in 2020.

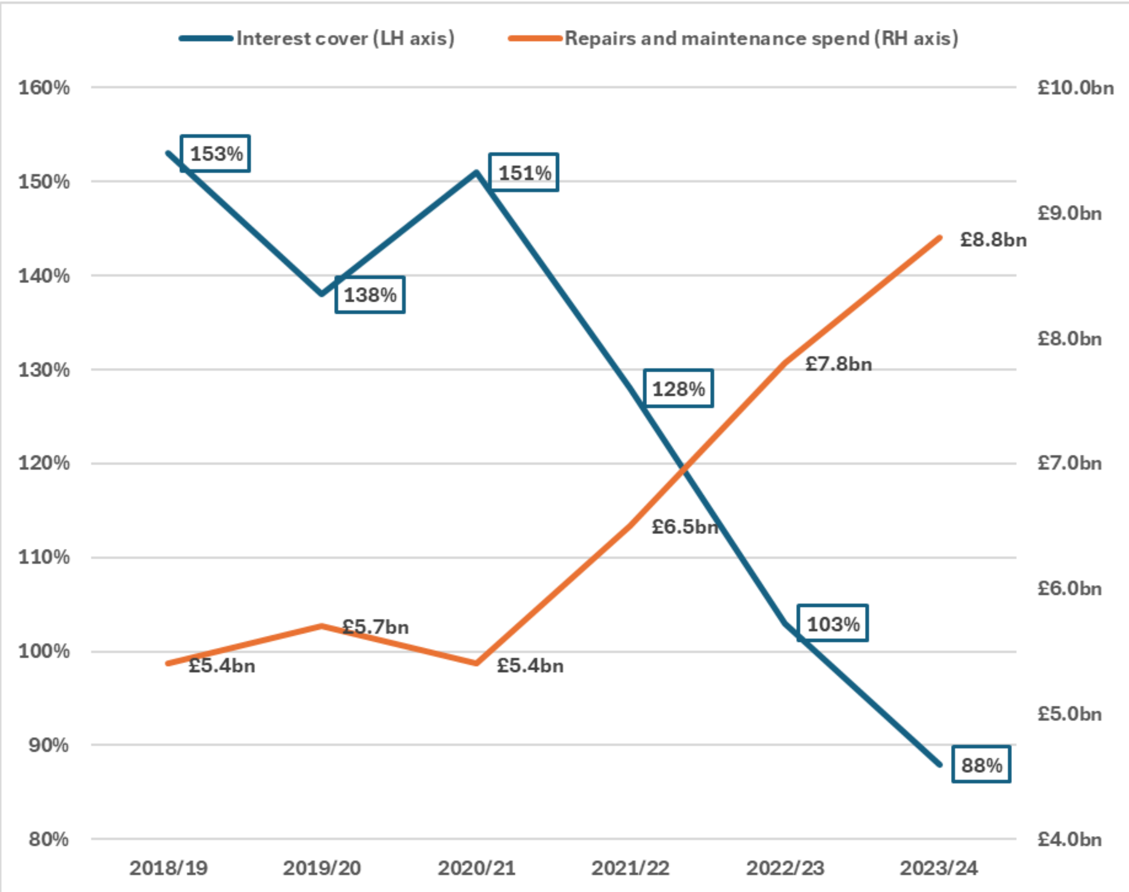
This escalating and necessary investment in existing homes is forecast to rise further to ensure they are all fully compliant, safe, decarbonised, high quality, and fit for the future. **NHF analysis shows this could reach £40,000-50,000 on average per home** and current government funding support is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

- Around £6bn on building safety, including cladding and non-cladding works, with £4.5bn planned during 2024-2029.
- 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. This metric demonstrates whether housing associations' core operations generate enough income to cover the investment requirements of existing homes and their interest bill – below 100% indicates that they do not. **Average interest cover has fallen dramatically since 2021, from 151% to 88%.** This average figure masks significant variation, with some organisations, especially those in London or with big building safety liabilities, faring worse.

Modelling commissioned by the NHF shows that without further support, including a CPI+1% rent settlement, the need to invest in existing homes could leave many housing associations with very limited financial headroom for new development for the remainder of this Parliament.

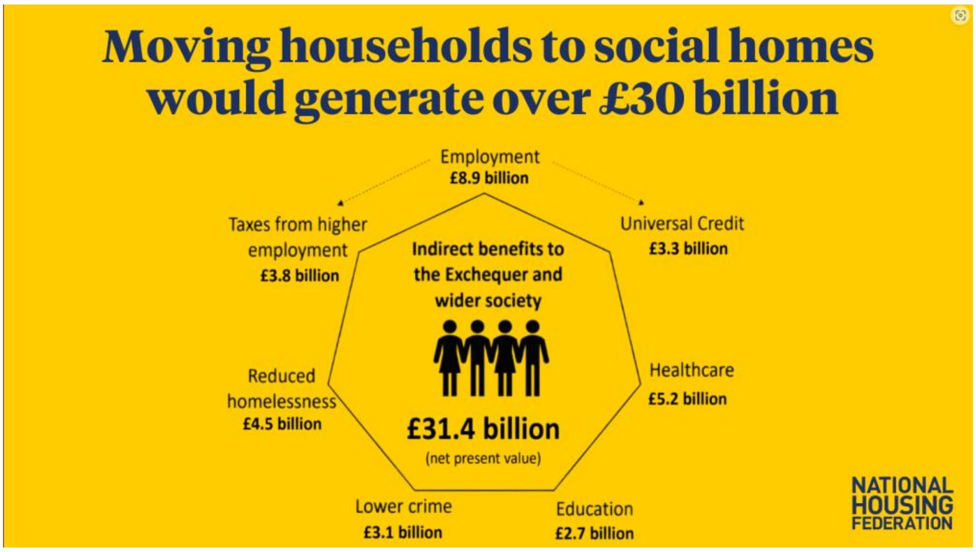


These pressures are exacerbated in **supported housing** – where falling revenue funding for support costs and higher staffing costs sit alongside the pressures on capital spending and investment in homes. For this part of the sector, the challenge is maintaining existing provision, let alone building new schemes. 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.

Social housebuilding will be vital to kickstarting growth and building 1.5m homes

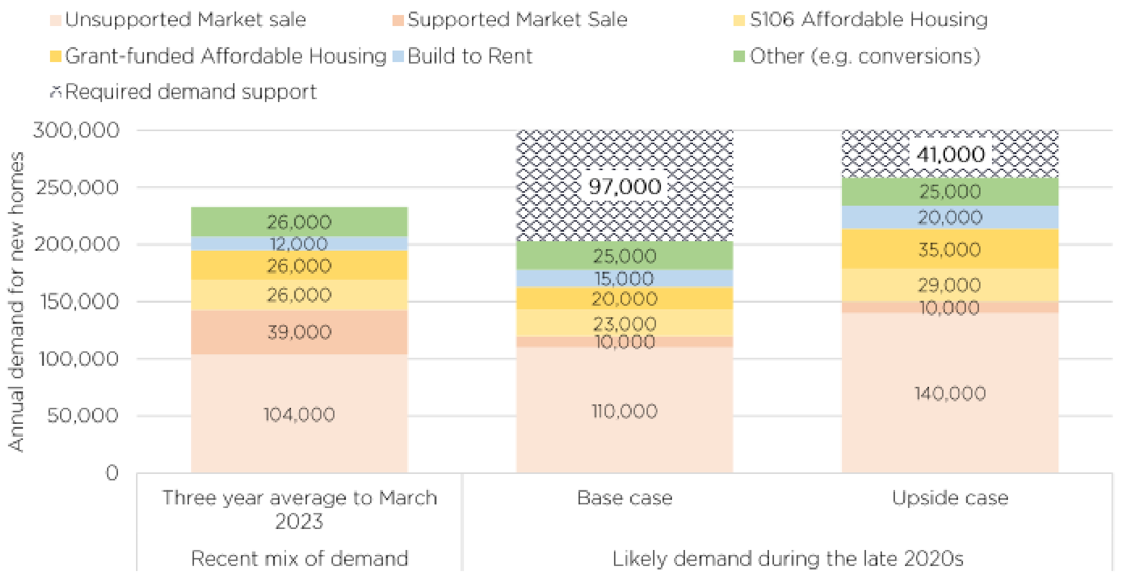
Building social homes is both the key to ending homelessness and kickstarting growth. Research from Shelter and the National Housing Federation, carried out by CEBR, shows that building 90,000 social rented homes would result in economic net benefits worth £51.2bn. Most of this impact would happen quickly – £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.**

Building 90,000 social homes would also deliver £31.4bn in societal benefits including reduced homelessness, better life chances for children, higher employment, improved health, and reduced spend on welfare benefits and criminal justice.



Meanwhile, 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

Figure 1 Is there realisable demand for 300,000 homes a year in England?



Source Savills using MHCLG, NHF, BPF

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 delivering the biggest boost to social housebuilding in a generation

There are three vital foundations needed to rebuild the financial capacity of housing association and unlock our ability to deliver new homes and boost growth:

1. A long-term rent settlement, with annual increases of CPI+1% and the reintroduction of convergence
2. Grant funding and other policy support to cover some of the costs of building safety, improvements to quality, and decarbonisation of existing social homes
3. A new, ambitious and long-term Affordable Homes Programme

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

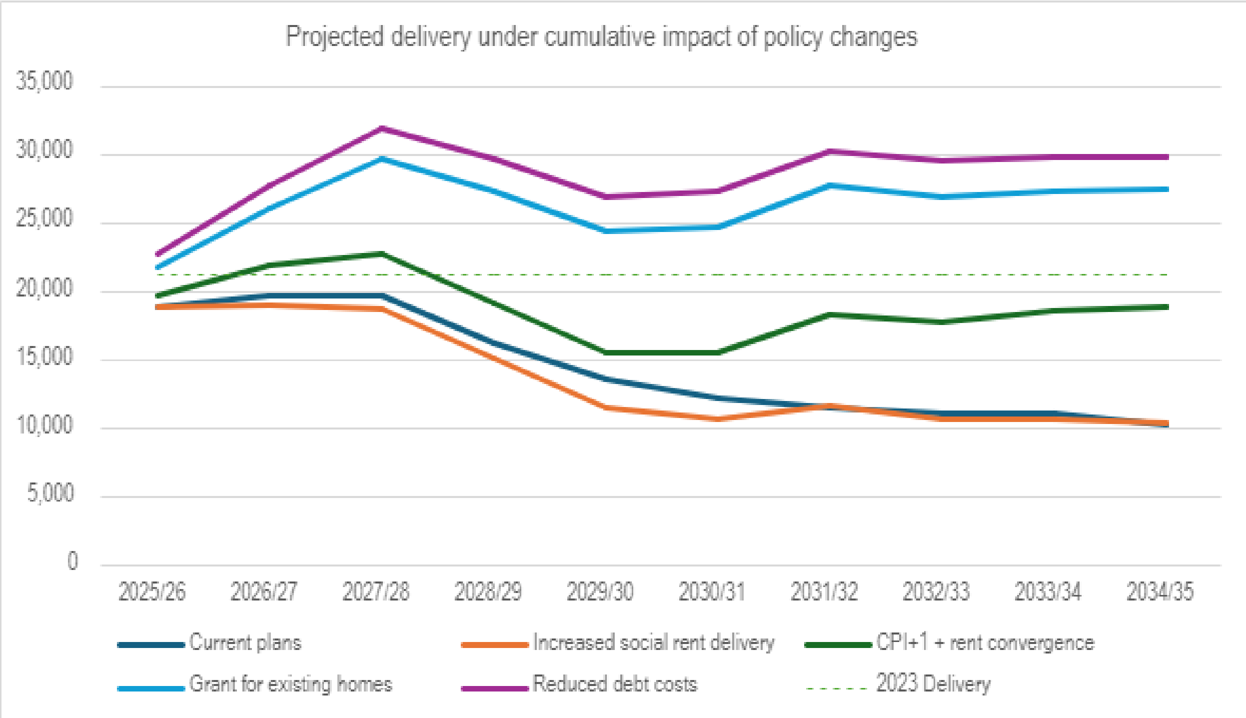
Income from social housing rents underpins housing associations' investment in existing homes and services for residents, and their ability to borrow to build new social homes. Housing associations received £16.8bn in rent in 2023/24, 66% of their total turnover.

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 consultation on future rent policy and commitment to increases of CPI+1%. In our response, we are calling for **a 10-year rent settlement with annual increases capped at CPI+1% and a £3 per week rent convergence policy for homes below formula rent.**

Without this, housing associations will struggle to reverse the decline in affordable housebuilding and help the government achieve its 1.5m homes target.

Modelling carried out by our largest members suggests that, with a rent policy of CPI+1% alone, the number of new homes built over 10 years will be 27% lower than the level achieved in 2023.

This chart shows how the projected delivery of 15 large housing associations increases with each additional policy measure, compared to their delivery in 2023.



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 rent settlement should reintroduce a convergence mechanism – last in place between 2000 and 2015 – that gradually increases rents below formula rent until they reach this level. We suggest that the convergence value should be £3 per week. This would mean no tenant would pay more than £156 per year on top of their existing rent.

We estimate that a convergence mechanism could unlock 90,000 new homes by generating £3.5bn in additional rental income over 10 years.

A convergence mechanism would also have a targeted effect in London, where housing associations are facing the greatest financial challenges. At present, 94.4% of housing association rents are below formula, meaning London would receive 33% of the benefits of convergence, equating to an estimated £1.13bn by 2034/35.

Tenants who receive support from the benefits system would continue to do so, while the impact on the benefit bill would be manageable, only increasing total spend on housing benefits by a maximum of 0.6% by 2030.

Convergence would have three major benefits:

- **Fairness** – it would mean that tenants pay equal amounts for similar properties, rather than the current system where tenants can pay significantly different amounts for adjacent identical properties (up to £60/week) depending on when they moved in.
- **Additional rental income** – the measure would generate more rental income which housing associations could reinvest into new and existing homes.
- **Affordability** – our proposed mechanism would increase rents gradually and no tenant would pay more than the value set by the social rent formula which is linked to local earnings.

This measure would allow social landlords to recoup the losses baked in by the 2023/24 rent ceiling, when rents were capped well below actual costs for landlords, as well as those from any properties with rents that had not fully converged when the measure was scrapped in 2015.

Based on housing associations' returns to the regulator, we know that 71.4% of properties are currently below formula rent. In 2024/25 this amounted to a difference of £394.2m between actual rents charged, and those that would be charged if all tenants were paying formula rent – the rent charged when a property is first let or relet.

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. Many housing associations also do significant work to support residents to access more and improved employment opportunities. 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.

Our proposal for a stable commitment to 10 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 10-year period for households on lower quartile incomes. This is also the case for households on 10th percentile incomes when benefit entitlements are considered. 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.

Investing to improve the safety, quality and decarbonisation of existing social homes and unlock capacity for new supply

Over the next five years, housing associations plan to spend around £50bn on repairs and maintenance of 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 current rent policy isn't designed to fund this level of spending. **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 that capacity remains 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.

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 to work with social landlords to develop a long-term strategy for the sector to increase the pace of remediation programmes, as part of its Remediation Acceleration Plan. We want to collaborate with the government to enable our sector to remediate the remaining 1,941 social housing buildings 11m+ 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 commitments set out in the Remediation Acceleration Plan and in the Labour Party manifesto to "put a renewed focus on ensuring those responsible for the crisis pay to put it right." The findings of the Grenfell Tower Public Inquiry 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. For buildings with non-ACM combustible materials, housing associations can currently 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 around 90% of the government funding for remedial works to buildings 11m+ with non-ACM combustible cladding.** We believe this 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 makeup of building owners and residents.

While we welcome the additional funding announced at last year's Budget, (increasing the total available funding for building safety works in 2025/26 to above £1bn) we do not yet know how housing associations can access this. A report by the National Audit Office (NAO) found that the costs of remediating cladding-related safety defects in the social housing sector stood at £3.8bn. Housing associations are therefore clear that this additional funding will not cover the significant building safety costs in our sector. Our members also tell us that the lack of funding for remedial works significantly impacts on their ability to increase the pace of remedial works to defective buildings. The NAO report also found this, stating that "already strained finances among social housing providers, and a high threshold for government support for remediation also pose risks to pace (of remediation) in the social housing sector."

As a result of this exclusion from most government funding pots, our members' only avenues to recover costs from those responsible for the building safety crisis are lengthy, costly and imperfect, which itself impacts on the pace of remediation. While we welcomed the previous government's work on the Developer Contract, this does not cover all housing association buildings, and comes with its own challenges. On this topic, the NAO found that "putting the onus on developers to pay and introducing a more proportionate approach to remediation...created grounds for lengthy disputes between developers and freeholders over the scope of works required and these disputes are causing delays." Where the building was constructed by a contractor under a design and build contract, our members must hold that contractor to account, sometimes by taking costly and lengthy legal action, assuming the contractor is still trading.

Under current circumstances, **it could take a decade to fix buildings with safety defects without further intervention from the government**. We believe the government could best alleviate these delays to remedial works programmes caused by a lack of funding, by ensuring 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.**

We also want to see the government hold contractors to account in the same way they have with developers, and coordinate the resources needed to remediate buildings, so that they are directed first to the buildings that need them most. 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

As reference above, the NAO has found that it will cost £3.8bn 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. The recent collapse in affordable housing starts in London is in large part due to the financial pressures facing many London landlords around building safety. Some smaller organisations have had to seek mergers entirely due to the costs of building safety works.

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 reimbursement for the taxpayer. Developers currently estimate this figure at £3.7bn.

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 they 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 and who would need to cover significantly increased excesses should they want to raise a claim.

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 £6m for works to three buildings, or the insurer will revoke existing cover.

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 savings would free up capacity to develop more new homes.

The government should zero-rate VAT on building safety works, saving social landlords £776m, speeding up remedial works, and reducing 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.

The government should also **extend the zero-rating on energy saving materials to 2030** and ensure the in-scope technology list is reviewed and expanded. This would give housing associations the confidence to plan long-term investment in decarbonisation and maximise the impact of Warm Homes grant. Additionally, the government should allow single contracts to cover both energy-saving materials and other works, as is already the case with other zero-rated reliefs for construction. The current zero-rating scope incentivises multiple contracts, which is inefficient: it would be **more practical, cheaper and more convenient for the VAT system to permit housing associations to use single contracts**.

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 a requirement for Residential Personal Emergency Evacuation Plans, to enable disabled and vulnerable residents to be supported 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 fund this work for 2025/26, 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 putting in place 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 what they should do in an emergency.

We understand from our members that there will be a range of support measures that they may need to take to support residents whose ability to evacuate independently will be compromised. **The government's commitment to providing funding for evacuation support must ensure that support can be adequately provided to all residents that need it.**

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. As a result, housing associations are being rated positively by the Regulator for Social Housing; as of January 2025, 91% of housing associations to have been assessed against the new consumer standards received a positive judgement (either a C1 or C2 rating).

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.

Changes introduced in the Social Housing Regulation Act were 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,** to ensure that they deliver the right outcomes for residents and that further requirements are financially viable for housing associations to meet**.**

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 confirm the new DHS requirements as quickly as possible with an aligned funding package, to provide long-term investment certainty to housing associations. New requirements should be introduced with a reasonable timeframe before compliance is enforced, to ensure that housing associations have adequate time to prepare and can spread the cost of required investment over several years.

Government funding to support housing associations to meet the increased standard of the revised DHS would have wider economic and societal benefits. A report by Demos found that investment in home improvements would create or sustain 100,000 jobs.

This new DHS should also confirm requirements for 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.

Housing associations and 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 five 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 five 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 Warm Homes: Social Housing Fund (WH:SHF)

The WH:SHF 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.** The WH:SHF funding allocation should be increased in line with the government's Warm Homes Plan ambitions as set out in their election manifesto and the recommendations of the National Infrastructure Commission (around £5bn to 2030). It is our understanding that Wave 3 of the WH:SHF was heavily over-subscribed with grant applications worth more than £2bn. Honouring these applications would be an apt way to kickstart this scaling up of funding.

The clean heat transition

Many of our members are leading the way in the country's rollout of heat pumps, and social landlords own and manage 66% of the country's existing heat networks. 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 one million 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. 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.

A new, long term and ambitious Affordable Homes Programme

The Affordable Homes Programme provides grant funding which housing associations combine with private borrowing to deliver new social homes. The current programme ends in 2026, and despite the welcome £500m boost in the Autumn Budget, is set to run out of money for new schemes before then.

Therefore, **alongside the interventions set out above to rebuild housing association financial capacity**, a new, long term and ambitious Affordable Homes Programme will be crucial to delivering the biggest boost to social and affordable housebuilding in a generation.

As the main vehicle for public investment in affordable homes, the AHP should reflect the priorities and outcomes of both the government's homelessness and long-term housing strategies, and cover the same time period.

Therefore it should:

- **Be a 10-year programme** – aligning with the expected Long-Term Housing Strategy and Infrastructure Strategy, and providing long-term confidence and certainty to unlock additional supply.
- **Prioritise the delivery of significantly more social rent home**s, to end homelessness and tackle social housing waiting lists.
- **Maintain its support for shared ownership** – a tried and tested route to boosting homeownership .
- Be clear on how it will deliver **the accessible, supported and older peoples'** homes needed to meet current and future demand.
- Seek to address the crisis in affordable housing in **rural areas**.
- Recognise the vital importance of the **regeneration** of currently uninhabitable social homes and those reaching the end of their life, and incentivise this through funding.
- Consider not just the total number of homes delivered, but how the size, tenure and types of homes best delivers on the outcomes set out in the long-term strategies.

Higher grant rates than have been available in previous programmes will be essential to delivering homes at the scale required, particularly for social rent. This is because housing associations are increasingly unable to cross-subsidise the delivery of social rent homes from the surplus they make on existing homes. This, along with steeply rising build costs and higher interest rates means the subsidy gap is larger, and can only be met through grant.

Our modelling of housing association finances shows that – if combined with supportive rent policy, £2bn per year in grant to invest in existing homes, and lower interest costs - an AHP with an average of £4.6bn per year over its first five years, alongside an uptick in delivery of affordable homes via s106, **could deliver 320,000 new affordable homes over 5 years**.

Looking more broadly at the whole social housing sector, £7.8bn per year across all social landlords, with a larger uptick in s106, **could deliver 500,000 homes over five years – one third of government's 1.5m home target**.

In this case – development by year five would reach 140,000 affordable homes, including 90,000 for social rent. If sustained into subsequent years, this would be enough to meet housing need and to make the contribution we estimate is required to build 1.5m new homes over five years.

This investment from the government should be accompanied by transition funding to prevent a drop-off in delivery between the current and new programme. Transition funding with a start on site deadline of September 2026 will ensure the consistent delivery of affordable homes whilst guarding against negative impacts in the supply chain, land market and planning authority capacity when a new programme begins.

Aligning infrastructure and housing to unlock new supply

With the publication of long-term strategies on both housing and infrastructure, there is an excellent opportunity to align both to deliver the biggest impact on new supply. This includes:

- Taking a long term, system-wide view of the outcomes we want to achieve across both strategies.
- Creating a policy and funding environment that gives long-term certainty and confidence for both housing and infrastructure investment, in order to deliver at the scale required and leverage in private investment, including through an ambitious, ten year Affordable Homes Programme.
- Being clear on where strategic responsibility sits for housing and for infrastructure, across the National Infrastructure and Service Transformation Authority (NISTA), Homes England and other bodies.
- Ensuring that major new infrastructure and housing projects are aligned in order maximise the potential of both.

Long term funding boosts investment, productivity and growth in UK housebuilding.

A long-term funding programme, set alongside a long-term housing strategy, is the key to unlocking investment in new technology like Modern Methods of Construction (MMC), to improve productivity and increase output in the wider housebuilding sector.

Critically low productivity and a skills shortage in construction makes the sector's output hard to scale up. The construction sector has the lowest productivity of 30 of the UK's key industries after a decades long stagnation coming in only above agriculture and farming in levels of digitisation. Traditional building techniques have not changed meaningfully in over a century and there is a worsening crisis in construction skills. All of this makes it incredibly hard to scale up output to the levels needed to build 1.5m new homes.

The reason is our boom/bust housebuilding cycle – a strong disincentive to invest in new technology. Market housebuilders rely on being able to turn off the taps at short notice, in response to changing economic conditions and market demand. This means they have no incentive to invest in skills and new technology with a long payoff and high fixed costs upfront.

Current productivity, typically around 20% lower than the wider economy, could be increased 5-10 times through higher R&D spend, adoption of digitisation and investment into new technologies. The modular side of the market accounted for up to 30% of all R&D spending in the construction of buildings sector until 2022. But since then, the latest housing downturn has contributed to a near annihilation of the modular side of the MMC sector and delays in investment by major housebuilders too.

Long term, stable investment in social housing will provide confidence and certainty to invest in MMC. Creating the conditions for stability in the delivery of new social housing, as part of a longer-term plan for housing, will provide the confidence and certainty to invest in MMC which is lacking in the private housebuilding market. There is a natural fit between delivering high quality social homes at volume and speed, and the method by which they are delivered: in a highly controlled factory setting that requires continuous throughput and certainty of demand.

This will deliver productivity gains more widely across housebuilding, as well as delivering high quality, low carbon homes. Increased used of MMC would boost productivity by up to 70% and reduce the number of skilled workers needed to meet an annual house-building target of 300,000 homes by nearly 20%.

Manufacturers invest in staff development, attract a more diverse workforce and contribute to the economic growth of their regions. Most MMC homes are ‘fabric first’ so they use high performance, long-lasting materials for maximum insulation and ventilation and they require less energy to run: modular homes cost 55% less to heat than the average UK home and 32% less than traditional new builds, delivering savings of up to £800 a year for a three-bedroomed family home. Embodied carbon emissions are reduced by at least 34% through quick, precise manufacturing processes, wider use of recycled materials, minimal waste, reduced lorry deliveries and less travel for workers.

Championing supported housing to build an NHS fit for the future and tackle homelessness

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 relieves pressure 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.
- We would need 14,000 more inpatient psychiatric places, 2,500 additional places in residential care and 2,000 more prison places.

Supported housing is essential to building an NHS fit for the future and cutting waiting times for treatment, actioning the shifts from hospital to community and sickness to prevention. Waits for supported housing availability is the single largest reason for delayed discharge from mental health hospitals and attributed to more than 100,000 days of delayed hospital discharge in 2023/24. If there was enough supported housing to enable the timely discharge of the people experiencing these delays, this could generate cost savings to the state in the region of £53-£65m per year.

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. Supported housing prevents homelessness by meeting people's immediate need to move off the street, out of temporary accommodation or hospital and helping them to secure a tenancy and sustain it through a supportive environment. Research shows public spending would fall by £370m if 40,000 people were prevented from experiencing one year of homelessness.

Supply of supported housing is not keeping up with demand. The government's Supported Housing Review shows significant unmet need for supported housing, estimating the current shortfall at between 179,600 and 388,100 units. It estimates that by 2040, between 211,200 to 490,200 additional units of supported housing will be required to address projected unmet demand. Approximately 91,100 of these are needed for working age people and between 88,600 and 297,000 units for older people.

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.

Saving our supported housing

Supported housing is in high demand but faces a dire financial situation, with supply declining and services at risk of closure. 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 £1.6bn per year Supporting People programme for local authorities, is the main cause of financial pressure on supported housing.

Spending on commissioned support services in England declined by 75% from 2010/11 to 2019/20 from £1.3 billion to £320 million. The Supported Housing Review showed that now only 38% of all supported housing is commissioned and funded by local authorities or statutory bodies to cover some, or all, of the costs of providing care, support or supervision. Spaces in single homelessness schemes have shrunk by 38% since 2010, due to over £1bn in funding cuts, with some under-pressure councils ending entire homelessness support contracts.

Changes to Employer National Insurance Contributions will be a particular burden on supported housing and the resulting greatly increased staff costs will need to be covered by sufficient revenue funding or an exemption from the increases for supported housing. There is already a crisis of recruitment in supported housing, driven by a lack of competitive pay and conditions for workers in the sector, caused by stagnating contract levels.

The government should urgently review supported housing funding and have a clear cross-government strategy to protect and grow this vital part of the housing system. This should align across the government's forthcoming homelessness strategy, long-term housing strategy, plan for adult social care and Change NHS 10-year plan, with clear national and local ownership that ensures the financial sustainability of supported housing, acknowledging its key role in ending homelessness and taking pressure off health and social care services.

The government should allocate at least £1.6bn per year to English local authorities to commission supported housing, matching the Supporting People programme funding cut by the previous government in 2010. Recent NHF research estimated the real cost of commissioning enough supported housing is around £3bn per year, but we recommend that funding plans are based on robust public assessment of future support costs. Funding for supported housing must be clearly identifiable in consolidated funding allocations.

On rent policy, the government should increase the rent flexibility level for supported housing to 20% at new or relet. This would give providers the discretion to increase rents above formula rent where this is necessary to meet the elevated costs of specialist adaptations and buildings or ensure the viability of the scheme. Providers would only use this where affordable for residents and necessary to safeguard scheme viability: at present over half (56.3%) of housing associations do not use the current 10% flexibility.

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 plan for, and commission supported housing, so it is part of a strategic plan to meet assessed local housing need, manage demand and deliver prevention. This should include reinstating the £300m Housing Transformation Fund or an equivalent**, to integrate health, social care and housing and deliver supported housing. Supported housing providers can work with councils and health partners to meet local need strategically.

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 at least 180,000 more supported homes by 2040, and supported homes should form part of the 1.5m homes target.** To do this, there must be sufficient capital grant rates to cover the full cost of developing supported housing and meet the 10% target in the AHP, within a stable long-term rent settlement that must also cover the actual costs of delivering supported housing.

Meeting the challenge of an ageing population

The ageing population and increase in older people living with age-related disabilities and complex needs will drive the need for housing with support. By 2035, the number of people over the age of 60 in England will reach 29% of the population. The number of households in the private rented sector headed by someone 65 and above is also projected to double by 2046. The number of people in the UK living with dementia is set to double by 2040 and two thirds do not live in specialist housing. Alongside this, the country is facing an acute shortage of specialist housing for older people and new, appropriate homes that suit ageing in place.

It is vital to ensure more housing options are available to support the increasing number of older people with a variety of housing needs. Older people's needs and wants should be taken into account in (re)developing housing for older people and the (re)development of specialist housing for older people must be based on local need. This includes taking the needs of diverse populations into account given that the ageing profile of older residents reflects a wider reality that Britain is a diverse country.

Homes that are accessible and can adapt with needs, provide support nearby that allows people to remain independent and keep up their social and family life, lifeline technology provision and onsite staff presence help people to live independently and out of residential care. For housing associations, upgrading, modernising and extending existing homes can act as a solution to developing the range of housing options that are needed for an ageing population with changing and varied needs. For this to happen, there needs to be a more integrated and sustained financial package to support plans to upgrade housing for older people and greater long-term certainty for providers around the commissioning of schemes.

We need a strategic approach to older person's housing from Homes England and the Greater London Authority. Part of this should include a **long-term commitment to the substantial capital investment that is required to build and upgrade properties** to ensure they can meet future needs and demand in terms of energy efficiency, space, facilities and digitisation. National **build targets should also include a minimum proportion or number of homes specifically for older people**.