

Chancellor of the Exchequer
1 Horse Guards Road
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Dear Chancellor

Spring Budget 2024: National Housing Federation submission to HM Treasury

The National Housing Federation (NHF) is the voice of housing associations in England. Our members own over 96% of housing association homes in England, providing 2.8 million homes to around six million people – housing about 11% of the population.

At the NHF, our focus is on ensuring housing associations can deliver their social purpose: to provide good quality homes for people who need them most. Every year, housing associations save their tenants £9.7 billion compared to equivalent rents in the private rented sector, meaning lower income families have more income after housing costs to spend on other essentials. Last year our members built 1 in 4 of all new homes built in England. Over the last five years, they have built 189,000 new affordable homes and invested £31 billion in existing homes.

Our members are also investing heavily in the decarbonisation of their homes. The UK's homes are the oldest and leakiest in Europe, contributing to climate change, pushing families into fuel poverty and worsening issues of damp and mould. We welcome the Government's recent announcement of an additional £1.25bn to the Social Housing Decarbonisation Fund. However, further investment will be needed to ensure that all housing association residents can benefit from energy efficient homes that are warmer, more affordable to heat and in much better condition.

With finite financial capacity in the sector, there's only so much housing associations can deliver by themselves. The whole housing system is under huge pressure. The total cost to our society caused by poor housing is estimated at £18.5bn per year, with the cost to the NHS alone at £1.4bn a year. With the right funding and policy change, housing associations can relieve some of this pressure.

Housing also plays a critical role in a strong national and local economy. Having good housing that people can afford close to work, education, support networks and local services acts as a springboard for thriving communities. To achieve this, we need the Government to commit to a clear [long-term plan for housing](#), backed

by investment.

The government should:

- **Protect vital homeless services by boosting and ring-fencing funding for housing-related support to ensure spending at least matches the £1.6bn per year allocated to local authorities in England in 2010.**
- **Relieve homelessness by investing in homelessness prevention advice, support services and financial support to the hardest hit families. This includes:**
 - **Review the household benefit cap, the two-child limit and the removal of the spare room subsidy.**
 - **Review the five-week wait for Universal Credit and deductions system.**
 - **Reinstate uplifted funding for Discretionary Housing Payments so tenants with a rent shortfall can be supported to avoid rent arrears.**
 - **Make increased support available to all low-income households through the benefits system.**
- **Reinstate the £300m Housing Transformation Fund, to support the integration of housing into health and social care systems and the development of more specialist housing.**
- **Make sure everyone can feel safe in their home by: implementing the End Our Cladding Scandal campaign call for equal access to government building safety funding for housing associations; ensuring contractors, as well as developers, remediate defective buildings that they built for housing associations; applying a zero-rate on remedial works for VAT purposes.**
- **Deliver more social homes by allocating funding for regeneration programmes over a longer period and ensure Local Planning Authorities have the necessary resources to enable timely granting of planning permission.**
- **Deliver a long-term, inflation-linked rent settlement, with a reintroduction of a convergence mechanism.**
- **Make a long-term commitment to decarbonising our housing stock by committing to release the remaining Social Housing Decarbonisation Fund in full.**

- **Extend the temporary zero-rate VAT relief applied to the installation of energy saving materials to 2030 and include double and triple glazed windows and insulated entrance doors in its scope.**
- **Commit to new burdens funding for new requirements introduced through the review of the Decent Homes Standard. This will enable housing associations to continue to provide the high quality, affordable homes the country needs.**
- **Support low-income residents with their energy bills by reopening the Energy Bill Support Scheme Alternative Funding to ensure all households who missed out receive their payment and introducing an energy social tariff to protect low-income residents in the longer-term.**

The housing crisis remains the key domestic challenge facing the country today. By working with housing associations on the measures outlined in this submission and committing to a long-term plan for housing, the government can deliver the affordable, energy efficient, high quality homes the country needs. Together we can level up communities, tackle homelessness, ensure everyone feels safe in their home, and give people the support they need to thrive. **For more information on how this can be delivered, please see the appendix below.**

Housing associations stand ready to work with government to deliver on these shared ambitions and work towards providing a good quality, safe and affordable home for everyone.

Yours sincerely



Kate Henderson
Chief Executive

Appendix

Relieving homelessness and protecting vital supported housing

Good quality supported housing gives people choice about their lives, provides person-centred support and offers value for money for the public purse. For many people with support or care needs, the only alternatives to supported housing are residential care, hospital or another secure institution – or homelessness.

Supported housing for people experiencing homelessness is at risk of decommissioning due to insufficient local authority resources. Further cuts to supported accommodation appear likely, as [almost one in five local authority leaders and CEOs anticipate issuing a section 114 notice either this year or next](#). These cuts to supported accommodation will have a long-term negative impact on the public purse, as residents are forced into expensive temporary accommodation, residential care inappropriately, hospital beds, or onto the street.

As a matter of urgency, the government should **boost and ring-fence funding for housing-related support to ensure spending at least matches the £1.6bn per year allocated to local authorities in England in 2010. This would help to protect homeless services commissioned by local authorities and unlock the development of new schemes.**

The government must plan for supported housing in the long-term. This must include ensure **long-term, ring-fenced and increased funding for supported housing and support services**. Any plan must encompass the role of the NHS and local authority commissioners in delivering integrated local strategies. This way supported housing can be provided to meet need and strategic decisions can be made about care and housing in tandem.

The government should also therefore reinstate the £300m Housing Transformation Fund, to support the integration of housing into health and social care systems and the development of more specialist housing.

Increasing support for homelessness prevention to reduce the need for temporary accommodation and prevent rough sleeping.

A record 139,000 children are living in temporary accommodation, with 7,500 families in hostels and B&Bs. This disrupts children's education, affects their life chances and puts huge pressure on families. This situation is also putting a huge

and growing pressure on public finances and services, and risks bankrupting some local authorities.

Housing associations put in place many forms of [support to help residents sustain their tenancies and prevent homelessness and rough sleeping](#). These range from benefits advice, hardship funds, wellbeing support, partnerships with food banks and other charities, employment and skills training, to social prescribing and partnering with local authorities. However, these services are becoming more and more stretched by the growing needs of tenants given the cost of living crisis and the underfunding of statutory and non-statutory support services. We welcomed the government's increase of Local Housing Allowance rates to support low-income households. However, we are also urging that government **invests in homelessness prevention advice and support services alongside providing financial support to the hardest hit families, to prevent rough sleeping and the use of temporary accommodation**.

Preventing homelessness and investing in social housing will reduce reliance on costly temporary accommodation that can have poor outcomes for children and families. The government must commit to a target of ending child homelessness by 2035, as part of a long term plan for housing.

Furthermore, 135,800 young people aged 16-24 approached their council for help with homelessness in 2022-23. These people are often invisible to authorities and services, face challenges to evidence their homelessness, and are not seen as priority need. There is a clear need for a [national youth homelessness strategy](#) which prioritises preventing young people from becoming homeless, providing sufficient housing for young people, and improving young people's financial situation.

Boosting housing affordability and support provision through the welfare system

The current welfare system does not work for low-income and homeless households. Adequate benefit levels and support, including help with the cost of moving and furnishing a new home, are critical in ensuring homeless households settle into their new home and aren't exposed to the risk of repeat homelessness. Research shows that tenants claiming Universal Credit suffer higher levels of arrears than those paying rent by other means, and the benefit cap and removal of the spare room subsidy affect housing affordability.

The government should:

- **Review the household benefit cap, the two-child limit and the removal of the spare room subsidy.**

- **Review the five-week wait for Universal Credit and deductions system.**
- **Reinstate uplifted funding for Discretionary Housing Payments so tenants with a rent shortfall can be supported to avoid rent arrears.**
- **Make increased support available to all low-income households through the benefits system.**

Investing in Safety

Ensuring residents' safety is housing associations' top priority. Since the tragic fire at Grenfell Tower, housing associations have been leading the way in identifying and rectifying buildings where there are safety concerns. We welcome the different government funding schemes that ensure leaseholders do not have to pay to fix the mistakes of those who built defective properties.

The NHF and our members estimate that the cost to our sector of making buildings of all heights safe, could be around £6bn. As housing associations' income is made up of rents paid by social housing tenants who are typically lower earners, residents are effectively and unjustly paying for developers' and contractors' mistakes. Paying for building safety works will impact on the sector's ability to provide much needed affordable housing and on the provision of services to residents and their communities.

We are therefore calling on the government to implement the End Our Cladding Scandal campaign call for housing associations to have the same access to the Building Safety Fund and Cladding Safety Scheme as private building owners. This will help to speed up building safety programmes and enable housing associations to keep building the affordable homes the country needs, which provide wider economic benefits to the taxpayer.

The NHF and our members agree that those responsible for constructing defective buildings should fix them. We welcome the government's work to ensure developers remediate the defective buildings they constructed. **We are calling for the government to extend these negotiations to contractors, who have also constructed defective properties for housing associations that did not meet regulatory requirements.**

Currently, housing associations have to pick up all or part of the bill for remedial works where contractors are not facing their responsibilities, or where there no longer is a contractor or developer to take responsibility for a building. The extensions to the Defective Premises Act offer some additional recourse, but these are untested and could require lengthy and costly legal proceedings that ultimately delay building safety programmes.

The sums that housing associations are set to pay to remediate buildings constructed by other parties will have a significant detrimental impact on the sector's ability to provide much-needed affordable homes. The G15 – a group of the largest housing associations in London, who collectively provided almost 10,000 new homes to residents in 2022/23 – has said that as a result of meeting the costs of remediating buildings, some of their members will have to cut development by a third.

To enable housing associations to keep building the new affordable homes the country needs, the government should zero-rate remedial works for VAT purposes. This would represent a significant saving for the sector and would not require additional investment from the government. Instead, the country would reap the economic benefits provided from additional housing, and particularly social housing, where every £1 invested delivers at least £2.70 of economic benefits.

Delivering the new homes the country needs

There are 8.5 million people in England who can't access the housing they need, including two million children living in overcrowded, unaffordable or unsuitable homes. Building enough new homes is also an essential part of improving the quality and condition of England's social homes as a number of existing, old buildings have reached the end of their life. Our research shows we need to build 90,000 new social homes every year for a decade to meet current demand.

Devising a long-term plan for housing is essential if the government wants to address this need and shortfall in homes. Central to this will be a significant increase in public investment in social housing through the Affordable Homes Programme and other capital grant routes. We know that every £1 invested in social housing delivers at least £2.70 of wider economic benefits, through job creation, community development, and savings through the housing benefit bill and health and social care systems. Housing associations are also able to play a counter-cyclical role in a housing market downturn, working with the government to convert market homes to rented tenures.

Housing associations already play a key part in economic development and regeneration but are keen to do more. Recent announcements around flexibility to deliver regeneration projects through the Affordable Homes Programme are welcome. However, the timescale to begin work on site is very limited, and a reduced uptake in this round of funding should not be seen as a lack of demand but rather further evidence of the reality of delivery, including the time it takes to

design, plan and work with residents to make these sorts of schemes a success. Housing associations are keen to deliver regeneration programmes on a scale necessary to solve the housing crisis. **To de-risk these schemes, the government should allocate funding over a longer period.**

To support this investment and the deliverability of housing associations' ambitions, the government needs to ensure that Local Planning Authorities have the necessary resources to enable the swift and timely granting of permission. Our members consistently report that the lack of capacity within Local Planning Authorities is a significant barrier to the development of much needed new social homes.

Housing association rents

Housing associations rely heavily on rental income to fund investment in new and existing homes and services and deliver on their social purpose. They plan for this investment in 30-year business plans, which require certainty and consistency in the political and regulatory environments to be delivered. Sector lenders also value a high level of certainty, which is crucial for securing private finance where rents and public funding cannot cover all the sector's costs.

Housing association rents save tenants £9.7bn each year, compared to the amount residents would pay if they were renting in the private rented sector. This also delivers an estimated saving of around £6bn per year to the government, through lower benefit payments, since around 60% of social tenants receive support via Universal credit or Housing Benefit, to help pay their rent.

The most recent publication by the Regulator of Social Housing, [the Quarterly Survey of Registered Providers July to September 2023](#), demonstrates the impact that 7% rent cap, as well as the ongoing demands on the sector and higher debt costs was having on one of the sector's key lending covenants. Housing associations' interest cover was at its lowest recorded level for the year to September 2023, at 74%. This has fallen from 138% in just over two years.

To mitigate the risk of interest cover worsening (which would lead to organisations being downgraded by the ratings agencies), our members are having to make hard choices, including scaling back development plans. Two examples of this are Southern Housing's reduction in its development ambitions for this year by 80%, from 1,500 homes to 250 homes, and GreenSquareAccord which has this year reduced its new homes pipeline from 1,000 to 300, a reduction of 70%. According to data from the 2023 Global Accounts, the sector overall shows a 16% reduction

in the number of units being delivered over the next five years compared to 2022 forecasts.

Consistency and certainty in sector rent policy, to ensure a stable base of rental income, are therefore essential to allow boards to plan with confidence and enable housing associations to invest across the range of priorities captured throughout this submission. It is also a vital foundation for long-term, strategic planning for the sector.

We are clear that stable and sustainable rent policy must underpin government's approach to the sector. This will allow housing associations to invest in new and existing homes consistently, even in periods of economic or political instability. **We need a long-term, inflation-linked rent settlement, with a reintroduction of a convergence mechanism. This should prioritise fairness and transparency for residents and stability and certainty for housing associations.**

Decarbonising social homes

Housing associations are well placed to lead the transition to net zero, as the quantity and variety of homes within the sector means it can innovate and deliver change at scale, providing the market mechanisms required to build up supply chains and capacity and bring down market prices.

Funding is key to this and the sector plans to invest £70bn by 2050 in the fabric, heating systems and components of their existing homes. However, analysis from Savills estimates that decarbonising all existing housing association homes will require at least an additional £36bn of investment, on top of the £70bn already planned.¹

We have welcomed the government funding for this work through the Social Housing Decarbonisation Fund, particularly the £1.25bn announced in December 2023 for 2025 to 2028. This additional funding will enable social landlords to plan and invest in further retrofit works that will help lift residents out of fuel poverty, ensuring they live in warm homes that are affordable to heat. We strongly support the government's plans to consult on minimum energy efficiency standards (MEES) in the social housing sector. The combination of further funding and clear, comprehensive standards will enable the social housing sector to drive forward the

¹ <https://www.housing.org.uk/news-and-blogs/news/decarbonising-housing-associations-homes-cost-36bn/>

decarbonisation of all 2.8 million housing association homes.

We are calling on the government to make a long-term commitment to decarbonising our housing stock by committing to release the remaining Social Housing Decarbonisation Fund in full. A long-term funding commitment would provide housing associations with the confidence and certainty to plan for, and deliver, the large scale home decarbonisation projects required to meet the country's target of net zero by 2050.

VAT reliefs on energy saving materials

We are calling for the temporary relief from VAT in the form of a zero-rate applied to the installation of energy saving materials to be extended to include double and triple glazed windows and insulated entrance doors. Alongside this, we are calling for this relief to be extended until 2030. This would deliver around £3bn in cost savings across the whole sector.

We articulated these asks last year in our [submission to the government's call for evidence on VAT energy saving materials relief](#). In this submission, we demonstrated how the inclusion of the above materials within scope of the VAT relief meets the three objectives against which HMRC would judge representations. We recognise the government's publishing of the [outcome of the call for evidence](#) in December 2023 and its decision not to extend the relief to double and triple glazed windows and insulated doors. However, we feel that this position should be reconsidered, as well as the conclusions drawn on the issue of apportionment of the relief, which we feel is consistent with broader VAT principles as explained in our submission.

While many housing associations have already installed double glazing in the majority of their homes, much of this is old and will need replacing. This will be done principally to improve the energy efficiency of existing homes to get them to EPC C by 2030. Including double or triple glazing and insulated doors within the scope of the VAT relief will allow increased volumes of this work to be performed to encourage the supply chain which, in time, brings down costs and stimulates the economy. The [associated reduction in energy costs for residents](#) would be significant and should also reduce the amount of financial support required for energy costs.

The estimated costs (net of VAT) are as follows:

Flats

Improvement	Typical cost
New insulated entrance doors	£1,200
Replace windows with double/triple glazing	£3,500

Houses – based on a three bed semi- detached house

Improvement	Typical cost
New insulated entrance doors	£1,800
Replace windows with double/triple glazing	£4,500

The above figures have been obtained from Savills' October 2021 report on [decarbonising the social housing sector](#). There have been significant inflationary increases since the report was published so the current and future cost is likely to be significantly higher. That report highlighted VAT reductions as a key policy tool in decarbonising the housing association sector, and double and triple glazed windows and doors as key components in the retrofit process.

For ease of reference, assuming a 43/57% split of flats and houses in the 2.8 million homes managed by housing associations in England, extending the VAT relief to double/triple glazing and insulated entrance doors could result in a saving of over £1,100 VAT per property on average. This would be £3bn in reduced costs across the whole sector.

The relief period should be extended to 2030, so it aligns with the government target for all fuel poor homes to reach EPC C by 2030 and all social homes by 2035. Housing associations will need significant government support if they are to reach this target and decarbonise by 2050, especially given the financial challenges presented by the 7% rent ceiling applied to 2023/24 rents and the high cost of borrowing.

Improving the quality of social homes

Housing associations spent a record £7.7bn on repairs and maintenance in 2023 and a total of £31bn over the last five years. They are implementing the Better

Social Housing Review recommendations, and many are redesigning their repairs and maintenance procedures, revisiting homes with historical damp and mould concerns and writing to all residents to support and encourage them to report problems.

We have welcomed the steps the government is taking to improve the quality of social homes, including strengthening consumer regulation and working to revise the Decent Homes Standard.

However, these actions will not address the fundamental problem that much of England's social housing is old, poorly insulated and deteriorating. A significant driver of quality issues in the sector is decades worth of underinvestment from government. The four-year rent cut from 2016-2020 resulted in many housing associations having to cut investment and extend component lifetimes, with knock-on effects on property condition. We calculated at the time of the rent cut announcement that it would take around £3.9bn of financial capacity out of the sector. **If the government is committed to delivering improvements in the quality of social homes, it must make sure that the funding settlement for the sector is sufficient to support the level of investment needed to address historic quality issues.** This must include an adequate rent settlement and new burdens funding for new requirements introduced through the review of the Decent Homes Standard.

Supporting housing associations and their residents with rising energy bills

Social housing residents are disproportionately affected by rising energy bills, spending on average 5.7% of their income on heating bills, compared to a national average of 3.4%. We have welcomed the various government support packages that have been announced to help housing associations and their residents with the rising cost of energy.

153,000 housing association residents, many of whom are older, vulnerable and on very low incomes, are on heat networks and received support via the Energy Bill Relief Scheme, Energy Bill Discount Scheme and Energy Bill Support Scheme Alternative Funding. However, the latter was only open for 12 weeks and customers had to apply for the rebate, rather than receiving it automatically. This meant that many housing association residents missed out on the £400 energy bills discount.

Based on the figures published on the Department for Energy Security and Net Zero website on 13 July, it is clear that uptake of the scheme has been low. The original government advertisement for the scheme stated that 900,000 households would be eligible, yet fewer than 150,000 applications have been paid to date. **We urge the government to reopen the Energy Bill Support Scheme Alternative Fund with immediate effect, so all residents who are eligible can have access to the support they desperately need.**

We are also calling on the government to introduce a social tariff to protect vulnerable energy consumers from volatile energy prices. Housing associations are committed to supporting their residents with the cost of living, providing substantial welfare or hardship funding to help tenants who are struggling. Targeted support for those who need it most, including people on means tested benefits, disability benefits, and Carer's Allowance alongside those still struggling with their bills but missing out on support from the welfare system, would help to address fuel poverty and would remove unfair differentials between different geographies and payment types that currently exist in the market for low income and vulnerable households.

Economic Crime Levy

We are concerned that there are aspects of the Anti-Money Laundering regime under the Money Laundering Regulations 2017, specifically the new Economic Crime Levy, which disproportionately affect housing associations given their relatively low level of risk in this area. Our members are raising this as an area for concern.

The new levy is calculated across all UK revenue for regulated entities and so even if a housing association is operating a very small number of regulated activities, it will be subject to the levy across their UK revenue. There are areas of their business comprising a very small minority of their activities but which require a significant amount of resource for compliance with the regulations, with little benefit to other areas of the business.

A common activity in scope, for example, is estate agency work, which for most housing associations only affects shared ownership resales, or the sale of property on behalf of a separate housing association. Certain lending activities could lead housing associations to be defined as financial institutions for the purposes of the regulations and therefore in scope, since many have consumer credit authorisations or offer leaseholder deferred payment arrangements.

As non-profit providers of affordable housing, housing associations deliver significant public good, saving residents £9bn each year compared to market rent and directly adding to the national economy through house building and job generation. **It is vital that this public good is considered and that there is a more proportionate approach taken for housing associations, with appropriate exemptions for the Levy in place.**