

# Autumn Statement 2023

## NHF submission to HM Government/Treasury

### Introduction

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 2.7 million homes to around six million people.

Housing associations share the government's ambition for better homes and communities for everyone. Housing associations exist to provide good quality, affordable social homes for people who need them and offer vital services to support their communities. The lower rents our members charge save tenants £9bn annually.

Our housing association members are committed to investing in the supply and quality of social housing. In 2022/23 housing associations built more than 39,000 new affordable homes, directly adding £2.15bn to the national economy and supporting nearly 37,000 jobs. Housing associations are also taking action to address the issues of quality that exist in some of the homes in the sector. Following the publication of [the independent Better Social Housing Review report](#), the NHF and our members are now implementing its recommendations through our action plan. Last year, housing associations increased investment in their existing homes by 20%.

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. The sector plans to invest over £70bn in the decarbonisation of their homes up to 2050 and housing association homes are already more energy efficient than any other tenure.

However, with finite financial capacity there's only so much housing associations can do by themselves. Further investment from the government is needed alongside the sector's, to ensure that housing association residents can benefit from energy efficient homes that are warmer, more affordable to heat and in much better condition.

We believe that a decent, affordable home should be a right for us all. Having good housing that people can afford close to work, education and local services acts as a

springboard for thriving communities and plays a critical role in a strong national and local economy. We want to see a clear [long-term plan for housing](#), backed by government investment, to achieve these outcomes.

**The government should:**

- **Deliver on its net zero commitments by releasing the full remaining Social Housing Decarbonisation Fund beyond 2025. This will provide longer-term funding certainty, grow the economy and create hundreds of thousands of new jobs across the country.**
- **Provide certainty and stability for housing associations, residents and lenders, through a new 10-year, index-linked rent settlement.**
- **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.**
- **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.**
- **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, and ensuring contractors, as well as developers, remediate defective buildings that they built for housing associations.**
- **Help people into better homes that meet their needs, alleviate homelessness and deliver savings to the NHS and social care budgets through the provision of a fair and effective support and welfare system, long-term funding for supported housing and funding for homelessness prevention.**

## 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.<sup>1</sup>

We welcomed the additional energy efficiency funding worth £6bn for 2025-2028 that the government announced in the November 2022 Autumn Statement, as well as the recent announcement that an additional £80m will be available for Wave 2.2 of the Social Housing Decarbonisation Fund. 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 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 releasing the full remaining Social Housing Decarbonisation Fund beyond 2025.](#)**

### **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 earlier in the year in our [submission to the government's call for evidence on VAT energy saving materials](#) relief earlier this year. 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.

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

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 and the high cost of borrowing.

## 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 £9bn each year, compared to the amount residents would pay if they were renting in the private rented sector. This also delivers a saving of £6bn per year to the government, through lower benefit payments, since 73% of housing association 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 April to June 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 has fallen by 43% in two years, from 138% to 78%.

To mitigate the risk of interest cover worsening (that 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 recent announcement that it will reduce its development ambitions for the next year by 80%, from 1,500 homes to 250 homes, and GreensquareAccord which will reduce its new homes pipeline from 1,000 to 300, a reduction of 70%.

Consistency and certainty in sector rent policy, to ensure a stable base of rental income, is therefore essential to allow boards to plan with confidence and enable housing associations to invest across the range of priorities captured throughout this submission.

### The government should:

- **Retain the inflation link for annual increases** to ensure that rental income rises with costs and boards can plan for investment in the long-term.

- **Set out a 10-year settlement** to provide as much long-term certainty as possible.
- **Re-introduce convergence** to allow below target rents to catch up, where gaps have been created by historically low rents and the 2023/24 ceiling on increases (this amounts to over £1bn).
- **Introduce a floor and ceiling mechanism** on annual increases to protect existing tenants from high rent rises and to remove the need for government intervention.

## 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 from April 2024 onwards.** 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.

## Improving the quality of social homes

Housing associations spent £6.5bn on repairs and maintenance in 2022 and a total of £28bn 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. **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.

## 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. To deliver regeneration programmes on the scale necessary to solve the housing crisis, **the government should allocate funding for it 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.

## 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 association income is made up of rents paid by social housing tenants who earn lower incomes, residents are effectively and unjustly paying for developers' and contractors' mistakes. This 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 equal 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 should have met 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.

## **Developing a fair and effective support and welfare system**

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

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 are urging the government to invest 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.**

**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:

- Restore the Local Housing Allowance to the 30th percentile of market rents.
- 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.<sup>2</sup>
- 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.

## Alleviating pressure on the NHS and social care by properly supporting people at home

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. Providing decent housing with appropriate care and support for older people and those with support needs, is a cost-effective way of [facilitating hospital discharge and preventing crisis admissions](#) and reducing the burden on the NHS and social care. Specialist older person's housing saves the NHS and social care services an average £3000 per person a year. That rises to £12,500-£15,000 for people with learning disabilities and mental health needs.

In 2018, [the government showed commitment](#) to supported housing by securing the capital funding for housing costs. But the other vital component of funding – the support costs – are facing a substantial gap. As a result, supply of supported housing is reducing at a time when demographic trends show demand increasing. [Research in 2015](#) calculated that by 2024/25, there will be a national shortfall of 46,771 supported, sheltered and extra care housing places. The government has also predicted that demand for supported homes in England will [increase by 125,000 by 2030](#).

England is also facing an acute shortage of housing for older people and homes that suit ageing in place. [By 2035, the number of people over the age of 60 in England will reach 29% of the population](#). This will increase demand for housing for older people and, without appropriate provision, place unsustainable strain on the housing market and health services. [38,000 new homes for older people are required each](#)

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<sup>2</sup> <https://www.housing.org.uk/globalassets/files/welfarereform/universal-credit-in-a-time-of-crisis.pdf>

[year to meet demand](#) (of these, 21,000 should be for social rent) and nearly a third of this should be extra care or sheltered housing.

The [People at the Heart of Care](#) White Paper's commitment to take a strategic approach to supported housing was welcomed by local authorities, health services and housing providers. The £300m Housing Transformation Fund, announced in the white paper, was integral to that commitment. We were therefore disappointed by the government's decision to omit the Housing Transformation Fund from its plan for adult social care system reform to 2025.

#### **The government should:**

- **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 unlock the development of new schemes needed to meet growing needs and reduce spending on residential care.**
- **Reinstate the £300m Housing Transformation Fund, to support the development of specialist housing and the integration of housing into health and social care systems.**

## **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 leaseholders deferred payment arrangements.

Whilst adjustments will not be made this year due to timescales, we are actively engaging with HMRC and the FCA to articulate these concerns and encourage a more proportionate approach for housing associations in the future. 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 consideration be given for them in consideration of this public good and relatively low risk exposure to economic crime.**

## Conclusion

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.

**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.**