Autumn Budget submission 2025

National Housing Federation

15 October 2025

Summary

With this summer's Spending Review, the government put in place the building blocks for a decade of renewal in social housing. Decisions made at this Budget will be crucial to cement the certainty and confidence our members need to deliver and to ensure that supported housing has equally solid foundations for the future. We ask the government to:

- **Introduce rent convergence with a £3 per week uplift from 2026.** This measure would generate £3.35bn rental income that would unlock capacity for £8bn in private borrowing. Modelling suggests this could enable the sector to build an additional 51,000 homes over 10 years – 10% more than would otherwise be delivered.
- **Commit to emergency funding for supported housing, which was not addressed by the Spending Review.** There is already a shortfall of up to 388,100 supported homes. More than 50,000 could close their doors without sustainable funding. This will put further pressure on the NHS and social care services and undermine efforts to end homelessness.
- **Exempt housing associations from the Economic Crime Levy or create a specific category for the sector.** The design of the levy has meant that housing associations are treated in the same way as financial institutions and estate agency services for whom regulated activities are their core business. Some housing associations are charged as much as £500,000 for providing free debt advice to residents, financial support for those in hardship, or shared ownership resales on a cost-recovery basis.
- **Tax reform to speed up development and invest in the quality of existing homes.** Zero-rating VAT on building safety works could save social landlords £633m to deliver over 12,000 new homes. Extending the zero-rating of VAT on Energy Saving Materials until 2030 will help housing associations invest in both decarbonisation and new home delivery.
- **Confirm funding for the Warm Homes Plan to decarbonise homes and improve the health and wellbeing of residents.** A further £3.7bn is needed

for the Warm Homes: Social Housing Fund, along with further support for heat networks.

- **Increase investment in existing homes.** Housing associations are already planning to invest £50bn on repairs, maintenance and investment in existing homes over the next five years, before factoring in the full cost of meeting new requirements. Providing targeted grant funding will enable investment in further improving the quality of existing homes and also unlock capacity for new grant-funded and s106 homes.
- **Reforming welfare to support residents on the lowest incomes**, including updating Local Housing Allowance so that it covers at least the cheapest 30% of local private rents, the full abolition of the two-child benefit cap, and the removal of the household benefit cap.

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 are uniquely placed to support the government to **kickstart growth, end the housing crisis, tackle the climate emergency, and rebuild public services.** Housing associations are anchor institutions in their communities, with a track record of collaborative delivery in every part of the country. Housing associations already build a quarter of new homes, drive growth, and aid a variety of public services through supported and older persons' housing provision.

Housing associations save their residents £9bn every year compared to if they were living in the private rented sector. Of this £9bn, the government saves £6bn through reduced welfare spending. Our sector wants to do more, and the scale of the housing crisis demands we continue to effectively partner with local, regional and national government to do so. **There are 8.5 million people in England who can't access the housing they need.** This includes two million children (1 in every 5) who are living in overcrowded, unaffordable or unsuitable homes. Households in England are facing **record levels of homelessness** with nearly 170,000 children living in temporary accommodation, including 5% of all children in London. Rough sleeping increased by 20% between 2023 and 2024.

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.

The government took a huge step forward this year with the Spending Review and the commitment to deliver a decade of renewal for social and affordable housing. This will start to be reflected in activity and business planning this autumn and beyond, particularly once the government has confirmed the outcome of the consultation on rent convergence, and the crucial details on regulatory standards around Decent Homes Standard (DHS) and Minimum Energy Efficiency Standard (MEES).

The exception is in our supported housing system, which remains in crisis. Without emergency intervention from the government, supported housing faces a worsening funding crisis, more service closures, and even more pressure on our vital public services, including the NHS, social care and homelessness services, and the criminal justice system.

The recommendations in this submission, taken together, would help deliver the confidence and certainty our members need to:

- Deliver the biggest increase in affordable housebuilding in a generation.
- Progress our shared priorities through investment in existing homes to make them safe, green, and high-quality.
- Play a critical role in supporting public services to rebuild.

Implement a fair approach to rent convergence

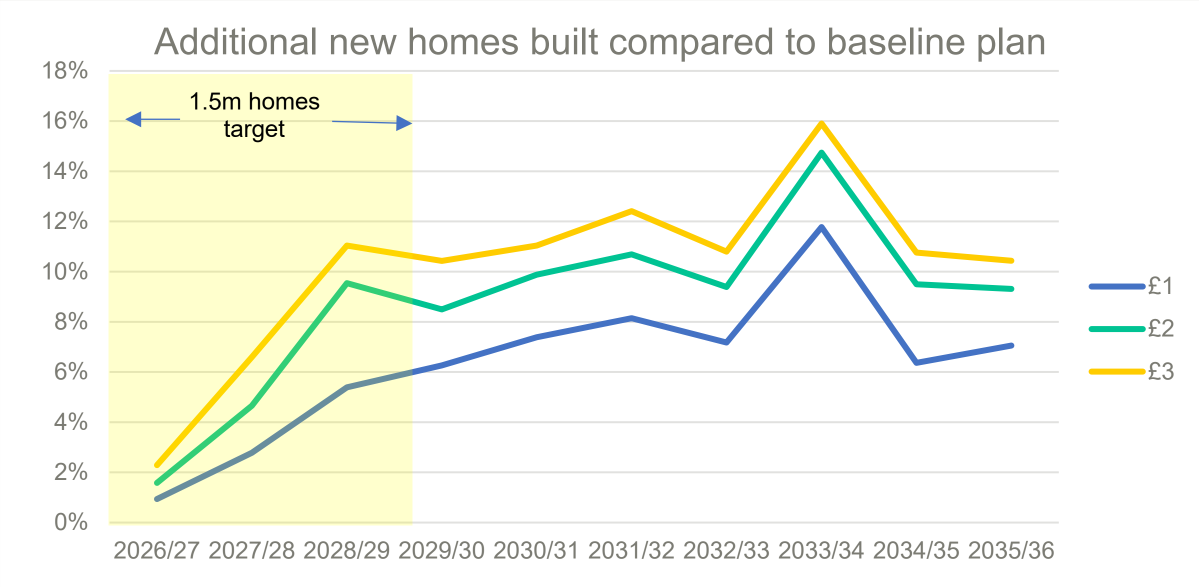
As set out in our consultation response, the government should implement rent convergence at £3 per week, starting in 2026 and embed it as a standing feature of social rent setting policy. This would:

- Enable additional investment in new and existing homes.
- Have a limited impact on the welfare bill.
- Ensure rents remain affordable relative to local incomes.

- Drive consistency and fairness in social rent setting.

Enable additional investment in new and existing homes

An earlier and higher uplift would support a much higher rate of increase in the supply of new homes by 2029. Of the consultation options, nearly twice as many additional new homes could be built by 2029 with a £2 versus a £1 uplift.



We aggregated modelling from 40 larger housing associations and scaled it up across England to demonstrate the sizeable additional investment convergence would enable. The figures below assume convergence is implemented in April 2026 and lasts 10 years.

Uplift	Additional new homes across sector, all housing associations (2026-36)	Additional investment in existing homes, all housing associations (2026-36)
£1	32,244	£1.4bn
£2	44,321	£1.9bn
£3	51,244	£2.1bn

Without this intervention, we will struggle to reverse the decline in social housing starts recorded in recent years, endangering the government's 1.5 million homes target, which our analysis shows can only be met with a significant uptick in social housebuilding.

Have a limited impact on the welfare bill

We estimate that introducing rent convergence at £3 a week would cause the Department of Work and Pensions (DWP) spending on household benefits to rise by no more than 0.5% by 2029/30 (and by just 0.2% in 2026/27).

Increased spending on welfare to cover the costs of convergence will be partially offset by lower spending on private sector housing support and temporary accommodation as households move into (cheaper) new social homes funded by convergence.

22% of the total additional welfare spending on £3 convergence over 10 years will be offset by savings from moving households from the private rented sector into newbuild social housing (38% in 2035/36).

Ensure rents remain affordable relative to local incomes

Housing associations are committed to their social purpose to ensure rents remain at affordable levels for residents.

The proposed implementation of convergence means rents cannot rise higher than the value set by the earnings-linked social rent formula, providing an important affordability safeguard for residents.

Almost all residents in receipt of benefits will see their entire rent increase covered by their benefit payments and our analysis shows that formula rent is affordable for self-payers in virtually all local authorities.

Drive consistency and fairness in social rent setting

At present, residents can pay substantially different amounts for equivalent properties depending on when they first moved in. Rent convergence would help fix this imbalance, and the higher the uplift, the faster this imbalance can be addressed.

Save our supported housing: A national resource for our public services

Supported housing helps half a million people live as independently as possible in the community, within their own home. Housing associations provide three quarters of supported housing for rent.

Supported housing is accommodation, where housing, support, and sometimes care are provided.

Supported housing prevents homelessness[1], prevents hospital admissions, helps people be discharged from hospital and stops people being placed in expensive residential care before they need to be. It therefore eases pressure on vital public services like the NHS and saves taxpayers £3.5bn per year.

Without supported housing, there would be a need to provide:

- Support to 41,000 more homeless people, costing over £40,000 per person per year.
- 14,000 more inpatient psychiatric places, costing £170,000 per person per year.
- 2,500 more residential care places, each costing £45-£50,000 per year.
- 2,000 more prison places, each costing £32,700 per year.

Emergency funding to save supported housing

The capital funding announced at the Spending Review will transform the housing association sector's capacity to invest in existing homes and build the social homes we need. The Spending Review did not, however, include any funding for the support element of supported housing, which, following more than a decade of funding cuts, is facing a financial crisis, while demand for support is increasing[2]. **Support funding was cut by 75% between 2010 and 2020, plummeting by over £1bn.** This reduction in funding means costs are not covered and people's homes are at risk.

[1] In 2023/24, 30% of all households moving into supported housing were homeless. Social housing lettings in England, April 2023 to March 2024

[2] For example, 59.5% of homeless households owed a prevention or relief duty in 2022-23 had at least one support need, compared to 57.8% in 2021-22. Statutory homelessness England level time series "live tables"

Against this backdrop, the supply of supported housing has flatlined, leaving a shortfall of between 179,600 and 388,100 homes.

2025 NHF research further shows that over 50,000 more supported homes, (1 in 10) are at risk of closing their doors without urgent financial support.

Any closures would damage the government's ability to deliver on its missions, including to deliver an NHS fit for the future, reduce homelessness, and halve violence against women and girls.

The government should therefore **use this Budget to commit to an emergency injection of funding for supported housing to prevent further scheme closures.**

The government should also commit to **new burdens funding for the Supported Housing (Regulatory Oversight) Act** in this Budget. This will bolster local authority capacity to implement the licensing scheme and draft supported housing strategies but also to **cover providers' costs and allow local authorities to commission new supported housing and continue to pay for existing schemes**. It should also **commit to retaining Housing Benefit to cover the rental costs of all types of supported housing.** It is only with adequate funding for supported housing that the requirements of the Act can realistically be met and further closures will be avoided.

Towards long-term and sustainable funding

As well as emergency funding to prevent closures now, the government should work towards **a sustainable funding solution for supported housing**, committing **to long-term funding for support in its long-term housing strategy and homelessness strategy and** implementation of the Supported Housing Act. The government should work with the supported housing sector and partners across government to design this commitment. The NHF stands ready to work with the government to find a sustainable way forward for supported housing that benefits everyone, given that it saves money across the public sector. Often spend by one department generates savings in another department, which is why a cross-government view is needed, taking a holistic view of the benefits of funding supported housing.

It is positive that the government has recognised the need to fund supported housing and older people's housing in the Social and Affordable Homes Programme and has acknowledged the higher capital costs of this type of housing. However, specialist NHF members report that capital funding is too low to make schemes viable, limited funding for regeneration of existing schemes risks schemes being lost, and the fund is not flexible enough for them to bid successfully into it.

For the fund to be accessible to supported housing and older people's housing providers, the government should **allow specific flexibilities for specialist housing in the Social and Affordable Homes Programme, including**:

1. A clear commitment to supported housing and older people's housing in the prospectus.
2. Allocating enough of the new Social and Affordable Homes Programme to fund the building of new supported and older people's housing.
3. Different net additionality rules for regeneration for supported housing and older people's housing.
4. A specialist stream with a lower threshold for organisations to qualify as Strategic Partners to specifically include supported housing and older people's housing.
5. Financial support for smaller organisations to prepare bids.

Making homes for older persons and disabled people more accessible

There is a significant shortage in homes which are accessible for people as they get older, and for disabled people of all ages. 1.8 million people in the UK need an accessible home, yet only 9% of homes meet minimum accessibility standards. Housing associations fund minor adaptations such as grab rails, accessible taps, and bath boards. They also support residents in applying for Disabled Facilities Grants for major adaptations, from installing a stair lift through to constructing a level-access bedroom and wet room. Yet even with the funding commitment at the Spending Review, 80% of local authorities are having to rely on powers to award additional discretionary funding owing to the increased costs of adaptations.

The current system is complex for residents and housing associations to navigate. It can leave disabled people waiting years from the initial application for assessment through to completion of the works. **We urge the government to use the**

opportunity of the recent allocations consultation to further improve the funding offer and streamline the system.

We cannot just rely on adapting existing homes. We need to build more accessible and adaptable homes. **The government should make M4(2) - the accessible and adaptable dwellings standard – the baseline in the Building Regulations.**

Reform the Economic Crime Levy: A disproportionate impact on housing associations

Housing associations are committed to meeting their obligations under the Money Laundering Regulations. However, the Economic Crime Levy is having a disproportionate impact on the capacity and services of many not-for-profit housing associations. Our members are falling within the scope of the levy due to small but important activities, including:

- Providing free debt advisory services to residents in financial hardship.
- Some lending activity such as consumer credit authorisations or deferred payment arrangements, to support leaseholders in need.
- Advising on shared ownership advice and resales, for which revenues generated are done to cover essential costs of this service and not to profit from shared owners.

The structure and scope of the levy means that housing associations are treated in the same manner as commercial financial institutions and estate agency services. Unlike for many of these businesses, these essential activities to support residents form a very small proportion of a housing associations' operation. **Yet, because the levy is calculated against total UK revenues, housing associations face paying the same levy rate as these other businesses.**

Some of our larger members are facing the prospect of moving between fee bands due to a slight increase in revenues, **from paying £36,000 one year to potentially paying £500,000 the next.** This will impact on funds which could otherwise be directed to speed up building safety remediation or develop new social homes.

Housing associations do not want to stop providing these essential services, but some are now having to take difficult decisions to either do so, or else outsource these services to third parties. This would be a lost opportunity to support residents and further improve the experience of shared owners.

As such, we are asking for the government to **amend the scope of the Economic Crime Levy to introduce a limited exemption or special category for housing associations.** Exempting housing associations from paying the levy, or else applying a reduced, flat rate will remove the barrier to operating these activities to the benefit of vulnerable residents and the provision of affordable home ownership. We are keen to work with the government on the design of the levy.

Improving the tax system to speed up development and investment in the quality of existing homes

Zero-rate VAT on building safety works

The government should zero-rate VAT on building safety works. If remaining cladding remedial works will cost social housing providers £3.8bn, [as identified by the National Audit Office](), zero-rating VAT on them could mean a future saving for social landlords of £633m. Together with the additional investment it could attract, NHF analysis has found it could fund more than 12,000 new homes.

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 Inquiry on the tragic fire at Grenfell Tower found that a significant reason why the building came to be clad in combustible materials was the 'systematic dishonesty on the part of those who made and sold the cladding panels and insulation products.' It is therefore completely just that those manufacturers contribute to cost of making safe the defective buildings that had a role in creating.

We have also previously called for 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. 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 by the end of the year.

We welcome the constructive engagement we have had with the government on this issue and look forward to further details on potential solutions soon.

Improving VAT to drive investment in energy efficiency

The government should 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 longer-term investment in decarbonisation and maximise the impact of grant funding.

With the incoming Minimum Energy Efficiency Standards, it is imperative that energy efficiency upgrades can be completed in as cost-effective a way as possible. Extending the VAT exemption would help reduce pressure on housing associations' financial positions and reduce the trade-offs housing associations need to make, between meeting increasing regulatory obligations and continuing to build new homes and supporting the government's target of 1.5 million new homes in this parliamentary term.

Additionally, the government should amend HMRC guidance to better enable housing associations to claim the relief where single contracts 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. One large housing association has estimated this alone cost them £1.3m in unrecoverable VAT over the last two years. We are planning further work to understand the impact of this issue.

Finally, 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.

We would also advise that the government considers extending VAT relief for social landlords on repairs, maintenance, and refurbishment activities. This would assist in limiting the financial impact of the new requirements on housing associations and build on previous VAT relief applied to certain building safety works and energy efficiency measures. We would be happy to work in further detail with the government to develop how this could be delivered in practice.

More funding for the Warm Homes Plan

It is vital that sufficient funding is given to housing associations to progress decarbonisation goals and improve the health and wellbeing of residents. Key to this will be the funding allocated through the Warm Homes Plan.

As part of this plan, the government must increase the funding allocated through the Warm Homes: Social Housing Fund. In 2023, the National Infrastructure Commission estimated that an additional £5.1bn in capital spending on energy efficiency improvements would be needed between 2024 and 2030. However, only £1.36bn has been allocated through the Social Housing Decarbonisation Fund and the Warm Homes: Social Housing Fund since 2023, meaning an additional £3.7bn needs to be allocated through this scheme. Funding should support the shift to clean heat, including the uptake of solar panels and batteries, while continuing to prioritise fabric improvements where needed.

The Energy Company Obligation funding is also vital for home retrofits across all tenures, and future rounds should be confirmed promptly to avoid supply chain disruptions. This must be supported with appropriate consumer protections to shield households from the negative health and wellbeing impacts of poor-quality installations and restore public confidence in the scheme. These protections must carefully balance consumer protection with accessibility of the scheme, and the ability for work to be completed in a timely and efficient manner.

Dedicated funding is also needed to improve the efficiency of heat networks, which are crucial for achieving net zero emissions by 2050. Two thirds of heat networks are managed by social landlords, who are facing substantial costs to meet the new technical standards and regulatory regime, due to begin in January 2026. If the government wants heat networks to play a significant part of the decarbonisation of the social housing sector, it is essential that funding is provided to enable housing associations to develop and maintain this infrastructure.

Targeted funding to invest in the quality of existing homes

Grant funding to support housing associations to improve the quality of existing social homes would strengthen housing association finances and unlock capacity for new grant-funded and s106 homes.

In our recent response to the government's consultation on the Decent Homes Standard (DHS) we emphasised housing associations' support for improving the quality of our homes, but also the substantial costs associated with this.

Housing associations are already planning to invest £50bn on repairs, maintenance and investment in existing homes over the next five years, before factoring in the full cost of meeting new requirements from the updated DHS, Minimum Energy Efficiency Standard (MEES), Awaab's Law, and heat network regulation. We are concerned that the government's impact assessments significantly underestimate some of the costs associated with these.

There is successful precedent for government providing grant funding to improve the quality of existing homes. The original Decent Homes Programme came with £22bn in grant funding. The Welsh Government provided grant funding for social landlords to accompany the recently updated Welsh Housing Quality Standard (WHQS). In 2023 the UK government provided funding for social landlords in Greater Manchester and the West Midlands to invest in tackling damp and mould through the Social Housing Quality Fund (SHQF). Initial research into the impact of the SHQF in the West Midlands found that it added value, enabling landlords to increase the scale and scope of both responsive and planned repairs, but overall, it was a 'drop in the ocean' of the funding needed to support ongoing investment in the quality of homes.

There we urge government to consider providing targeted grant funding to support housing associations and local authorities to improve the quality of existing homes and meet new regulatory requirements. Crucially, this funding would also unlock capacity for housing associations to invest in building new homes.

Welfare

We support the calls made by many organisations for the uprating of Local Housing Allowance so that it covers at least the cheapest 30% of local private rents, the full abolition of the two-child benefit cap, and the removal of the household benefit cap. These measures are vital to supporting housing associations residents out of poverty, as well as tackling poverty more widely.

Local Housing Allowance

The NHF supports the call from a wide variety of organisations working on housing, homelessness, and poverty that Local Housing Allowance (LHA) should be unfrozen and restored to cover at least the cheapest 30% of local private rents.

LHA plays a crucial role in helping families to find and sustain affordable homes. However, a series of freezes to LHA have broken the link between LHA and the real cost of renting. This puts families at risk of homelessness as they cannot afford housing in the Private Rented Sector. It also increases demand for social housing, which cannot be met, and therefore leads to more families spending time in temporary accommodation.

As of November 2024, almost half of the 1.6 million private rented households in receipt of Universal Credit had a shortfall between the cost of their rent and the support that they receive. Shortfalls in support also mean that household must often forgo essentials such as food, cleaning essentials, and utility bills. Research from Crisis explains that fewer than 3% of private rented properties in England are affordable to people on housing benefit, with similarly constrained markets in Scotland, Wales and Northern Ireland. In short, while rents have increased substantially, LHA has not kept pace.

The growing gap between rental costs and LHA places an unsustainable burden on local authorities because it significantly increases demand for homelessness services and costly and often substandard temporary accommodation. The Local Government Association has warned that frozen LHA rates have burdened councils in England with over £700m in unrecoverable costs over the past five years. Similarly, the latest government data demonstrates that councils in England spent £2.8bn on temporary accommodation last year, which represents an increase of 25% in just 12 months. Not only does temporary accommodation have a significant social cost, with nearly 170,000 children unable to move into safer, more secure housing, but it is also undermining the fiscal health and sustainability of local authorities across the country.

Restoring LHA to cover at least the cheapest 30% of local private rents would lift 75,000 children and 125,000 adults out of poverty across the UK, improve the fiscal sustainability of local authorities, reduce homelessness and play an important role in decreasing the overall pressure facing the housing system.

Two-child benefit cap

The NHF supports calls for the full abolition of the two-child benefit cap. The two-child benefit cap disconnects the support that families receive from the support that they need, which increases the risk of homelessness, pressure on social housing, and levels of both general and child poverty.

The standard allowance of Universal Credit is currently at its lowest ever level as a proportion of average earnings. 1.3 million children in large families in receipt of Universal Credit are already going without at least one basic essential, and this figure will continue to grow for as long as the two-child benefit cap remains in place.

According to the Resolution Foundation, abolishing the two-child benefit cap would be the most cost-effective way to reduce child poverty. Removing the cap would cost roughly £3.5bn in 2029/30. Given that the overall cost of child poverty to the economy and the government has been estimated at £39bn per year, and that removing the two-child benefit cap would substantially reduce child poverty, removing the cap is a worthwhile investment. If the cap is not lifted, projections indicate that 4.8 million children will be in poverty by 2029-30, which includes half of all children in large families. In contrast, lifting the two-child benefit cap would lift an estimated 500,000 children out of poverty in 2029-30.

Several compromise options that do not remove the two-child benefit cap entirely have been put forward. However, analysis from the Resolution Foundation has shown that all alternative measures are less cost-effective in lifting children out of poverty than full abolition.

Household benefit cap

The NHF supports calls for the household benefit cap to be removed. Unlike LHA rates and overall benefits levels, the household benefit cap has only been uprated once since its introduction in 2013. As a result, the household benefit cap is worth £10,000 less in real terms in London compared to when it was introduced, and nearly £14,000 less outside of London. The household benefit cap would continue to limit the support that many families receive even if the two-child benefit cap were abolished and LHA uprated.

The household benefit cap severely constrains the ability of families to afford housing. This is particularly acute in the Private Rented Sector, but it is concerning that the cap can make even social housing unaffordable for some households. A study by the Child Poverty Action Group showed that average council and/or housing association rents are unaffordable to benefit capped families in 78 local authority areas. The result can mean homelessness, longer spells in temporary accommodation and increased demand for social homes, which are already in short supply.

The household benefit cap affects 123,000 of the poorest households. 73% of these households are headed by single parents with children. The Child Poverty Action Group's analysis found that in 2023 a single parent with three children who lives in some parts of London and is subject to the benefit cap was required to live on just £44 per week after paying their housing costs. Not only does the benefit cap increase the prevalence of homelessness and place significant pressure on the housing system, but it clearly also contributes to keeping many families in poverty.

It is important to acknowledge that the household benefit cap heavily constrains the ability of survivors of domestic abuse to access housing. Survivors of domestic abuse often live with their perpetrators and must leave their homes to be safe. They often struggle to find homes that they can afford on a single income, which means they must turn to their local authorities for homelessness assistance. Given that lone parent households make up 71% of the families subject to the benefit cap, that 90% of lone parent households are headed by women, and that the vast majority of survivors of domestic abuse are women, the household benefit cap directly prevents survivors of domestic abuse from accessing safe housing.