Autumn Budget and Spending Review 2021

National Housing Federation submission

30 September 2021

Summary

Despite challenges brought about by the pandemic, housing associations have remained committed to ensuring the safety of homes, continuing work on decarbonisation, maintaining their contribution to levelling up, and supporting people to live independently with improved quality of life.

Housing associations are in a unique position to be at the heart of the UK's economic and social recovery following the impact of coronavirus. In addition to providing safe, sustainable, affordable housing, housing associations are embedded in their local communities – supporting residents across their lives, including accessing jobs and skills training, or being able to live independently.

In this Autumn Budget and Spending Review we are calling for targeted funding for housing associations to continue delivering on our shared objectives to:

1. Decarbonise current homes.
2. Remediate buildings so that they are safe.
3. Provide supported housing to enable everyone to thrive.
4. Support regeneration and levelling up across the country.

These four points are covered in detail in this submission, and summarised below.

Decarbonising current homes

- Housing association homes are already more energy efficient than any other type of home, and housing associations are planning to invest billions of pounds over the next ten years.
- Investing in housing associations to lead the way on decarbonisation will support job creation and regeneration across the country, including in some of the most deprived areas.

- **We are asking the government to demonstrate their intent to support net zero in housing by committing the full £3.8bn Social Housing Decarbonisation Fund** promised in the Conservative manifesto and working with the social housing sector to deliver it.

Remediating buildings so that they are safe

- Resident safety is always the top priority for housing associations. Following the tragedy at Grenfell Tower, housing associations have already undertaken significant remediation and mitigation works to buildings that need them.
- However, money spent on remediation means less to spend on building much needed new affordable homes or improving existing homes.
- That's why **we're asking the government to cover all building safety costs upfront and claim the costs back from those responsible for the defects**.

Providing supported housing to enable everyone to thrive

- The role of supported housing has never been more critical than over the pandemic, with supported housing providers keeping their residents safe in the most challenging circumstances.
- With funded support, social rented homes can help people in the most challenging circumstances, including addressing homelessness and supporting people out of hospital. This in turn saves money in the long term.
- That's why **we're asking the government to reinstate the £1.6bn ring-fenced funding for housing-related support services,** and use the opportunity of social care and NHS reform to prioritise preventative services, give security to people with care and support needs, guarantee funding, and enable housing providers to continue responding to coronavirus.

Supporting regeneration and levelling up across the country

- Some communities have struggled as a result of the pandemic. Housing associations are already supporting these communities by playing a key role in town centre renewal, regeneration and economic development.
- The government should harness this potential and ensure that existing funding is maximised to support housing-led regeneration across the country.
- **Housing should sit at the heart of the levelling up agenda with housing associations able to access funding for regeneration and economic development, including via the UK Shared Prosperity Fund**.

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.

During the pandemic housing associations focused on keeping residents safe, maintaining essential services, and giving extra help and support where needed. While the vaccination programme progresses and coronavirus restrictions continue to be lifted, housing associations are eager to continue this important role with the support of the government.

Housing associations have already worked with the government on a number of key priorities – including quickly identifying buildings with aluminium composite material (ACM) cladding, progressing with work on decarbonisation, creating opportunities for individuals to live independently in their communities, and playing a key role in town centre renewal, regeneration and economic development. As a result, they are in a unique position to be at the heart of the nation's social and economic recovery from the pandemic. They also stand ready to continue working in partnership with the government to deliver on shared goals including building safety, decarbonisation, housing quality and supply, and ending rough sleeping.

However, the sector faces certain challenges in balancing investment across these goals, including the high cost of making buildings of all heights safe, and the lack of finance to decarbonise new and existing homes. The current pressure on materials and labour supplies and costs is exacerbating these challenges. That's why this submission is calling for the government to support our sector with targeted funding to decarbonise existing homes, and remediate buildings to make them safe.

This submission also highlights the key role housing associations play in their communities, and how the government can harness this potential and ensure that existing funding is maximised to support housing-led regeneration across the country. Following the outbreak of coronavirus, housing associations reached out to their residents to keep them safe, improve their quality of life, and build resilience for the future. With government support, housing associations can keep delivering these services and provide much-needed continuity to people as the country continues to recover from the pandemic.

The pandemic has also emphasised the importance of supported housing. In this submission, we highlight the vital role supported housing has played during the pandemic, and the importance of ensuring it is funded correctly in the long term. Several MPs joined us in making this case during our Starts at Home Day on 3 September.

The funding we are calling for in this submission will support housing associations to continue providing quality services for residents in the long term and build much-needed new homes. We see the Autumn Budget and Spending Review as an opportunity to bring certainty and support which can unlock housing association investment for the long term.

We warmly welcome the existing certainty over housing association rents up until 2025, and the new £12bn Affordable Homes Programme. Stable and sustainable funding supports housing associations' ability to invest in new and existing homes, which in turn supports residents and communities.

We are calling for targeted additional funding, and long-term certainty, to allow us to do even more, specifically to:

1. Decarbonise current homes (skip to).
2. Remediate buildings so that they are safe (skip to).
3. Provide supported housing to enable everyone to thrive (skip to).
4. Support regeneration and levelling up across the country (skip to).

This submission provides further detail on each of these four points.

1. Decarbonising current homes

This section outlines the significant contribution that the social housing sector can make in achieving the government's net zero targets. The Autumn Budget and Spending Review provide an opportunity for the government to commit to significant investment in decarbonising social housing, a move which will contribute positively to emissions reduction, economic recovery and employment levels across the country.

In summary, we are calling for the government to:

- Commit the full £3.8bn to the Social Housing Decarbonisation Fund (SHDF).
- Confirm that housing associations can bid over longer timescales with certainty over the full duration of the fund, unlocking additional investment in decarbonisation, building safety and supply.
- Ensure that housing associations are able to bid directly into the fund, as well as in partnership with local authorities.
- Deliver the fund so that it is aligned with the timetable for retrofitting social homes, for example policies and targets introduced via the new Decent Homes Standard.
- Work to align other funding streams to avoid duplication or administrative burden in applying across multiple funds with different criteria and standards.

Further details are outlined below.

The sector's commitment to decarbonising homes

It is clear now more than ever that immediate and drastic action must be taken to reduce our greenhouse gas emissions, both domestically as well as globally. The extreme weather events experienced this summer have added to the palpable sense of urgency to the UK government's target of reducing greenhouse gas emissions to net zero by 2050. Housing associations are determined to contribute to the national effort to reach this target, and as their membership body the NHF is spearheading this drive.

Our members recognise that there is a huge opportunity to make a difference by improving the energy efficiency of homes, as well as sourcing cleaner methods of heating them. These efforts will simultaneously help to tackle climate change, create new jobs and combat fuel poverty, helping make the homes of low-income families more energy efficient and cheaper to heat.

Over the past few months, we have been working with stakeholders to develop potential funding models, as well as a roadmap for sector-wide decarbonisation. Set to be launched this autumn, this work will give housing associations in England greater clarity and direction as we navigate addressing the challenges of reaching net zero.

It is our aim for our roadmap to net zero to be a touchstone for progress in the sector. Working closely with the government, we can capitalise on the energy generated by November's Climate Change Conference of the Parties (COP26) to turn this advisory framework into a reality.

The economic case for investment in decarbonising our homes

Residential housing is currently responsible for around one fifth of all UK carbon emissions, and social housing accounts for around 10% of this. If the government is to achieve its ambition of net zero emissions by 2050, then decarbonising homes – including social homes – must be a priority.

An economic boost

Not only is it beneficial environmentally, but decarbonising our homes to make them greener and more energy efficient will also provide an economic boost. This will create many new jobs, including in sectors hardest hit by the recession.

The Energy Efficiency Infrastructure Group (EEIG) estimates that a programme designed to retrofit all homes to bring them to EPC Band C by 2035 would lead to widespread growth in Gross Value Added (GVA) and employment across the UK. This growth would more than counteract the GVA losses as a result of the pandemic. An ambitious retrofit programme would also help to alleviate fuel poverty and contribute to better health outcomes across the UK, an ambition outlined alongside greater environmental protection and job creation in this year's Queen's Speech.

Job creation

Cambridge Economics estimates that by raising the energy performance of every home in the UK to EPC Band C, the housing sector could sustain around 100,000 new jobs annually over the next 10 years. The IPPR21 claims that, by 2035, over 325,000 jobs could be created across the UK in the low-carbon heating sector. This proliferation of employment opportunities mirrors the growth pattern in the low-carbon industry which is already worth almost four times as much as the manufacturing sector in the UK.

These newly created jobs are set to be long lasting, highly skilled and good quality. At least a National Vocation Qualification (NVQ) Level 1 and 2 is needed to fit insulation, with Level 3 required for low-carbon heating system installation. Prevalence of these jobs could be especially effective in areas which have already highly skilled populations but have poor levels of energy efficiency in their homes. One such area is Bolsover in Derbyshire, where 24% of the population is skilled and 73% of homes have EPC D ratings or lower. Providing skilled workforces with skilled jobs in areas that need support to improve the energy efficiency of their homes would be a logical way to bolster efforts to decarbonise homes.

Levelling up

Investment in decarbonisation measures would also support the government's levelling-up agenda, as these new, good quality jobs would be created across every region in England. It would be especially impactful in the towns and cities in regions where there is both a high level of unemployment, exacerbated by the pandemic, and homes with a high proportion of homes at EPC Band D or below.

This is because the process of retrofitting homes, for example, is labour intensive and is mostly carried out by small and medium sized enterprises. These enterprises comprise the building construction as well as the repairs and improvement supply chains and are typically anchored locally in the areas that they serve. In fact, the Northern Housing Consortium has found that 75% of expenditure specifically by social housing providers in the North is with regional suppliers. Therefore, investment in retrofit will provide a direct stimulus to the local economies of the regions that are in most need, such as the North East, the North West and the West Midlands. This enhanced economic activity will not only generate new jobs, but will also help to deliver much needed energy efficiency improvements in homes.

There are notable examples of towns and cities within the regions mentioned that encapsulate the dual need of jobs and energy efficiency improvement and therefore stand to benefit most from large scale investment. In Blackpool, for example, 75% of homes are EPC Band D or lower and unemployment is more than double the UK average at 11%. A Local Government Association report indicates that by 2030, about 1,000 jobs could be created in retrofitting and installing low-carbon heating systems in Blackpool alone. Wolverhampton is another case, where 70% of homes are EPC Band D or below and 9% of people are unemployed. In Middlesbrough, the rates are 67% and 9% respectively. There is an opportunity for forthcoming investment to have a major positive impact on the economic and emissions trajectories of these struggling towns and cities.

Wider benefits

In addition to creating jobs and stimulating local economies, investment in decarbonisation would deliver significant savings to the NHS. UK housing homes are some of the least energy efficient in Western Europe, which means high heating costs for many low-income households. As a result, many people fall ill from conditions attributable to cold homes and, over the past five years, around 58,000 people across the UK are estimated to have died from cold homes.

The cost to the NHS – for example, from treating cardiovascular and respiratory diseases associated with cold homes – has been estimated at between £1.4bn and £2bn per year in England. Tackling fuel poverty and improving the energy efficiency of homes would therefore save the NHS money, and save lives. Indeed, it has been estimated that for every £1 spent on retrofitting fuel-poor homes, £0.42 is saved in NHS spending.

Not only this, but the Climate Change Committee (CCC) has suggested that retrofitting and clean heating system installation would provide an opportunity to stimulate the UK's manufacturing and export base. The UK boasts world-leading expertise in these areas and has a wealth of manufacturing sites across the country. Through contracting, product manufacturing and professional services, the construction sector exported over £8bn worth of products and services in 2016. Based on this, the output of products, skills and innovation, bolstered by domestic investment in decarbonisation measures, could yield great results and help to level the balance of payments.

Social housing can lead the way

Delivering on decarbonisation across all tenures will take time. Existing supply chains and installation services will need to be significantly expanded before decarbonisation can be achieved at scale and pace. It therefore makes sense to begin the decarbonisation process in the social housing sector. The sector comprises 17% of England's homes which is managed by organisations that are guided by their social purpose and are therefore determined to help to meet the UK's net zero targets.

The sector has both the experience and the governance arrangements needed to support large-scale decarbonisation. Social housing also has a good track record in delivering energy efficient homes, in part due to the £10.9bn which has been invested by housing associations across their homes in England alone since 2010. In fact, a higher percentage of social housing is rated at EPC Band C or above than private rented or privately owned homes.

There is also a significant but relatively manageable degree of need around energy efficiency within social housing. Around 39% of social homes are EPC Band D or below and need to be retrofitted. While being a sizeable proportion, this is indeed lower than that of the owner-occupied sector which stands at around 64%, and the private rented sector which is around 62%. The inherent strengths of the social housing sector mean that this challenge can be addressed efficiently and comprehensively. Given the way the sector is regulated, and the social purpose that underpins it, social landlords take a longer term view of housing quality and performance than other tenures and regard residents' interests and wellbeing as a priority.

The size of the sector also means that it is a sufficiently large market to develop and deploy scalable retrofit solutions which can later spread to the rest of homes. Many of our members own thousands of homes and are thus uniquely placed to decarbonise at scale. This large capacity can prompt discussions around the best solutions for whole streets, estates and even neighbourhoods. There is also greater professionalism and collective organisation when compared to other tenures.

Therefore, social housing is the most appropriate starting point for investment in a comprehensive programme of decarbonisation.

The challenges facing the sector

The social housing sector has already started to decarbonise. Housing associations are investing heavily and driving innovation, both in new homes by way of different materials and Modern Methods of Construction, and in existing homes by retrofitting and installing sustainable heating systems. Throughout this year, they have partnered with local authorities to deliver impactful decarbonisation projects as part of the SHDF Demonstrator initiative. Many more have engaged in their own innovative pilot schemes, gradually building their supply chains and continually engaging with their residents in the process.

However, there remain significant challenges to overcome if the social housing sector is to lead the way for other tenures and become net zero by 2050.

A study from the Institute of Engineering and Technology highlighted a number of barriers to retrofitting homes: a lack of finance, a lack of clear and consistent government policy, a lack of capacity and capability in the supply chain, and a lack of consumer demand. These challenges make the task of decarbonising the more than two million homes required by 2030 seem all the more daunting. A similar conclusion has been drawn from the government's own research. It has reported that insufficient funding, skills shortages and a lack of support from residents were all obstacles to retrofit in social housing.

These findings were mirrored in our own research. In August 2020, we surveyed our members to explore the barriers and obstacles that housing associations face when seeking to retrofit homes. Nearly three quarters of respondents told us that concerns around funding were a key barrier to retrofitting at scale and pace. Over half also said that the lack of policy clarity made it difficult to plan effectively or with any degree of confidence. These concerns are compounded by the additional pressures stemming from the need for housing associations to also provide essential safety remediation on a significant number of their buildings and to deliver thousands of affordable new homes.

Since our research, these challenges have become even more acute. In 2021 we have seen the increased cost of materials due to shortages and supply chain problems, which are becoming a key risk to delivery in the affordable housing sector. Some affordable housing developers are seeing in-year slippage due to the availability of materials – problems securing glass, timber and bricks are frequently mentioned with some suppliers cancelling deliveries unless construction on a site has commenced.

On top of this, contract renegotiation is becoming more frequent, with our members reporting price increases of 20-25% on existing sites as not unusual. Evidence from our members also suggests housing associations are being asked to commit to contracts on development sites even before planning permission or grant funding is secured.

These challenges are adding to the barriers that already exist to decarbonising the country's homes.

To address these concerns, the government should:

Commit the full £3.8bn to the Social Housing Decarbonisation Fund (SHDF)
The Autumn Budget and Spending Review present the government with a unique opportunity to make a real statement of intent on delivering on its 2019 manifesto promise to commit £3.8bn to the SHDF. It is this level of investment which is necessary if the government is to capitalise on the potential for the degree of economic growth and job creation that the social housing sector can stimulate, as outlined above.

We are pleased that Wave 1 of the fund has been rolled out, but we would urge the government to firm up plans for distributing the remainder of the grant to help allay the concerns of our members. Subsequent waves of funding will need to be set in place in effective intervals ahead of 2030 if the UK is to have a chance of meeting the target of ensuring all social homes are EPC Band C by the same year.

The CCC has estimated that it would cost around £22.5bn to entirely decarbonise housing association properties. Of this, approximately £4.95bn would be used for the necessary ‘fabric first’ energy efficiency measures. With 30% match funding from the sector to supplement the full SHDF, we would be left with roughly £5bn which would align closely with the CCC’s estimated cost of the work. Additionally, we are undertaking our own analysis of the costs of decarbonising the sector which will be published this autumn.

Confirm that housing associations can bid over longer timescales with certainty over the full duration of the fund, unlocking additional investment in decarbonisation, building safety and supply.
Housing associations are long-term strategic organisations operating under thirty year business plans. In recognition of this, the government now offers long-term funding for building new homes through Strategic Partnerships with housing associations lasting up to eight years. This has been shown to unlock additional private investment and deliver better value for money.

The same is true of investment in decarbonisation. Unlike with new homes – where housing associations can plan with confidence – the financial trajectory for decarbonisation is extremely uncertain, as is the level and nature of public support. Housing associations are therefore beginning to reflect these future costs in their business plans, which is having significant knock-on effects in other areas. Many of our members report that they are scaling back their ambitions over new supply in the future so they can meet their decarbonisation costs.

If decarbonisation funding was made available over the long term – in the same way that Strategic Partnership funding is for new supply – it would give housing associations the certainty to plan ahead. It would unlock additional investment in decarbonisation, as well as in other priority areas including supply, and would offer better value for money.

Therefore, part of the SHDF should be made available for long term, strategic bids to allow for organisations to improve the energy efficiency of all their homes. This could be designed to react to changes in technology, standards or pricing through the duration of the funding, while retaining the certainty of it availability.

Ensure that housing associations are able to bid directly into the fund, as well as in partnership with local authorities

In order to ensure available funds are used efficiently, and to simplify the application process for the ground level organisations overseeing the necessary works, housing associations need to be able to access the SHDF directly, as well as with local authority partners. As outlined above, housing associations have the necessary experience and governance structures to manage large scale renovation projects independently.

Through Wave 1 of the SHDF, funding is only accessible to housing associations through a joint bid with a local authority. This is something we urge the government to alter in the release of future waves, allowing housing associations – organisations that provide homes for around six million people – the option of applying directly.

The Department for Business, Energy and Industrial Strategy has previously confirmed that the government's intention is to open the funds for direct applications from all social housing providers in future waves. The Autumn Budget and Spending Review provides an opportunity for the government to solidify this position.

As this crucial decade progresses, housing associations will be increasingly under pressure to deliver on their decarbonisation targets. Given the scale of the challenge at hand, the government should make the application process as simple and accessible as possible for the experienced and skilled providers that will be supervising the necessary projects.

Deliver the fund so that it is aligned with the timetable for retrofitting social homes, for example policies introduced via the new Decent Homes Standard. The SHDF should be delivered in accordance with the timetable laid out by government for retrofitting social homes. If we are to ensure that each home reaches a minimum EPC Band C rating by 2030, then it is paramount that subsequent waves of the fund are aligned with key milestones for progress along the path to that point.

Doing this will provide greater clarity on the policy arrangements for the government's support of housing associations' decarbonisation work and will therefore help to instil in them more confidence as they plan vital renovation and installation work.

What more can the government can do?

Work to align other funding streams to avoid duplication or administrative burden in applying across multiple funds with different criteria and standards. It is essential that government funding streams designed to support the installation of decarbonisation and energy efficiency measures in social homes are coordinated and do not create unnecessary administrative strain on housing associations.

The Energy Company Obligation funding, for example, in its upcoming fourth phase, must be aligned with the SHDF so to maximise the efficacy of both schemes. Without this consideration, the government runs the risk of over-burdening housing associations and limiting their ability to access funding for the renovations they may desperately need. The stakes are too high and the challenge too significant for these organisations, which have the capacity and experience needed to deliver successful decarbonisation projects, to miss out in this way.

2. Remediating buildings so they are safe

This section outlines that nothing is more important to housing associations than the safety of their residents. Since the tragic fire at Grenfell Tower in June 2017, building and fire safety has become a key national and political priority. Housing associations have been working to assess their buildings for safety risks and take urgent action where required.

It is vital that housing associations have access to funding and resources to lead progress in building remediation.

In summary, we are calling for the government to:

- Provide upfront funding for all remedial works for all buildings that need them, regardless of whether leaseholders or social housing tenants live in them, and recoup the costs from those responsible later, as one way of supporting housing associations to remediate more quickly.
- Consider what further financial support it could provide to protect leaseholders from costs, if funding for all remedial works is not immediately possible.
- Coordinate the resources needed to remediate buildings, and direct them first to buildings that need them most.
- Allow greater flexibility on the date by which remedial works must start on site, both for the existing Building Safety Fund and future iterations once it is reopened in the autumn, to ensure buildings across different tenures are prioritised according to risk.

How government funding can ensure all residents' safety

Ensuring residents' safety is housing associations' top priority. Following the tragic fire at Grenfell Tower, housing associations worked with the government to identify buildings with aluminium composite material (ACM) cladding and remediate them as quickly as possible.

The £400m ACM Cladding Remediation Fund that the government made available in May 2018 supported housing associations with remedial works by removing financial barriers to remediation that could have stymied progress in ensuring residents' safety. We welcome the Building Safety Fund that the government has made available to support building owners, including housing associations, to remediate high-rise buildings that have since been found to have other combustible cladding systems that need to be removed.

Despite this additional financial support from the government, the scale of the building safety challenge remains significant. The Building Safety Fund has so far only been made available for high-rise buildings that have non-ACM combustible materials in their external wall systems rather than to cover all works to make buildings safe. In addition, housing associations can only access this fund to pay for the portion of costs they may otherwise have passed to leaseholders in eligible buildings, meaning social landlords will have to pay for a large proportion of remedial works from their own funds.

As at the end of July 2021, of the 222 claims made by social sector building owners on behalf of leaseholders in buildings eligible for the Building Safety Fund, 44 had been approved, with a total grant allocation of £78.7m. Housing associations do not believe that leaseholders should have to pay for remedial works to buildings that they bought in good faith, and so we welcome this funding as a means to protect leaseholders in eligible buildings from some remedial works costs.

However, in contrast, the NHF and our members estimate that the cost to our sector of making buildings of all heights safe, including those not covered by the Building Safety Fund, could exceed £10bn.

In addition, we and our members estimate that it could take up to a decade for housing associations to conduct all the remedial works that may be needed on buildings in our sector. This is because housing associations, like any other building owners, only have so much financial capacity each year to remediate buildings that need safety works. Housing associations are therefore prioritising buildings for works based on their risk profile. However, given that housing associations can only access government funding for the proportion of properties in eligible buildings that belong to leaseholders, and only for eligible works, their financial capacity to ensure safety in properties that house social tenants, or that need works beyond the external wall, or are below 18m, is being significantly challenged.

We are therefore calling for the government to provide upfront funding for all remedial works for all buildings that need them, regardless of whether leaseholders or social housing tenants live in them, and recoup the costs from those responsible later, as one way of supporting housing associations to remediate more quickly.

While further government funding would provide some help to buildings owners in overcoming the financial barriers to remediation, the lack of capacity among the sectors we need to work with to remediate buildings, such as qualified and competent fire engineers and specialist contractors, also determines the timeframe for completing remedial works.

Therefore, alongside additional funding, **we are also calling for the government to coordinate the resources needed to remediate buildings, and direct them first to buildings that need them most.** The government is the only agency that can ensure that limited capacity is directed to buildings on a risk-basis, and such an approach is the best way to ensure residents' safety quickly and over the longer-term.

Supporting leaseholders and shared owners with remedial works costs

Housing associations are doing everything possible to recoup the costs of remedial works via other sources, such as a building's original developers, prior to charging leaseholders. We therefore support the government's proposal for this principle to become a legal requirement through the Building Safety Bill.

However, the scale of the building safety challenge means that our members may have no choice but to charge leaseholders at some stage in the near future, for safety works that are not eligible for government funding or the proposed loan scheme. As charities, housing associations cannot commit to meeting leaseholders' share of the costs, as they have to spend their funds to support those considered charitable beneficiaries. If a housing association were to use charitable funds in any other way, it would have to consider what charitable work for the benefit of social housing tenants it would have to forgo.

The scale of the building safety crisis and the corresponding costs would mean that social housing tenants would be considerably impacted if their social landlord paid for leaseholders' share of remedial works costs. As social housing tenants' rents provide a large portion of housing associations' income, any reduction in services to tenants means they are effectively paying to overcome the building safety crisis.

We recognise that the economic climate could mean that the government may not be able to fund all remedial works in all buildings immediately. However, given the possibility that leaseholders may be charged for works not eligible for the Building Safety Fund soon, **we are calling on government to consider what further financial support it could provide to protect leaseholders from costs**. Further government funding to pay for all costs that leaseholders could be liable for would support large numbers of leaseholders still facing financial uncertainty while their buildings are being inspected for safety concerns, while also allowing housing associations to focus their financial capacity on remediating buildings with social housing tenants living in them. While ensuring safety is the main benefit of such an approach, we explain the economic benefits later in this submission.

We specifically call on the government to consider financial support for shared owners. Shared ownership leases typically mean that shared owners are liable for 100% of remedial works costs, while only owning a fraction of their property. As with other leaseholders, the NHF and our members do not believe that shared owners should have to pay for remedial works, and some housing associations may be able to support shared owners financially in this situation. However, we know that housing associations cannot make a blanket offer of support for shared owners. As explained above, a housing association would have to consider the impact on social housing tenants of using funds in this way and the scale of the building safety crisis means that meeting all shared owners' costs would take significant funds away from social tenants.

As providers of shared ownership homes, housing associations want to ensure its success so that more people can be supported onto the housing ladder. We are concerned that the reputation of shared ownership could be damaged if shared owners are charged for remedial works despite only owning a portion of their property. Given the scale of the government's planned investment in shared ownership homes, we would suggest we work together to consider how to mitigate any detrimental impact on the scheme's future success.

The economic argument for providing more government funding for remedial works

We recognise that the current economic climate means that the government has to carefully consider how best to spend limited funds to reap the greatest economic return to ensure the country's recovery from the pandemic. However, together with ensuring safety, there are some considerable economic benefits to be gained from providing further financial support for remedial works.

Restoring confidence in the housing market

We welcome the government's recent recommendation for EWS1 forms not to be required for buildings below 18m and the further work it has committed in support of this and other recommendations in managing any safety concerns found in medium and lower rise buildings.

While lenders have generally responded positively to the government's recommendation, the lending and surveying industry have highlighted that it could take some time for such a recommendation to be implemented. This is because lenders might expect the RICS guidance setting out when an EWS1 form should be requested will need to be updated. But importantly, lenders may instead request an updated Fire Risk Assessment for a building, which will need to include the external wall system under new regulations brought forward under the Fire Safety Act – and we'd expect that these will themselves require input from one of a limited number of fire engineers. Our concern is that, despite the government's intention, people living in flats may still struggle to sell their homes until their buildings can be inspected. When applied across the large numbers of multi-storey, multi-occupied buildings, we believe the housing market could still be affected for a number of years.

As well as a reduction in Stamp and Land Duty Tax collected due to flat sales being delayed, there is a potential economic cost if people who can't sell their homes are then precluded from taking up new jobs in other parts of the country. In addition, flats tend to be purchased by first and last time buyers, meaning that there is an impact on other parts of the housing market if those potential purchasers are improperly housed, and if older people are unable to vacate larger homes that could be sold to growing families – all of which could have an economic impact.

We believe that if government were to commit to meeting leaseholders' remedial works costs, this could go some way to enabling the housing market to function as before the building safety crisis, even if it still take some years for remedial works to be completed. In this scenario, the government would recoup costs from those responsible at a later date, but could release the economic benefit of a fully functioning housing market immediately.

Enabling housing associations to continue building affordable homes

Housing associations build thousands of new homes for communities around the country. In 2019/20, they built more than 46,000 homes – more than a quarter of all new homes in England. This includes nearly 5,000 homes for social rent, nearly 20,000 homes for affordable rent, and nearly 15,000 homes for shared ownership. To do this, they invest their own money to top up funding provided by the government, including that earned from the sale of homes on the open market. In 2019/20, housing associations invested £13.7bn on top of the £1.7bn invested by the government.

England needs 340,000 new homes every year, including 145,000 social and affordable homes, and housing associations are driven to keep building new homes to meet outstanding and future need.

There is evidence that some of the largest developing housing associations in the country will have to reduce their development plans for the coming years as a result of having to remediate buildings to make them safe. The G15, a group of London's largest housing associations, estimate that their total bill for remedial works could amount to £2.9bn and result in 72,000 fewer affordable homes being built. We are doing some further work to understand the impact of remediation works on affordable housing supply across the sector.

While prioritising funds to ensure the safety of existing residents is the right thing to do to, the country's housing crisis, and the existing need for more affordable homes, could worsen if housing associations cannot build as many new homes in the coming years. From an economic perspective, this means that the country could lose the many economic benefits of building affordable homes, such as those brought to a local economy when new homes are built, as well as the benefit of reduced demand on health and social care services.

Supporting social housing residents and their communities

While social housing residents are not responsible for paying a large bill for remedial works, it is the rent that they pay to their landlord that will ultimately be used to fund works to buildings that need them. Housing associations will be doing what they can to manage the impact on services to social housing residents and their communities, but anecdotally we know that some housing associations will have to modify their plans to invest in their existing buildings.

For some, this could create challenges for decarbonising their buildings, which will delay the benefits their tenants could receive through a reduction in heating bills. For others, this could mean planned maintenance works, such as replacing kitchens and bathrooms, have to be delayed. Others may have less funding to invest in community initiatives, such as those that support people into work, provide youth services or training and advice to those that need it. These are all initiatives that allow housing associations to deliver on their social purpose of supporting people on the lowest incomes.

Due to the risk to these services, we do not think it is right for housing associations to have to pay for remedial works to properties that they also bought in good faith from developers.

Ensuring existing government funding prioritises risk

While we welcome the existing Building Safety Fund and the additional £3.5bn of government funding announced earlier this year, we are concerned that the current conditions of receiving government funding means that buildings cannot be prioritised by risk.

The Building Safety Fund is only eligible to pay for remedial works to buildings in which leaseholders live, both in the private and social sectors and, as a condition of funding, works must start on site by 30 September 2021. Given the limited numbers of qualified professionals needed to advise on remedial works and specialist contractors needed to carry them out, this creates extremely high demand for these services over a short period of time, when supply is already limited. This further limits the resource available for remedial works to buildings in which social housing tenants live. We believe that buildings should be remediated according to risk only, with the buildings presenting the greatest risk being remediated first, regardless of who lives in them.

We are therefore calling for the government to allow greater flexibility on the date by which remedial works must start on site, both for the existing Building Safety Fund and future iterations once it is reopened in the autumn. This would also need to be supported by a government programme to coordinate all resources needed to remediate buildings so that they are directed first to the buildings that need them most.

Housing associations have organised their programmes so that buildings are inspected and remediated according to their risk profile. Ideally, housing associations and other landlords with buildings of all tenures would be able to apply for funding at the appropriate point in their overall remediation programmes. If the government were more flexible in the deadlines for the Building Safety Fund, this would enable risk to be the only factor in determining when a building is remediated.

Recommended changes to the Residential Property Developer Tax (RPDT)

On 29 April 2021, HM Treasury launched a consultation of a Residential Property Developer Tax (RPDT), to be introduced from 1 April 2022. The tax will raise £2bn over 10 years to help fund the remediation of unsafe cladding.

In our response to HM Treasury's request for comments on the policy design of a RPDT, we explained how the RPDT, if payable by non-profit registered providers of social housing or their subsidiary companies, would reduce the funds available for investment in affordable homes. In addition, this could affect the ability of housing associations to finance improvements to the safety of homes – the very work that the RPDT is intended to support.

In order to mitigate the impact of the proposed RPDT on the supply and improvement of affordable homes, we recommended that the following entities should be exempt from the RPDT:

- Charities.
- Non-profit registered providers of social housing.
- Companies that are wholly owned by non-profit registered providers of social housing.

If these exemptions are not put in place, we recommended that donations to charity, which are deducted for corporation tax purposes, should also be deductible for the purpose of calculating the RPDT. However, our priority is for the not-for-profit exemption to be granted.

At present, no provisions giving effect to either of the above are in the draft RPDT legislation that was published on 20 September 2020. **We urge the government to confirm they will introduce an exemption from the RPDT for charities, non-profit registered providers of social housing and companies that are wholly owned by non-profit registered providers of social housing.**

3. Providing supported housing to enable everyone to thrive

This section outlines why safe, decent and affordable home is fundamental in allowing all of us to live full and healthy lives and why it is important to invest in supported housing

Housing with support exists to make sure everyone in our communities can live their best life, whatever their circumstances, ideally within their own home, delivering independence and wellbeing for many people with long-term care and support needs. The role of supported housing providers has never been more critical than over the pandemic, with supported housing providers keeping their residents safe in the most challenging circumstances, showing the value of care and support services and the difference they can make to people's lives.

Housing associations deliver over 70% of the country’s supported housing including sheltered and extra care housing, homeless hostels, mental health step-down units, homes for veterans and domestic abuse refuges.

This section explains the role of supported housing, and sets out how sustainable long-term funding can support people to live independently and enable everyone to thrive. New rented homes, along with targeted, funded, long-term support, can help address homelessness, move people out of hospital and provide a secure basis from which people can build their lives.

In summary, we are calling for the government to:

- Reinstate the £1.6bn ring-fenced budget for housing-related support so that people who need additional support to live independently can get quality support services needed to live independently.
- Invest in homes for social rent to ensure that homelessness is addressed, people are supported to move out of hospital, and people with support needs have a better opportunity to thrive in a home environment.
- Use the opportunity of social care and NHS reform to prioritise preventative services, give security to people with care and support needs, guarantee funding, and enable housing providers to continue responding to coronavirus and its impact.

Further information is provided below.

The role of investment in supported housing

Affordable housing, particularly social rented properties, exists to help those who are not able to meet their housing needs on the open market. Supported housing is vital for people who need additional support to live independently, for working age and older people alike. It gives people choice about their lives, allows people to live in a home environment rather than institutional settings and helps people in a crisis. The combination of secure housing and high-quality support can transform lives.

In 2018, the government showed strong commitment to supported housing by securing the money that pays for housing costs. But this is only one side. There is a significant shortfall in funding for support costs. 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 we will be facing a national shortfall of 46,771 supported, sheltered and extra care housing places.

A recent report by the NHF and Housing LIN found that long-term uncertainty over capital investment, revenue funding for support, and funding for housing costs through the Housing Benefit system have all been barriers to housing associations developing new supported housing schemes. Housing associations need clarity on long-term funding so they can provide more homes for people with support needs and retain and reward dedicated frontline staff. Supported housing can also reduce the use of temporary accommodation which an MHCLG report showed that English councils spent £1.2bn on in 2019/20, up from £1.1bn in 2018/19 It provides a stepping stone for homeless people, from rough sleepers to young people and more, enabling people to secure longer-term accommodation as well as the skills and support to find employment, training or education.

Housing First is a specific housing and support approach which gives people who have experienced homelessness with multiple and complex or chronic health and social care needs a stable home from which to rebuild their lives. It provides an intensive, person-centred and holistic support which is open-ended and places no conditions on the individual. Long-term funding for the support is needed to sustain people in stable tenancies and so that more landlords come forward with properties. This will help meet the government's goal of ending rough sleeping by 2024.

The NHF welcomed the positive announcement in the Affordable Homes Programme on funding for new supported housing but revenue funding for support is crucial to the delivery of these new homes. It is also essential in ensuring that all supported housing is high quality. We are calling for a return to £1.6bn ring-fenced budget for local authorities to fund housing-related support. This was the level of spend in 2010.

Savings from supported housing

Investment in long-term funding for supported housing leads to savings in other areas of public spending. Housing-related support takes pressure off public services, improves health outcomes and avoids lengthy and costly hospital stays. It helps avoid rent arrears and tenancy breakdown, promotes employment and allows people who need additional support to live healthier, more independent lives.

It is widely accepted that poor quality housing exacerbates chronic conditions and widens health inequalities. Investing in decent housing for older people with appropriate care and support can therefore be an extremely cost-effective way of reducing the burden that chronic health conditions place on the NHS. Ensuring that older people, those with mental illnesses or long-term conditions or impairments receive the support they need to live independently helps ease the pressure on the NHS and care services by reducing accidents, hospital visits and continuing care needs.

Research from the Centre for Ageing Better, analysing the results of the 2017 English Housing Survey, calculated that the NHS spends £513m annually on first year treatment costs for over-55s living in the poorest quality housing. Meanwhile, Anchor Hanover recently modelled the value of a supported housing tenancy in one their schemes for older people, and found that every Extra Care housing place can generate up to £6,700 in savings to the local authority. A report by Look Ahead Care and Support projects that the NHS could save nearly £1bn if integrated mental health and supported housing models were scaled up across England. The evaluation of Supporting People (housing-related support) found that the programme realised savings of £3.4bn, including health costs of £315.2m and costs associated with homelessness of £96m. Outcomes for those people supported were equally valuable.

How housing-related supported has worked during the pandemic

The pandemic has demonstrated the critical need for housing-related support services, particularly services aimed at supporting groups such as domestic abuse survivors, rough sleepers and people experiencing acute mental health crises. Our members have reported increased demand for their short-term support services during the pandemic. Homeless Link has gathered similar figures.

Supported housing providers have been extremely successful in managing the impact of the pandemic, keeping vital services running and infection rates in schemes down.

Providers have worked with local authorities, the care sector and the NHS to allow people to be discharged from hospital safely or moved on from temporary hotel accommodation. They have also linked residents in with local volunteer networks, charities and community organisations to support them through the crisis. They have carried on supporting people to access employment and training through job coaching and skills development to boost their income.

The aim of this support is not only to resolve the immediate issues but to improve people's quality of life, raise aspirations, and increase their resilience towards future crises. This keeps the pressure off public services that would have to intervene if an older person was no longer able to manage or if someone with addiction issues failed to maintain a stable home. During lockdown, support workers were still there to help people cope including with the withdrawal of NHS services.

However, many providers have faced significant challenges during the pandemic, including substantial extra costs. In August 2020, we conducted a survey of our members about the financial impact of the coronavirus crisis on supported housing. Key findings from the survey were that:

- The coronavirus outbreak has led to increased staffing costs for more than half of providers surveyed, as well as increases in cleaning, PPE and other costs for many.
- Lost income from vacant properties increased for almost all providers surveyed, including all of the respondents who provide housing for older people.
- Demand for some support services has increased, with an especially sharp rise in demand for short-term support services.

The experience of supporting people through the pandemic has shown the value of care and support services and the difference that having a safe and secure place to live can make to people's lives. Housing associations need clarity and long-term funding so they can provide more homes for people with support as well as care needs and retain and reward dedicated frontline staff.

We welcome the commitment shown in Build Back Better, the government's plan for health and social care, to invest in supported housing and innovative housing solutions to support more people to live independently at home. Housing associations can deliver these solutions but need longer term guarantees on funding alongside joined up policy across health and social care that can harness the value of housing led and preventative services.

4. Supporting regeneration and levelling up across the country

This section outlines how housing associations can support the delivery of the government's levelling up agenda. As anchor institutions, housing associations already play a key role in town centre renewal, regeneration and economic development.

The government should harness this potential and ensure that existing funding is maximised to support housing-led regeneration across the country. This will revive communities by providing investment in much-needed jobs and skills, while contributing to national strategic priorities including levelling up, supply of high quality affordable housing, and decarbonisation.

In summary, we are calling for the government to:

- Widen Homes England's remit to include regeneration alongside additionality of new homes and allow flexibility over existing funding.
- Join up existing funds for levelling up, supply, and decarbonisation to maximise the impact of this investment in communities.
- Include housing-led regeneration in place-based funds and in local devolution deals, and recognise housing associations as key delivery partners.
- Include housing associations in the upcoming UK Shared Prosperity Fund to support employment and skills.
- Retain the £20 per week uplift in Universal Credit and carry out a wider review of benefit levels as part of the government's priorities on levelling up, ending rough sleeping and supporting people into work.
- Increase the Discretionary Housing Payment budget to mitigate the impact if the withdrawal of £20 per week from Universal Credit goes ahead, and allow local authorities to support more people at risk of homelessness.

Further information is provided below.

Why is this needed?

Local economic development and housing markets are significantly different across the country, requiring different investment strategies. Housing need stems from different regional contexts including a lack of affordable housing particularly affecting the South East, but also poor-quality housing and a lack of investment viability in areas of lower land value.

The additional challenge of achieving net zero carbon across the housing sector risks exacerbating these inequalities in the coming years, with social housing providers facing challenging decisions including how to treat homes that are very costly to retrofit.

Following the pandemic, we argue for a greater cohesion and flexibility over the use of existing funding, with the inclusion of housing-led regeneration in government strategic investment. Housing-led regeneration is achieved through investment in major refurbishment or improvement of the physical quality of poor-quality housing, which can be part of a wider town centre regeneration plan. This might involve demolition and rebuilding to higher standards, in particular where retrofitting to achieve net zero targets is not viable.

Government funds need to combine levelling up, supply, and decarbonisation outcomes, including opportunities for social housing providers to invest in high quality regeneration. Undertaken with resident support, this could simultaneously tackle the decarbonisation challenge, replace some of lowest quality social homes, contribute to levelling up the country and build thriving places.

Widen Homes England's remit to include regeneration alongside additionality of new homes and allow flexibility over existing funding

Currently most government funding for affordable housing focuses on additionality of new homes. While this is much needed, this focus can lead to a loss of development potential and a lack of investment in the physical quality of existing communities. Without housing-specific regeneration funding streams, regeneration is virtually impossible to fund in lower value areas where there is little scope for cross-subsidy from market sale.

There is a role for Homes England to deliver high quality housing-led regeneration where it cannot be funded otherwise. Higher flexibility on existing funding including allowing for replacement of homes is crucial to support the levelling up agenda, and to help deliver quality affordable homes across the country.

Joining up existing funds for levelling up, supply, and decarbonisation to maximise investment in communities

Our work with housing associations across the country shows that a significant minority of social homes are in such condition that the investment needed to reach zero carbon would extremely expensive. This challenge plays out differently in different regions, but the implications could have far-reaching social and economic consequences on some local areas and communities.

In some circumstances – for example where existing homes are no longer well suited to local needs, or are of very low quality – there is a strong case for housing regeneration to be an option alongside retrofit to achieve net zero. In areas of lower land value, the net zero carbon agenda is a unique opportunity for the housing sector to mobilise investment and create jobs and skills.

By including housing-led regeneration as a way to achieve net zero, the government can improve coherence and coordination between existing funds

on decarbonisation, supply and levelling up. This is essential to maximise investment locally and contribute to building strong and sustainable places and communities.

Including housing-led regeneration in place-based funds and in local devolution deals, and recognising housing associations as key delivery partners

Housing-led regeneration can deliver a wide range of benefits to local areas including improving housing quality and therefore residents' health and wellbeing, increased employment and skills, reduction of crime and antisocial behaviour, and a potential to combine decarbonisation interventions to achieve higher energy efficiency. Housing-led regeneration should therefore be a priority for any place-based funding such as the Towns Fund or the Levelling Up Fund.

Areas with devolution deals, including combined authorities with elected mayors, are also ideally placed to implement housing-led programmes that fit local needs. In areas with lower land value or where homes have lower energy efficiency, these locally administered funds can be used strategically, in coordination with other place-based funds, to invest in housing-led regeneration. This needs to include demolition and rebuilding where necessary, and developing on brownfield sites.

Where existing devolution deals aren't in place, it will be important that the benefits of this approach can nonetheless be delivered. We expect the Levelling Up White Paper to set out the government's plans for devolution, and recommend that there is a clear route to access the benefits of devolution for areas not currently covered.

Housing-led regeneration needs to be a key element of any devolution dealsor urban renewal programmes, and government funding for these should include conditions to ensure partnership working between local authorities and housing providers. Examples from our 2019 Great Places research project include many successful case studies of housing associations in the North and Midlands leading local economic development through investment in regeneration and the physical quality of social homes.

Including housing associations as key delivery partners in placed-based renewal programmes will enable local areas to align levelling up outcomes with other strategic priorities such as achieving net zero, improving housing standards and investing in much-needed jobs and skills.

Including housing associations in the upcoming UK Shared Prosperity Fund to support employment and skills

As anchor institutions, housing associations deliver far more than their core functions of social housing. Housing associations have strong local ties, and deliver significant benefits to the wider local economy through specialised support and community investment services, as well as being major employers and spenders locally.

The Chancellor's Plan for Jobs is a major support package and we now need to work together to deliver the opportunities and support to local communities. Housing associations have already shown their commitment to tackling youth unemployment by embracing the Kickstart Scheme and establishing the Kickstart in Housing network of over 100 housing associations to collaborate on opportunities.

Digital access and skills are imperative for tenants to get the services they need, secure employment and progress in work. As we shift to more remote working and learning, addressing digital exclusion across all communities is critical. A recent report to the APPG on Housing and Social Mobility examining the barriers to employment faced by working age people in social housing calls for access to quality, affordable broadband for all and targeted support for people to develop digital skills. **The government should set an ambition to eradicate digital exclusion to improve employment outcomes.**

There is huge potential for the government to work with the housing sector to amplify its efforts to reduce inequality between communities and empower individuals with the skills and opportunities they need to succeed. Including housing providers' voice and views in shaping the Fund will help make sure it is effective from the start.

Alongside Communities that Work we urge the government to:

- **Ring-fence funding within UKSPF for housing providers.** UKSPF can harness housing providers' unique ability to co-invest in people and place alongside the government by setting aside funding for the sector. Doing so will amplify the Fund's ability to deliver at scale and speed to reach those most in need of support. This distinctive joint investment opportunity means the government can achieve greater value for money and unprecedented levels of funding can be invested in strengthening communities and employment opportunities. It also means that, in the longer term, more complex and expensive interventions can be supported – with the government needing to provide only a fraction of the cost.

- **Cut the red tape.** The European Social Fund was overly bureaucratic and compartmentalised in both its access and delivery. The government has the opportunity to give communities of all regions and sizes the chance to level up by designing UKSPF with less bureaucracy and a flexible, place-based approach. This will enable more communities to benefit from the Fund while also providing more effective, better-targeted support that drives stronger success rates.

- **Provide skills and job opportunities to get people into work.** To ensure that employment support needs are met across communities and enable social housing to deliver in partnership with government for recovery we need:
    - Contracting and commissioning that encourages joint housing and employment service partnerships.
    - Accelerating the tender process and considering grant support to deliver urgent support, fast.
    - Supporting an expansion of existing employment support services, enabling Job Centre Plus and housing to work together locally.
    - Supporting Jobs Plus pilots.

- **Support a Green Jobs recovery.** There is an opportunity to collaborate and engage between the sector and the government on supported the jobs and skills needed in retrofitting and decarbonising homes.

The impact of Universal Credit

In April 2021, we surveyed over 3,500 housing association tenants claiming Universal Credit during the pandemic. Our results showed that people generally found Universal Credit easy to claim and many were grateful for the financial and employment support. However, there was evidence of real strain on finances and health and wellbeing.

Eight in ten people struggled to pay for at least one essential expense, and one in five reported felling 'completely anxious' the day before – this is much higher than the national level for all people living in social housing. Two in five respondents were already in work.

The planned £20 per week reduction in Universal Credit and Working Tax Credit from 6 October 2021 risks increasing these reported levels of debt and anxiety. They helped the lowest earning self-employed by suspending the Universal Credit minimum income floor and increased Local Housing Allowance rates.

The government should use the Autumn Budget to ensure that the lowest paid and poorest people across the country have some degree of economic security and housing security. The benefits system should provide the first line of mainstream support for people experiencing financial hardship – it is a swift, efficient, and targeted way of giving security. Specifically:

- **The Department for Work and Pensions (DWP) should retain the £20 per week uplift and carry out a wider review of benefit levels as part of the government's priorities on levelling up, ending rough sleeping and supporting people into work.**
- **The Discretionary Housing Payment budget should be increased to mitigate the impact if the withdrawal of £20 per week from Universal Credit goes ahead, and allow local authorities to support more people at risk of homelessness.**

Housing associations have worked to help people throughout the coronavirus crisis through hardship funds, food deliveries and advice and support. This type of help will continue but we need adequate levels of basic financial support so people can afford to pay for essentials including food and rent.

Conclusion

Housing associations are in a unique position to be at the heart of the UK's economic and social recovery following the impact of coronavirus. In addition to providing safe, affordable housing that supports people to live independently, housing associations can make a significant contribution to the government's ambitions on levelling up and decarbonisation.

The scale of our sector – providing homes and support for around six million people across England – means that the sector stands ready to provide homes, jobs and growth to all parts of the country.

The funding we are calling for in this submission presents an opportunity to unlock housing association investment for the long term, so that our sector can do event more, specifically to:

- Decarbonise current homes.
- Remediate buildings so that they are safe.
- Provide supported housing to enable everyone to thrive.
- Support regeneration and levelling up across the country.

If you have any questions about this submission please contact Will Jeffwitz, Head of Policy, via Will.Jeffwitz@housing.org.uk