Chartered Institute of Housing

SUBMISSION TO 2025 SPENDING REVIEW

FEBRUARY 2025

Summary

The government's Plan for Change sets out an ambitious framework for improving people's lives across the UK. The provision of decent, safe, affordable housing is at the centre of achieving the government's missions and milestones. Far too many people are living in overpriced, insecure and poor-quality housing which undermines life chances, holds back economic growth and puts pressure on the public purse and NHS.

At the heart of the issue is supply. Housebuilding has failed to keep pace with demand for years. At the same time, home ownership and social renting have fallen, while private renting (generally less secure and more expensive) has increased. Homelessness is at record levels and one in five children are living in overcrowded, unaffordable or unsuitable homes. Added to pressures of supply, with an ageing housing stock the need to improve the quality of the residential sector is more urgent than ever.

CIH welcomes the government's flagship missions and milestones, especially its pledge to build 1.5 million homes in England this parliament. To achieve this milestone, significant investment is required across multiple areas of the housing ecosystem. Urgent action is also required to boost supported housing and tackle homelessness, without which the government's milestones on ending hospital backlogs and giving children the best start in life are unlikely to be met.

Several welcome steps have been taken towards these milestones already, and we support the government's commitment to developing a long term housing strategy to drive improvements across the entire system. In its forthcoming Spending Review, we call on the government to deliver the investment required by taking three key steps:

1. Invest in new and existing social housing to meet its milestone of building 1.5 million homes this parliament, with an adequate proportion of social and affordable homes
2. Invest in supported housing to address rising levels of need and reduce pressures on the NHS
3. Invest in homelessness prevention and support to address the current crisis, particularly in temporary accommodation

In addition, the achievement of these milestones will not be possible without wider action to strengthen the social security net. Outside of the Spending Review framework, we continue to call for the government to go further in providing essential support to people who need it by reforming the benefits system and providing necessary assistance with persistently high energy costs.

Further detail is set out in our housing strategy[1] and 10 point plan[2].

About CIH: The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support and knowledge they need. CIH is a registered charity and not-for-profit organisation so the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in the public and private sectors, in 20 countries on five continents across the world.

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1. Invest in new and existing social housing to meet the milestone of building 1.5 million homes this parliament, with an adequate proportion of social and affordable homes

We welcome the government's mission to boost economic growth and its milestone of building 1.5 million homes this parliament. However, research by Savills for the Home Builders Federation and National Housing Federation shows that the government will miss this target by nearly a third without action to accelerate social housebuilding.

A total of 212,570 new homes were built in 2022-23, an increase of just 900. The number of net additional dwellings, including conversions and changes of use, was 234,000, virtually the same as the previous year. This is considerably below the 370,000 national target contained within the new National Planning Policy Framework (NPPF). Our analysis for the UK Housing Review 2024 also shows that England continues to under-invest in affordable housing development compared with the rest of the UK. As a result, in the last decade, England has delivered only around ten affordable homes per year per 10,000 population, compared with 15 in Scotland and 14 in Northern Ireland.

Housing investment therefore needs to be a much higher priority for the Westminster government if the 1.5 million homes milestone is to be met. Evidence produced by Professor Glen Bramley for the National Housing Federation and Crisis in 2018 identified a need for 145,000 affordable homes per annum over the ten years 2021-31, of which 90,000 would be for social rent and the remainder for low-cost homeownership or intermediate renting.

A new, up-to-date analysis by Glen Bramley for the UK Housing Review 2024 confirmed the need for a similar level of output of new homes in total and for social rented homes in particular. In October 2024, analysis by Savills for the National Housing Federation similarly demonstrated that to meet the 1.5 million target, the contribution required from affordable housing providers would need to increase to a comparable level (140,000 per year).

The current Affordable Homes Programme (AHP) 2021-26 is now due to result in only 26,000 homes annually. Even though this figure is matched by developer contributions delivering similar numbers, output will still be well short of what is required, especially as social rented homes will only form a small proportion. A new AHP must set a much more ambitious target, focused on social rented homes, with adequate funding.

Bramley argues that a programme to meet the full scale of need could be funded in large measure by capturing the surpluses in private housing through the planning system and in cross-subsidy by providers. However, it would eventually require up to £14 billion per annum in capital grant (equivalent to c.£10-12 billion at 2022 prices). This is far above current investment levels of £2-3 billion annually but there are ways to make progress towards this.

Specifically, CIH believes we need a five-pronged approach to meeting the government's milestone, with a focus on delivering an adequate proportion of social and affordable homes. If this approach is not taken, the capacity of housing associations and local authorities to deliver the number of social and affordable homes required to meet the milestone will not be forthcoming.

We call on the government to use the Spending Review to make these five changes:

1a Immediately increase investment by redirecting subsidies

Analysis for the upcoming UK Housing Review 2025, in conjunction with MHCLG officials, shows that, of some £37 billion invested by the government in housing in the current five-year period, almost half is spent on support for the private market. In contrast, in Scotland and Wales 80 per cent or more of support goes towards affordable housing. A major shift of subsidy from private market support would enable funding to be directed where it would meet the greatest housing need and could enable Homes England to support more affordable housing projects within the current AHP.

1b Prioritise investment in social rented homes

Following the Bramley reappraisal of England's housing needs, it is once again apparent that the shift away from providing social rented homes was harmful and should be reversed. We call on the government to make this the largest component of its investment in new housing. Multiple studies show the cost effectiveness of investing in social rented homes[4].

1c Develop a long-term housing investment programme

The social housing sector can only make rational investment decisions within the context of a long-term investment programme. CIH welcomes recent commitments from the government to address this and urges it to use the Spending Review to:

Boost the current AHP and develop a new, more ambitious Programme from 2026

Providing additional funding to unlock the current AHP, while negotiating and then putting in place a new, ten-year AHP from April 2026 with sufficient funding, would contribute strongly towards the government target of building 1.5m homes in five years (with further growth towards the Bramley targets in the next parliament).

We have examined the scale of government investment required in the initial five years of the next AHP (2026-31). We have set out a trajectory for output by the sector which starts at a realistic level (given current low levels of starts) but after five years reaches 140,000 affordable homes, of which 90,000 are for social rent. Our calculation, based on required grant levels, is that £39 billion is needed in grant through the AHP, spread over five years, to deliver 330,000 grant-funded homes in total (alongside another 180,000 delivered through section 106). Funding would increase from £3.2 billion in year 1, to £12.6 billion in year 5.

By year 5 the programme would deliver 60,000 homes for social rent and 30,000 homes for shared ownership and intermediate rent. Adding in the assumed section 106 contribution (30,000 for social rent and 20,000 for other tenures) gives a final output of 90,000 homes for social rent, and 50,000 for other tenures. This delivers what we believe is needed, both to meet housing need, if sustained, in the long-term, and to achieve the government's milestone target.

An important caveat to this analysis is that both housing associations and local authorities also need a ten-year rent settlement and significant government support for investment in their existing stock, as outlined below.

Confirm a ten-year rent settlement with rent convergence

Analysis for the UK Housing Review 2023 showed the impact on housing associations alone of reduced rental income in the period 2016-23 was a loss of £40-50 billion in new investment when the effects on private finance were incorporated. This illustrates the impact that changes in rent policy can have on investment in both new and existing stock.

We welcome the government's recent consultation on the future of rent policy, which CIH responded to in detail. However, the initial proposals on rent policy did not go far enough, and are unlikely to unlock sufficient capacity within housing associations and local authorities to develop the required numbers of social and affordable homes. Social housing providers need certainty over a longer-period, which should take the form of a ten-year rent settlement set at CPI+1 per cent, protected through a legislative mechanism, which balances affordability and transparency for tenants with support for social landlords' sustainable business plans. This new rent settlement should also include a convergence mechanism, where income lost through the imposition of rent caps is recovered over multiple years upon inflation returning to normal levels and ensure fairer rents. More information can be found in our response to the government's consultation on the future of rent policy.

Provide more flexibility in grant programmes

This will unlock funding for regeneration by removing net additionality requirements in places with low demand housing markets and allowing grant to be combined with right to buy receipts.

Remove the threat to developer contributions and reform section 106

The government is aware of the shortcomings in section 106. CIH recently undertook a survey which outlined the 'perfect storm' of issues limiting its effectiveness. We welcome the commitment to strengthen this mechanism through reforms to the NPPF and beyond so that it remains a major contributor to affordable output. We also welcome the government's recent 'clearing service' to help reduce the backlog of schemes awaiting take-up.

1d Change the way government accounts for housing capital investment and debt

The extra social housing investment urgently required is still constrained by the government's fiscal rules and by conventions about the treatment of council housing debt. Two reforms should be considered to address these constraints.

First, while the new government's changes in the fiscal rules are welcome, they still do not reflect the true value of additional social housing investment, whether in terms of the savings within the public sector (such as in social security benefits and costs to the NHS), or the wider effect of such investment in stimulating economic growth. We welcome the inclusion of the government's housing targets in its Plan for Change, and we urge it to go further and ensure that the role of housing in securing economic growth, and the need for upfront government investment to ensure that it takes place, is fully recognised in the Spending Review. The government should also increase the focus on 'net worth accounting' within its fiscal rules, building on the recent reforms.

Second, CIH has in the past raised the issue of the status of council housing investment in the national accounts, because of the limitations it places on councils' ability to borrow to invest in their stock and in new homes. Although this was partly resolved by the previous government's lifting of the caps on such borrowing, it remains the case that it still counts towards measures of government debt. This is not the case in other countries where councils invest in housing. The new government should reconsider earlier proposals to review the rules about borrowing for local housing investment, which (as CIH has argued) could be changed while staying within parameters applying under international accounting systems. This would free councils to borrow prudentially from private sources (PWLB lending would remain part of government debt), to supplement their direct investment.

1e Invest in the quality of existing homes to unlock finance for social and affordable housebuilding

Lastly, the social sector's contribution to the government's target of building 1.5 million homes this parliament will be severely restricted without funding being made available to improve the quality of existing homes. Improving the quality of existing homes not only addresses urgent health and safety risks but also helps unlock financial resources and capacity for new social and affordable housebuilding, ensuring that both existing and future housing needs are met efficiently. While the quality of existing homes has improved significantly in the past two decades, the amount of money that is required to meet new and forthcoming regulatory requirements cannot be raised through rents alone. While these costs are complex, they can be broadly grouped into three areas of building safety, repairs and maintenance, and energy efficiency/decarbonisation.

In relation to building safety, in 2024 the National Audit Office found that only 40 per cent of buildings within remediation schemes have been completed, with a remaining funding gap of £11.5 billion, leaving many high risk-buildings awaiting a firm plan. Existing government funding, for example through the Building Safety Fund or Cladding Safety Scheme, has been largely inaccessible to social landlords due to their eligibility criteria and specifically the focus on leasehold, leading to housing associations and local authorities shouldering the high costs of remediation without support. Aside from these costs being challenging (if not impossible) for social landlords to meet unilaterally, the ongoing delays to remediation have serious negative health consequences, driving health risks including damp and mould, disrepair, and fire safety hazards.

The sector also continues to spend heavily on repairs and maintenance, but the amount that is required to fully maintain existing social homes is becoming increasingly unsustainable. In 2024 private registered providers (not including local authorities) spent a record £8.8 billion on maintaining their homes, 13 per cent more than the previous year and 55 per cent (£3.1 billion) above the pre-pandemic level of £5.7 billion reported in 2020. In addition, the costs of related government policy, especially the implementation of Awaab's Law and the introduction of heat network technical standards, will place further pressure on already stretched budgets.

Improving the energy efficiency and carbon footprint of social homes is a final priority requiring additional investment. The energy efficiency of social homes continues to gradually increase, with government statistics showing the proportion of homes in the sector at EPC Band C or above rising from approximately 24 per cent in 2010 to 73 per cent in 2023. Government funding programmes, especially the Social Housing Decarbonisation Fund, the Local Authority Delivery arm of the Green Homes Grant, and the Home Upgrade Grant, have supported this work, but the level of investment required to meet anticipated regulatory targets of EPC Band C by 2030 and net zero by 2050 remains challenging.[6]

Improving existing homes has its own benefits, especially for the health and wellbeing of residents. However, the investment that is required to meet current and anticipated regulatory requirements will sharply reduce the amount that the social sector can invest in new homes. Over a longer time horizon, the government's ambition should be to consolidate the complicated, disparate funding programmes for improving social homes into a single, multi-year flexible fund – effectively a new Decent Homes Programme, allocated according to need and linked to an updated Standard – that can be used to improve quality, building safety, energy efficiency, accessibility, and climate resilience.[7]

In the interim, the following steps should be taken as a minimum to release funding for housebuilding.

- Committing £5 billion over the next five years to close the cladding remediation funding gap, ensuring that social landlords can receive funding through schemes like the Building Safety Fund on an equal footing to the private sector.
- Strengthening developer accountability by increasing penalties for non-compliance and expanding the Building Safety Levy to generate additional remediation funds.
- Honouring existing bids to the Warm Homes: Local Grant and Warm Homes: Social Housing Fund (Wave 3) programmes. Our understanding is that the original spending envelopes for these schemes are significantly oversubscribed, and a commitment to funding every bid received in full would unlock additional capacity for social and affordable housebuilding.
- Allocating the full £13.2 billion committed to the Warm Homes Plan in the Labour party manifesto to new and existing grant programmes, with a minimum allocation of £5 billion for the social housing sector through the Local Grant and Social Housing Fund programmes. This would be broadly in line with the National Infrastructure Commission's recommendation. The remaining capital funding should be split across other schemes, including the Heat Network Transformation Programme, which will be necessary for supporting the sector to meet the anticipated costs of the Heat Network Technical Assurance Scheme (HNTAS), which could run into the billions.
- Confirmation of an updated Decent Homes Standard and an aligned funding package to meet its requirements, which CIH has called for previously alongside other housing sector bodies.
- Taking wider steps to stimulate the market and inward investment by zero rating VAT on repairs, maintenance, refurbishment, and retrofit work.

2. Invest in supported housing to address rising levels of need and reduce pressures on the NHS

CIH agrees with the government's mission to build an NHS fit for the future, and its milestone to reduce NHS waiting lists. However, without a focus on specialist and accessible housing supply that keeps people well and out of hospital, it will be more difficult to achieve this.

Poor-quality housing currently costs the NHS £1.4 billion each year, and contributes to the considerable pressure on health and social care services, especially in winter. In contrast, quality, accessible housing is a firm foundation of good health and wellbeing, and prevents the causation or exacerbation of health problems that can lead to increased use of primary care, ambulance services, and hospital visits. In addition, discharging people from hospital into housing unsuited to their needs increases the risk of readmission, underlining the need for sufficient levels of appropriate housing that can support people to recover their health and independence when they are discharged.

Specialist and supported housing is a critical resource for accomplishing this mission. Currently, it ensures that over 600,000 people of both working age and older with additional support needs can live well and safely in communities, and it can prevent or reduce reliance on more costly public services, especially social care and health. However, supported housing is facing huge viability challenges and many providers are closing schemes. Prior to the Autumn Budget, a National Housing Federation survey reported that 60 per cent of supported housing providers had to close services in 2024. Following no announcement regarding supported housing and the shortfall in finances created by the National Insurance Contribution (NICs) changes, the sector is facing a permanent loss of services that will increase pressure on the NHS and wider health and social care services.[8]

Beyond this, supported housing can be a critical route back into independent living for people who have experienced a crisis such as homelessness or domestic abuse. In the light of increasing homelessness (covered below), appropriate and affordable supported housing supports those with shorter as well as longer-term needs. Recent figures have revealed the extent of support needs within households presenting as homeless, and these statistics reinforce the importance of specialist housing as a route out of homelessness:

- 53.7 per cent owed a duty to prevent or relieve homelessness had at least one support need
- 26 per cent, the most common, had a history of mental health problems
- 19.2 per cent had physical ill health or a disability

We urgently need more investment to ensure this valuable sub sector can grow and play its part in delivering the government's mission to reduce waiting lists. Both the needs identified above and the benefits for individuals and public finances underline the strategic importance of specialist supported housing within the overall plan for meeting housing needs and rebuilding the NHS. We call on the government to:

2a Continue funding and set targets for new supported housing development

CIH urges the government to continue the commitment to funding specialist housing via the Care and Support Specialist Housing Fund (CASSH), and to set targets within its overall housing targets, to increase the development of more specialist housing. The government should consider implementing the recommendations of the Older People's Housing Taskforce, including setting a target for ten per cent of specialist housing (in addition to the existing target for supported housing) in the upcoming AHP. The government should also consider how its reform of the NPPF might incorporate more incentives to focus on supported housing within local plans, to meet local community needs and to reflect outcomes from Supported Housing Strategies currently being developed by local authorities.

2b Provide a clearly identified funding stream for housing-related support, and for supported accommodation and floating support

Alongside increased capital funding for development of supported housing, CIH calls on the government to recognise the challenge that exists for a stable and consistent investment nationally and locally in the critical support services within specialist housing that provide invaluable help and support to maintain independent living. We welcomed previous commitments of £30 million for innovative new models of care which could help to develop new ways to deliver such support, but ongoing, long-term investment is still needed. The lack of funding for a core element of supported housing causes real difficulties for landlords and service providers and does not create a conducive environment in which to invest in new supported housing. There is also a need for floating support to help residents with complex needs sustain tenancies in general social housing, addressing the risk of homelessness. A clearly identified funding stream is needed which should be at least equivalent to the last such investment programme of £1.6 billion for England (the figures of £1.58 billion for England and £2.05 billion for Great Britain were estimated in the last evidence review for government in 2016, which would benefit from being updated).

2c Develop funding streams to support effective and speedier transfer of care from hospital to housing-based solutions

These environments can help people recover to move back home or provide alternative housing and support solutions, which will contribute significantly to the government's ambition to end hospital backlogs, and support social care reform. Greater investment in good quality accessible housing and to increase options of supported housing for people in places where they want to live can play a significant role in supporting people's health and wellbeing more broadly, and help to avoid emergency, short-term responses being needed. Implementing the commitment to increase the accessible and adaptable standard of all new homes (the M4(2) building regulation) will further enable people to continue to live independently and support the government's ambition to ensure that more people can be treated and supported in the local community and avoid hospital admissions.

This difficult operating environment was exacerbated following the Autumn Budget, where NICs changes negatively impact local authorities' budgets. The LGA has estimated that the increased contributions will cost £637 million for direct staffing, with indirect costs with commissioned services costing an extra £1.13 billion next year. Whilst it is positive that the government has committed to additional funding to cover some of these costs, it is likely that this funding will not reach those providers of commissioned services. These upcoming costs will push many councils into cliff-edge scenarios, with difficult decisions around development and selling homes.

2d Address the use of temporary accommodation when extra support is required

The Lord's library definition of supported housing includes 'housing individuals and families at risk of or who have experienced homelessness'. This represented 123,000 households in April-June 2024, of which 78,420 are families with children. In 2024, over half (54.4 per cent) of the households owed a prevention or relief duty were known to have one or more support needs. Additionally, the extended placement of households in 'unsupported' temporary accommodation has been shown to exacerbate mental and physical health issues and entrench social inequalities. This worsening homelessness crisis will invariably increase the need for more specialist and supported homes, even with the rapid delivery of more general needs homes at social rent (see detail below).

3. Invest in homelessness prevention and support to address the current crisis, particularly in temporary accommodation

England's homelessness crisis is deepening and escalating. Less visible forms of homelessness, such as the rapidly increasing use of 'temporary accommodation' are laying bare the systemic factors driving homelessness in England.[9] The scale of lives interrupted by it has been projected to continue rising; research by Glen Bramley for Crisis estimated that by 2041 the number of homeless households will near 392,000 if action is not taken.

The homelessness crisis cuts across several of the government's missions and tackling it would remove several barriers to the achieving the government's milestones. A safe, stable home is a prerequisite for a good start in life, yet the latest statistics show that almost 160,000 children in England are living in temporary accommodation, including 20,000 babies. The foundational pillars of lifelong physical and mental health are established during the first 1,001 days of our lives, and through the life satisfaction and mental health of caregivers. Families are increasingly housed in overcrowded, low-quality facilities, like bed and breakfasts (B&Bs) or budget hotels, where space and facilities are often inadequate for children's basic needs or to positively establish those first 1,001 days for lifelong health. This is a significant hindrance to their physical, mental, and emotional development. The government's Plan for Change highlights the 'decisive impact' early years can have on a child's potential, and ensuring they have a safe and decent home to live in is an essential way to break down barriers to opportunity.

In addition, the homelessness crisis is a substantial drain on the finances and capacities of local authorities. In August 2024, it was reported that councils spent a total of £2.3 billion on temporary accommodation in 2023/24, an increase of 29 per cent on the previous year and a near doubling in the last five years. This level of funding would be more effectively spent by councils on contributing new social homes towards the government's 1.5 million homes target. Further, the damaging health and wellbeing consequences of homelessness, both mental and physical, place a considerable strain on health and social care services. Data summarised by the NHS shows that people experiencing homelessness have disproportionately poor health outcomes, attend A&E six times as often as people in secure housing, and that chronic homelessness is an associated marker for tri-morbidity, complex health needs and premature death. Tackling the homelessness crisis is subsequently critical for driving down waiting lists, giving all children the best start in life, and unlocking the capacity of local authorities to build new homes.

Of course, there have been significant injections of funding to the homelessness sector over recent years, most notably through the Rough Sleeping Initiative and dedicated pandemic funding. However, and as noted above, local authority budgets are under immense strain and most homelessness service contracts have remained static despite rising operating costs (in many cases resulting in reduced support). Too often funding pays for expensive and poor-quality temporary accommodation, rather than much-needed affordable housing and specialist services. We acknowledge recent changes to the Homelessness Prevention Grant for 2026-27 and the live consultation regarding its onwards funding arrangement to move spending towards prevention, however the staggering number of households in TA and its associated costs remain, and is likely to rise.

Alongside our sector partners, we welcome the government's commitment to deliver an inter-ministerial homelessness strategy. We need a long-term plan for homelessness that is centrally funded and that includes policy representation from health, justice, immigration, welfare and education. Alongside this, we call on the government to use the Spending Review to:

3a Confirm homelessness support funding and uplift in line with inflation

After years of piecemeal and short-term funding, the frontline organisations supporting those experiencing homelessness are facing a funding cliff-edge, with some reporting that they may have to close their doors entirely. A 2022 survey of the homelessness sector showed that 47 per cent of services are at risk of closure, and 64 per cent would see services become unviable without an inflationary increase. The significant rises in many forms of homelessness shown in the latest quarterly statutory homelessness statistics and London's latest CHAIN data demonstrate the rising pressures. The government should extend the Rough Sleepers Initiative for four years (uplifting with inflation), whilst a long-term strategy for homelessness is developed.

3b Invest in homelessness prevention

The July 2024 National Audit Office report, analysing the 'effectiveness of government in tackling homelessness', showed that in 2022-23, 60 per cent of the proportion of local authorities' 2022-23 total gross expenditure on housing services was used to cope with homelessness (excluding what was spent on their own housing). This is unsustainable, and without proper investment in homeless prevention, rough sleeping and the use of temporary accommodation will continue to rise. The best way to tackle homelessness is to prevent it happening in the first place. Investing in the supply of homes at social rent, addressing the affordability challenges (outlined below) and reducing evictions that drive households into homelessness would mean that many people do not lose their homes in the first place. It will also ensure that when people do need temporary accommodation in emergency situations, they are able to move on in a timely manner to suitable affordable accommodation.

3c Invest in scaling up Housing First

Housing First is a model proven as an effective means to end homelessness for people with high support needs, evidenced through government evaluations of the pilots in the Greater Manchester, Liverpool and West Midlands combined authority regional areas. Its benefits extend further than tenancy sustainment and high fidelity Housing First should be scaled-up as the default offer for people experiencing homelessness with histories of repeat homelessness, very complex needs and multiple disadvantages.

4. Broader action on the cost of living

Although social security and the cost of living largely fall outside of the parameters of Spending Review expenditure, CIH continues to believe that the government cannot meet its milestone of raising living standards without significant intervention to support people with the cost of living. Social security provision should be reformed to support those on the lowest incomes, and government should also act to provide long-term price protection to support people in or at risk of fuel poverty with high energy costs.

Around two-thirds of social housing and one-third of private tenants receive help with their rent and/or service charges through housing benefit/universal credit. Many of these people are working but on low incomes that need topping up, or unable to work because of disabilities or caring responsibilities. Whilst inflation has passed its peak, the pressures created by high housing costs and the growing wealth divide are evident. This is particularly acute in the private rented sector (PRS) where rents have been increasing rapidly and evictions escalating.

In addition, evidence suggests that wholesale energy prices, and therefore energy bills, will remain far higher than pre-pandemic levels until 2030. Simultaneously, meeting the government's clean energy mission will require a significant increase of investment in electricity networks. If even some of these costs are added to energy bills, this could negatively impact the finances of low-income households at a time when standing charges have reached unprecedented levels, and seriously jeopardise the government's milestone of raising living standards. Research undertaken by CIH has shown that these pressures are particularly acute for residents living in social housing, with a vicious cycle of cold-related illness and energy unaffordability placing further strain on NHS resources.

We therefore need to see much broader action on the cost of living. In addition to the three core areas of Spending Review investment detailed above, we call on the government to:

4a Commit to ensuring local housing allowance (LHA) rates reflect the true cost of renting

It is far more expensive to support someone made homeless because of housing costs than to help them with their rent in the first place. It will take time for the measures in the Renters' Rights Bill to be enacted and in the meantime 'no fault evictions' remain the biggest single cause of homelessness. Restoring LHA to the lowest 30 per cent of housing is the minimum required to relieve pressure on councils. Since the last uprating (April 2024) 30th percentile rents have increased by around six percent for the one, two and three-bedroom categories and by 11 and four percent in the shared and four–bedroom categories respectively. Out of 760 LHA rates in England, there were only 12 where the 30th percentile rent had fallen or was unchanged.

The rate to determine the subsidy for temporary accommodation claims has not been uprated (the maximum subsidy remains capped at 90 per cent of the January 2011 rates) and is the biggest single threat to the financial viability of councils.

4b Remove the shared accommodation rate of LHA

The current system puts young people and care leavers at greater risk of homelessness as the Shared Accommodation Rate (SAR) does not cover the cost of renting. There are also many areas (often rural) with little or no shared housing. Alternatively, young people who could afford the rent when they entered the contract should qualify for the one-bedroomed self-contained rate in universal credit for the first three months as they were under housing benefit.

4c Remove the two-child limit and benefit cap

According to government statistics, there were 4.3 million UK children living in poverty in 2022-23, with children in larger families particularly affected (46 per cent). Removing the two-child limit is the most cost-effective way to reduce child poverty and would lift 300,000 children out of poverty. Furthermore, while we welcomed the announcement in the 2022 Autumn Statement to increase the benefit cap by CPI, after having been frozen for six years, it has since been frozen at its 2023 level. The average loss for capped households is £52 each week which puts in jeopardy tenants' ability to sustain their tenancy (and worsens their employment prospects).

4d Remove the social sector under-occupation penalty

Our engagement with members suggests the policy is not working as intended and is pushing many households into hardship and rent arrears.

4e Provide support to help councils develop pathfinders to improve the take-up of pension credit

It is estimated that around 500,000 households are not claiming the guaranteed credit element of pension credit (circa £2100 pa) and a further 300,000 households are missing out on the savings credit (circa £350 pa). Of the 800,000 households that are missing out we estimate that 600,000 to 650,000 are low-income owner occupiers and around 65,000 private renters. A modest fund for councils to work with charities and other NGOs could help improve take-up.

4f Introduce a social tariff in the energy market

To ensure low-income households can access the energy they need to maintain good health and wellbeing in the next decade, the government should set out plans to introduce a social tariff in the energy market. CIH has set out the benefits of a social tariff for the social housing sector in a report published in July 2023, and it should be seen as a critical tool for tackling fuel poverty and ensuring that low-income households are not left behind by the government's clean power mission.

Devolved nations

CIH works across the UK and draws around 25 per cent of its membership from the devolved nations. It is therefore important that we are conscious of the state of housing and the housing market across the whole of the UK. Many of the pressures on the housing market, and barriers to supply and affordability, are mirrored across all four nations. Our policy calls ahead of the Spending Review are made in the knowledge that many of them will result in consequential funding that devolved administrations will be able to focus on similar issues and gaps in their jurisdictions and support our members in delivering sustainable and affordable homes for all.

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[1]CIH (2023) Homes at the heart: a strategy for housing.

[2]CIH (2023) A plan for more and better homes - A 10-point plan for housing.

[3]Housing has a consistently lower share of government spending in England (1.8 per cent of total; Northern Ireland is highest at 4.3 per cent), which continues to be out-of-step in directing a high proportion of investment towards the private market. Whilst comparisons cannot be made on a strictly like for like basis, the proportion of investment in affordable housing supply is much higher in Scotland (90 per cent), Wales (87 per cent) and Northern Ireland (100 per cent), compared with England at just 49 per cent.

[4]For example:

- Work by CIH with the Centre for Homelessness Impact in 2021 showed that a modest increase in output of social rented housing of 10,000 homes annually could largely be financed by direct savings in temporary accommodation costs (now at record levels) and in housing benefit/universal credit that would otherwise be paid for higher-cost private rented properties.
- Much of the cost of extra investment comes back to the government in savings elsewhere (e.g., in benefits and health service costs), in higher tax revenue and in wider economic stimulus. The NAO reports that MHCLG officials showed that investing in social rented homes provides the highest cost-benefit ratio of investment in any tenure. Shelter calculates that investment in new social rented homes more than pays for itself in savings elsewhere. The Centre for Economics and Business research has also recently assessed the beneficial economic impact of investment in social rented housing.
- Lloyds Banking Group, a major funder of social housing, has proposed a revenue grant (a 'Social Housing Contract' or SHC) which would subsidise new social rented homes at a level equivalent to the direct savings in housing benefits. Such a payment would therefore be neutral in terms of government finances. Their analysis suggests that the SHC could generate between 20,000 and 95,000 additional homes for social rent over a decade with no net additional cost to government.

[5]Housing providers also continue to report historically unprecedented volumes of responsive repairs, driven by damp and mould issues and compliance repairs (e.g. electrical safety), among other factors. The Regulator of Social Housing expects this spend to rise further, and forecasts an average annual investment of £10 billion per year on maintenance over the next five years.

[6]Estimates differ, but research by Savills for the LGA, ARCH, and the NFA puts the cost of reaching these targets at £25 billion to 2050 for the local authority sector, while the National Housing Federation puts the same cost at £36 billion for housing associations. There is some uncertainty around these estimates, and falls in the cost of manufacturing heat pumps and other low-carbon technologies could bring them down, but there is no expectation that they can be met by any combination of rents and other non-grant funding mechanisms (e.g. sustainability linked loans).

[7]Southwark Council's proposal for a new Green and Decent Homes Programme or the National Housing Federation's proposal for a Social Housing Investment Fund would both meet this requirement.

[8]The government announced an additional £515 million of extra funding in December 2024 to support local authorities weather the impact of the NICs increase. The total amount was decided following a national assessment of the costs of the rises for direct employees only. Although this funding is not ring-fenced and can be spent on commissioned services, it is likely that this funding will not reach those providers. In the case of supported housing, which provides homes for older persons, people with lifelong physical and mental disabilities, those experiencing homelessness, substance misuse and more, the shortfall created by the NICs raises will contribute to the ongoing crisis facing supported housing providers following years of reduced contracts and short-term funding cycles leading to a permanent loss of services. A failure to address the existential crisis effecting the supported housing sector presently will impact local authority finances in the future as they fail to meet rising levels of need adequately within their constituencies.

[9]The Government's latest statutory homelessness figures in England for January-March 2024 show the number of households living in temporary accommodation rose by 12.3 per cent since the same quarter in 2023, representing 117,450 households. The number of households with children living in temporary accommodation has risen by 14.7 per cent, representing 74, 530 households. In the same period, these figures show surging numbers of individuals presented as homeless who have left institutions such as Home Office accommodation (102.8 per cent) and prisons (48.6 per cent) and hospital.

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