Chartered Institute of Housing

Summary

The level of housing need is increasing – many are facing huge challenges in accessing and maintaining affordable, decent homes. Private rents are increasing at the fastest rate in 16 years and evictions have doubled. Councils are struggling to discharge basic housing duties. Latest forecasts show the number of people homeless in England is predicted to jump by a third by 2024 unless action is taken to reverse this. We need to build more social and affordable homes.

With an ageing housing stock the need to decarbonise the residential sector is more urgent than ever; the cost of inaction is considerable. Added to this, the cost of living crisis, exacerbated by the tragic conflict in Ukraine, means that nearly 7 million UK households will be in fuel poverty this winter even after the government's unit price cap.

The cost of living crisis is not just about whether people can heat their homes or put food on the table. It's also about being able to access and maintain an affordable home. For people on low incomes, their ability to do this is fast diminishing. We need urgent action to support those on the lowest incomes, to decarbonise the residential sector and to finance new social and affordable housing. Without this, the government's ambitions to deliver economic growth and levelling up risk being undermined.

CIH is calling on government to:

1. **Uprate benefits in line with inflation (September CPI) and reform welfare provision so those on the lowest incomes have the support they need to weather the cost of living crisis**
2. **Bring forward investment with clear, long-term plans to tackle homes with poor energy efficiency**
3. **Increase grant levels to provide the number of homes at social rents we need each year**
4. **Invest in existing and new supported housing to meet a range of needs**

Our proposals to address some of the critical housing issues facing our country are set out below. We welcome the opportunity to discuss further.

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. Further information is available at: www.cih.org.

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1. **Uprate benefits in line with inflation (September CPI) and reform welfare provision so those on lowest incomes have support to weather the cost of living crisis**

We welcomed recent government support via the energy unit price cap, however average £2,500 pa household bills will still be nearly double what people paid last year. The End Fuel Poverty Coalition estimates that around 7 million UK households will be in fuel poverty this winter, even after government support.

The best way to support people on low incomes is through the benefits system. Around two thirds of social housing tenants 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). Latest research from Shelter shows that almost 2.5 million private renters are either behind or constantly struggling to pay their rent - an increase of 45 per cent since April 2022.

Even before the recent spike in inflation, basic benefits were worth 11 per cent less than a decade ago – equivalent to a benefit cut of £1,800 for a family with two children. We call on the government to:

- **Confirm that benefits will be uprated in line with (September CPI) inflation**. Since benefit increases were capped at 1 per cent in 2014/15 and 2015/16 and thereafter frozen for four years, basic benefit levels have fallen in real terms and are now at their lowest value since 1991. If benefits fail to keep pace with inflation, a family with one child will see a fall in support of £87 a month – a cut very few families will be able to afford.
- **Remove the benefit cap and two-child limit**. As of May 2022, around 127,000 households are capped, 87 per cent of which are households with children and 46 per cent with a child aged under five. 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). In the worst cases, households who have their housing costs award reduced to nil (or 50p per week for HB) have no viable housing options at all. In practice they are likely to be completely dependent on discretionary housing payments to avoid homelessness. Around 375,000 rented households on UC have three or more children – the vast majority of which will be affected by the two-child limit losing £72 per week for each child and around 65,000 of these households will also be capped. Further to this, the benefit cap disproportionately affects women.
- **Restore local housing allowance (LHA) rates to at least the 30th percentile and return to annual uprating.** LHA rates were restored to the 30th percentile rent in April 2020 in response to the pandemic, after eight years of failing to fully uprate in line with local rents (they were originally set at the 50th percentile). Prior to their restoration LHA rates fully covered 30 per cent of local rents in only around one in every twenty local markets, whilst the proportion of private renters claiming housing benefits had risen above 30 per cent. Across Great Britain, 58 per cent of private renters on universal credit have a shortfall between their actual rent and the LHA. We urge government to restore LHA rates to the full 30th percentile rent and ensure this is maintained in future years.
- **Remove the shared accommodation rate of LHA** which puts young people who could afford the rent for a one bedroomed flat before losing work at greater risk of

homelessness. There are also many areas (often rural) that little or no supply of shared housing. Without its removal we will see increasing numbers of private renters becoming homeless as costs rise.

- **Remove the bedroom tax.** Most claimants affected live in the devolved nations, the north of England and the English midlands where housing demand is low or modest which makes it unlikely that it will achieve its stated objectives. We consider that the policy is not working as intended and is pushing many households into hardship and rent arrears.
- **Deliver on the commitment to end rough sleeping this Parliament.** We welcome the government's commitment to preventing homelessness and ending rough sleeping by 2024 as reaffirmed in the recent strategy. However, success of this now relies on ensuring that the wider issues that cause homelessness are being tackled (see above). 'Everyone In' demonstrated what can be achieved with political will and funding. However, the most recent CHAIN data on rough sleeping in London between April and June 2022 already shows a 16 percent increase in the numbers of people sleeping rough, in comparison to the previous quarter. Almost half (48 per cent) of these people were sleeping rough for the first time. The recent APPG which reviewed progress, concluded that without urgent and impactful action (set out in the report) the manifesto commitment would not be met in England.

Without the above, we will see a huge rise in homelessness that will eradicate the progress made to date and undermine the funding allocated in the new rough sleeping strategy.

2. Invest in clear, long-term plans to tackle homes with poor energy efficiency

Decarbonising the residential sector is key to meeting our net zero targets: it accounts for 20 per cent of the UK's total carbon emissions.

The housing sector is committed to working towards net zero, but sector-wide assessments of the costs summarise the scale of the task. Latest research by Savills estimates that up to £330 billion could be needed (seven times the current spend) for the UK residential sector to meet government targets, including a desire for all homes to reach EPC level C by 2035.

Analysis for the council housing sector puts the extra cost of achieving net zero carbon in 1.5m existing homes at almost £1 billion per year over a 30-year period, a considerable call on resources given that councils' annual capital housing investment averages £5-6 billion per year in total. Parallel analysis for the NHF showed that housing associations need to invest almost £36 billion to achieve EPC Band C by 2030 and replacement of all fossil-fuel boilers by 2050. Up to 2030, this implies spending of about £2.2 billion annually on top of associations' current budget of about £1.5 billion on major repairs and planned maintenance.

CIH acknowledges the various funding support available (Social Housing Decarbonisation Fund, Home Upgrade Grant, Local Authority Delivery scheme and Energy Company Obligation) but the scale of the task to remediate building safety risks and retrofit homes is huge and social housing providers face a large shortfall which cannot simply be passed on through higher rents. The Regulator of Social Housing's latest risk profile shows that landlords are planning a 12 per cent increase in investment in existing homes (latest 5-year forecasts) but inflationary pressures will arguably undermine much of the additional outputs secured by this increased investment.

There would be substantial benefits to the government from investing in energy efficiency measures, beyond working to meet net zero targets. Our leaky homes are putting more families at increased risk of fuel poverty, as inefficient properties cost more to heat. In England alone, nine million poor people live in energy-inefficient homes, making them particularly vulnerable to inflated energy prices. With the government effectively subsiding the nation's energy costs through the (very welcome) Energy Price Guarantee scheme, these inefficiencies now hit the public purse directly. Analysis from the Local Government Association estimates that poorly insulated homes will leak £12.7bn worth of energy over the next two years; this will cost the government at least £4.2bn through the Energy Price Guarantee scheme. Research by the Institute for Public Policy Research shows that a government retrofitting programme could sustain over 400,000 direct jobs and 500,000 indirect jobs by 2030. Fast, targeted government investment in energy efficiency schemes could prevent more households experiencing fuel poverty, support job growth and save the government money.

CIH is calling on government to:

- make good the commitment to **provide the full £3.8bn Social Housing Decarbonisation Fund** (promised in the 2019 Conservative Party manifesto), with more being available in next spending review. We need a longer-term programme so landlords can do proper asset management and bid when they are ready rather than because funding is available for a limited time.
- **explore other means of funding**, including government backed loan guarantee funding to reduce interest costs.
- **further develop the Heat and Buildings Strategy**, setting clear standards and targets for new and existing stock, with effective measures in place for achieving them, including investment to support innovation and the scaling up of production.
- **invest in market development** to support cost effective retrofit technology (e.g. heat pumps) and workforce upskilling.

Without further support, difficult trade-offs will need to be made which will inevitably lead to reduced development (as highlighted in Moody's latest assessment) and/or accelerated stock disposals/rationalisation of 'hard to treat' stock – which will not help achieve net zero. Our response to the government's recent consultation on social housing rents for 2023 provides further context.

3. Increase investment and grant levels to provide the number of homes at social rents we need each year

Evidence produced for the National Housing Federation and Crisis by Heriot Watt University 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. Although this assessment has not been fully updated, since then need is likely to have grown still further. Yet current plans aim to start just 36,000 homes annually, and this target is now under threat because of higher interest rates and inflation in construction costs. Even if 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 programme to meet the full scale of need would have an (updated) cost of about £52 billion, of which £14 billion would be capital grant and the rest raised by social landlords (Legal & General). Grant for social rented homes would have to rise to £175,000 per unit. This is far above current investment levels. However, there are ways to make progress towards this level of investment.

First, the *UK Housing Review 2022* shows that, of some £40 billion being invested by the government in housing in the current four-year period, 56 per cent is spent on support for the private market. A major shift of subsidy away from private market support would enable funding to be directed where it would meet the greatest housing needs. It is worth noting that in Scotland and Wales 89 per cent of support goes towards affordable housing.

Second, work by CIH with the Centre for Homelessness Impact showed last year 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 and in housing benefit/universal credit that would otherwise be paid for higher-cost private rented properties. Since then, use of temporary accommodation has grown still further making the need for more social rented homes even more urgent, on cost grounds alone.

Third, a series of studies have shown that 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.

Investment should be increased immediately so that 10,000 extra social rented homes can be provided each year. Earlier this year we put the cost in grant at £70,000 per unit over the period to 2026. On this assumption, the total grant cost for the additional homes would be £700 million annually, increasing the current Affordable Homes Programme to £2.44bn each year, or by 28 per cent.

As the work by CIH with the Centre for Homelessness Impact showed, the extra costs would be substantially offset by direct savings:

- The annualised cost of such grants over 30 years is approximately £40 million per annum, or £4,010 per unit built.
- Moving each benefit claimant out of a private letting and into a social rented unit saves about £1,100 per year in benefit payments.
- Moving each family in temporary accommodation out of an expensive private letting into social rented accommodation saves about £7,760 per year.
- If 10,000 new social rent units were used 50:50 to house private tenants and families in temporary accommodation, revenue savings would amount to approximately £6 million and £38 million respectively, or £44 million in total.

However, grant costs would now have to be reassessed given recent inflation and interest-rate rises. The sector would be keen to work with government on a package to increase investment, boost construction output and contribute to economic growth.

Any programme must be backed by a strategy that takes account of wider factors such as controlling the loss of existing affordable stock, setting rents at genuinely affordable levels, ensuring that changes brought about through welfare reform do not undermine housing objectives, addressing the challenges faced by low-income households in the private rented sector, and substantially increasing investment in the existing social housing stock so as to meet the updated Decent Homes Standard and address fire safety and decarbonisation requirements.

The scale of investment required, taken together with the wider challenges that must now be faced, call for a comprehensive reappraisal of policy leading to a much larger long-term investment programme.

4. Invest in existing and new supported housing to meet a range of needs

Supported housing for working age and older people with additional support needs is an important resource to ensure they can live well and safely in communities. It also helps prevent or reduce reliance on more costly public services, especially social care and health. Research by Frontier Economics in 2010 demonstrated the value of investing in supported housing with £639 million savings delivered each year across other areas of public spend (such as health, care and crime) – £938 per person per year.

The importance of supported housing for independent living received a welcome focus in the recent Adult Social Care Reform White Paper, People at the heart of care, which indicated the ambition to 'make every decision about care a decision about housing'. The investment of £300 million over three years to drive forward greater integration of housing, health and care at the local strategic level will provide a real opportunity to deliver the right accessible, supported homes in the right places to meet current and future needs, and to support services for the benefit of communities. Whilst CIH welcomes this and the ongoing commitment of funding via the Care and Support Specialist housing Fund (CASSH), the **challenge remains for a stable and consistent investment national and locally into the critical support services within specialist housing, that provide invaluable help and support to maintain independent living. The £30 million for innovative new models of care may help to develop new ways to deliver such support but ongoing, long-term investment is still needed.**

CIH welcomed the £6 million funding for Supported Housing Improvement programme, which will help councils to tackle cases where accommodation and support for some people with significant support needs still falls well below what they need and should be delivered. however, there remains a funding shortfall across the sector that inhibits the delivery of more quality supported housing.

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. CIH calls on government to **provide a national, ringfenced funding stream for housing related support to address this deficit and to support the sustainability of existing and new supported housing schemes**. This should be at least equivalent to the last such investment programme of £1.4 billion (we note that figures of £1.58 billion for England and £2.05 billion for Great Britain were estimated in the most recent evidence review for government in 2016).

Devolved Nations

CIH draws around 25 per cent of its membership from the devolved nations so as a membership body, we are duty bound to speak on behalf of the thousands of housing professionals across the UK. Many of the pressures on the housing market, and barriers to supply and affordability, are mirrored across all four nations of the UK. Therefore, our policy calls ahead of the Chancellor’s Budget 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.

13 October 2022