Chartered Institute of Housing

CIH submission to Chancellor's Autumn statement

Summary

The Cost-of-Living crisis is continuing to bite hard. Homeowners, private renters, and social renters are all feeling the effects of rising prices. The current level of support being provided by Government does not reflect the scale of the crisis. Urgent additional support is required to ensure essentials are guaranteed for all, starting with those on the lowest incomes.

The level of housing need is increasing – with many people facing huge challenges accessing and maintaining a decent, affordable home. Over the last year private rents increased at the fastest rate since the ONS data series began. No fault evictions between January and March this year were 16% higher than the previous year. 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. The use of temporary accommodation has doubled in the last ten years and now accommodates 100,000 households, including over 125,000 children. More social and affordable homes are urgently needed to address this.

With an ageing housing stock, the need to decarbonise the residential sector is more urgent than ever. Added to this, the cost-of-living crisis, exacerbated by the tragic conflict in Ukraine, means that 6.6 million UK households are currently in fuel poverty and facing unaffordable energy costs this winter.

CIH is calling on Government to:

1. **Reform welfare provision so those on the lowest incomes have the support they need**
2. **Deliver on the commitment to end rough sleeping this Parliament**
3. **Help people through this winter by providing financial support with energy costs and investing in energy efficiency**
4. **Increase grant levels to provide the number of homes at social rents we need each year**
5. **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.

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. **Reform welfare provision so those on lowest incomes have the support they need**

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. Research from Shelter (November 2022) shows that a quarter of private renters - equivalent to 2.8 million people – are constantly struggling to pay their rent, an increase of 24% compared to the same period in 2021; and that more than two thirds (69%) – equivalent to 7.7 million people – would struggle to find a suitable home if they were evicted. Further research from Shelter, published in December, found that 120,710 children in England are homeless and living in temporary accommodation, the equivalent of one in every 100 children in the country.

We call on the government to:

- **Fully uprate working age benefits in April 2024 (and in subsequent years) in line with the previous September's CPI (as is the convention).** For all other essential items other than housing costs (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 welcomed the announcement in 2022 Autumn Statement about the continuing support through the benefits system, with cost-of-living payments through until spring 2024 and the confirmation that benefits would be uprated in line with September CPI from April 2024.
  However, we are extremely concerned about reports in the media (Daily Telegraph, 1 July 2023) that the government is considering uprating benefits in April 2024 in line with earnings. As of June 2023 the ONS figure for earnings was 6.5 per cent whereas CPI inflation is at 8.7 per cent, but food price inflation is running at 19.1 per cent and energy at a staggering 40.5 per cent.

  Failure to fully uprate benefits will mean that their real value continues to decline and the failure to continue cost of living payments after Spring 2024 will mean that low-income households will fall into debt or default on their fuel bills. The Joseph Rowntree Foundation's report, Going under and without (December 2022), makes clear that the government support provided so far has not been sufficient to address the hardship felt by millions of families on the lowest incomes.

- **Increase local housing allowance rates to reflect the true cost of renting.** Our joint research with Shelter about the April 2023 LHA rates (which remain frozen for the third successive year) found that fewer than one in five rents in England were within the LHA rate and one in three renters were able to afford less than one in five homes. In some areas of the country less than ten per cent of rents were available within the LHA and in some rental markets, even the lowest rent for shared accommodation recorded by a rent officer was higher than the LHA rate. Since the frozen LHA rates are based on rents recorded between 1 October 2018 and 30 September 2019 – well before CPI and rent inflation started to spike - a further steep decline in the purchasing power of the LHA can be expected over the next 12 months. This will be locked in if LHA rates remain frozen.

- **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. Alternatively, young people who could afford the rent on one bedroomed self-contained flats when they entered the contract should have their rent payments in universal credit fully covered for the first three months as they were under housing benefit.

- **Remove the benefit cap and two-child limit**. We welcome the announcement in the 2022 Autumn Statement to increase the benefit cap by CPI after having been frozen for six years. However, this is unlikely to reduce the numbers of those most severely impacted as in most cases the rise in the cap will be almost completely offset by a rise in their benefits due to the uprating. 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 and there is no easement for domestic violence survivors/victims who find their own accommodation.

  The Oxford University based larger families' study found that the benefit cap had little or nil effect in encouraging capped households back into work. But it did find a noticeable effect of claimants switching to long-term disability benefits (which exempted them from the cap) due a decline in their mental health which appeared to be closely linked the stress caused by the cap itself.

- **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.

- **Restore Support for Mortgage Interest as a grant, instead of a loan.** At a time of a significant increase in numbers have difficulty paying their mortgages, it is right to revisit the support available for those in difficulty. SMI is now a loan, and when this

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change was made, take up fell by 95 per cent. Government should consider restoring SMI as a grant, at least during the period of high interest rates.

2. Deliver on the commitment to end rough sleeping this Parliament and tackle homelessness in all its forms

We welcome the government's commitment to preventing homelessness and ending rough sleeping by 2024 as reaffirmed in its strategy. However, success of this now relies on ensuring that the wider issues that cause homelessness are tackled (see above).

'Everyone In' and the provisions made to protect the street homeless were welcome and 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 action the manifesto commitment will not be met in England. Furthermore, recent data shows an increase in homeless deaths.

We call on the government to:

- **Uplift homelessness support in line with inflation.** Without ongoing commitments to ensure that local authorities, charities, and community organisations are adequately resourced we can expect to see a continuing and significant rise in homelessness. A 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. We support Homeless Link's Keep Our Doors Open campaign for a full inflationary uplift for homelessness support.

- **Invest in homelessness prevention.** Without proper investment into homeless prevention, rough sleeping and use of temporary accommodation will continue to rise. The UK Housing Review 2023 shows that the costs of temporary accommodation are continuing to mount, while parallel expenditure on support, administration and prevention has been squeezed down. The best way to tackle homelessness is to prevent it happening in the first place and (as already discussed) investing in social housing and increasing the LHA are vital prevention. This investment would mean that many people do not lose their homes in their first place, and when people do need temporary accommodation in emergency situations, they are able to move on in a timely manner to suitable affordable accommodation.

- **Ringfence a proportion of spending on homelessness services for women.** To end rough sleeping, specific investment is needed to support women. Gender responsive and trauma informed services and support that can address women's experiences of homelessness, domestic abuse and violence against women and girls are vital if women are to come in off the streets and stay off the streets. There remains a need to ringfence a proportion of the Rough Sleeping Initiative Funding. This will help to deliver meaningful change and the safeguards that women require – including women-only accommodation in every area and the provision of ongoing specialist support.

3. Help people through this winter by providing financial support with energy costs and investing in energy efficiency

Between the introduction of Ofgem's price cap in January 2019 and the end of 2021, the average household was unlikely to have paid much more than £1,200 a year – or £100 a month – for gas and electricity. Despite welcome government intervention in the form of the Energy Price Guarantee, heating bills this winter are still likely to be twice that of historic levels and 60% higher than before the start of the war in Ukraine. Fuel poor households, especially prepay customers, families with young children, older people, and those dependent on powered essential medical equipment, are therefore likely to face unaffordable energy costs this winter. At least 5.5 million adults also currently owe their energy supplier significant funds, debt that hurts households and the wider economy. While CIH recognises that government is currently considering the introduction of a social tariff in the energy market, this is not expected to be implemented until April 2024. **Government must therefore take steps to support people with energy costs this winter as it did so last year.**

The energy crisis is being exacerbated by our energy inefficient housing stock. Residents living in the least energy efficient homes in the private rented sector are spending as much as £950 per year more on their energy bills compared to the average, and recent research by Citizens Advice demonstrated that 31% of private renters feel unable to heat their homes to a comfortable temperature. In the other tenures, over half of owner occupied homes in England have an EPC rating of D or below, and while much progress has been made in the social rented sector in recent years, there are still over a million social homes that require energy efficiency upgrades to be affordable for their residents to keep warm. CIH acknowledges that there are several government funded energy efficiency schemes, but these are not delivering at the pace and scale that is required. The fourth iteration of the flagship Energy Company Obligation (ECO4) faces considerable delivery barriers, and government has not yet allocated all of its promised funding for this parliament to the Social Housing Decarbonisation Fund, the Home Upgrade Grant scheme, and the Local Authority Delivery arm of the Green Homes Grant.

In addition to addressing fuel poverty and cutting carbon emissions, **improving the energy efficiency of domestic homes can contribute to the government's five priorities for 2023**. Chris Skidmore's Review of Net Zero acknowledged that investing in energy efficiency works has significant potential to support economic growth, especially in deprived areas that are central to the government's Levelling Up agenda. For example, 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. Recent analysis by the Building Research Establishment also suggests that it is costing the

NHS more than £1 billion per year to treat people who have illnesses caused or exacerbated by cold and poor housing. They estimate that investing in fixing cold and poor housing would pay for itself in nine years through avoided NHS costs alone and deliver £135bn of societal benefits by 2050. Finally, improving the energy efficiency of domestic homes would help to tackle inflation by reducing domestic energy demand, making a small but not insignificant contribution to the target of halving inflation this year. Summarily, government must take steps to provide financial support with energy costs to avoid a health crisis this winter and should also examine how energy efficiency delivery can be accelerated in both the short- and medium-term.

CIH is calling on government to:

- **Set up a dedicated government debt repayment scheme to support people in energy arrears,** to provide repayment matching and the option to write off energy debts for people dealing with unaffordable arrears.
- **Provide further targeted energy bill support payments to households on the lowest incomes or that are most vulnerable to the cold**, to help them afford their required energy costs over this winter.
- **Reform the prepayment meter regime,** by banning forced installations of prepayment meters in the homes of vulnerable people, reducing standing charges, removing the premium paid by prepay, Economy 7, and standard credit customers, and accelerating the smart meter rollout for legacy prepay customers.
- **Make good the commitment in the Conversative Party manifesto to invest £6.6bn in energy efficiency by 2025** by announcing new phases of the Social Housing Decarbonisation Fund, Home Upgrade Grant, and Local Authority Delivery schemes, with updated cost assumptions. Building on the success of these programmes to date, government should work with Local Authorities and social landlords to help them bid for money when they are ready, rather than in short application windows.
- **Address delivery barriers in ECO4** by extending its timeframe, which would allow cost assumptions to be revised to reflect current market conditions and targeting/scoring criteria to be improved.
- **Explore financial mechanisms to incentivise private landlords and owner-occupiers to improve the energy efficiency of their properties,** such as by building on and expanding innovative green finance and mortgage products.
- **Continue to invest in green skills and the workforce for decarbonising homes**, building on the launch of the Heat Training Grant and the Home Decarbonisation Skills Training Competition.

CIH is also asking government to use the Autumn Statement to strongly signal that tackling fuel poverty and poor energy efficiency remains a central priority, by:

- Responding to the 2020 consultation by finalising and implementing plans to require privately rented homes in England and Wales to reach EPC C by 2028.

- Strongly and credibly signalling that the Boiler Upgrade Scheme, Home Upgrade Grant, Local Authority Delivery Scheme, Social Housing Decarbonisation Fund, and the Energy Company Obligation will continue to be fully funded as required beyond the spending review period.
- Confirming plans to implement a social tariff in the energy market from April 2024, and signalling a firm intention to fund this from general taxation for a multi-year period.
- Accelerating plans to reduce the cost of electricity through the Review of Electricity Market Arrangements, and by fairly rebalancing levies on gas and electricity.

4. Increase 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 2023* shows that, of some £43 billion being invested by the government in housing in the current four-year period, 59 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 87-90 per cent of support goes towards affordable housing.

Second, work by CIH with the Centre for Homelessness Impact from 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 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. Investment in social housing is the most cost-effective way to tackle homelessness and reduce housing benefit, providing a safety net to those who need it.

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. Previously, we have 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.

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

Specialist and 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.

Supported housing can also be a critical route back into independent living for people who have experienced a crisis such as homelessness or escaping domestic abuse. In the light of increasing homelessness, appropriate and affordable supported housing supports those with shorter as well as longer term needs for support and help.

The importance of supported housing for independent living was a focus of the government's 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 provides an 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. We would ask that this and the other funding commitments in the white paper are brought forward as soon as possible.

CIH also calls for the emergency funding recently identified, to support effective and speedier transfer of care from hospital, to be extended to housing based solutions, where providers and partners identify opportunities. These settings can help people recover to move back home or provide alternative housing and support solutions that would reduce the ongoing and increasing need for hospital and social care services. Greater investment in good quality housing and support to increase options 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 crisis, short term responses being needed.

So, whilst CIH welcomes the commitments of the white paper, and the ongoing commitment of funding via the Care and Support Specialist housing Fund (CASSH), the **challenge remains 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. 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.**

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 works across the UK and draws around 25% of its membership from the devolved nations. It's 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 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.