**CIH submission to Autumn Budget and Spending Review – 9 September 2024**


## Summary

We recognise that the government has difficult decisions to make to deliver strong foundations for the UK's future and welcome the focus on the provision of decent, affordable housing as a driver of economic growth and wellbeing. Far too many people are living in overpriced, insecure and poor-quality housing which undermines life chances and puts pressure on the public purse and services.[i]

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 decarbonise and tackle energy inefficiency of the residential sector is more urgent than ever.[ii]

We need a sustainable housing system that supports a vibrant economy, with urgent action to support those on the lowest incomes, decarbonise the residential sector and finance new social and truly affordable housing. We welcome the new government's commitment to take early action on the above and call on it to use the Autumn Statement and forthcoming Spending Review to:

1. **Invest in social housing to ensure that new supply includes affordable and secure homes**
2. **Invest in supported housing to address rising levels of need and reduce pressures on public services**
3. **Invest in homelessness prevention and support to address the current crisis, particularly in temporary accommodation**
4. **Reform social security provision to support those on the lowest incomes**
5. **Support people with energy costs this winter and continue to drive decarbonisation and energy efficiency improvements in homes**

Further detail is set out in our housing strategy and 10 point plan.


**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.


**Contact:** Head of Policy and External Affairs, Rachael.williamson@cih.org

## 1. Invest in social housing to meet government ambitions

We welcome the government's commitment to boost housing supply and to publish a much-needed long-term housing strategy. Social housing, especially when let at social rents, provides a stable and affordable home for people who cannot afford the market, but the previous government's spending cuts caused an 81 per cent fall in delivery of new social rented housing which must be reversed.[iii]

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 proposed in the revised National Planning Policy Framework (NPPF) as part of the government's ambition to build 1.5 million homes in the next five years.

Our analysis for t*he* UK Housing Review 2024 shows that England continues to under-invest in affordable housing development compared with the rest of the UK.[iv] 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 needs to be a much higher priority for the Westminster government.

Evidence produced by Prof. 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 for the UK Housing Review 2024 confirms the need for a similar level of output of new homes in total and for social-rented homes in particular. The current Affordable Homes Programme (AHP) 2021-26 is now due to result in only 26,000 homes annually. 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 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. CIH calls on the government to:

- **Immediately increase investment by redirecting subsidies.** Analysis for the UK Housing Review 2024, in conjunction with MHCLG officials, shows that, of some £42 billion invested by the government in housing in the current four-year period, about half is spent on support for the private market, including about £4.2 billion annually in grants and loans. In contrast, in Scotland and Wales over 87 per cent 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.
- **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.[v]

- **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:

  - *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).
  - *Provide a long-term rent settlement*. Analysis for the UK Housing Review 2023 showed the impact on housing associations alone of reduced rental income was a loss of £40-50 billion in new investment when the effects on private finance were taken into account. Social housing providers need certainty - a ten year rent settlement, protected through a legislative mechanism, is key to stabilising business plans and investment in new supply. A new settlement should balance affordability and transparency for tenants with support for social landlords' sustainable business plans. This should include a convergence mechanism, where income lost through the imposition of rent caps could be recovered over multiple years upon inflation returning to normal levels.
  - *Recognise the need to support social landlords to improve their existing homes*. The urgent need to invest in building safety, net zero and the updated Decent Homes Standard is already diverting money away from new build, and there are new priorities still to meet, such as Awaab's Law. A long-term programme must recognise the need to support investment in the existing stock if quality and supply are to be protected.
  - *Provide more flexibility in grant programmes* to enable funding in regeneration and retrofit (covered later), 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 well aware of the shortcomings in section 106. We welcome its commitment to strengthen it through reforms to the NPPF so that it remains a major contributor to affordable output.

- **Provide sustainability for local authority housing.** Analysis by CIH with Savills shows that the debt settlement reached with local authorities in 2012 has been severely undermined by subsequent rent policy and other changes. We call for:

  - *An updated HRA settlement*. This would acknowledge that councils now have unsustainable debt levels, and enable steps to be taken to relieve debt, possibly in stages, to return to sustainable levels.
  - *Separation of the HRA from councils' General Funds*. HRAs should be self-financing through rental income; separating them from General Funds would reduce or remove the threat of HRA spending being caught by the prospect of section 114 notices where councils' finances have become unstable. (The HRA is currently an account *within* the General Fund.) CIH has also endorsed the report *Securing the Future of Council Housing*, led by Southwark Council, and supports its detailed recommendations.

- **Curb the loss of homes through right to buy.** Around half the loss of social rented homes in the last decade has resulted from the right to buy, especially since it was 'revitalised' in 2012. We welcome the government's commitment to examine discounts, eligibility criteria and protections to prevent new homes from being sold. We call for:

    - *Maximum discounts to be returned to lower, sustainable levels, as under the previous Labour government*. Current levels are unsustainable, and a decision to change them should be implemented quickly so as not to lead to a short-term boost in sales.
    - *Discounts to be set locally, within the maxima*. In high pressure areas, councils should be allowed to reduce discounts still further.
    - *Receipts to be fully reusable at local levels with no time restrictions on their reuse*. The Treasury has already received a large share of the £50 billion in receipts generated by RTB since 1980. It is time for local authorities to retain and reinvest *all* the receipts from their housing sales.
    - *More flexibility in using receipts, e.*g. to combine them with capital grant to make schemes viable. This would address the problem in low-value areas of receipts being insufficient to fund replacement housing.
    - *Cost floor to protect new build homes.* No house should be sold at a price which does not meet the cost of building it or of the outstanding debt.

- **Change the way government accounts for housing capital investment and debt.** The extra social housing investment urgently required is constrained by the new government's fiscal rules and by conventions about the treatment of council housing debt. Two reforms should be undertaken to address these constraints:
    - The previous government's fiscal rules treated capital spending the same as current spending, ignoring evidence that the long-term economic returns from public investment are high and that the UK has one of the lowest public investment-to-GDP ratios in the OECD in recent years. The new government should restore the 'Golden rule' followed by the last Labour government that public sector investment is prioritised over current spending, as the Chancellor has indicated she may do. The government should also increase the focus on 'net worth accounting' within its fiscal rules.
    - 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 the extra debt counts towards public sector net 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).

Investment in social housing will deliver tangible long-term benefits, but these can only be realised if decisions are made now, particularly if the government is to achieve the scale of new homes it has committed to before the next election. Alongside this, there is a need to coordinate existing funding to address capacity and skills gaps in the housing, construction, planning, and green skills sectors.

## 2. Invest in 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 to prevent or reduce reliance on more costly public services, especially social care and health. [vi] Supported housing can also 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 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.

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. We call on the government to:

- **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 also consider how its reform of the NPPF might incorporate more incentives and focus on the needs for supported housing within local plans, to meet local community needs.
- **Provide a national, ringfenced funding stream for housing-related support to boost the sustainability of existing and new supported housing schemes**. Alongside increased capital funding for development, 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. A ringfenced 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)).
- **Extend all funding to support effective and speedier transfer of care from hospital 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 emergency, short term responses being needed.

- **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 117,450 households in Jan-March 2024, of which 74,530 are families with children. In 2023, over half (53.3 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, 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

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.[vii] 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.

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, 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. Council spending on emergency accommodation has reached £2.29bn, according to new provisional government figures, and this is pushing some to insolvency. This is wasted money which would be much better invested in building more social rent homes (as set out above).

Alongside our sector partners, we welcome the government's commitment to deliver a cross-departmental homelessness unit. We need a long-term plan for homelessness that is centrally funded and ringfenced and that includes policy representation from health, justice, immigration, welfare and education. We call on the government to:

- **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.
- **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 (see more detail below). 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, and when people do need temporary accommodation in emergency situations, they are able to move on in a timely manner to suitable affordable accommodation.

- **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, including through DLUHC 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 disadvantage.

## 4. Reform social security provision to support those on the lowest incomes

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 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. At the sharp end, we are seeing record numbers of children now living in expensive and often poor-quality temporary accommodation due to family homelessness at a record high.

Whilst the best way to tackle this is by boosting the supply of social rent housing, in the immediate term many people need help with their housing costs. We welcomed the previous government's commitment in the last Autumn Statement to uprate local housing allowance and working-age benefits from April 2024 but there is still a significant affordability gap for many to manage. We call on the government to use the Autumn Statement to:

- **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. Preventing homelessness also helps people remain in work. Frozen LHA has meant that rents have become increasingly unaffordable for many on low incomes, fuelling debt and evictions and driving homelessness, in turn putting huge financial pressure on councils through temporary accommodation. 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.[viii] A significant number of households will also not benefit from the uprating because of the benefit cap (see below). The rate to determine the subsidy for temporary accommodation claims has also 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 (see the case of Bristol as an example).

- **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.

- **Remove the benefit cap**. We welcomed the announcement in the 2022 Autumn Statement to increase the benefit cap by CPI, after having been frozen for six years, but 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). 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 (which have been cut) to avoid homelessness.ix Furthermore, the benefit cap disproportionately affects women, with no easement for domestic violence survivors/victims if they find permanent accommodation, making it difficult for survivors to move on from a refuge/emergency accommodation.[x]

- **Remove the two-child limit.** 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 (Child Poverty Action Group).

- **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. (See Investing-in-the-Future-Reforming-the-UKs-Welfare-System-web.pdf (guhg.co.uk)) There is evidence to suggest that some households affected cut back on heating costs which can result in health issues such as respiratory problems associated with damp and mould growth.

- **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. The owner occupier and private rented sectors have a higher proportion of non-decent homes (16 and 21 per cent respectively) and have lower energy efficiency 'SAP' ratings (circa 65) than social sector homes (circa 70). Missing out on pension credit means they will also miss out on winter fuel payments. A modest fund for councils to work with charities and other NGOs could help improve take up. Raising the pension credit minimum income guarantee by £5.80 (for the over 80s) and £3.90 for others above the standard uprating would help those whose current annual income above the pension credit threshold is less than the £300/£200 winter fuel payment itself.

## 5. Support people with unaffordable energy costs this winter, and accelerate decarbonisation and energy efficiency improvements in homes

The Labour manifesto included a welcome pledge to tackle fuel poverty, deliver clean energy by 2030, and accelerate progress towards our climate targets. These are important commitments that CIH supports. There is significant evidence that investing in clean energy and energy efficiency contributes to broader economic and social priorities; doing so boosts local economies, improves energy security, and eases pressure on the NHS, including on waiting lists.[xi]

However, recent analysis has shown that there is a considerable way to go until these economic benefits can be realised.[xii] Policy progress towards the twin goals of eliminating fuel poverty and tackling emissions from domestic homes has significantly slowed in recent years, with statutory fuel poverty targets at risk of being missed, and the independent Climate Change Committee downgrading its assessment of the policies for low-carbon heat in buildings in its most recent progress report.

CIH welcomes the actions already taken by the government to get us back on track to meet these objectives, especially removing the ban on onshore wind, allocating an additional £6.6 billion to its Warm Homes Plan, and confirming the details for upcoming rounds of the Heat Network Transformation Programme. We would like to see the government make commitments around three areas in its first Budget and Spending Review to set us on a long-term path to reach net zero and eliminate fuel poverty.

### *a) Set out a package to support people with unaffordable energy costs this winter*

Firstly, while the government has already initiated action to bring down the cost of energy bills in the medium- and long-term, the affordability of energy is likely to remain an acute challenge for households this winter. Research undertaken by CIH has shown this is especially the case for residents living in social housing.[xiii] The evidence produced by our research suggests that social housing residents – along with other groups such as terminally ill-people and families with young children – will require support with their energy costs this winter, especially as Ofgem's price cap is due to increase by approximately 10 per cent in October. We would encourage HMT to consider proposals from other organisations that would achieve this, such as an expanded Warm Home Discount programme.

### *b) Confirm investment in existing energy efficiency schemes and set out a long-term programme of retrofit delivery*

The government has a welcome and ambitious target to insulate five million homes in five years through its Warm Homes Plan. While not without their delivery challenges, previous government schemes, especially the Social Housing Decarbonisation Fund and the Local Authority Delivery arm of the Green Homes Grant, have led to positive outcomes, reducing energy costs for households across all tenures and shoring up supply chains in the wake of the Covid-19 pandemic and subsequent gas crisis. Our engagement with CIH members and partners suggests that social housing providers are continuing to plan for delivering future waves of these schemes, and are awaiting finalised guidance before completing their bids.

The Budget should prioritise confirming and (where appropriate) amending these schemes, which will allow the housing sector and its partners to upgrade at least 200,000 homes in the initial years of this parliament. Specifically, CIH is advocating for:

- **Confirming Wave 3 of the Social Housing Decarbonisation Fund, publishing the finalised guidance, and backloading delivery to scale up across consecutive years**. In the draft guidance for Wave 3, released under the previous government, 80 per cent of grant funding needed to be spent in the first two years of delivery, with only 20 per cent of funding allocated to year three. This is at odds with the new government's approach to scaling up delivery towards 2030. Changing this requirement to backload delivery (e.g. 20/35/45 per cent of delivery in each consecutive year), would improve the scheme design and be more deliverable for local authorities and housing associations.
- **Confirming continuations or replacements of other key energy efficiency and clean heat schemes**, particularly the Boiler Upgrade Scheme, the Local Authority Delivery scheme, Energy Company Obligation, and Heat Network Transformation Programme, as well as the Heat Training Grant and Home Decarbonisation Skills Training Competition, which are crucial to building low-carbon skills among installers.

Confirming these schemes will ensure that ongoing delivery of energy efficiency measures does not stall and lay the groundwork for more significant programme changes and longer-term investments in the 2025 Spending Review. The Spending Review should focus on setting out a long-term programme of retrofit delivery from 2029 onwards, spanning energy efficiency and low-carbon heat, and harnessing the expertise of local authorities and housing associations as key delivery organisations. Specifically, the Spending Review should include:

- **The announcement of a long-term cross-tenure retrofit programme, covering energy efficiency and low-carbon heating, and underpinned by a retrofit strategy developed in collaboration with all relevant stakeholders.** This should include:
    - An end to competitive bidding processes, and a transition to long-term strategic partnerships that allow local authorities and housing associations to deliver programmes flexibly and innovatively.
    - A minimum ten year programme length, to provide the housing sector, installers, and the supply chain confidence, and to avoid the boom and bust delivery that has plagued previous shorter-term schemes.
    - 100 per cent fully funded grants to enable whole-house retrofits and low-carbon heat for lower-income households and social housing residents living in the least efficient homes.
    - Bespoke support for retrofitting mixed-tenure estates, blocks, and terraces, underpinned by principles of placemaking and community regeneration.
    - Flexibility for housing associations and local authorities to utilise funding to meet an enhanced Decent Homes Standard, incorporating thermal comfort and minimum energy efficiency standards.[xiv]
    - Parallel funding for the training of low-carbon heat installers, to enable the workforce to grow as delivery scales up.
    - The creation of a Warm Homes Agency, to oversee the design and delivery of all of the above.
- **Measures to stimulate the market and private investment into retrofit and clean heat,** such as zero rating VAT on repairs, maintenance, and retrofit work, supporting the development of green finance products, and instructing the UK Infrastructure Bank to support a mass-market for retrofits and clean heating.

### *c) Make clean energy affordable for all*

The running costs of heat pumps and other clean heating technologies is a major barrier to decarbonising domestic heat.[xv] We also have concerns, echoed by the Public Accounts Committee, that the introduction of heat network zoning could increase the risk of fuel poverty, as the running costs of being connected to a heat network exceed the running costs of the gas boilers they replace.

CIH recognises that long-term work to reduce electricity prices is underway, but will not filter through to household bills until electricity market reform has concluded. The government requires a strategy that will immediately begin to significantly reduce the price of clean heating for all. This should include:

- **The fair and equitable rebalancing of gas and electricity levies**. We recognise this is a challenging policy area: it would need to be done in a way that does not increase affordability issues for on-gas grid households, and the cost of absorbing all levies within general taxation could be over £5 billion. It may also need legislation. At the Autumn Budget, CIH would therefore support more affordable, interim measures, such as the launch of a Clean Heat Discount, while a full review of levies is undertaken. The Autumn Budget would also be a suitable opportunity to launch a consultation and impact assessment of different options. This would enable a longer-term decision to be made on the approach and spending implications of rebalancing gas and electricity levies in the Spending Review.
- **The expansion of funding to make heat networks affordable** by growing the Heat Network Efficiency Scheme (HNES) and developing a Heat Network Guarantee to protect heat network customers from poor performance.
- **The introduction of a social tariff in the energy market.** Evidence suggests that even with these changes, power prices, and therefore energy bills, will remain far higher than pre-pandemic levels until 2030. Simultaneously, meeting Labour's targets on clean energy will require a significant increase of investment in electricity networks. If these costs are added to energy bills, this will negatively impact the finances of low-income households and jeopardise Labour's pledge to have energy bills falling by 2030. To ensure low-income households can access the energy they need to maintain good health and wellbeing in the next decade, the Spending Review 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 during our transition to net zero.

### 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 Autumn Budget and 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.

References

[i] Poor housing costs the NHS £1.4 billion each year, negatively impacts a child's education and has long-term effects on incomes and employment.
[ii] The cost of inaction is considerable. 8.6 million households in England are currently experiencing unaffordable energy costs, according to official projections.
[iii] Net losses of social rented homes since 2011 exceed 200,000 in total, even taking account of new build, mainly due to losses from right to buy. In 2022-23 only 8,386 social homes were built, compared to nearly 40,000 in 2010. In the same year, 52,800 households were accepted by councils as requiring help because they were homeless or in danger of becoming homeless.

[iv] 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.
[v] 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.

[vi] 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 pa.
[vii] 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.
[viii] Between March and May 2024 (across the uprating) the proportion of households on universal credit whose local housing allowance fell by one third from 1,012,000 to 679,000.
[ix] For a lone parent with two children the amount left over for rent (assuming that the standard allowance and benefit elements for children are spent – as intended – on non-housing costs) is just £636 per month or £911 per month in London. This is less than the rate for the local housing allowance in 99 out of the 152 housing market areas in England. CIH estimates that this will increase to 122 out the 152 areas if the cap isn't uprated in April.
[x] The Oxford University-based larger families study found that the cap had little or nil effect in encouraging households back into work. It did however find a noticeable effect of claimants switching to long-term disability benefits (which exempted them from the cap) due to a decline in their mental health which appeared to be closely linked to the stress caused by the cap itself.

[xi] For example, a recent evaluation of energy efficiency schemes targeted at fuel poor households has shown that for every £1 of investment, £1.34 is stimulated in the wider economy, especially in the construction, retrofit, and installer sectors. Analysis undertaken by the Building Research Establishment has also shown that it is costing the NHS more than £500 million per year to treat people affected by cold homes, and that the investment required in housing to resolve this would be recouped in nine years in NHS savings.

[xii] Government projections suggest that around 8.6 million households in England are currently experiencing unaffordable energy costs, around a third of all households nationwide. Simultaneously, government data shows that the residential sector accounted for 17 per cent of all UK carbon emissions in 2022.
[xiii] Specifically, social housing residents are often on much lower-than-average incomes and are more likely to have long-term illnesses and/or disabilities. Our research also found evidence that social housing residents often have low levels of savings and financial resilience, making it more difficult for them to absorb sudden increases in energy costs. In addition, approximately four in ten social rented homes are fitted with a prepayment meter, and research has shown that residents using prepay are more at risk of taking on expensive debt to pay their energy bills.
[xiv] 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.
[xv] For example, although there is evidence from a recent systematic review that well-installed heat pumps are reaching broad parity in running costs with gas boilers, the UK's electricity prices remain among the highest in Europe, dictated by high gas prices over 80 per cent of the time. CIH members have told us that high electricity costs are a barrier to the installation of heat pumps in social housing due to concerns that their residents will not be able to afford to use them properly.