CIH submission to Spring Budget – January 2024

Summary

Decent and affordable homes are good for the economy – improving health and wellbeing and providing a secure foundation to build from. But shortages and unequal access mean far too many people are forced to live in overpriced, insecure and poor-quality housing.

We are all paying the price for this. Poor housing costs the NHS £1.4 billion each year. It negatively impacts a child's education and has long-term effects on incomes and employment. Government is set to spend five times more (£58.2 billion) on subsidising private rents via housing support than on its entire affordable housebuilding programme (£11.5 billion) over the next four years.

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; the cost of inaction is considerable. 7.5 million UK households are in fuel poverty.

We need a sustainable housing system which 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.

CIH is calling on the government to:

1. Reform welfare provision to support those on the lowest incomes
2. Invest in homelessness prevention and support
3. Support people with energy costs and continue to drive decarbonisation and energy efficiency improvements in homes
4. Increase grant levels to boost the supply of affordable housing
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. Further detail is available in our housing manifesto: Homes at the heart – A strategy for housing | Chartered Institute of Housing (cih.org)

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1. Reform welfare 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 are increasing at the fastest rate since records began and evictions escalating. The recent Voice of the Tenant survey shows that England has seen an average 17 per cent rent increase in the past year (27 per cent in rural areas), with 52 per cent regularly cutting back on essentials to pay rent. The Resident Voice Index shows many social housing residents are also struggling. Irrespective of tenure, more people are struggling each month as housing costs demand a greater proportion of their income. At the sharp end we are seeing the numbers of children in (expensive and often poor quality) temporary accommodation due to family homelessness at a record high.

We very much welcomed the government's commitment in the recent Autumn Statement to uprate local housing allowance and working age benefits from April but there is still a significant affordability gap for many to manage. We call on the government 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. 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 financial pressure on councils through temporary accommodation. Restoring LHA to the lowest 30 per cent of housing is the minimum required but waiting until April to unfreeze it does not help those struggling with their rent over the winter months and refreezing after a year means renters will start to face the same pressures from next April. A significant number of households will also not benefit by 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).

- **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 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**. We welcomed the announcement in the 2022 Autumn Statement to increase the benefit cap by CPI after having been frozen for six years. However, since no further announcement was made at the recent Autumn Statement we assume it will be frozen at its 2023 level. Since benefits and rents (including the LHA) will increase it can be assumed that the number of capped households will also increase from the current figure of around 86,000 households. 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. Furthermore, the benefit cap disproportionately affects women, with no easement for domestic violence survivors/victims. 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 a decline in their mental health which appeared to be closely linked the stress caused by the cap itself.

- **Remove the two-child limit.** According to the charity Child Poverty Action Group, there were **4.2 million UK children living** in poverty in 2021-22, with children in **larger families** particularly affected (42 per cent). Removing the two-child limit is the most cost-effective way to reduce child poverty and would lift 250,000 children out of poverty.

- **Remove the under-occupation penalty.** Most claimants affected by this live in the devolved nations, the north of England and the English midlands where housing demand is low or modest. 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))

- **Restore Support for Mortgage Interest (SMI) as a grant.** At a time of a significant increase in numbers having difficulty paying their mortgages, it is right to revisit the support available. SMI is now a loan, with take up having fallen by 95 per cent since it was a grant. Government should consider restoring its previous format, at least during the current period of higher interest rates which impact both mortgage holders and private renters.

2. Increase homelessness investment and support

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

There have been significant and welcome 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. Essential service cost for homelessness services have risen rapidly in recent years, leaving homelessness providers absorbing the costs, running in deficit budgets, and operating under significant strain. 'Everyone In' and the provisions made to protect people experiencing street homelessness during the pandemic demonstrated what can be achieved with political will – and the necessary funding. However, the latest government figures for England (quarterly homeless statistics April to June 2023) show that the number of households owed a main homelessness duty was up 19 per cent from the same quarter the previous year with over 105,000 households in temporary accommodation (up 10.5 per cent on 2022).

The impacts on the mental and physical health of such housing insecurity cannot be underestimated, nor can the costs: councils spent £1.6 billion on temporary accommodation in 2021-22 alone and many are warning of bankruptcy as a result of spiralling costs. Analysis of the Homeless Monitor suggests that core homelessness will continue to rise without significant further intervention.

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 in 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 reduced. The best way to tackle homelessness is to prevent it happening in the first place and (as outlined) investing in social housing and increasing the LHA are key to this. This investment 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.

- **Ringfence a proportion of spending on homelessness services for 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 and stay off the streets. Ringfencing a proportion of the Rough Sleeping Initiative Funding will help to deliver meaningful change and provide necessary safeguards – including women-only accommodation in every area and the provision of ongoing specialist support.

- **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 to be the default offer for people experiencing homelessness with histories of repeat homelessness, very complex needs and experiencing multiple disadvantage.

3. Support people with energy costs and continue to drive decarbonisation and energy efficiency improvements in homes

Despite a partial settling of wholesale energy costs across 2023, gas and electricity bills remain unaffordable for millions. The government's own projections suggest that 12 million households were unable to heat their homes at an affordable cost in 2023, and in January 2024, Ofgem's price cap increased from £1,834 to £1,928 for a typical household paying by direct debit.

As a result, energy bills remain approximately twice pre-pandemic levels, with particularly negative impacts on renters, prepay customers, families with young children, older people, and those dependent on powered essential medical equipment. Unfortunately, there is also little evidence that energy prices will reduce substantially before the end of the decade. It is therefore urgent that government revives its consideration of long-term support with energy costs for low-income households in the form of a social tariff. Analysis by CIH has shown that the introduction of a social tariff could cut fuel poverty in social housing by over half, and it would have undoubted benefits for older people and people with a terminal illness or dependent on electric powered medical equipment. If long-term action on a social tariff is not initiated now, cold-related ill-health will continue to have negative impacts on the NHS and prevent people from contributing to society and the economy.

In addition, one of the impacts of consistently high energy prices over the past two years has been soaring energy debt. Data compiled by Money Advice Trust in October 2023 shows that 6.4mn adults are now behind on their energy bills, and that one in four people with energy debts are unable to afford repayments. Figures obtained by Ofgem covering summer 2023 also showed that energy debt had reached £2.6bn, its highest ever level, due to a combination of the rise in wholesale energy prices and wider cost of living pressures. Energy debt is detrimental to businesses and energy suppliers, as well as households. Ofgem's proposed solution to soaring energy debt is to introduce a levy that will increase bills even further. Alongside a coalition of charities and consumer groups, CIH believes that a government backed 'Help to Repay' scheme is necessary to clear energy debt in a way that is fair and does not add even further to high bills.

CIH is advocating for the government to:

- Confirm plans to consult on implementing a social tariff in the energy market and signalling a firm intention to fund this for a multi-year period.
- Introduce the widely supported 'Help to Repay' proposals from the Money Advice Trust to help reduce household consumer debt through a payment matching programme.

Beyond offering immediate support for people with energy costs, improving the energy efficiency of our homes and accelerating efforts to move away from fossil fuel heating is critical for meeting several of the government's priorities. As well as tackling fuel poverty, reducing cold-related ill-health, and cutting carbon emissions, investment in energy efficiency supports skilled jobs across the country, with estimates from the Institute for

Public Policy Research suggesting that a long-term government retrofitting programme could sustain over 400,000 direct jobs and 500,000 indirect jobs by 2030. Evaluations of previous schemes also show that for every £1 invested in energy efficiency, a further £1.34 is stimulated in the wider economy, including locally, as people spend the money they save on their energy bills in local businesses.

In this context, CIH was pleased to see the allocation of £6bn to energy efficiency and decarbonisation programmes in December 2023. The positive reaction to this announcement across multiple sectors shows that the government should use the Spring Statement to deepen its action on energy efficiency and decarbonisation even further. This should include action to build retrofit and net zero skills, to ensure the industry can deliver on the government's ambitions; introduce tax incentives to encourage private landlords to improve the energy efficiency of their homes; and make heat pumps truly affordable for every household in the country by accelerating efforts to reduce the cost of electricity.

CIH is advocating for the government to:

- Build on the momentum created by its ambitious energy efficiency announcements by confirming that a total of £6bn of funding will be allocated per annum between 2025 and 2030 across the different schemes (e.g. the Social Housing Decarbonisation Fund, the Energy Company Obligation, and new local authority led schemes).
- Reintroduce the Landlord's Energy Savings Allowance (LESA) for cavity and loft insulation works in the private rented sector, to incentivise private landlords to improve the energy efficiency of their homes and reduce fuel poverty.
- Continue to invest in green skills and the workforce for decarbonising homes, building on the early success of the Heat Training Grant and the Home Decarbonisation Skills Training Competition.
- Accelerate plans to reduce the cost of electricity through the fair and equitable rebalancing of levies on gas and electricity bills and increasing clean energy generation.

4. Increase grant levels to boost the supply of affordable housing

Social housing provides a stable and affordable home for people who cannot afford the market but in 2010, funding for affordable housing was cut by 63 per cent, including all funding for social rented homes. Although rules were later relaxed to allow some to be built, this caused an 81 per cent fall in delivery of new social rented housing. 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. (Net losses of social rented homes since 2011 exceed 200,000 in total, even taking account of new build, mainly due to right to buy.) 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.)

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. 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 41 per cent. As a result, in the last decade England has delivered around 10 affordable homes per year per 10,000 population, compared with 15 in Scotland and 14 in Northern Ireland (Wales delivered nine). Housing investment needs to be a much higher priority for the Westminster Government.

Evidence produced by Glen Bramley 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. A new, up-to-date analysis by Bramley 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. Current plans under the Affordable Homes Programme aim to start just 36,000 homes annually, and this figure is under threat. 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 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 about £10-12 billion at 2022 prices). This is far above current investment levels. However, there are ways to make progress towards this level of investment.

CIH calls on the government to:

- **Increase investment and redirect subsidies.** Analysis for the UK Housing Review 2024, in conjunction with DLUHC 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.

  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 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 further and is now at record levels, making the need for 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.** 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. (The NAO reports that an appraisal by DLUHC officials showed that investing in social rented homes provides the highest cost-benefit ratio of investment in any tenure: while, for the government's Affordable Homes Programme as a whole, every £1 spent produces £2.70 of benefits, for social rent investment alone the benefits are as high as £3.40.)

- **Allow flexibility in grant programmes.** Alongside investment in supply, flexibility of grant programmes is needed to enable funding in regeneration (plus retrofit which is covered later), removing net additionality requirements in places with low demand housing markets. It should also be possible to grant-aid social rented housing across the country, not just in regions with the worst affordability issues. The review of Homes England provides an opportunity to ensure government infrastructure enables this.

- **Provide a long-term rent settlement.** Analysis for the *UK Housing Review 2023* shows the impact on housing associations' income of restrictions on rents since 2015/16. Income was lost from four years of obligatory one per cent reductions and further income will be lost from the below-inflation cap on rent increases for 2023/24. The cumulative impact of this, compared with rents rising at CPI plus one per cent, is to remove 20 per cent of rental growth from the sector over an eight-year period. For housing associations this is equivalent to a loss of £2.3 billion, which could have levered in £40-50 billion of new investment. This impacts the sector's ability to invest, both in new development and in the existing stock.

  We need a new rent settlement that balances affordability and transparency for tenants and supports social landlords to develop and maintain sustainable business plans. Longer-term certainty about rent levels would enable providers to develop more homes for social rent. This should include a convergence mechanism to enable providers to invest in new and existing homes with confidence, where income lost through the imposition of a rent cap could be recovered over multiple years upon inflation returning to normal levels.

- **Change the way government accounts for housing debt to unlock additional investment.** 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 Conservative government's decision to lift 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. A future 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 the parameters that apply under international accounting systems. Treasury rules should be updated to recognise social housing as national infrastructure.

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 pa. 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, appropriate and affordable supported housing supports those with shorter as well as longer term needs.

We call on the government to:

- **Bring forward the funding commitments in the government's Adult Social Care Reform White Paper.** The importance of supported housing for independent living was a focus of the People at the heart of care white paper 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.

- **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 crisis, short term responses being needed.

- **Provide a national, ringfenced funding stream for housing related support to address to support the sustainability of existing and new supported housing schemes**. 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. A ringfenced funding stream is needed which should be at least equivalent to the last such investment programme of £1.6 billion (the 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 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 Spring 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.

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: http://www.cih.org/.

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