PlaceShapers
Together we help communities thrive

Chartered Institute of Housing

13 October 2022

Sent via Email

Rt Hon Simon Clarke MP, Secretary of State, Department for Levelling Up, Housing and Communities
Chloe Smith MP, Secretary of State, Department for Work and Pensions

Dear Secretaries of State,

As the Chancellor prepares his Budget for later this month, we are writing to urge you to make the case for benefits uprating in line with CPI and social housing investment in order to support government ambitions on growth and levelling up.

The covid pandemic taught us that in a crisis people turn to their communities, and communities in turn need strong civic institutions to help them build resilience to financial pressures. As set out in our letter to the Prime Minister of 6 September, the social housing sector has decades of experience of working with local people and with public, private and voluntary sector partners to provide support where it's needed most. To help residents and communities through the current cost of living crisis, social housing providers are:

- **Investing in hardship funds to help those struggling the most**
- **Funding money management and social security advice programmes**
- **Pledging not to evict anyone who can't pay their rent (as long as they are engaging)**
- **Accelerating retrofit programmes to reduce bills**
- **Supporting local charities and foodbanks**
- **Improving residents' employment opportunities through apprenticeships and training programmes**
- **Tackling loneliness and isolation through clubs, activities and wellbeing phone calls.**

Our members are fully committed to doing all they can to help communities through the winter. But this task will be made so much harder if benefit levels are not uprated in line with inflation. Already, we are seeing people disconnecting their gas or electricity and unable to afford to cook hot meals for themselves and their children. We are therefore urging you to commit to increase benefits in line with the consumer prices index annual rate (all items) for September 2022, as the government had previously committed to. This is an integral part of the decision-making on social rent caps for next year.

We recognise the country needs action to build longer-term resilience to energy price spikes and broader cost of living pressures. The social housing sector is active in this space - building more energy-efficient new homes and running retrofitting programmes to insulate existing homes and switch them to renewable heat and energy solutions. There is an opportunity to use the scale, capacity and consistency of ownership in the social housing sector to unleash housing retrofit

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activity more broadly, particularly in the crucial early stages of a national effort to decarbonise housing stock at pace. We warmly welcome the recent announcement of Wave two of the Social Housing Decarbonisation Fund (SHDF).
In addition, we recommend government should take further action to ensure fiscal policy supports the social housing sector in our drive to reduce household bills, boost affordable housing supply and improve conditions. We are calling on you to urge the Chancellor to:

- **provide additional grant funding to protect investment in existing and new homes, compensating for any lost rental income associated with a rent cap. We propose that this should equal the savings government would make in housing benefit from any ceiling (estimated to be £4.6bn under a 5% rent cap). This funding could be made available through a combination of existing schemes such as the Social Housing Decarbonisation Fund, the Affordable Homes Programme, and the Building Safety Fund, or distributed directly to housing providers via a new mechanism explicitly aimed at revenue support.**
- **align VAT for core improvements to existing domestic buildings (excluding DIY and interior decoration) with VAT for demolition and new build development, on both materials and labour. Reducing the VAT rate to 5% on the labour element of housing renovation and repair alone has been estimated to provide a £15.1 billion stimulus to the wider UK economy, and 95,480 extra jobs over five years – as well as saving almost 240,000 tonnes of CO_2 from 92,000 homes. This would drive up social landlords' financial capacity to retrofit and otherwise improve homes in ways which will ease cost of living pressures for residents while also meeting a range of other political priorities. It would also remove a powerful disincentive against improving existing homes and neighbourhoods (particularly in low demand housing markets where housing providers cannot easily generate cross-subsidy.)**

In addition, we believe that there are changes that could be made to existing government programmes that would help improve their impact, such as:

- **relaxing the criteria on existing funds (particularly Homes England grant and the social housing decarbonisation fund) to allow more support for regeneration and retrofitting, and allow a wider range of delivery partners to bid for funding directly and to lead partnerships. This would help unleash the pent-up capacity of housing providers to improve existing homes and places at a time of significant financial constraints and to help get as many homes built and upgraded as possible. We welcome the recent decision to give Homes England a greater focus on the regeneration of communities. To deliver on this ambition, additional flexibility should be provided to allow Homes England capital grant to be spent on acquiring, retrofitting and refurbishing existing housing stock in places where 'net additionality' rules are not appropriate because of lower market demand.**
- **reforming the Recycled Capital Grants Fund, allowing providers to use this to invest in stock improvements and retrofit, not just net additional units.**

As the Chancellor prepares his Budget, and as you consider the department's response to the social rents consultation (on which we have responded separately), we urge you to consider the long term impact of decisions taken over the coming months. We would welcome the opportunity to discuss further with you.

We look forward to hearing from you.

Yours sincerely,

Gavin Smart, Chief Executive
Chartered Institute of Housing

Matthew Walker, Chair
Placeshapers