

# Spring Budget 2023: National Housing Federation submission

## Submission to HM Government/Treasury

### Introduction

The National Housing Federation (NHF) is the voice of housing associations in England. Our members own over 96% of housing association homes in England, providing 2.7 million homes to around six million people.

Housing associations share the government's ambition for better homes and communities for everyone. Housing associations exist to provide good quality, affordable social homes for people who need them and offer vital services to support their communities. The lower rents our members charge save tenants £9bn annually. Our members are committed to investing in the supply and quality of social housing. In 2020/21 housing associations built more than 38,000 new homes, directly adding £2.1bn to the national economy and supporting more than 36,000 jobs. Housing associations are taking action to address the urgent issues of quality that exist in some of the homes in the sector. Following the publication of [The Better Social Housing Review report](#), the NHF and our members are working to develop an action plan to help the sector implement the recommendations from the review.

Housing associations strongly welcomed the certainty of the 7% cap on social rent increases in 2023/24 and are committed to doing all they can to support residents through the cost of living crisis. However, costs of building and maintaining social homes continue to rise significantly above 7%, and in many cases above inflation itself, stretching housing associations' ability to deliver on our priorities. Index-linked rent increases are crucial to securing lending to finance investment.

We welcome the announcement of £30m to improve the quality of social housing in Greater Manchester and the West Midlands. We urge the government to consider how similar funding can be made available across the country and are keen to work with the government on how this could be administered.

In this Budget, the government has an opportunity to commit to the investment needed to end the housing crisis for good. Housing associations stand ready to raise and invest the funding needed to meet the big housing challenges: ensuring homes are of high quality and are safe and secure, while meeting Britain's sustainability and climate challenges, as well as building the new affordable homes we need. To secure the housing our country needs, the government must invest.

**In this Budget, the government has the opportunity to:**

- **Help tackle homelessness and boost social and economic opportunities by maximising the use of existing funding through the Affordable Homes Programme.**
- **Make sure everyone can feel safe in their home by negotiating with contractors, as well as developers, to remediate defective buildings that they built for housing associations.**
- **Deliver on its net zero commitments by releasing the full remaining Social Housing Decarbonisation Fund beyond 2025. This will provide longer term funding certainty, growing the economy and creating hundreds of thousands of new jobs across the country.**
- **Help people into better homes that meet their needs, alleviate homelessness and deliver savings to the NHS and social care budgets through the provision of a fair and effective support and welfare system, long term funding for supported housing and funding for homelessness prevention.**

## Delivering the new homes the country needs

Housing associations already play a key part in economic development and regeneration but are keen to do more. **The government should maximise the use of existing funding through the Affordable Homes Programme to support housing-led regeneration across the country.** Not only will this contribute to the supply of high quality affordable housing, it will support communities by providing investment in much needed jobs and skills, and contribute to national strategic priorities like decarbonisation.

Currently most government funding for affordable housing focuses on additionality of new homes. While this is much needed, this focus can lead to a loss of development potential and a lack of investment in the physical quality of existing communities. Without housing-specific regeneration funding streams, regeneration is virtually impossible to fund in lower value areas where there is little scope for cross-subsidy from market sale. The NHF welcomes the expanded role for Homes England in delivering regeneration but would **urge the government to go further to enable more flexibility on existing funding including allowing for replacement of homes so that high quality housing-led regeneration is delivered where it cannot be funded otherwise.** This flexibility is crucial to support the government's economic and skills agenda and will help deliver quality affordable homes across the country.

## Investing in safety

Ensuring residents' safety is housing associations' top priority. Since the tragic fire at Grenfell Tower, housing associations have been leading the way in identifying and rectifying buildings where there are safety concerns. We have welcomed the different government funding schemes made available to ensure leaseholders do not have to pay to fix the mistakes of those who built defective properties.

The NHF and our members wholeheartedly agree with the government that those responsible for constructing defective buildings should be responsible for fixing them. We strongly support the government negotiations that have led to the largest developers pledging to remediate the defective buildings they constructed. We are aware of housing associations with construction companies that had already made the same pledge.

**We are calling for the government to extend these negotiations to contractors, who have also constructed defective properties for housing associations that should have met regulatory requirements.** While the Building Safety Act provides

housing associations and other building owners with additional legal routes through which to pursue contractors responsible, these are untested and could require lengthy and costly legal proceedings.

Currently, housing associations have to pick up all or part of the bill for remedial works where contractors are not facing their responsibilities. The NHF and our members estimate that the cost to our sector of making buildings of all heights safe, could be around £6bn, or even up to £10bn. As housing association income is made up of rents paid by social housing tenants on lower incomes, residents are effectively and unjustly paying for contractors' mistakes. We believe this will impact on the sector's ability to provide much needed affordable housing and on the provision of services to residents and their communities.

## Decarbonising social homes

Housing associations are well placed to lead the transition to net zero, as the quantity and variety of homes within the sector means it is able to innovate and deliver change at scale, providing the market mechanisms required to build up supply chains and capacity and bring down market prices.

Funding is key to this and the sector plans to invest £70bn by 2050 in the fabric, heating systems and components of their existing homes. However, analysis from Savills estimates that decarbonising all existing housing association homes will require at least an additional £36bn of investment, on top of the £70bn already planned.<sup>1</sup>

We have welcomed the additional energy efficiency funding worth £6bn for 2025 to 2028 announced in the November 2022 Autumn Statement. We strongly support the government's plans to consult on minimum energy efficiency standards (MEES) in the social housing sector. The combination of further funding and clear, comprehensive standards will enable the social housing sector to drive forward with the decarbonisation of all 2.8 million housing association homes, contributing to the UK's net zero goal, providing hundreds of thousands of new green jobs for local communities, and making residents' homes more comfortable and cheaper to run.

**We are calling on the government to make a long term commitment to decarbonising our housing stock by releasing the full remaining Social Housing Decarbonisation Fund beyond 2025.** This would unlock supply chains

---

<sup>1</sup> <https://www.housing.org.uk/news-and-blogs/news/decarbonising-housing-associations-homes-cost-36bn/>

and give housing associations the long term confidence and certainty to plan, contract for and deliver the large-scale retrofit projects required to meet net zero by 2050.

The journey to decarbonisation has the potential to boost the economy, creating hundreds of thousands of new green jobs for local communities. The New Economics Foundation estimate that we need an additional 429,000 retrofiters to deliver our housing decarbonisation objective by 2030.<sup>2</sup> **We are calling on the government to implement a comprehensive national retrofit strategy to scale up locally led initiatives and deliver joined up action on retrofit skills development.**

## **VAT relief on energy saving materials**

**We are calling for the temporary relief from VAT in the form of a zero rate applied to the supply of installation of energy saving materials to be extended to include double and triple glazed windows. Alongside this, we are calling for the period during which this relief applies to be extended until 2030.**

While many housing associations have already installed double glazing in the majority of their homes, much of this is old and will need replacing. This will be done principally to improve the energy efficiency of existing homes to get them to EPC C by 2030.

One large housing association with homes across the country said that at least 44% of its homes have pre-2002 double glazing in place which will need to be replaced in the coming years.

Another member of a similar size has projected the need for replacement of windows in 2,400 homes every year over the next 10 years, which equates to 5% of its stock a year.

This will be a costly exercise and a VAT relief consistent with other important energy saving materials (such as insulation and ground/air source heat pumps) will be a significant help.

---

<sup>2</sup> <https://www.unlocknetzero.co.uk/home/introducing/addressing-workforce-competence-and-capability-challenges-to-decarbonise-the-housing-stock>

One large housing association with stock across the country estimates its spend on replacing windows with new double and triple glazing over the next 10 years would be £50m (£5m every year).

Our report on [decarbonising the housing association sector](#), researched by Savills, costed replacing double and triple glazing windows at £3,500 for flats and £4,500 for 3-beds on average per unit (inclusive of VAT and on costs). This work was done in 2021, and we know that materials cost inflation peaked at 16.8% in April 2022<sup>3</sup>, remaining high for the remainder of the year, so the cost to housing associations will have increased significantly.

The report identifies reductions in VAT on energy savings measures as a key policy tool in decarbonising the housing association sector. It also highlights double and triple glazed windows as key components in the retrofit process and in the costing exercise, showing that they are more expensive to supply (per home, on average) than insulation and heating systems controls. Both benefit from the zero rate relief. With this relief, increased work will be done on retrofit which will help housing associations in getting all their homes to EPC C. This will boost the supply chain, in time bringing down costs and stimulating the economy.

The relief period should be extended to 2030 so it aligns with the government target of ensuring every social home achieves EPC C by 2030. Housing associations will need significant government support if they are to reach this target and decarbonise by 2050, especially given the financial challenges presented by the 7% rent ceiling and the high cost of borrowing.

We have set out proposed amendments to [The Value Added Tax \(Installation of Energy Saving Materials\) Order 2022](#) in Appendix A.

## **Supporting housing associations and their residents with rising energy bills**

Social housing residents are disproportionately affected by rising bills in relation to their income, spending on average 5.7% of their income on heating bills, compared to a national average of 3.4%. We have welcomed the various government support packages to help housing associations and their residents with the rising cost of energy. This has helped to ensure that housing associations can continue to provide vital services to vulnerable residents, while also limiting the amount social housing residents have to pay to heat their homes.

---

<sup>3</sup> <https://www.housing.org.uk/resources/cost-inflation-for-housing-associations/>

153,000 housing association residents, many of whom are older, vulnerable and on very low incomes, rely on heat networks and are currently receiving support via the Energy Bill Relief Scheme (EBRS). However, the EBRS only runs until March 2023, after which these customers currently have no guarantee they will be protected from rising energy costs. We welcome the government's commitment to providing support for these customers 'equivalent' to the support other domestic customers are receiving via the Energy Price Guarantee (EPG). **We are now calling on the government to urgently release details of this support, ensuring that it is truly equivalent to the EPG in both scope and duration.**

**We are also calling on the government to introduce a social tariff to protect vulnerable energy consumers from volatile energy prices from April 2024 onwards.** Housing associations are committed to supporting their residents with the cost of living, providing welfare or hardship funds to help residents who are struggling. Targeted support for those who need it most, including people on means tested benefits, disability benefits, and Carer's Allowance, alongside those still struggling with their bills but missing out on support from the welfare system, would help to address fuel poverty and would remove unfair differentials between different geographies and payment types in the market for low income and vulnerable households.

## Developing a fair and effective support and welfare system

### Investing in social housing to end homelessness

Good quality, suitable housing is vital to a person's resilience, health and wellbeing. The NHF's 2021 People in Housing Need report shows that 8.5 million people in England have some form of unmet housing need and that social housing is the tenure that would best meet their needs. There were 120,710 children in temporary accommodation in June 2022<sup>4</sup> – a historically high number – and 2,440 people estimated to be sleeping rough on a single night in autumn 2021 in England.<sup>5</sup> The government's rough sleeping strategy recognises the value of social housing in ending rough sleeping.<sup>6</sup> The government should acknowledge the value of social housing in ending all forms of homelessness.

---

<sup>4</sup> <https://www.gov.uk/government/statistics/statutory-homelessness-in-england-april-to-june-2022>

<sup>5</sup> <https://www.gov.uk/government/statistics/rough-sleeping-snapshot-in-england-autumn-2021/rough-sleeping-snapshot-in-england-autumn-2021>

<sup>6</sup> <https://www.gov.uk/government/publications/ending-rough-sleeping-for-good>

The government should invest in a new generation of social housing to end homelessness, rough sleeping and temporary accommodation use and meet housing need.<sup>7</sup>

## Increasing homelessness prevention support to prevent temporary accommodation use and rough sleeping

Housing associations provide many forms of support to help their tenants sustain their tenancies and prevent homelessness and rough sleeping,<sup>8</sup> including benefits advice, hardship funds, wellbeing support, partnerships with food banks and other charities, employment and skills training, social prescribing and partnering with local authorities.<sup>9</sup> However, they are running out of options to meet the growing needs of tenants given the cost of living crisis and the underfunding of statutory and non-statutory support services. **More investment in homelessness prevention support will prevent rough sleeping and the use of temporary accommodation that can have a detrimental effect on children and families, and help save public money in the long term.**

## Boosting housing affordability and support provision through the welfare system

The current welfare system does not work for low income and homeless households. Adequate benefit and support, including help with the cost of moving and furnishing a new home, are critical in ensuring homeless households settle into their new home and aren't exposed to the risk of repeat homelessness. Research shows that tenants claiming Universal Credit suffer higher levels of arrears than those paying rent by other means, and the benefit cap and removal of the spare room subsidy affect housing affordability. The detrimental effect on tenancy sustainment and tenants' health and wellbeing is compounded by the fact that higher arrears reduce housing association income to provide support to their tenants. **The government should review the impact of welfare reform on housing affordability and support provision.**<sup>10</sup> It should make changes to the welfare system, including:

- **Restore the Local Housing Allowance to the 30th percentile of market rents.**
- **Review the household benefit cap, the two child limit and the removal of**

---

<sup>7</sup> <https://www.housing.org.uk/our-work/building-new-homes/people-in-housing-need/>

<sup>8</sup> <https://www.housing.org.uk/resources/what-are-housing-associations-doing-to-help-prevent-homelessness/>

<sup>9</sup> <https://www.housing.org.uk/resources/housing-associations-tenancy-sustainment-coronavirus/>

<sup>10</sup> <https://www.housing.org.uk/resources/housing-homeless-families2/>



the spare room subsidy.

- Review the five week wait for Universal Credit and deductions system.<sup>11</sup>
- Reinstate uplifted funding for Discretionary Housing Payments to help tenants with a rent shortfall avoid rent arrears.
- Make increased support available to all low income households through the benefits system.

## Alleviating pressure on NHS and social care by better supporting people at home

Providing decent housing for older and vulnerable people, with appropriate care and support, is a cost-effective way of preventing crisis admissions to hospital and reduce the burden that chronic health conditions place on the NHS. We need urgently to realize the ambition set out in [People at the Heart of Care: adult social care reform](#) to 'make every decision about care a decision about housing'. Across England, the cost to the NHS as a result of poor and ill-suited housing is estimated to be £1.4bn. Of this, around £513m is spent on first year treatment for those aged 55 and over who occupy the poorest quality dwellings.<sup>12</sup> If every one of these people was housed in appropriate specialist housing, annual savings of around £3,000 per person could be made for the public purse<sup>13</sup>. Housing associations are working with their health and social care partners<sup>14</sup> to help facilitate hospital discharge and prevent crisis admission to hospital: integrating housing into health policy making can mitigate ill health, promote healthier lifestyles and deliver significant efficiencies in public spending.

The Supported Housing (Regulation and Oversight) Bill rightly addresses the issue of poor quality supported housing. The Levelling Up Select Committee report<sup>15</sup> that informed the bill also recommended providing separate funding for support. Revenue funding for support will help local authorities commission more effective and better quality supported housing as the rogue landlords are driven out of this market. More certainty on revenue funding will help unlock the development of more specialised schemes to meet local needs.

---

<sup>11</sup> <https://www.housing.org.uk/globalassets/files/welfarereform/universal-credit-in-a-time-of-crisis.pdf>

<sup>12</sup> <https://ageing-better.org.uk/publications/home-and-dry-need-decent-homes-later-life> (referenced in

'Understanding the social value of an Anchor Hanover tenancy')

<sup>13</sup> [case for developing specialist older person's housing](#)

<sup>14</sup> For examples see [nhf-care--housing-booklet-2022.pdf](#)

<sup>15</sup> [Select Committee Report on Exempt Accommodation \(2022\) | Supported Housing \(uksupportedhousing.com\)](#)

The government should use this budget to:

- **Ring-fence funding for housing-related support to ensure spending at least matches the £1.6bn per year allocated to local authorities in England in 2010. This would help unlock the development of new schemes needed to meet growing needs and reduce spending on residential care.**
- **Set out clear plans to allocate the £300m DHSC allocation announced in December 2021 to support the development of specialist housing and the integration of housing into health and social care systems.**

## **Increasing workforce participation and driving growth**

With the UK currently experiencing a shrinking workforce, it is vital that raising employment for people in social housing becomes an economic and social imperative. New research<sup>16</sup> shows residents of social housing have to conquer more obstacles than most to gaining employment – challenges such as long term sickness, disability, and unaffordable childcare – and that they are twice as likely to be out of work as those in other tenures. Many social housing providers offer their residents employment and financial support, which is crucial to economic prosperity. Some of this work is funded through the European Social Fund and providers face a significant funding gap from March 2023. The government should:

- Launch a new plan for jobs which sees investment in specialist employment support for those who want to work, broadened access to employment services and strengthened local partnerships.
- Bring forward the employment and skills strand for England in the Shared Prosperity Fund to 2023.
- Work with the social housing sector to encourage, support and fund innovative approaches to employment and skills support including trialling the ‘Jobs-Plus’ model in the UK, which is a well evidenced approach to supporting people out of work in the most disadvantaged communities.

---

<sup>16</sup> Building opportunity: how social housing can support skills, talent and workforce development’ Institute for Employment Studies and Learning and Work Institute

## Conclusion

The housing crisis remains the key domestic challenge facing the country today. By working with housing associations on the measures outlined in this submission, the government can deliver the affordable, energy efficient, high quality homes the country needs. Together we can level up communities, tackle homelessness, ensure everyone feels safe in their home and give people the support they need to thrive.

**Housing associations stand ready to work with the government to deliver on these shared ambitions and work towards providing a good quality, safe and affordable home for everyone.**

## Appendix A

### Proposed amendments to the Value Added Tax (Installation of Energy Saving Materials) Order 2022

We are proposing the below amendments to [The Value Added Tax \(Installation of Energy-Saving Materials\) Order 2022](#):

VATA 1994 Sch 7A Group 2 – proposed change:

- the supply and/or installation of double and triple glazed windows in NI to qualify for the reduced rate
- the supply and/or installation of double and triple glazed windows in England Wales and Scotland to qualify for the reduced rate where the supply is on or after 1 April 2027

Proposed addition to **VATA 1994 Sch 7A [Group 2 Installation of energy-saving materials [in Northern Ireland]**

#### NOTES

1. For the purposes of this Group “energy saving materials” means any of the following:  
(l) double or triple glazing where the items are supplied to a relevant housing association

VATA 1994 Sch 8 Group 23

- the supply and/or installation of double and triple glazed windows in England Wales and Scotland to qualify for the zero rate during the period 1 April 2023 to 31 March 2030

Proposed addition to **VATA 1994 Sch 8 Group 23 Installation of energy-saving materials in England and Wales and Scotland from 1 April 2022 to 31 March 2027**

#### *Item No*

**3.** Supplies of services of installing double or triple glazed windows (to replace single glazed windows and double or triple glazed windows installed before 2015) in residential accommodation owned by a relevant housing association in England and Wales and Scotland.

4. Supplies of double or triple glazed windows to be installed in residential accommodation owned by a relevant housing association in England and Wales and Scotland.

## NOTES

4

### **Meaning of “supplies of double or triple glazed windows”**

For the purposes of this Group “supplies of double or triple glazed windows” means supplies made on or after 1 April 2023 and before 1 April 2030.

5

### **Meaning of “relevant housing association”**

For the purposes of this Group “relevant housing association” has the meaning given by Note (21 (za), (a) and (b)) of Group 5 of Schedule 8 (zero rating: construction of buildings etc)