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To whom it may concern,

Re: Spring Budget 2023 – support us to make homes safe, warm, and dry

The Budget on 15 March 2023 is an opportunity to support not-for-profit housing associations and other providers to make all homes safe, warm, and dry.

As social housing providers, our first priority is the people we provide homes to. We know that our residents rightly want and deserve a home that is safe, warm, and dry. We take our responsibility to provide decent homes that people can afford extremely seriously. G15 members are investing approximately £1 billion every year in the more than 715,000 homes we collectively provide.

The shocking death of Awaab Ishak due to the horrendous conditions he and his family endured must never be repeated. Each of our members is committed to learning the lessons of this tragedy. The condition of the homes we provide is our responsibility, and we must listen and act when residents raise concerns. We are all working hard to prevent damp and mould wherever possible, and to respond quickly when it does occur.

To further support social housing providers in our efforts to improve people's homes, the government should announce further measures in the upcoming budget.

Delivering a budget that supports providers to make homes safe, warm, and dry; should include:

- A new fit for purpose Decent Homes Standard with funding to deliver.
- Accelerating the awarding of the Social Housing Decarbonisation Fund.
- Cost of living support for residents to meet rising costs.
- Fairer rents with the reintroduction of rent convergence and long-term certainty.
- Building new homes for social rent and supporting regeneration.

Taken together, these measures would create a partnership to support work already being led and funded by G15 members and other social housing providers. These measures would offer economic benefits, help level-up communities, and make progress towards achieving Net Zero.



A new fit for purpose Decent Homes Standard with funding to deliver

The Decent Homes Standard (DHS) ensures a basic level of safety and quality for social housing. Last changed in 2006, the DHS needs to be updated to meet new challenges. We welcome the government's review of the DHS, which began in 2021, and encourage final proposals to be brought forward soon for consultation with the sector.

Alongside safety and compliance checks that all G15 members conduct across the homes we provide, we also deliver extensive programmes of planned improvement works. The approximately £1 billion we invest each year in existing homes demonstrates the scale of the work we carry out and the focus we have on the condition and quality of homes.

It is important to highlight that providers across the sector are continuing to invest in their existing stock to drive up standards. The Regulator for Social Housing's (RSH) Global Accounts of private registered providers show record levels of investment in 2022.¹ Total investment in repairs and maintenance was £6.5bn across the sector in 2022, representing a 20% increase from 2021. Investment in 2022 was also significantly above pre-pandemic levels, with comparable works from 2019 accounting for £5.5bn of investment from providers.

Whilst the rate of non-decent homes in the social housing sector has almost halved since 2010 to one in ten homes being non-decent in 2022², Greater London Authority estimates indicate that as many as one in seven social homes in London do not meet the standard.³ In the first decade of the DHS, providers across the sector invested £37bn in bringing homes up to standard at an average cost of £10,000 per home.⁴ However, funding to meet the DHS ended in 2016, outside of recently announced projects in Greater Manchester and the West Midlands.

The Spring Budget 2023 is an opportunity to set out a definitive timeline for when the DHS review will be completed after consultation. Crucially, with the multiple pressures on providers' resources, most notably from increased costs of delivering core activities such as repairs and costs being met by providers for building safety works, the government must outline what funding and financing mechanisms it will provide the sector to support improving the decency of homes, in addition to the significant resources already being invested by providers directly.

VAT should also be removed from housing association activity to further support the sector to invest in existing homes. Housing associations are unable to recover most of the input VAT which they incur. The irrecoverable VAT of one typical G15 member is £30m per

¹ <https://www.gov.uk/government/publications/2022-global-accounts-of-private-registered-providers/2022-global-accounts-of-private-registered-providers>

² <https://www.health.org.uk/evidence-hub/housing/housing-quality/trends-in-non-decent-homes-by-tenure>

³ <https://www.london.gov.uk/press-releases/mayoral/mayor-demands-social-housing-step-change>

⁴ <https://publications.parliament.uk/pa/cm200910/cmselect/cmpublic/350/350.pdf>



annum. Our estimate of the costs of irrecoverable input VAT for the sector as a whole is £1bn-2bn per annum. Costs of £1bn-£2bn per annum severely restrict the extent to which the sector can borrow to fund development of additional affordable housing and invest in key areas, without breaching loan covenants.

Accelerating the awarding of the Social Housing Decarbonisation Fund

Improving the sustainability of the homes we provide, and cutting costs for residents of heating and powering their homes, is a critical priority for all G15 members.

When gas and electricity bills are taken together, those living in the least energy efficient homes will pay almost £2,000 extra per year compared to EPC C rated homes. Combined with the impact of increased carbon emissions from less energy efficient homes, these figures demonstrate the importance of continued investment in improving the energy efficiency of existing homes.

We welcome the government's commitment to achieving Net Zero by 2050. G15 members are already making good progress in improving the energy efficiency of the homes we provide. Around 71% of G15 members' existing homes already meet EPC C, as we work towards all general needs homes meeting this level by 2030.

However, to meet net zero across the homes we provide, significant further investment will be required, with G15 members currently estimating costs of between £10bn-£11bn.

The National Housing Federation has also found that around 5% of all social homes will cost more than £20,000 each to decarbonise, with many of these homes being older properties in London.⁵

The Social Housing Decarbonisation Fund (SHDF) is an extremely welcome programme, and G15 members have applied to both initial waves of funding. However, to make further progress at the scale required, the remainder of the £3.8bn earmarked of the SHDF should be brought forward. This would support the sector to make faster progress on cutting residents' bills and the emissions from homes, which in turn would both support improving conditions in homes more generally.

Cost of living support for residents to meet rising costs

London and the North East have the highest rates of poverty in England, with just over half of all those living in social housing in the capital living in poverty.⁶ The cost of living crisis affects those on the lowest incomes more sharply than others, with high inflation hitting key items, such as food, more severely, and which the least well off spend a greater proportion of their income on.

⁵ <https://www.housing.org.uk/resources/hard-to-decarbonise-social-homes/>

⁶ <https://www.jrf.org.uk/report/uk-poverty-2023#key-findings>



We welcome the government's decision to increase social security in line with inflation, as announced in the Autumn Statement, which we called for. The support provided to households with energy bills and through other cost of living payments are also welcome.

However, with almost a quarter of all social housing residents already living in fuel poverty before the higher costs for heating homes really took hold in 2022, the stubbornly high cost of energy remains a real challenge for many of G15 members' residents.⁷

G15 members have increased support for residents, including providing £5.8m for vital crisis support this year and helping residents to secure £44m of financial gains last year.

Members have committed not to evict anyone who is engaging with us and in arrears due to cost of living pressures, and are working closely with key partners in local government and the third sector to provide more support for people.

The government should continue to recognise the extreme challenges many people are facing, especially the least well off, and should make the following announcements in the budget:

- Remove the two-child limit in income-related benefits.
- Scrap the five-week wait for the first Universal Credit payment.
- Bring Local Housing Allowance rates back into line with the cost of homes.

Fairer rents with the reintroduction of rent convergence and long-term certainty.

We welcome the certainty the government's confirmation of the cap on social rent increases in 2023/24 provides. The impact of capping social rents at 7% across the G15 by 2030 will see around £800m less in reinvestable income be available. This will mean difficult choices on how and where we invest resources, in the face of growing challenges.

In light of this, a long-term rent policy supported by government is essential for organisations to meet the needs of our residents, and to invest in existing and new homes. Alongside bringing forward a consultation on the post-2025 rent standard, a key measure that should be considered is the reintroduction of rent convergence.

Rent convergence was intended to bring rents in social housing into alignment. Recognising rent levels historically reflected when and where housing had been built, often over a long-period of time, changes in subsidies, and different rent policies; rent convergence sought to end arbitrary differences. The principle of rent convergence was one of fairness – people should pay similar rents for similar properties, whilst remaining well below market rates. The mechanism operated for 15 years, with increases in rent capped within a formula to ensure a smooth transition to the new level over time. From 2015/16, rent convergence was ended.⁸

⁷ <https://www.cih.org/news/uk-housing-review-2022-shows-millions-of-households-could-be-plunged-into-fuel-poverty-unless-government-acts-to-address-spiralling-costs-and-energy-inefficiency>

⁸ <https://commonslibrary.parliament.uk/research-briefings/sn01090/>



The G15 has calculated that 29% of members' homes covered by the rent standard are currently below target rent. This leads to an annual shortfall in rental income of £67.7m. The rent cap and lack of rent convergence combined, mean G15 members' reinvestable income will be £2bn lower by 2030 than if the standard rent formula and rent convergence had been followed.

Reintroducing the rent convergence mechanism, would off-set some of the impact of the rent cap and provide more resource for providers to invest in existing homes. We would welcome the opportunity to discuss this further with government.

Building new homes for social rent and supporting regeneration.

The building of new homes, especially new homes for social rent, will help to support more homes to be safe, warm, and dry. New homes are more energy efficient, and benefit from new ventilation systems and improved components, such as better windows to retain heat.

Whilst all G15 members are investing significant resources into existing homes to improve energy performance and other conditions, to both meet housing need and to tackle issues such as overcrowding, continuing to deliver new social rent homes is vital.

The Affordable Homes Programme (AHP) has been extremely welcome. However, government funding is only one relatively small part of the resources needed to build the most affordable types of homes. The remainder of the cost is met by G15 members and other providers, and the rents we receive from homes.

Furthermore, the most recent AHP has removed funding for replacement homes, meaning the cost of replacing a home that is demolished as part of a scheme has to be met by the wider scheme, impacting viability. It is the case that demolition and replacement are a much needed aspect of meeting housing need, replacing homes that have reached the end of their useful life, or which the demolition of would facilitate the building of more affordable homes.

Government should increase grant funding for the supply of social rented homes, and reintroduce funding for the replacement of existing homes through future funding programmes. Allowing Recycled Capital Grant Funding (RCGF) to fund building safety works has been added to Homes England's capital funding guidance, and this move should be extended to all aspects of the Affordable Homes Programme.

By taking the measures outlined in this submission, the government can use the Spring Budget 2023 to support social housing providers to make all homes safe, warm, and dry.

Yours faithfully,

Geeta Nanda OBE

G15 Chair & Chief Executive of MTVH

