



The finances and sustainability of the social housing sector

G15 submission to Levelling Up, Housing, & Communities Select Committee

May 2023



About the G15

The G15 is made up of London's leading housing associations. The G15's members provide more than 770,000 homes across the country, including around one in ten homes for Londoners. Delivering good quality safe homes for our residents is our number one priority. Every year our members invest almost £900m in improvement works and repairs to people's homes, ensuring people can live well. Together, we are the largest providers of new affordable homes in London and build a significant proportion of all affordable homes across England. It's what we were set up to do and what we're committed to achieving. We are independent, charitable organisations and all the money we make is reinvested in building more affordable homes and delivering services for our residents.

Find out more and see our latest updates on our website: www.g15.london

The G15 members are:

- A2Dominion
- Clarion Housing Group
- The Guinness Partnership
- Hyde
- L&Q
- MTVH
- Network Homes
- Notting Hill Genesis
- Peabody
- Riverside
- Southern Housing

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Executive Summary

The social housing sector remains financially resilient, but its resources and capacity are under significant strain.

Closely regulated, driven by its social purpose, and innovative in nature; the social housing sector is maintaining and improving the homes we provide and building a large proportion of desperately needed new affordable homes to rent and buy. The inherent resilience of the sector is reflected in the investment we have secured from private sector investors to support our social purpose. G15 members are all highly rated by the Regulator of Social Housing for both financial and governance performance.

However, not-for-profit providers are faced with challenges. Meeting the cost of building safety works, improving property conditions, and working towards achieving net zero, all place additional calls on resources. Addressing these priorities has been made more challenging by the impact of high inflation and rising energy costs. Furthermore, the sector's investment capacity has been reduced by government cuts to grant funding for the building of new affordable homes, government changes to rent policy, and financial restrictions place on the use of resources.

Our existing homes and residents will always be our priority, with G15 members investing around £1bn per year in the homes we provide. However, continuing to build new affordable homes to rent and buy is also vital to address growing need, to alleviate overcrowding, and to replace homes that have reached the end of their life.

Providers are working hard to meet their obligations to existing residents and homes, whilst also delivering new affordable homes. However, without additional funding and support to build homes or to meet other costs, many G15 members are likely to reduce development programmes to meet challenges and to prioritise investment in existing homes in the coming years.

We recognise the difficult situation high inflation presented when considering rent setting for 2023/24. The government's decision to cap rents at 7% provided some certainty to providers, who are also providing £5.8m in emergency financial support to residents this year and helped secure £44m in financial gains for residents last year. However, the combined impact of changes to rent policy by the government since 2016, has reduced re-investable resources to G15 members alone by around £6.6bn to 2024. Over members' 30-year business plans, the combined impact of the 2023/24 rent cap, voluntary capping of shared ownership rents in 2023/24, and the absence of the rent convergence mechanism, will see a further £12.4bn of re-investable resources lost to G15 members.

A long-term rent settlement agreed between the sector and government, along with residents' engagement, is essential to meet vital investment needs. Further measures listed on the following page should also be urgently considered to support meeting the shared objectives of residents, providers, and the government.



Policy recommendations

To support achieving the outcomes residents and the country need, the G15 is calling for the following measures:

- **Long-term rent settlement:** a long-term approach to secure the financial future of the sector and maintain affordability for residents, will give greater confidence to investors and lenders of the future viability of the sector, enabling members to invest in key priorities.
- **Reintroduction of rent convergence:** the reintroduction of the previous rent convergence mechanism should be a starting point for the post-2025 rent settlement.
- **Specific grant funding for regeneration:** reintroducing specific grant funding for regeneration to support the replacement of existing homes that are no longer fit for purpose and to enable wider community investment is essential.
- **A fit for purpose Decent Homes Standard (DHS) supported by funding:** it is vital that, once the DHS has been updated, its implementation is supported by additional funding to help providers to bring their existing stock into line with the new requirements.
- **A requirement to release land for affordable housing:** this should be considered to make better use of publicly owned land to support affordable home delivery.
- **Remove VAT on housing association activity:** the irrecoverable VAT of one typical G15 member is £30m per annum. The estimated costs of irrecoverable input VAT for the sector are £1bn-2bn per annum, severely restricting the extent to which we can borrow to fund new affordable housing and invest in key areas without breaching loan covenants.
- **Recycled Capital Grant Fund (RCGF) flexibilities:** we are calling for the RCGF to be 'rolled-over' to support development activity, and how it can be used is broadened to further support providers through the current challenges.



Resilience of the sector

(Reference to Section 1 Question 1 and Section 2 Question 1 of the call for evidence)

Despite the challenging economic conditions in which we are operating, the social housing sector has continued to demonstrate significant financial resilience. This resilience has enabled providers to continue to meet our commitments of investing in both our existing properties and delivering the new social and affordable homes people need.

Investment in existing stock has increased across the sector. The Regulator for Social Housing (RSH) Global Accounts for 2022 demonstrate significant investment in existing homes with providers spending £6.5bn on repairs and maintenance – a 20% increase from 2021¹.

For G15 members, our absolute priority is our existing homes. This is demonstrated in the c.£1bn we invest in our existing homes each year, as we aim to meet the highest possible standards in social housing.

This investment has made a significant contribution to improving conditions in the sector over time. As a result, in the last decade, the percentage of social homes failing to meet the Decent Homes Standard (DHS) has fallen from 17% in 2011-12² to 10% by 2021-22³. However, we of course recognise that too many residents still live in homes that do not sufficiently meet their needs, and in some cases have experienced unacceptable levels of service. We are committed to continuing to improve our services and the homes we provide to residents.

Alongside investing in our existing stock, providers are continuing to deliver vital new social and affordable homes. In 2021/22, despite the challenges of the COVID-19 pandemic, G15 members completed the construction of 11,527 new homes, 72% of which were for affordable tenures, and began development on 10,605 homes, of which 85% were affordable.

Housing associations play a significant role in the delivery of new homes across the country. In the five years to March 2021, housing associations delivered 22.6% of all new homes in England, totalling 227,588 over this period⁴. This compares to a combined contribution of 4% of total delivery from local authorities and for-profit registered providers over the same period⁵.

¹ [2022 Global Accounts of private registered providers - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211288/EHS_Headline_Report_2011-2012.pdf)

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/211288/EHS_Headline_Report_2011-2012.pdf

³ [English Housing Survey 2021 to 2022: headline report - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211288/EHS_Headline_Report_2021-2022.pdf)

⁴ [Mind-the-Gap-not-for-profit-housing-associations-role-in-delivering-new-affordable-homes.pdf \(d39wcydd7c4iyq.cloudfront.net\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211288/EHS_Headline_Report_2021-2022.pdf)

⁵ [Mind-the-Gap-not-for-profit-housing-associations-role-in-delivering-new-affordable-homes.pdf \(d39wcydd7c4iyq.cloudfront.net\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211288/EHS_Headline_Report_2021-2022.pdf)



Due to a range of challenges, including the economic turbulence of the last 12 months, high inflationary costs, planning policy uncertainty, and meeting other competing priorities, the outlook for development in the near future has without doubt become bleaker.

A number of G15 members have reviewed the scale of their development programme due to rising inflation and interest rates, with some members planning to scale back development programmes by as much as a third. Elsewhere, research from Lichfields offers a stark warning over proposed changes to the National Planning Policy Framework (NPPF), suggesting that delivery could be reduced to 156,000 per year – 77,000 short of current levels and just over half the Government’s 300,000 per year target⁶.

We welcome moves by Homes England and the Greater London Authority (GLA) to renegotiate Affordable Homes Programme (AHP) contracts due to the rising costs involved in delivery. This, however, continues to highlight the challenges the sector is now facing.

As we explain later in this submission, housing associations are finding new ways to work with private capital and investors to maintain delivery and provide income to support investment in existing homes and services. However, preventing a decline in the delivery of much needed new affordable homes requires additional significant government grant funding investment. In London alone, research by Savills and the Mayor of London has found an annual £4.4bn funding gap in what is needed to delivery the number of affordable homes needed⁷.

⁶https://lichfields.uk/media/7853/making-a-bad-situation-worse-the-impact-on-housing-supply-of-proposed-changes-to-the-nppf_lichfields_feb-23.pdf

⁷ <https://www.london.gov.uk/mayor-demands-government-action-new-research-exposes-ps44bn-annual-housing-funding-gap>



Financial challenges facing the social housing sector

(Reference to Section 1, Questions 2 – 5, and Section 2, Question 3)

Despite the underlying resilience of the social housing sector, providers are facing the impact of external economic challenges and an ever-widening range of commitments. These factors are placing growing pressure on our ability to continue to meet our commitments. For example, the cost of vital materials for repairs and maintenance rose by 16.8% in the year to April 2022⁸, and building costs increased by as much as 25% over the same period⁹.

One of the most significant issues impacting the sector has been government changes to rent policy since 2016. The combined impact of the government's decision to reduce general needs rents by 1% per year for 4 years from 2016, combined with the first year impact of the cap on rent increases for 2023/24, has reduced re-investable resources to G15 members alone by around £6.6bn to 2024. Furthermore, over member's 30-year business plans, the combination of the 2023/24 rent cap, voluntary capping of shared ownership rents in 2023/24, and the absence of the rent convergence mechanism combined, will see a further £12.4bn of re-investable resources lost to G15 members. This is a significant amount of resource to be lost from the sector at a time of growing investment need.

We recognise the difficult situation high inflation presented when considering rent setting for 2023/24. The government's decision to cap rents at 7% provided some short-term certainty to providers. However, rising costs well above 7% are exacerbated by the cap. The one-year 2023/24 rent cap will have a significant impact on our re-investable income, with a reduction of over £1bn across the G15 over five years, rising to nearly £9.3bn over 30 years.

G15 members have also taken the voluntary decision to cap Shared Ownership rents in line with the 7% rent cap in 2023/24. This decision was taken to alleviate some of the pressure on Shared Ownership residents due to the impact of inflation on the rent setting formula. This has further reduced our re-investable income by £191m over the next five years and by around £1.1bn over the next 30 years.

Increasing costs elsewhere are also being factored into investment plans across the social housing sector. G15 members estimate that the cost of building safety works will be £4bn collectively from 2021 – 2036. The National Housing Federation has put the figure at between £6bn and £10bn across the wider sector¹⁰.

Funding from government for certain building safety works does not extend to socially rented homes, other than for the removal of certain forms of cladding. All G15 members are actively seeking to recover costs from those responsible for defects, but this can be a long and uncertain process, despite some providers notable successes when taking legal action. Addressing this issue is adding further strain to the capacity of housing associations to carry out our commitments and has contributed to a record low level of interest cover – excluding sales – across the sector at 102% in the 12 months to December 2022¹¹.

⁸ [National Housing Federation - Housing association costs rising faster than inflation](#)

⁹ [Building materials prices defy predictions with surprising Q1 performance | Homebuilding](#)

¹⁰ [Social Housing - Insight - Fire safety spend: where are HAs at?](#)

¹¹ <https://www.socialhousing.co.uk/news/rsh-quarterly-survey-total-interest-cover-falls-to-record-low-80474>



Meeting essential building safety costs has played a significant role in reducing headroom and financial capacity of providers, which could otherwise be used to develop new homes and invest in improvements to existing homes.

From 2021/22 to 2023/24, electricity costs for G15 members are expected to increase 225% with gas prices rising 573% over the same period. Insurance costs have also risen sharply. One G15 member reported that their premiums have increased by £3m over the last two years, with another reporting a 100% increase year-on-year over the same period. Economic volatility is also affecting borrowing, a key plank of many providers' investment plans. Credit rating agencies have cautioned that divergence between rental income and costs could adversely impact borrowing costs and investor confidence.

Alongside these increasing costs is the widening range of commitments providers are meeting, which are placing greater stress on available capacity. Across the housing sector, meeting our Net Zero commitments is a key aim. This will greatly improve the quality of the homes we provide, helping to safeguard the health of residents and reduce energy usage and costs. However, the costs of Net Zero are enormous. Even prior to the 2050 targets, the G15 is expected to have incurred costs of around £1.2bn to bring all general needs properties up to EPC Band C rating by 2030. At present, around 71% of G15 homes hold this rating with costs of around £14,000 - £18,000 per home currently below EPC C. There are concerns that the cost of bringing all of our general properties up to EPC C may lead to providers needing to dispose of properties that it is not economically viable to bring up to standard. In total, achieving Net Zero is expected to cost G15 members around £10bn - £11bn by 2050.

The cost-of-living crisis is also taking its toll on providers. Residents are at greater risk of falling into rent arrears as they struggle to make ends meet during a period of rising inflation. Reduced rent collection is a risk, and would impact resources available for investment. To help residents with cost of living challenges, in 2021/22, G15 members committed £5.8m in vital crisis support and helped secure financial gains of £44m to residents.

The absence of rent convergence and long-term rent settlement for the sector presents a further cost challenge. Rent convergence had sought to bring social rents, both housing associations and local authorities, into line for similar properties through allowing rents to rise annually by a set formula (CPI plus 0.5%, plus £2 per week), gradually bringing rents to their 'target' levels. Rent convergence ended in 2015 and it is now estimated that 29% of G15 properties are below target rent, leading to an annual shortfall in rental income of £67.7m. The absence of rent convergence alone will cost G15 members £340m over the next five years – rising to £2bn over the next 30 years. As outlined in the previous section, the combined impact of government changes to rent policy between 2016 and 2024 will reduce G15 members' re-investable income by £6.6bn, and by a further £12.4bn over the next 30 years.

These challenges also follow many years of drastic reductions in grant funding for new home building. The 2010 Spending Review cut capital investment in housing by 63%¹² and this reduction has been reflected in fewer new homes being built by grant funding. Only 18,900 new affordable homes were delivered through grant funding in 2020-21 compared to 56,116

¹² https://www.policyforum.labour.org.uk/uploads/editor/files/The_Lyons_Housing_Review_2.pdf



in 2010-11 while AHP grant funding per unit was £29,000 in 2015-18 compared to £45,000 from 2011-15¹³.

This reduction in grant funding has led to a greater reliance on the cross-subsidy model, whereby providers raise funds to pay for social and affordable housing through market sale products. However, due to changes in the housing market and the increasing costs associated with maintenance and new development, the cross-subsidy model is no longer sufficient. The sector has long-warned that cross-subsidy is unsustainable, with warnings to the then Communities and Local Government Committee as early as 2009¹⁴. The Greater London Authority (GLA) warned again in 2019 that the expected rise in construction costs and inflation to 2023 would push the model to “breaking point”¹⁵. The economic fallout from the COVID-19 pandemic, and the war in Ukraine, has made this situation even worse than could have been predicted four years ago.

The restrictions that are also placed on providers’ finances by regulation and lenders do also present a challenge. Social housing providers’ spending is essentially capped by the Social Housing Interest Cover (SHIC) metric, which dictates that our debt burden must be met through income from social housing rents alone. Providers are seeing these restrictions have a real impact on their ability to carry out works on their existing homes. RSH has warned that, a decreasing level of interest cover across the sector has led to a 15% reduction in spend on new homes¹⁶. At 111% in September 2022, Interest Cover is expected to fall to 92% in 2023 as interest rate rises bite and housing associations continue to meet the commitments to their existing stock.

Reported surpluses of providers is an area often misunderstood. The surpluses that are reported as part of our financial results are not ‘rainy day’ funds that can simply be applied to cover costs elsewhere. Instead, they are key to securing borrowing to deliver the essential work that we do, and are held as fixed assets and working capital, rather than cash. Some commentators’ mischaracterisation of what surpluses are, how they can be used, or what they show about how an organisation sets charges such as rents; is actively detrimental to the social housing sector as it presents a false perception of available resources, and should be challenged.

One key component of investment in our existing homes is regeneration of older stock which has come to the end of its life. Regeneration can be extremely beneficial to both social housing residents and wider local communities, improving the quality and sustainability of social housing stock whilst also better meeting local need, and reducing overcrowding. Additionally, regeneration projects can bring in significant investment into local economies. With no specific grant funding available for regeneration that does not create net new homes, regenerating older stock can be very difficult for providers.

¹³ [Mind-the-Gap-not-for-profit-housing-associations-role-in-delivering-new-affordable-homes.pdf](https://www.mindthegap.org.uk/wp-content/uploads/2021/04/Mind-the-Gap-not-for-profit-housing-associations-role-in-delivering-new-affordable-homes.pdf) (d39wcydd7c4iyq.cloudfront.net)

¹⁴ <https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/173.pdf>

¹⁵ <https://www.socialhousing.co.uk/news/news/gla-and-g15-london-needs-seven-times-more-grant-and-cross-subsidy-is-at-breaking-point-62037>

¹⁶ <https://www.housingtoday.co.uk/news/regulator-warns-of-inevitable-reduction-in-has-ability-to-manage-risk/5120648.article>



The Government should also consider a number of other steps to enhance long-term stability across the social housing sector. These could include increasing the Affordable Homes Programme from the current five years to ten where grant funding is indexed to a measure of build-cost inflation. This would help to reduce the risks providers face with regards to differential inflation. Grant funding should also be indexed on similar terms through a long-term offer from the Social Housing Decarbonisation Fund (SHDF). This would also help to alleviate some of the impact of inflation whilst also providing a greater degree of long-term certainty throughout the sector.



The changing market and innovation in the housing sector

(Reference to Section 1, Question 6, & Section 2, Questions 5 – 9)

Changes in the housing market have presented numerous challenges to housing associations. RSH has highlighted housing market changes caused by inflation, price volatility, and mortgage costs and availability as one of the leading financial challenges for housing associations¹⁷.

Providers have demonstrated significant resilience in the face of these challenges, seeking innovative ways to help to tackle them. We support council-led home building, and the establishment of strong partnerships between local authorities, housing associations and private developers. Collaboration with local councils is welcome and we believe that by co-ordinating our efforts and collaborating on larger sites, we can achieve our shared ambition of building more many more social and affordable homes.

Many G15 members enter into Joint Ventures (JVs) with public and private institutions, distributing risk more suitably, whilst sharing development expertise and resources This enables partners to develop homes and generate resources that can contribute to the delivery of new affordable homes and investment in existing homes.

The JB between MTVH and L&G is an example of how this partnership working is delivering new homes. The partnership is a 50:50 JV and will deliver 2,500 new homes, of which 2,000 will be for Shared Ownership and 500 for Affordable Rent. In 2021, Hyde Group entered a strategic partnership with M&G, whereby the investor will fund 2,000 new Shared Ownership properties. These partnerships demonstrate both the innovative nature of housing associations and the attractiveness of the sector to investors.

Mergers between likeminded organisations are also an increasing reality within the social housing sector. Mergers can be extremely beneficial for organisations and our residents. They can lead to greater innovation through combining resources and increasing productivity to achieve greater economies of scale, which is then re-invested into services and maintenance alongside new homes. Reasons for mergers include shared interests between organisations, opportunities presented, and to maintain and increase capacity and resilience. For these reasons we believe that mergers are inevitable and will likely increase in the current economic climate.

For-profit registered providers (FPRPs) are playing an important emerging role in the delivery of social and affordable housing. We welcome their participation and partnership. However, the scale of the challenge of meeting housing need requires a concerted effort across multiple parties, of which housing associations must remain a significant contributor if the country is to deliver the homes that are needed. A significant reduction of the 22% of homes that housing associations provide, is unlikely to be a gap filled quickly by other providers.

The entry of FPRPs has also brought greater competition for land-led and Section 106 schemes at a time when scheme appraisals are already under significant pressure.

¹⁷ [Sector risk profile 2022 \(accessible\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/103122/sector-risk-profile-2022-accessible.pdf)



The majority of FPRPs' homes are new, and therefore maintenance and investment costs are far lower than for not-for-profit providers. For many entering the sector FPRPs, this challenge is further down the line and may limit investment capacity in new homes in the future.



Investing in different tenures of affordable housing

(Reference to Section 2, Question 8)

As grant funding has been reduced for affordable housing, providers have been required to build more homes for 'affordable rent', which are less reliant on grant funding, but are made available at rents above traditional social rent levels. Shared Ownership has also been a focus, with demand for the tenure extremely high - outstripping supply by 10 to 1 in some cases¹⁸ - and expected to grow following the end of Help to Buy.

Shared ownership, particularly thanks to the new model lease, offers a good opportunity for renters to take the first step on the ladder and is often the most viable affordable homeownership product. Most people buying shared ownership homes are in the 20-40 age bracket and single-adult households make up 50% of buyers¹⁹. In 2018/19 the average market value of shared ownership properties was £265,000, with the average initial stake purchased being 42% and a deposit of £24,000, compared to £62,500 for an open market sale home²⁰. Approximately 2-4% of shared owners staircase to full ownership each year²¹. With the high cost of private rented housing, especially in London, and insecure tenancies, shared ownership offers people an affordable route to greater housing security.

Improvements to Shared Ownership are essential to meet growing demand and to widen the accessibility of the product. G15 member, MTVH, has taken the following steps which could form the basis of leasehold reform, ensuring that new shared ownership homes are on a 990-year lease, reducing ground rents to peppercorn amounts for all shared ownership buyers on the new lease and removing the marriage value (the increase in the value of the property following the completion of the lease extension) when calculating lease extensions.

¹⁸ [Shared Ownership Market Review 2020 \(soresi.co.uk\)](https://www.soresi.co.uk/shared-ownership-market-review-2020)

¹⁹ [Shared Ownership Market Review 2020 \(soresi.co.uk\)](https://www.soresi.co.uk/shared-ownership-market-review-2020)

²⁰ [Average first-time buyer deposit now almost £62,500, Halifax data shows | This is Money](https://www.thisismoney.co.uk/news/average-first-time-buyer-deposit-now-almost-62500-halifax-data-shows)

²¹ [Shared Ownership Market Review 2020 \(soresi.co.uk\)](https://www.soresi.co.uk/shared-ownership-market-review-2020)



Comments on specific consultation questions

New challenges to the social housing sector

Q2: How do social housing providers choose whether to undertake new development or to focus on maintenance and upkeep of existing stock? Is it currently possible to achieve both objectives?

- **Where social housing providers are undertaking new developments, what consideration has been given to the types of homes they are building? For example, houses versus flats?**

G15 members alone have collectively c.£1bn per year in existing homes whilst delivering new supply with 10,605 starts on new homes in 2021/22. Across the wider sector, investment in existing stock is around £6.5bn in 2021/22²² with not-for-profit providers building 22.6% of all new homes in the five years to March 2021. Over the same period, just 4% of new homes were delivered by for-profit registered providers and local authorities²³.

However, we are seeing an increasing number of providers scaling back development with some G15 members reducing development programmes by as much as a third.

Q4: Has the lifting of the cap on the Housing Revenue Account made a difference to supply or improved housing from Local Authorities?

The lifting of the Housing Revenue Account cap is welcome, but we have not yet seen evidence of a significant impact on activity.

Q10: Will the introduction of the Infrastructure Levy and changes to section 106 significantly affect the capacity to develop affordable housing?

We support the continuation of Section 106 and are extremely concerned that the proposed Infrastructure Levy will not raise the adequate resources required to meet the current affordable and social housing needs; leading to a reduction in the number of new homes delivered.

G15 members stand ready to support government in determining whether replacing the system is more desirable than improving it and, if a replacement is pursued, how best to implement this.

²² <https://www.gov.uk/government/news/rsh-publishes-2022-global-accounts>

²³ <https://d39wcydd7c4iyq.cloudfront.net/Mind-the-Gap-not-for-profit-housing-associations-role-in-delivering-new-affordable-homes.pdf>



What are the policy and regulatory challenges to the Department and the Regulator?

Q2: Is Homes England being directed appropriately by the Department, and is it achieving its objectives?

Homes England have been clear in stepping down the messages and objectives. This has been challenging in the current economic environment though they have engaged with the sector regarding market conditions and opportunities.

Q5: On our inquiry into Exempt Accommodation we found that issues have arisen when providers are not registered with the Regulator. How does the Regulator of Social Housing engage with Housing Associations whose registration is voluntary?

We urge registration to become a requirement for all Exempt Accommodation providers.

Q2: How appropriate is the existing regime in respect of regulating for-profit housing associations?

Both the not-for-profit and for-profit sectors are under the same regulations. These do not account for the large investment required in for-profit stock in the medium term. This may later act as a barrier to investment in new supply.

Q3: It is already accepted that the numbers of dwellings likely to be produced under the 2021 Affordable Homes Programme will be less than initially forecast. Will the financial challenges that the sector faces reduce these numbers even further?

The impact of the financial challenges on delivery of the 2021 Affordable Homes Programme are unclear. Much has changed since these numbers were initially agreed both in terms of the economic climate and the commitments of housing associations. Any new grant funding must reflect these challenges.