Northern Housing Consortium Autumn Budget 2025 Representation

15 October 2025

The Northern Housing Consortium is a not-for-profit membership organisation whose members own or manage 9 out of 10 socially rented homes in the North of England. Our members are councils, housing associations, ALMOs, and combined authorities, who we bring together to develop insight, influence and solutions. We are the collective voice of housing in the North.

Summary of key points

We recognise that the government has listened to social housing providers and through investment and reform, is putting in place plans to boost the supply of social and affordable housing, alongside a lasting change in the safety and quality of homes.

The £39 billion commitment to the Social and Affordable Homes Programme, allocating at least 60% for social rent, represents a major step forward in addressing the urgent need for new social housing. We particularly welcome the flexibility within the programme to support the replacement of existing homes. Housing-led regeneration is a vital tool in ensuring that everyone can access a safe, warm home and have pride in place.

The confirmation of a new Decent Homes Standard and the introduction of Minimum Energy Efficiency Standards in the social housing sector for the first time are positive steps forward, helping to raise living conditions and improve outcomes for tenants.

These reforms are underpinned by a new ten-year rent settlement set at CPI+1% and while this offers social landlords, lenders, and investors greater long-term stability, it is important to recognise that the uplift is unlikely to fully offset the increased costs faced by social landlords, particularly those stemming from new regulatory reforms. Our members have indicated that much of the additional income, alongside rent convergence, is likely to be directed toward maintaining existing homes to current standards.

Regulatory reforms have been broadly welcomed as a step toward higher standards and sustainability. However, our members have highlighted concerns about the financial pressures they introduce. There are also probabilities of increased costs in other parts of their business. As an example, the Autumn Budget 2024 introduced an increase in the employer Class 1 National Insurance contribution rate from 13.8% to 15.0%, alongside a reduction in the contribution threshold to £5,000. The increase in National Insurance contributions represented a significant additional staffing cost for social housing providers and could have broader implications for financial planning. There is a real risk that rising staff costs may offset the benefits of rent increases, potentially reducing the impact of any additional government investment and affecting service delivery.

Social housing providers are eager to deliver on government priorities, and any new financial pressures, or unintended consequences, must be carefully evaluated to ensure they do not undermine intended outcomes. In preparation for the upcoming Budget, an impact assessment will be essential to fully understand where additional costs introduced through the Budget may increase expenditure in other parts of the sector and which may require trade-offs within business plans.

Our Budget submission focuses on areas where investment can keep the sector delivering on the government's priorities, such as boosting the supply of affordable and social housing including through regeneration schemes and raising the quality of existing housing.

We welcome the Government's commitment and early action taken in developing a new generation of social and affordable housing, and urge further action through this Budget to:

1. **Confirm the re-introduction of rent convergence**, **with £2 per week convergence which lasts for the full ten-year rent policy period at least**. This should ensure a balance between financial sustainability of providers and affordability for tenants. Allowing convergence to be implemented throughout the entire ten-year rent policy period would provide a level of flexibility for providers to smooth rent increases and better consider the different trade-offs, where necessary, and support the sector in meeting new regulatory requirements, such as the Decent Homes Standard and Minimum Energy Efficiency Standards.

2. **Invest in place-based housing-led regeneration,** establishing a dedicated place-based fund for housing-led physical regeneration, focused on areas with concentrations of poor quality or ageing housing stock, devolved to Mayoral Combined Authorities. This will enable the social housing sector in the North to fulfil a vital role in supporting delivery of the government's ambition of 1.5 million homes and associated economic growth. Funding should run alongside the new Affordable Homes Programme and ramp up to £470 million in 2030/31 at a total programme cost of £1.37 billion – reflecting the level of ambition shown by the last Labour Government's Housing Market Renewal initiative.

3. **Re-assess and modify proposed standards of quality for rented housing.** The reformed Decent Homes Standard, as it is currently proposed, introduces costly new elements, some of which we believe are moving the Standard away from a rounded approach to decency to a piecemeal approach leading to financial inefficiencies, and resulting in a rise in disrepair claims, with valuable finances being spent on claims, rather than on decent homes. Efforts should be taken to prevent housing providers having to divert investment away from new build, to meet the requirements of the Decent Homes Standard, Minimum Energy Efficiency Standards (MEES) and Awaab's Law. After the proposals have been amended following consultation, the final assessment of costs must include detailed modelling which can be gained by working with individual social landlords to understand the reality in practice and thereby minimising the trade-off with new supply.

4. **The Fair Funding Review should aim to explicitly increase funding for areas that face higher levels of deprivation,** which are disproportionately found in the North. We have called for the Area Cost Adjustment (ACA) to be reformed to explicitly incorporate deprivation into its calculation.

5. **Invest in supported housing to increase the supply of supported housing** and boost home adaptations. We propose a secure central funding stream for a minimum of 5 years, devolved to Mayoral Combined Authorities (MCAs) to join up with Integrated Care System funding and work with local authorities around a locally

agreed framework of outcomes, which would unlock more opportunities and appetite from providers to deliver new forms of supported housing. Other, existing public subsidy should be reviewed to maximise support for this type of housing supply, including local authority grant funding streams and flexibility in the Social and Affordable Homes Programme.

6. **Commit to ensuring Local Housing Allowance (LHA) reflects the true cost of renting** by permanently linking Local Housing Allowance rates to the 30th percentile of local market rents to ensure private rental sector affordability and prevent homelessness.

The detail of our submission on the key points is below:

1. **Rent Convergence**

   The NHC responded to the consultation on how to implement social rent convergence. This followed our submission to the 2024 consultation on future rent policy which made clear that social housing providers in the North would benefit from the reintroduction of rent convergence, as a means to strengthen sector finances and enable greater investment in new and existing homes.

   We have called for rent convergence to be reintroduced from 1st April 2026 at £2 per week and last for the full ten-year rent policy period at least.

   If rent convergence were permitted for the full ten-year rent policy, a policy of £2 per week convergence would leave social landlords in the North with an additional £1.73 billion from general needs lettings to invest in new and existing homes, above a rent policy of CPI+1%. This is £266 million or 18.2% above a £1 a week policy (£1.47 billion). Furthermore, a policy of £2 per week convergence would mean that the benefits of convergence are experienced more quickly than under a policy of £1 per week. £2 per week convergence would mean that 88% of local authorities and 92% of housing associations achieve convergence within this parliament (taken as achieving convergence by 2029/30). Under a policy of £1 per week, only 19% of local authorities and 53% of housing associations will have reached convergence by the same point, limiting any additional investment benefits within this parliament.

   How the government can help:

   Rent convergence should be reintroduced from 1st April 2026 at £2 per week and last for the full ten-year rent policy period at least.

   This safeguards the financial sustainability of providers and affordability for tenants. Implementing this throughout the entire ten-year rent policy period would smooth rent increases and allow providers to better consider the different trade-offs in their business planning.

2. **Invest in place-based housing-led regeneration**

   Housing-led regeneration in the North is a critical lever for national economic growth and the delivery of several of the government's missions, as well as the 1.5 million home target.

Regeneration is a proven catalyst for growth. It helps increase housing supply. creates jobs, unlocks private investment, reduces fiscal pressure on health and welfare systems, helps improve links between communities and employment opportunities and delivers visible, tangible improvements in communities.

Regeneration in the North will, however, need financial backing in order to reap the benefits. There is a pressing need for both a dedicated regeneration funding stream to renew specific communities with pockets of ageing and poor quality existing housing, and a separate funding stream to remediate the large quantities of contaminated brownfield land that could otherwise host up to 320,000 new homes across the North.

The North has some of the oldest housing stock in the country with more than 30% of England's pre-1919 homes, and with some of this stock in the social housing sector becoming increasingly difficult to maintain.

Our research estimated that over 126,000 social homes in the North will need physical regeneration in the next 10 years and a further 25,500 homes were projected to become unviable under new regulatory standards such as DHS and MEES between now and 2030. This research was carried out prior to assessing the reformed Decent Homes Standard, and the additional requirements proposed risk increasing the number of properties that have no viable future within the social housing sector. Without intervention these homes will deteriorate further, undermining local economies, increasing public service costs, limiting the ability of providers to invest in new supply, and impacting on the wider issues facing affected communities. Many properties approaching 'end of life' in the next five years are located on sites where densification is possible. To achieve the regeneration of these sites there will need to be flexibility with net additionality requirements of grant programmes to enable housing providers to meet the needs of these communities.

Regeneration of these places, renewing existing homes, as well as replacing some ageing stock with new, high-quality properties, alongside wider public realm improvements will deliver huge economic, social and wellbeing benefits for some of the most deprived places, in line with the ambitions of the government's recently announced Pride in Place initiative. Furthermore, by helping to address some of the most difficult to maintain housing stock, this will also free up housing providers to deliver on other priorities such as increasing the supply of new affordable homes.

Analysis by Savills, co-commissioned by the NHC demonstrates that if the government were to provide £2 billion per year in grant funding for existing stock, alongside debt guarantees, this could unlock the development of 650,000 new affordable homes nationally over ten years, while restoring sector financial resilience.

As well as existing homes and communities in need of renewal, the North has sufficient supply of brownfield land in need of regeneration to dramatically increase housing supply – provided the right support is in place. Across the North of England there is enough brownfield land to deliver up to 320,000 new homes, but low land values and high remediation costs make development unviable without targeted public investment. The estimated cost to unlock this land is £4.2 billion over ten years.

The North's social housing sector has a genuine willingness to collaborate and innovate to unlock more housing delivery, and housing-led regeneration is a crucial part of this.

We believe that providing funding for the renewal of places is absolutely fundamental if the government aims to fully realise the potential of social housing providers to work in lockstep with them.

How the government can help:

Providing funding for regeneration and improving existing places will enable housing providers to commit resources to either maintain or expand their development programmes and play a larger role in delivering the government's target of 1.5 million new homes across this parliament.

We are calling on government to establish a dedicated place-based fund for housing-led physical regeneration, focused on areas with concentrations of poor quality or ageing housing stock, devolved to Mayoral Combined Authorities. Funding should support:

- Selective demolition, replacement or remodelling of properties where this is required to deliver a regeneration scheme, including on sites that cannot deliver a net-addition of units.
- Property refurbishment and improvements to increase quality and energy efficiency of properties and support the financial viability of housing provider investments.
- Physical improvements to the wider built environment, improving connectivity as well as the overall attractiveness of an area.
- Wider enabling activity required to deliver regeneration, including the acquisition of parcels of land and properties previously sold under the Right to Buy.

This funding should run alongside the new Social and Affordable Homes Programme and ramp up to £470 million in 2030/31 at a total programme cost of £1.37 billion – reflecting the level of ambition shown by the last Labour Government's Housing Market Renewal initiative.

The North also needs a commitment to remediate all identified brownfield land suitable for development in the North of England over ten years, at a total cost of £4.2 billion.

3. Re-assess and modify proposed standards of quality for rented housing

We welcome the government's commitment to update the Decent Homes Standard and extend it to the private rented sector - a move that will help ensure safer, healthier housing for 336,000 northern households currently living in non-decent private rented homes. We also welcome the introduction of the new Minimum Energy Efficiency Standards (MEES) in the social rented sector. We support the government's goal of improving domestic energy efficiency, reducing energy bills for tenants and tackling fuel poverty.

As set out in our response to the consultation on rent convergence, and our consultation responses on Decent Homes Standard (DHS) and Minimum Energy

Efficiency Standards (MEES), our members have told us that the revised standards, as proposed in the consultation document, will cost more than they had originally anticipated, and more than the government's published impact assessments.

The revised Decent Homes Standard, as it is currently proposed, introduces costly new elements, some of which we believe are moving the Standard away from a rounded approach to decency to a piecemeal approach which would lead to financial inefficiencies, and resulting in a rise in disrepair claims, with valuable finances being spent on claims, rather than on decent homes.

This means the implementation will make it more costly than a reformed Standard needs to be for landlords to deliver the right outcome.

How the government can help:

The government's commitment to £39 billion for the Social and Affordable Homes Programme will be a major boost to supply, but our members have told us that, as the Decent Homes Standard proposals stand, they will need to factor in the additional expenditure into their business plans which will in turn impact the availability of resources for new homes.

In this context it is critical that the new Decent Homes Standard is reformed in such a way so that it continues to serve as a benchmark of housing quality and not focus on too much prescriptive detail which becomes more costly than is needed and risks distorting the concept of decency as well as being poor value for money.

After the government has responded to the consultation responses, and applied the relevant amendments, a key requirement is that the DHS final impact assessment should provide a comprehensive evaluation of the full costs involved, alongside other significant changes such as MEES. The final assessment of costs must include detailed modelling which can be gained by working with individual social landlords, to understand the reality in practice and, thereby minimising the trade-off with new supply.

4. **The Fair Funding Review should aim to explicitly increase funding for areas that face higher levels of deprivation**

The NHC responded to the Fair Funding Review to confirm that we strongly support the principle of simplifying the grant funding landscape for local authorities, consolidating funding streams, and moving away from competitive bidding for funding wherever possible.

We hope that the Review can put local government finances on a long-term, sustainable footing but this must include increasing funding for areas that face higher levels of deprivation, many of which exist in the North.

For this reason, we do not support the proposed approach to the Area Cost Adjustment (ACA) as currently designed. While it is reasonable to account for differences in service delivery costs across local areas, such as those driven by wages, rates, and accessibility, the current ACA methodology risks exacerbating existing inequalities, particularly for the North and the most deprived local authorities.

Under the current proposals, the ACA functions as a redistributive mechanism that reduces funding for areas with lower assessed delivery costs, regardless of their actual levels of need. Of the 79 local authorities projected to receive an ACA below one for their Foundation Formula, 46 are in the North of England.

This means that 73% of northern authorities will see a reduction in funding relative to their assessed needs. Furthermore, nine of the ten authorities facing the largest negative ACA adjustments are located in the North. This pattern is consistent across other funding streams, including adult social care and children's services, which are already placing significant strain on northern councils.

The ACA also fails to account for deprivation, which is a key driver of service delivery costs. The North has 3.6 million people living in relative poverty after housing costs, and 31% of children in the region are in relative poverty. One-third of all neighbourhoods in the North West and North East fall within the top 10% most deprived nationally, with one-fifth of neighbourhoods in Yorkshire and the Humber also meeting this threshold. Despite this, the ACA does not incorporate deprivation metrics, resulting in reduced funding for areas with the greatest need.

All 18 of the most deprived local authority areas in England are projected to lose funding due to the ACA, with 13 of these located in the North. Blackpool, the most deprived authority in the country, is also set to experience the largest funding reduction due to the ACA. Meanwhile, areas benefiting from the ACA tend to be London boroughs, more affluent parts of the South, or large rural authorities. While these areas may face higher service delivery costs, it is inequitable that the ACA provides no counterbalance for deprivation, effectively redistributing funding away from the poorest communities.

How the government can help:

We have called for the Area Cost Adjustment (ACA) to be reformed to explicitly incorporate deprivation into its calculation. Alternatively, a funding floor should be introduced to protect either all authorities or those in the top quartile for deprivation from negative ACA impacts. This would ensure that the ACA reflects genuine cost pressures without undermining the ability of deprived areas to meet their residents' needs.

5. **Invest in supported housing to increase the supply**

Specialist and supported housing are important resources which help to prevent or reduce reliance on more costly public services, especially social care and health. 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.

There is currently a major national shortage of supported housing. The need for more new supported accommodation, including housing built for an ageing population is acute in the North. Each of the three northern regions have a higher proportion of its population over the age of 60 than the English average, with the North East having the second largest proportion of its population in this age bracket, after only the South West.

Supported housing by its nature requires support to be delivered to residents. Specific features also typically lead to higher capital costs. The capital costs can be funded in the same way as general needs social housing, through a mixture of grant and long-term debt. However, without support funding, developing new supported housing carries a significant risk for providers. It can be costly and complex to remodel supported housing into general needs properties, so providers will typically not be willing to take the risk to develop new schemes without certainty over revenue funding.

To de-risk delivery, the government should look to introduce a secure revenue stream. This would help ensure that a wide range of people can live in a home that suits their needs with support to live independently. This would also provide significant savings for the NHS.

Devolution offers a genuine path to join up funding streams and maximise the benefits of public sector reform through a place-based approach. Mayoral Combined Authorities and integrated care systems offer a new opportunity to convene partners, agree joint outcomes, and jointly commission new supported housing by providing revenue funding.

There are already encouraging models across the North (including the Tripartite Agreement in Greater Manchester across local housing providers, the Combined Authority and the NHS) that can be built on. In South Yorkshire, the Mayor chairs the Integrated Care Partnership, a model that the Devolution White Paper explicitly references and seeks to roll out.

How the government can help:

To unlock new supported housing supply, we propose a secure central funding stream for a minimum of 5 years, devolved to MCAs to join up with Integrated Care System funding and work with local authorities around a locally agreed framework of outcomes, this would unlock more opportunities and appetite from providers to deliver new forms of supported housing.

This funding should be:
- long-term (5 years+) to de-risk capital funding and deliver new supply
- devolved to MCAs and then pooled with health partners who contribute their funding to maximise benefits
- delivered to a locally agreed joint outcomes framework
- open for MCAs to involve other relevant public sector commissioners operating in their locality, including probation and employment support to maximise benefits

Additionally,

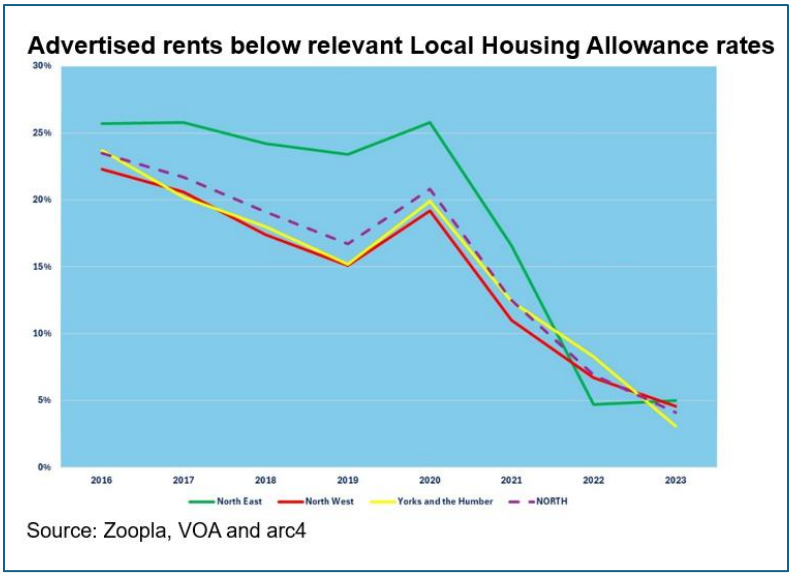
- The Regulator of Social Housing's Rent Standard should be amended to allow Specialised Supported Housing to access public subsidy
- The government has acknowledged that the way funding is allocated through the Disabled Facilities Grant (DFG) requires reform and has started to review this. It is also welcome that the grant was boosted with £86 million at Budget 2024. However, we feel there is a pressing need for reform of the DFG by increasing the amount available for each home and simplifying the system of support

- We support the aim of the Supported Housing (Regulatory Oversight) Act to tackle poor quality but New Burdens funding is required for local authorities to bolster capacity to implement processes, access training, implement data systems, and to have the operational capacity to act on what they uncover
- The Social and Affordable Homes Programme should also be sufficiently flexible to bolster local provision of supported and older persons housing, particularly where providers are able to include provision as part of regeneration of supported housing schemes.

6. Commit to ensuring local housing allowance (LHA) reflects the true cost of renting

We have concerns that the on-going freeze on Local Housing Allowance (LHA) is leaving people unable to afford to rent a home. It is increasing the demand for homelessness services and adding to the cost of temporary accommodation. Our members have repeatedly identified the levels of LHA as a key reason why their temporary accommodation costs have increased by such a significant degree.

Our research shows that the proportion of affordable private rents advertised has fallen staggeringly in the North, by three quarters since 2016.[1] The consequence for tenants of the LHA rates not meeting actual rents could potentially be £1.25 billion a year, just in the North of England.



A freeze of the LHA rates in cash terms means that as private rents increase over time, the support that tenants on low incomes can receive through the welfare system becomes increasingly inadequate. This subsequently leads to households building up rent arrears, facing eviction and then presenting as homeless.

There is a risk of deepening poverty for low-income private renters. The NHC has consistently called for a re-set of the Local Housing Allowance to cover at least the 30th percentile of local rents and then relink the benefit to the real cost of renting for future years.

[1] NHC Northern Housing Monitor 2024

The NHC is a signatory to the joint sector letter on local housing allowance calling on the government to restore LHA rates to at least the 30th percentile from 2026/27.

How the government can help:

- Restore LHA rates to at least the 30th percentile from 2026/27, with a commitment to maintain this level for the duration of this Parliament and increase the benefit cap accordingly. It is simply not fair that tenants reliant on the LHA face year-to-year uncertainty about whether they will be able to afford a roof over their heads. This would go a long way to helping to sustain tenancies and prevent homelessness.

- Undertake a full assessment of the likely social and economic impact of restoring LHA rates to the median rent. Understanding the wider benefits of a more adequate support system is essential to informed policymaking.

Concluding remarks

We welcome the government's housing reforms which strike a balance between building new social housing and improving existing homes. We support the continued flexibility to replace outdated stock and recognise the vital role of housing-led regeneration in the North. Long-term rent certainty and confirmed quality standards offer the chance of stability for investment, but further action is needed to provide longer-term financial stability for the social housing sector and support the sector to raise the standard of existing housing, regenerate derelict land, and improve housing security. The proposals we have outlined here will support our members and we are ready to work with government to deliver high-quality homes and thriving communities.

We urge the government to work with the sector to accelerate delivery, unlock investment, and ensure every community in the North has access to safe, high-quality, and affordable homes, in places they're proud of.

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