

## **East of England Housing Working Group representation to the 2025 Spring Spending Review**

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Representation by: East of England LGA on behalf of the East of England Housing Working Group

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### **1. Summary**

1.1 The East of England Housing Working Group calls on the government to take on board the following financial measures needed to tackle homelessness and build 1.5 million more homes.

1.2 We urge the government to urgently prioritise these spending priorities:

- A) Reform the housing benefit subsidy regime for temporary accommodation, so that the Local Housing Allowance rate is brought up to 90% of 2025 levels, rather than at 90% of January 2011 levels.
- B) Give greater flexibility for using the Homelessness Prevention Grant announced in the provisional local government finance settlement.
- C) Provide access to preferential borrowing rates from the Public Works Loan Board for non-stock-holding local councils, as well as stock retaining local councils.
- D) Commit to significant increased funding for the new Affordable Homes Programme.
- E) Raise the threshold at which councils must set up a separate financial management account for their council-owned housing (known as the Housing Revenue Account) from 199 to 999 homes.
- F) Reform planning rules to make it harder for developers to side-step commitments to include affordable housing in new developments.
- G) Give councils stronger powers to tackle empty properties.
- H) Provide a 10-year rent settlement and reintroduce rent convergence for social housing providers to enable them to hold, deliver and sustain socially rented homes.
- I) Invest in supported housing to address the rising levels of need and reduce pressures on public services.
- J) Provide greater funding and powers for Integrated Care Systems to invest in prevention including housing and homelessness.

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## **1 Background**

- 1.1 The supply of homes has not met demand and is adversely impacting communities, public services and the economy across the East of England. There is a severe mismatch between the statutory duties that local councils must fulfil to meet local housing needs and the financial resources available to do so, with record levels of homelessness and overcrowding in the region. The impact of rising inflation affects housing development costs and affordability, which could hinder achieving the government's proposed housing targets.
- 1.2 Greater financial investment in housing in the East of England will help the government to boost inclusive economic growth, alleviate pressures on health and social care, create safer places to live in, support the environment and give every child the best start in life; the key ambitions set out in this mission-led government's Plan for Change.

## **2 Our recommendations**

- 2.1 As the government sets their spending priorities, the East of England Housing Working Group calls on the Treasury, MHCLG and DHSC to urgently:
- A) Reform the housing benefit subsidy regime for temporary accommodation, so that the Local Housing Allowance rate is brought up to 90% of 2025 levels, rather than at 90% of January 2011 levels.
  - B) Give greater flexibility for using the Homelessness Prevention Grant announced in the provisional local government finance settlement.
  - C) Provide access to preferential borrowing rates from the Public Works Loan Board for non-stock-holding local councils, as well as stock retaining local councils.
  - D) Commit to significant increased funding for the new Affordable Homes Programme
  - E) Raise the threshold at which councils must set up a separate financial management account for their council-owned housing (known as the Housing Revenue Account) from 199 to 999 homes.
  - F) Reform planning rules to make it harder for developers to side-step commitments to include affordable housing in new developments.
  - G) Give councils stronger powers to tackle empty properties.
  - H) Provide a 10-year rent settlement and reintroduce rent convergence for social housing providers to enable them to hold, deliver and sustain socially rented homes.
  - I) Invest in supported housing to address the rising levels of need and reduce pressures on public services.
  - J) Provide greater funding and powers for Integrated Care Systems to invest in prevention including housing and homelessness.
- 2.2 We welcome the government's policy announcements already made to address the housing challenges nationally. Our recommendations, detailed below, focus on the funding and policy changes needed for homelessness services, a sustainable supply of social and affordable homes, supported housing, and collaboration between public services. Ensuring the financial stability of the housing sector in the East of England is crucial to achieving this.

## Homelessness services

- 2.3 We urge the government to prioritise the following financial measures with regards to homelessness services:

**A) Reform the housing benefit subsidy regime for temporary accommodation, so that the Local Housing Allowance rate is brought up to 90% of 2025 levels, rather than at 90% of January 2011 levels.**

- 2.4 The most significant financial pressure faced by many district, borough and unitary councils in the East of England is providing temporary accommodation (TA) for homeless households. Across Bedfordshire, Essex, Cambridgeshire, Hertfordshire, Norfolk and Suffolk, local councils collectively spent £64.4m on temporary accommodation in 2023. This is a four-fold increase on the £15.4m spent 12 years earlier in 2011.<sup>1</sup> By way of example, in Peterborough the number of people presenting as homeless has risen by 40% from an average of 51 a week in 2021/22 to 70 a week in 2023/24.
- 2.5 The reimbursement process for TA, coupled with frozen Local Housing Allowance (LHA) rates, is creating a significant financial shortfall between what local councils initially pay and what is reimbursed by the government, known as the Temporary Accommodation Subsidy Gap. The current process, whereby the council can generally reclaim up to the 90 % of the January 2011 LHA rates, exacerbates this subsidy gap and is threatening the financial viability of councils in the region. Under Local Government Reorganisation (LGR), these pressures are likely to be transferred to enlarged unitary authorities, which could potentially delay the progress of establishing such new authorities.
- 2.6 Councils like Basildon are needing to place homeless households in hotels and B&Bs at nightly rates. These accommodation options are significantly pricier, with hotels averaging £2,000 per month - more than four times the reimbursable rate for one bedroom accommodation.<sup>2</sup> The shortfall is impacting the provision of other services.
- 2.7 We welcome the £5m for Emergency Accommodation Reduction Pilots, to work with local councils with the highest use of Bed and Breakfast accommodation for homeless families to put in place specialised plans to reduce the use of emergency accommodation, including B&Bs.
- 2.8 Increasing the Local Housing Allowance to 90% of 2025 levels would reduce the financial burden on councils by closing the Temporary Accommodation Subsidy Gap, thereby enabling them to allocate more resources towards other essential services.

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<sup>1</sup> [Act Now Before it Gets Worse A plea for housing – short term](#)

<sup>2</sup> [The Local Housing Allowance rate and temporary accommodation reimbursement process | Local Government Association](#)

**B) Give greater flexibility for using the Homelessness Prevention Grant announced in the provisional local government finance settlement.**

- 2.9 MHCLG's announcement, as part of the local government finance settlement, that £633.2 million will be provided to local councils in England in 2025 to 2026 through the Homelessness Prevention Grant (HPG) to tackle and prevent homelessness is welcomed. A commitment to invest in the shift to prevent homelessness is crucial. However, it is disappointing to see this funding is heavily ringfenced and that no more than 51% of the HPG can be spent on temporary accommodation.
- 2.10 We urge the government to give councils the flexibility to use this funding for where it is needed most, for example to address the spiralling temporary accommodation costs as noted above. Additional funding is urgently needed to tackle the immediate financial pressures arising from temporary accommodation. Without this support, councils are in danger of issuing section 114 notices. This may have a detrimental impact on the government's ability to fulfil its LGR ambitions.
- 2.11 Greater flexibility in using this grant would allow councils to address immediate needs more effectively, potentially reducing homelessness rates and alleviating pressure on emergency services.

A sustainable supply of social and affordable homes

- 2.12 We welcome the Government's ambition to build 1.5 million homes. However, the resources, mechanisms and a growing economy must be in place to achieve this positive step forward. We urge the government to urgently prioritise the following financial measures to help accelerate the delivery of homes that meet local housing needs:

**C) Provide access to preferential borrowing rates from the Public Works Loan Board for non-stock-holding local authorities, as well as stock retaining local councils.**

- 2.13 The lack of an adequate supply of homes nationally and regionally is a cause of homelessness, and is limiting local councils' abilities to prevent or relieve homelessness as intended by the Homelessness Reduction Act. In Chelmsford, for example, over the last two years 80% of the increase in TA has been directly linked to the reduction in supply.
- 2.14 The number of homes available at social rent has continuously reduced due to government housing and planning policy. In the East of England, we have almost 90,000 households on local council housing waiting lists.<sup>3</sup> Nationally, two million homes have been lost through Right to Buy over the last 40 years.<sup>4</sup> We, therefore, welcome the measures to protect existing social homes through Right to Buy reforms.

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<sup>3</sup> [Act Now Before it Gets Worse Short Term recommendations](#)

<sup>4</sup> [Right to Buy position statement | Local Government Association](#)

- 2.15 Currently, only councils with a Housing Revenue Account (HRA) have access to the preferential borrowing rates from the Public Works Loan Board for council housebuilding. Local councils and their residents without housing stock are disadvantaged compared to those councils with an HRA. Access to better borrowing rates for non-stock-holding councils would empower them to invest in housing development, increasing the supply of affordable homes and improving overall community stability.

**D) Commit to significant increased funding for the new Affordable Homes Programme.**

- 2.16 The £500m top-up to the Affordable Homes Programme is hugely welcomed and urgently needed to prevent a downturn in delivery. Historically, national planning policy has set out the provision of affordable homes irrespective of local housing need. This, in turn, influences the land value of new developments and makes any uplift to the supply of social rent financially unviable. As build costs also rise higher than affordable rents, other affordable housing suitable for those reliant on LHA also become unviable, further reducing the actual supply of affordable housing in some areas.
- 2.17 The focus on the target of 1.5 million more homes delivered, as well as use of brownfield sites, encourages development of smaller units to maximise delivery, but these do not enable an improved churn from existing stock. Rather than providing a solution to overcrowding, many of these homes will, themselves, become overcrowded in the future, adding to, rather than reducing, local need.
- 2.18 To meet the need for socially rented homes and, thereby, reduce, or at least delay, the increase in the cost of temporary accommodation, the variation between current land values and 'policy effective' rather than 'policy compliant' schemes needs to be resolved through the payment of grant funding, as most development sites in the pipeline for the next 10 years are likely to already be allocated in local plans.
- 2.19 Allowing the release of additional sites as exceptions to policy, as is the case with rural exception sites, at a residual value based on all affordable and social rent would also help accelerate delivery of homes that meet local needs. Rules on public land disposal could be simplified to enable wider public benefit rather than achieving the best market value.
- 2.20 We welcome the decision to invest in planning officers given the challenges around the recruitment and retention of planners in local councils. The £46m provided to boost local authority planning capacity through recruiting 300 planners is much needed.
- 2.21 Increased funding for the Affordable Homes Programme would facilitate the construction of new homes, directly impacting local housing availability and reducing overcrowding and homelessness.

**E) Raise the threshold at which councils must set up a separate financial management account for their council-owned housing (known as the Housing Revenue Account) from 199 to 999 homes.**

2.22 Raising the threshold at which councils must set up a separate financial management account for their council-owned housing (known as the Housing Revenue Account) from 199 to 999 homes could unlock up to 88,000 additional council homes, as illustrated in the District Council Network's (DCN) 'Blueprint to tackle the affordable housing crisis'.<sup>5</sup>

**F) Reform planning rules to make it harder for developers to side-step commitments to include affordable housing in new developments.**

2.23 Reforming planning rules to make it harder for developers to side-step commitments to include affordable housing in new developments could deliver an extra 8,300 affordable homes annually in rural district areas, as illustrated by the DCN.<sup>6</sup>

**G) Give councils stronger powers to tackle empty properties.**

2.24 Giving councils stronger powers to tackle empty properties could bring nearly 9,000 homes back into use at just 10% of the cost of building new ones, as illustrated by the DCN.<sup>7</sup>

**H) Provide a 10-year rent settlement and reintroduce rent convergence for social housing providers to enable them to hold, deliver and sustain socially rented homes.**

2.25 We welcome the provision of a multi-year and continuous settlement for registered social housing providers. This will help provide the long-term certainty needed for providers to plan, invest and deliver affordable and social homes, as well as improving the quality of existing ones. However, to fully support effective planning and sustainable investment, a 10-year settlement is needed to give them certainty to make the long-term commitments required.

2.26 Long-term funding certainty would enable social housing providers to plan effectively, improving service delivery and maintenance of existing homes, which is crucial for community welfare.

2.27 A reintroduction of rent convergence across social housing would ensure that rents are aligned with local market conditions and affordability standards. This would help stabilise rental income for providers and make social housing more accessible to those

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<sup>5</sup> DCN analysis of district councils currently operating without a Housing Revenue Account [Revealed: the three reforms that could deliver 100,000 affordable homes | District Councils' Network](#)

<sup>6</sup> DCN analysis of Shelter's analysis on viability assessments and MHCLG data on additional affordable homes starts on site by tenure and local

<sup>7</sup> DCN analysis of Action on Empty Homes analysis of MHCLG Council Taxbase data

in need.<sup>8</sup> A reintroduction of rent convergance which would increase income to the sector, enabling housing associations to invest in existing stock, decarbonise and also invest in the building of new affordable homes to support population growth and economic development.

### Supported Housing

2.28 We urge the government to urgently prioritise the following financial measures to help sustain and increase supported housing:

**I) Invest in supported housing to address rising levels of need and reduce pressures on public services.**

2.29 Some upper tier local councils have decided to end funding for Housing Related Support (HRS) due to financial constraints. This is placing disproportionate pressures on local housing authorities and registered providers, and putting communities who need this kind of supported accommodation, at risk of homelessness. There is evidence that the supported housing sector may need to double by 2040 to tackle current unmet demand.<sup>9</sup> Funding is urgently needed to help sustain the supported housing sector.

2.30 There is a risk that removing some housing benefit exempt providers, under the new Supported Housing Act, will reduce supply, which may not be replaced in those locations, creating, at best, more displaced households, and, at worst, increases in rough sleeping due to a lack of suitable alternative supply. There is a huge return on investment into most types of supported housing, compared with the enormous rising net losses generated by temporary accommodation usage.

2.31 Increased funding would enhance support for vulnerable populations, helping to prevent homelessness and reduce reliance on costly temporary accommodations. This investment could also lead to better health outcomes by providing stable housing.

### Prevention and collaboration between public services

**J) Greater funding and powers for Integrated Care Systems to invest in prevention including housing and homelessness.**

2.32 The confirmation of an initial investment in the Warm Homes Plan of £3.4bn over the next three years to assist with heat decarbonisation and household energy efficiency is

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<sup>8</sup> [CIH responds to the government's consultation on future rent policy | Chartered Institute of Housing and National Housing Federation - Our response to the consultation on future social housing rent policy](#)

<sup>9</sup> [Inside Housing - News - Supported housing sector may need to double by 2040 to tackle 'unmet' demand](#)

welcome, in addition to the £1bn to be provided over the next three years through the Public Sector Decarbonisation scheme.

- 2.33 The 'Healthy Homes in the East of England' report demonstrates innovative examples from the region showing councils partnering locally with the wider housing and health sectors to maximise funding and prevent ill health by focussing on access to safe, accessible and good quality homes.<sup>10</sup> The Disabled Facilities Grant, for example, saves the NHS significant resources through home adaptations that help prevent falls.
- 2.34 An ageing population presents significant housing challenges, which is particularly pertinent for the East of England.<sup>11</sup> We urge the government to fund Integrated Care Systems to support them to make the investment needed to shift 'from sickness to prevention'. With a new long-term approach to funding prevention and early intervention, prevention can become integral to the health and care system.
- 2.35 Enhanced resources for Integrated Care Systems targeted at preventive measures that address the social determinants of health, for example the integration of housing support with health services, would lead to improved health outcomes and reduced strain on the NHS.

### **3 Further information**

- 3.1 The Regional Housing Working Group is made up of local government, registered social landlords, house builders and developers from the East of England, chaired by the East of England LGA (EELGA) and Eastlight Community Homes, and supported by the East of England All Party Parliamentary Group (APPG). We look forward to working with the government to develop and deliver the new much-needed long-term housing strategy so that all people in the East of England can have as a safe, secure and decent home.
- 3.2 Key reports on the housing challenges and opportunities in the region include:
- [Good Quality, Available and Affordable Housing in the East of England](#), March 23
  - [Act Now Before it Gets Worse Short Term recommendations](#), May 24
  - [Opportunity East Report - EELGA](#), July 24
  - [Act-Now-Before-it-Gets-Worse-Medium-to-Long-Term.pdf](#), September 24
  - [Healthy-Homes-in-the-East-of-England.pdf](#), December 24

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<sup>10</sup> [Healthy-Homes-in-the-East-of-England.pdf](#)

<sup>11</sup> [Executive summary and recommendations - GOV.UK](#)