

Submission to the Comprehensive Spending Review 2021

Background

Thank you for the opportunity to contribute to the Government's thinking ahead of the Comprehensive Spending Review. Homes for the South West is a group of 11 not-for-profit housing associations who are committed to building the new affordable housing that the region needs.

Collectively we own 245,000 homes, house half a million people, and our businesses make an annual contribution of £1 billion to the local economy. We build homes of all tenures, but affordable homes, homes for rent, and homes for those in need and unable to afford the market, are the reason we exist. In 2019/20 alone we delivered more than 3,000 affordable homes across the region or around 20% of the social housing need. The [National Housing Federation Local Economic Impacts Calculator](#) estimates that these new homes equate to more than £412.9 million GVA added to the South West economy and supported 8,250 jobs in the region across the year.

Together we are seeking to continue growing our investment in the South West and deliver on our ambition to meet the unique housing needs of the region. We are already planning to build 25,000 homes over the next five years, but we can build a further 20,000 with the right support from Government.

Intervention required

It's no secret that the UK needs to build more homes. We know that housebuilding is one of the Government's preferred methods for reinvigorating the economy via job creation and other benefits. Furthermore, social and affordable rented homes have played a key role during the pandemic. We have been there in response to the urgent need to take rough sleepers off the streets, and we have also been there to house our essential workers and NHS staff, who would ordinarily not be able to afford to live near their place of work as they help keep the country moving.

Covid-19 has changed our economy, our society and the South West with it, but we firmly believe housing will be crucial to shaping the future of the region. We want to meet housing need in the South West, helping to support those hardest hit by the downturn and creating economic and employment opportunities to truly Build Back Better for all.

The South West is specifically in urgent need of intervention due to the following reasons:

- **Housing shortage.** The Bramley Study showed that an estimated 42,000 new homes are required per year in the South West in order to meet housing need, of which 15,000 need to be affordable. The shortfall in new homes currently stands at 22,000.
- **Unique nature of the housing market.** The region's popularity means that from the east of the region to the west, house prices are prohibitively high and out of reach of most local

people – in South Hams, for example, prices are sixteen times the average annual income, and in Bath it is fourteen times. The housing market is disrupted further as a result of the fact that 27% of all second homes are located in the region. This means that hard-working families struggle to find a home to rent in the open market. In many areas of the South West, factors including the prevalence of low-wage employment means there is an urgent need for the investment and 'levelling-up' which is more traditionally associated with the north of England and to build homes which local people can afford to buy or rent.

- **Impact of the pandemic.** The impact of Covid-19 has been severe, recognising the region's high house prices and reliance on the tourism and hospitality industries for employment, with the South West being the worst hit region of the UK for job disruption. Mean annual earnings here are £3,000 less than the national average. Cornwall alone receives a third of its annual income from the tourism industry, and was hit by a 34% drop in GVA in the second quarter of 2020, putting an estimated 72,800 jobs at risk across the county.

At the same time, house prices in the South West have risen by an average 8.4% in the year to the end of May 2021. This has been attributed, in large part, to a 'flight' from cities as homeowners rethink their lifestyles in the context of homeworking. North Devon and Torridge, for example, are in the top 10 local authorities for fastest annual increases in house prices, according to the [most recent data](#) from the Office of National Statistics which demonstrates that house prices in tourist hotspots are increasingly out of reach for the young and low paid.

Rising house prices and private rents mean that workers are at risk of being priced out of living in their local areas, contributing to skill shortages in the tourism and hospitality industries that their local economies rely on.

Building more homes across our region will help tackle the above issues. Indeed, in addition to directly addressing the increasing housing shortage in the South West and the prohibitively high house prices for local people, house building also has a range of other positive impacts:

- **Creates jobs.** Housebuilding creates jobs, both in construction and in the supply chain. Every £1 spent on construction output [generates](#) £2.84 in economic activity.
- **Reduces financial pressures on the Treasury.** For every £1 spent on construction, [there is](#) a 56p benefit to the Exchequer from increased tax revenues and reduced benefits payments as the activity stimulates employment growth.
- **Supports the levelling-up agenda.** Providing training, skills and opportunities and supporting the establishment of new and innovative industries.
- **Increases confidence.** Building the confidence of consumers, investors and developers will be key to the UK's economic recovery and will ensure the country keeps moving forward.

- **Makes savings in welfare spending.** Investment in affordable housing is one of the best ways to support the South West's economic and social recovery following the COVID-19 pandemic. In most areas of the country, [there are potential savings in welfare spending](#) by moving families receiving housing benefits into social or affordable rented accommodation – on average £1,250 annually.

Intervention 1 – Public sector land reform

Land is vital to the delivery of affordable housing and a new partnership will help to deliver homes quicker. The current model is geared towards those that can acquire land as the highest bidder, which favours large developers able to 'land bank'. We recommend that the current public land disposal strategy be reviewed and that, in future, priority for public land should change from cash for Treasury to the provision of good design public housing and placemaking. It is promising to see that the Cabinet Office is undertaking a review of central Government land policy to inform the approach to affordable homes on public sector land in the future – it is important that this review reflects the urgent need to deliver good quality, well designed homes that local people can afford which are also well connected to the infrastructure they need.

Intervention 2 – Additional Government investment in housing delivery

To address historic underinvestment in the South West, additional investment from Government is needed to meet housing need in the region. The recently announced £8.6bn funding allocation of the England-wide Affordable Homes Programme is a good start in terms of increasing nationwide funding, but it does not cover the long-term funding gap and structural barriers which must be addressed to truly scale up the delivery of affordable and quality homes in the South West.

It is also important to note that 27% of England's second homes are in the South West – a higher proportion than anywhere else in the country. By the end of 2019, the Treasury had so far [raised](#) £6.6bn from the 3% stamp duty surcharge placed on additional properties from 2016 onwards – if this revenue were to be reinvested into delivering homes that locals can afford, as is needed, the South West region would be due an additional £1.8bn in investment. This investment could be used to build affordable housing without the need to prevent the growing inward migration which is set to continue as a result of the pandemic. Inward migration is positive in many ways, supporting the tourism industry and bringing economic activity, but it cannot be allowed to displace existing local people.

Intervention 3 – Greater flexibility of Government Grants to deliver greater value

We are delighted that the Government announced £11.5b for new affordable housing. Many of our members are Strategic Partners of Homes England and were allocated £1.4b of grant in the recent wave of funding. However, the rigid nature of the use of grant restricts some of our ability to build in all economic conditions. To enable us to build with certainty, Housing Associations must be able to adapt the types of homes that are being built to meet demand

in different market conditions. The most effective way to do this would be for Government to allow Housing Associations to decide what 'tenure' homes would be on practical completion of the property. This would give Housing Associations greater scope to adapt to changes in the market and help to meet local need more effectively. These flexibilities should be agreed with the Local Planning Authority first in order to ensure that it fits with their statutory responsibilities

Some of the funds from the £11.5bn Affordable Housing Programme could also be directed into supporting the regeneration of old estates which are no longer fit for purpose. As long-term custodians of affordable housing, Housing Associations have to get the balance right between investment, day-to-day maintenance and housing management. It's never been straightforward, especially when homes take about 30 years to recover their build costs. But all of this is set to get much harder in the future as we start to fold in the emerging costs of decarbonising the housing stock, meeting a more demanding decent homes standard and retrofitting additional safety measures in communal areas, none of which were required at the time the homes were built.

This major strategic challenge for the whole sector could be addressed with a new approach to delivering and funding regeneration. If you add the additional cost burdens to some already under-performing, out-of-date housing which has reached the end of its envisaged life, one must come to the conclusion that some properties would be better off being knocked down and replaced with more fit for purpose modern homes.

Our approach to regeneration needs to change if we're to respond to the growing housing quality crisis in some of our older, poor-performing housing stock. We should of course acknowledge that housing associations have a key role to play in improving perceptions of regeneration. We must win the argument on each scheme by engaging with each resident to explain how regeneration will benefit them.

If we want to be able to direct investment into homes and make them fit for the future, it's essential we find a way of replacing the properties which cannot be sensibly invested in at all or where intervention will only kick the problem down the road for someone else to have to deal with in later years.

We would ask Government to consider creating an accountable body for the regeneration of the homes and neighbourhoods that are in need.

Establishing a new regeneration agency, with clear consumer standards and a focus on placemaking, could help deal with some of the poorest quality housing in the country. Allowing some of the national funding to be used to support the regeneration of estates could make perfect sense, especially if it would help reduce the pressure on greenbelt development, always a vexed issue.

Government could also consider top-slicing some of the money set out in its manifesto to decarbonise social housing and some of the money ring-fenced for fire safety works. Pooling these budgets from differing departments could stretch them and add value if it were added to the affordable housing programme to create a step change in our national approach.

Housing should sit at the heart of the levelling up agenda with Housing Associations able to access funding for regeneration and economic development, including via the UK Shared Prosperity Fund.

Thank you again for the opportunity to contribute to this review and, on behalf of Homes for the South West, please contact me if there is anything above you would like to explore further.

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