Introduction

The G15 are long-term investors in place and quality. Our members house one in ten Londoners and are the largest providers of affordable homes in the capital. We build a quarter of all London's new homes and own or manage more than 600,000 homes. In 2019/20 G15 housing associations started construction of 15,709 new homes and have collective ambitions to build over 100,000 more new homes.

As part of the Comprehensive Spending Review (CSR) we are calling on the Chancellor of the Exchequer to:

1. Release leaseholders trapped in buildings with potential safety issues by capping individual liability through a government indemnity and other measures to address building safety.
2. Match our ambitions for growth by enabling the delivery of a simple and certain affordable homes programme;
3. Prepare for a low-carbon future and mitigate the climate emergency by supporting the environmental retrofit of social homes; and
4. Support the levelling-up of deprived communities across the country through targeted investment and policy to address the factors holding back their growth.

This CSR is taking place during a pandemic which has seen devastating health and economic consequences and the Government has taken extraordinary action to mitigate the full impacts of both. Whilst we understand that further resources for investment will be necessarily limited and any additional stimulative activity will need to be carefully considered, government must calibrate its housing policy and expectations with this context. Above all else this means supportive action to provide certainty to support external investment. In this context there needs to be a greater focus on cumulative impact of changes in policy and regulation and realistic timescales for their implementation.

We welcome the recognition, through the Winter Economy Plan, that we are in a potentially grave economic position and further support is needed. This recognition must follow through to longer-term government policy and spending decisions.

Building safety

Immediate support to enable leaseholders to move

The Royal Institution of Chartered Surveyors led a collaborative cross-industry project to devise guidance to assist lenders and valuers in relation to tall buildings. This resulted in the production of an External Wall System form (EWS1) which departed from previous government advice notes and was supported by government. Not all lenders have yet signed up to the process and some fire engineers are refusing to sign the form (sometimes on the advice of their insurers), progress in getting forms completed is limited by availability of competent professionals and the scale of buildings affected means that it could be ten years or more until all buildings have a completed form.

There could be as many as two million people living in mortgaged tall buildings affected by these issues. Even those who do not immediately need to sell or remortgage are likely to feel the impact of this as this issue grows in public awareness. All people living in tall buildings will start to feel unsafe and potentially trapped. This could cause residents of such buildings undue distress and present significant management difficulties.

It is clear that the EWS1 process will not work as a market solution alone. Leaseholders need additional support in the very near term.

We are calling on government to cap the potential liability of each leaseholder, to avoid the worst financial consequences of extreme cases and to create an insurable product which could enable people living in buildings less likely to require any remediation to move without an EWS1. This proposal has parallels in the proposals created by the Dilnot Commission on Funding of Care and Support.

Draft Building Safety Bill

In the medium term the draft Building Safety Bill will bring significant additional costs for building owners, which the bill provides mechanisms to directly pass onto leaseholders. These include the scope and responsibility of new Building Safety Managers and frequency of inspection of closers on internal fire doors.

Whilst the aim of making residents safe should be shared by all, the elimination of all risk is not possible and therefore all additional burdens need to be carefully scrutinised to ensure they provide the optimal level of protection for the associated cost. All additional requirements in the draft Building Safety Bill should be subject to this assessment and considered in line with the Hackitt principles of layers of protection.

Prioritisation

A lack of clarity persists in relation to which buildings are in scope for initial building safety considerations. This has infected other processes, most notably in relation to EWS1 forms and also has the potential to slow programmes of work by building owners as they pace the scale of their potential liabilities. The Hackitt Review identified layers of protection and a risk-based approach as the fundamentals of ensuring buildings are adequately safe and this must be the basis of future work on prioritisation.

A clear prioritisation matrix, most likely based on height, use (e.g. sheltered housing) and construction type, combined with clear time-bound expectations from government/the new regulator could resolve this. This needs to be produced through a single coherent process involving all stakeholders including building owners, RICS, the Health and Safety Executive, the Association of Residential Managing Agents, Fire Brigades and the National Fire Chiefs Council. This should be based on an early version of the required Building Safety Case.

We also believe that Government needs to expand the scope and scale of its building safety fund as by its own estimates it will only be sufficient to cover 1/3 of buildings with remediation requirements. The current deadline for remediation works to commence by 31 March 2021 is an appropriate device to drive activity but may not be technically possible. Without an extension and an enlargement of the fund it is likely that leaseholders would instead bear the costs, potentially suffering financial penalty due to other building owners submitting funding applications faster.

Climate emergency

There is a need for further clarity and stability in Government intentions, long term requirements and milestones for the sector on the way to meeting net zero Carbon targets by 2050. The ability and workings of carbon offset schemes for instance in addition to a clear minimum retrofit standard for upgrading the housing stock. Government should learn from the current social housing pilot and roll out the larger social housing fund promised in the manifesto soon after – recognising the division of incentives that exist between social housing residents and housing associations/local authorities.

At the moment it is unclear, amongst other things, as to whether zero carbon will be required for each home or on average, whether offset is permitted, whether embedded carbon is included, how lifestyle choices (e.g. heating, applicances and cooking) are taken into account. Addressing the climate emergency requires not just energy efficiency but also reducing energy demand through good building fabric design, highly efficient systems, low carbon technology and use of offsetting mechanisms.

Funding for energy retrofits in existing homes

Housing Associations have a good track record of investing in better energy efficiency for existing homes, with many good pilot projects for the wider sector to learn from.

There is a significant differential between the current Government requirements (SAP 69 by 2030) and those to reach net zero carbon by 2050. It’s widely accepted that 80% of the homes that will be occupied in 2050 have already been built. To achieve net zero carbon, HA's would need to improve the energy rating of their homes to a minimum of around SAP 87 (source:SussHousing May 2020).

This will require the sector to radically revise the way it funds housing stock. In the UK, there are an estimated 2,747,671 properties within social housing. To achieve the level of retrofits required, the sector would have to retrofit 4% of this stock (110,000 homes) per year to improve energy efficiency. This would mean 2,200 homes retrofitted per week nationwide and the cost could be around £2.8bn per annum. Between 2021 and 2026, early industry estimates show that social housing providers will need to invest approx. £10,000 per unit to invest in better insulation and electric forms of heating. From 2026 onwards, the estimated unit cost to implement net zero carbon could be in excess of £20,000 per property (source) Savills June 2020.).

Given the scale of the task to reach net zero by 2050 and levels of investment needed, there needs to be an increased and continuous level of investment, including adequate funding to initiate the early momentum needed.

Supply Chain and R&D investment

There is a real opportunity for the social housing sector to support the early build up of the supply chain and to encourage investment in sustainable products and services enabled by adequate Government funding. This encourages early progress on the road to net 0 Carbon. Businesses need continuity of workload to have the confidence to invest and grow to deal with the scale of scope of the net 0 carbon programmes. Start-up businesses specialising in green technologies need to be given initial Government support to become established. This approach will sustain the national objective to 'build back better' after Covid-19.

Carbon reduction is a complex specialism and the sector needs to invest in R&D and training of specialists to deliver retrofits and related programmes for our housing stock. Growth in green supply should go hand in hand with more robust standards for sustainability in procurement specifications, as well as a minimum standard on carbon reduction. Suppliers should be asked for evidence to demonstrate their green credentials, supported by science-led data on direct and indirect carbon impacts.

Potential complementary investment

There should be some key lessons learnt from the issues experienced with fire safety delivery post Grenfell. There is a need to avoid price hikes and quality concerns due to a lack of supply chain capacity and capability. Government has the opportunity to shape the spending and procurement profile for the journey to net zero carbon.

The pace and the technology of approaches to retrofit must align with building safety remedial works and not add unnecessary additional cost or make buildings less safe. Whilst more work is needed in this area, G15 are keen to combine fire safety measures and carbon reduction measures where possible when retrofitting its stock to improve overall value for money. Early and clear funding streams for the sector are needed given the high fire safety costs.

Affordable Homes Programme

The confirmation of the £12bn 2022-26 Affordable Homes Programme is strongly welcomed by the G15, along with its recognition of the need for a range of affordable homes to rent and buy to meet housing need across the country. G15 members look forward to engaging with Homes England and the Greater London Authority to access this funding.

The new programme also brings additional conditions, most notably in relation to the right to shared ownership and revisions to the shared ownership product that could restrict appetites to bid for funding. Clarity on these is needed soon and for the changes to be implemented in a way that promotes certainty and has the least harm on existing supply. Too much complexity and change, during a period of considerable economic uncertainty, risks significantly disrupting the efforts of organisations, like ours, which are privately funded.

Further disruption is also occurring with proposed changes to the planning system. Whilst the long-term changes have a positive intent, we particularly agree with the aim to deliver at least as much affordable housing on site through a new system, there is much detail to be worked through. Uncertainty on timing of implementation means that this needs to be planned for in relation to bids for this new programme. The short-term changes, particularly in relation to First Homes and 'small sites' exemptions for affordable homes, will negatively impact on our ability to deliver affordable homes. We will respond to both of these consultations in due course.

It is important to note the cumulative impact of these changes, set within the context of an uncertain housing market, where housing associations are facing significant costs in relation to building safety and the economic disruption caused by the coronavirus crisis.

Levelling up

The future success of the United Kingdom depends on a spread of economic prosperity across the whole of the country and we recognise the priority government attaches to the levelling-up agenda. It is important that this area of work recognises both the fact that London has been and is likely to continue to be a driver of economic success and the significant deprivation that exists in London which also needs to be levelled up.

Thus far the economic consequences of the coronavirus crisis seem to be biting hardest on London. Without mitigation this will ripple out with harmful effects on all communities in the UK. Nothing holds London back more than unaffordable housing.

It is important to note that deprivation is not just a problem of 'northern towns', London shows extremely high deprivation in terms of barriers to housing and services, with the top ten most deprived Lower Super Output Areas (LSOAs) for this measure all being in London. 28% of London LSOAs are in the top 10% of LSOAs in England for this measure. Some parts of London also show high levels of income deprivation. Hackney and Barking and Dagenham are ranked 19th and 20th, respectively, out of all English local authorities in terms of proportion of the population living in income deprived households.

In terms of their overall deprivation ranking, 2% of London LSOAs are in the most deprived 10% of LSOAs in England. In addition some London boroughs have extremely high average deprivation levels across their LSOAs. Barking and Dagenham and Hackney, for example, are in the top 10 English local authorities when ordered by average LSOA rank within each local authority. 11 London boroughs are in the top 50 English local authorities for overall deprivation when ordered in this way.

The G15 are long-term investors in place and quality with strong ambitions to increase supply of homes of all tenures in London and the rest of the country. We do not believe this will be enough to fix the housing crisis without strong government action to boost economic activity across the country. We are calling on government to do four things:

- *Target housing investment to reflect the breadth of housing need in different locations* –Whilst we have a national housing crisis, the solutions to it need to vary from place to place. The climate emergency means that action needs to be supported everywhere to make homes fit for the future and reduce energy costs for residents and some places need radical intervention to ensure sustainable places where people want to live and work. The affordability crisis is not spread evenly, and London is the highest housing cost area of the country. Funding for new affordable homes should be targeted in a dynamic way to respond to changing housing need and as the provision of new infrastructure opens.

    - The breadth of new types of affordable homes to support a range of housing need, including “First Homes” and the new long-term fixed rate mortgages which will slash the cost of deposits, should be targeted at the places where they can be most effective.
        - For example a 30 per cent discount would bring home-ownership within reach of middle-earners in average to lower value areas. In London it would only be affordable to those on very high incomes, which would not be equitable.
        - Similarly shared ownership does not work in very high value areas (those with property values more than about £650k) and it is right that social rent is focused in places with the greatest need.
        - For the highest value areas, there is a need to explore an intermediate rented product to enable people to save for a deposit to own a home of their own.
- *Provide economic support and stimulus to London to ensure that it can continue to be successful and drive benefits to the rest of the country* – Given the significant need for new homes, particularly low rented homes, in London this could give a significant boost but support is also needed for the capital’s

transport infrastructure and retail and hospitality businesses located in the centre following the latest work from home guidance.

- *Target new infrastructure investment to rebalance the national economy* – Specifically in prioritising a high-speed rail link starting with Manchester to Leeds but eventually linking Liverpool to Hull over all other new large-scale infrastructure investments, including Crossrail 2- the next priority for London. There will also be a need to improve smaller-scale infrastructure. Technology such as semi-autonomous/flexible routed buses could be trialled as a way of improving connectivity between towns lacking effective public transport options. In time, as this infrastructure comes online, it will be important that funding to support housing delivery in these places is available to maximise opportunities for growth.

- *Create a hub for the precision-manufacturing of homes where it will have the greatest economic impact* – Part of the way in which the country's housing crisis will be tackled is through precision-manufacturing many more of the homes we build. It is right that homes are built in the areas that need them most but precision-manufacturing offers an opportunity to create most of the economic activity of home-building in other areas. Through a targeted industrial policy government, perhaps supported by the Advanced Research Projects Agency, could create hubs for manufacturing of homes to expand the capacity for housing supply and stimulate economic activity – both in the areas that need them most.