



DELIVERING MORE AND BETTER HOMES

Pre-Budget asks: September 2024



Introduction

In October 2023, Homes for the North published *The Plan for More and Better Homes* - the first ever comprehensively mapped vision of regeneration opportunities across the North of England. This plan made clear the game changing role that housing associations and Government could play at the heart of local delivery partnerships – to deliver almost 43,000 new homes, regenerate 80 communities, and deliver £3.9bn to the Northern economy. The delivery of new homes on this scale is much needed – with Homes for the North’s own research showing that the North requires 2 million new homes by 2050 to be able to achieve its economic potential.

As an organisation that has spent the last two years campaigning for More and Better Homes, we were delighted to see the new Government publish an updated version of the National Planning Policy Framework which reverses the changes made by the last Government and calls for more new homes to be built in the North of England than in any other part of the country. Key increases in the number of new homes proposed in the document include a 99.28% increase in the North East, a 75.92% increase in the North West, and a 46.71% increase in Yorkshire and the Humber.

We are pleased that the Government agrees with our proposals for more homes and look forward to working with them on the policy and funding changes necessary to turn their plans into reality and deliver the new homes that the North of England urgently needs. However, there remains much to be done – and it is imperative that the second part of what Homes for the North has been campaigning for is not forgotten: the need not just for more homes, but for better homes too.

In recent years, the costs of delivering new homes and investing in existing ones has rocketed, while rental income has been constrained by Government intervention. A long term, sustainable finance settlement between Government and Housing Associations is a core foundation for delivery and growth.

Building on this, as the new Government begins the planning process for October’s budget, this document sets out three straightforward opportunities that would have a transformational impact on regeneration schemes in the North of England – and contribute directly to the mission of getting Britain building and driving economic growth.

The approaches the new Government should implement in the forthcoming Budget to deliver both more and better homes are:

- 1. Remove the net the additionality rule so that funding from the Affordable Homes Programme can be used to replace low quality homes.**
- 2. Renew the Affordable Homes Programme for the next five years – and provide clarity on funding arrangements between now and 2026.**
- 3. Take a more interventionist approach to unlocking strategic sites – with Government using its convening power to bring landowners together and using CPO powers where needed to drive schemes forward.**

The policy asks that we have set out above are modest and build on existing mechanisms making delivery easy to implement. They also do not require significant public spend but would have an outside impact when it comes to regenerating communities and providing hard working people with the high-quality homes that they need.

This document sets out the reasoning behind each of these policy asks in greater detail.

Modest changes, major impact

1. Scrapping the net additionality rule – a penalty on regeneration

The net additionality rule applied as part of the Affordable Homes Programme is a clear barrier to replacing poor quality homes – it is effectively a **Regeneration Penalty**. The rule states that grant funding cannot be used to replace old, poor-quality homes with new, affordable homes, even where the old homes have already been demolished. For example, grant funding would not be provided to replace a block of 100 flats that has reached the end of its lifecycle with 100 modern, new and affordable family homes, because these new homes would not be considered additional to the total number of homes in England.

In 2023, the previous Government introduced a temporary flexibility to allow grant funding from the AHP to be used to replace poor-quality homes. Homes for the North welcomed these changes which have for the first time allowed grant funding from the programme to be used to replace old, poor-quality homes with new affordable homes.

This was a step in the right direction – but this temporary flexibility is set to expire in March 2025 and has not had any meaningful positive impact on the viability of many of our members' biggest and most ambitious regeneration schemes. This is because large-scale, complex regeneration schemes require time and planning – and the expiration of the changes in 2025 has meant that housing associations in the North have had too short a window in which to deliver the schemes needed.

If the net additionality rule continues to be applied to future iterations of the AHP, the implications for large, complex regenerations schemes across the North are stark – many of them will be unviable. This means that some of the communities across the North that are most in need of renewal will miss out on the investment that they urgently need.

The role that large-scale regeneration schemes could play in helping the Government to achieve its carbon reduction targets should also be considered as part of the conversation on net additionality.

The Government has made clear that the Warm Homes Plan will require all socially rented homes to be brought up to at least EPC Standard C by 2030. This is a sensible policy goal, but large numbers of housing association properties in the North of England were built in the early 20th century and in many cases, it would be more expensive to bring these old homes up to modern energy efficiency standards than it would to demolish and rebuild them.

If the net additionality rule remains in place, housing associations will not be able to use grant funding from the AHP to replace very poor-quality homes – and will have to spend exorbitant sums that would be better spent on building new high-quality ones. This is not a cost-effective position and misses the mark when new housing delivery and regeneration should be the focus.

We are clear that scrapping the net additionality rule is essential for driving forward regeneration – as well as ensuring that the built environment makes its contribution to reducing carbon. We

also know from experience that the value of regeneration goes much further than simply increasing an area's land value. If action were taken to abolish the net additionality rule, housing associations would be better able to drive not only housing delivery and land value uplift, but also wider economic and socio-economic outcomes such as improved place quality, increased population, increased viability of public services, and increased spending on local goods and services in an area.

Our ask: Scrap the net additionality rule so that funding from current and future iterations of the Affordable Homes Programme can be used to replace low-quality homes.

2. Renewing the Affordable Homes Programme

The Affordable Homes Programme remains the most important funding available to Homes England strategic partners, providing essential grant funding to support the capital costs of delivering affordable housing. The current iteration – running until 2026 – has ringfenced £11.5 billion, with £7.4 billion available to strategic partners outside of London.

As the programme approaches its final year, it's vital for the Government to clarify any upcoming changes and the flexibilities that will be introduced to make the programme more effective to ensure the delivery pipeline that has been established is maintained. Homes for the North believes that, in the remaining time, there should be a stronger focus on regenerating key sites outside of London.

There are significant benefits to delivery in recapitalising the programme between now and 2026 – a move that would help to front-load the building of new affordable homes, spur the delivery of regeneration schemes and drive economic growth in the first half of the new Parliament.

We would also urge the Government to provide a clear commitment to renewing the Affordable Homes Programme from 2026 onward. As part of this, Government should begin engaging with industry now as part of its considerations about how the next iteration of the AFP might work, its focus and flexibilities.

Additionally, we are clear that the next iteration of the AFP cannot simply be a repeat of what exists currently. The increase in the price of materials and other costs in recent years means that it is now significantly more expensive to deliver a new home today than it was in April 2021. In such a tight fiscal environment we understand there is limited room for manoeuvre – but we would encourage Government to look at innovative approaches for funding the next generation of social housing, including considering the role of private sector investors, and reclassifying social housing so that it counts as infrastructure.

Our ask: Commit to renewing the Affordable Homes Programme beyond 2026 – and provide clarity on funding arrangements and flexibilities between now and 2026.

3. Take a more interventionist approach to unlocking strategic sites.

Several of the schemes set out in our *Plan for More and Better Homes* would be built on land that is owned either by multiple individuals, organisations in the public sector such as Network Rail, or by companies in the private sector. Negotiating land sales with multiple parties presents a considerable challenge and the process often means that land for developments can only be

secured in a piecemeal manner. This complicates finding long-term delivery partners and ultimately often means that schemes are not viable.

A more interventionist approach from Government is required to help drive forward large housing schemes that have either stalled or are facing difficulties because of multiple landowners. In the first instance, the new Government should act to use its convening power to bring multiple landowners together. This, by itself, could solve a multitude of challenges – allowing for negotiations to take place and potentially agreements reached.


In instances where the Government’s convening power is not enough, tougher action should be taken where it can make a meaningful difference to delivering the new homes and regeneration that the North of England so urgently needs. We welcome the Government’s commitment to the use of Compulsory Purchase Order powers – and suggest that these be employed to provide fair compensation to multiple landowners as a last resort to deliver strategic sites.




We believe that a commitment from Government on the use of CPO powers to deliver difficult, complex sites would have a positive impact on the market – likely incentivising and driving multiple landowners to the table.

Our ask: For the Government to take a more interventionist approach when it comes to unlocking strategic sites – using its convening power to bring multiple landowners together and making clear that it will use CPO powers to help deliver strategic sites if necessary.

Places these changes would deliver

Homes for the North’s future housing portfolio includes several strategic regeneration sites currently unviable because of the net additionality rule – with temporary flexibilities set to expire in March 2025. Below we have identified a handful of these sites – in locations across the North of England – which could be transformative, delivering thousands of affordable and social homes, regenerating communities, and supporting economic growth both locally and nationally.

Site	Information
<p data-bbox="193 1574 544 1637">Horrocks Mill, Preston</p> 	<ul data-bbox="544 1574 1396 1856" style="list-style-type: none"><li data-bbox="544 1574 1396 1659">• Plans to transform derelict brownfield land into 380 new homes – including for affordable sale and rent.<li data-bbox="544 1659 1396 1744">• Currently unviable without access to additional grant funding.

<p>North Halifax, Place Shaping Strategic Masterplan</p> 	<ul style="list-style-type: none"> • An extensive programme of regeneration totalling 887 homes – with challenges to delivery including low land values, high construction costs, existing ground risks and planning policy challenges. • Other projects from the masterplan are deemed unviable due to the demolition and rehousing costs and lack of affordable homes grant for replaced units.
<p>Morton, Carlisle</p> 	<ul style="list-style-type: none"> • Proposed demolition of 270 units to build 331 new units including family housing, apartments and extra care schemes. • The scheme would see the regeneration of the site but is currently unviable due to the extent of demolition and lack of affordable homes grant for regeneration / replaced units.
<p>Cowley Hill and Union Street, St Helens</p> 	<ul style="list-style-type: none"> • A £70 million development scheme and the first phase of a 1,000-unit site. • With a project period running from 2024 to 2028, the regeneration of Cowley Hill falls outside of the Government's March 2025 deadline to bid for grant funding.

More and Better Homes *now*

The policy proposals that we have set out above are relatively modest but would have a profound impact on helping to deliver what the North of England desperately needs: More and Better Homes – as well as the economic growth that these would drive.

These proposals do not, however, address all the challenges that Homes for the North members and other housing associations face. Fundamentally, capacity will continue to be an issue because of the additional costs that housing associations have had to bear in recent years.

We look forward to working with Government to ensure that the right balance is struck between meeting new regulations and challenges such as decarbonisation on one hand, whilst also ensuring that housing associations have the capacity to do what they do best: provide homes to those that need them most, build new homes, regenerate communities, and extend their offer to those that need it.

Another critical area in which we need certainty is on the Government's plans for a long-term rent settlement. Certainty about rent income is vital for Homes for the North members and other housing associations to be able to borrow to build the next generation of social and affordable housing. We have noted recent reports that the Government is considering a CPI+1 approach and look forward to further detail.

One area in which it will be important for Government to be especially thoughtful is in ensuring that a new rent settlement is genuinely long-term, robust and free from political interference. The existing settlement was reduced, paused and otherwise amended under the last Government –

putting housing associations in a position where they have had no certainty over future income. This had a chilling effect on housing associations and actively slowed down the delivery of new homes for the people that need them most. It is an approach that must not be repeated. If the Government wants housing associations to be able to play a key role as delivery partners for the next generation of social housing, they need to create the conditions to allow them to thrive. Doing that begins with implementing the approaches set out in this paper.

About Homes for the North

Homes for the North is an alliance of 17 of the largest housing associations in the North. Most of our members are Strategic Partners of Homes England, with a combined commitment to build almost 43,000 homes across the North over the next 10 years. We also work with a range of organisations to make evidence-based policy recommendations to deliver More and Better Homes in the North.