

Homes for the North Comprehensive Spending Review Representation

September 2020

Overview

This submission is the response to the Comprehensive Spending Review 2020 (CSR) from Homes for the North, an alliance of 17 of the North's largest developing housing associations. Homes for the North undertakes research to make evidence-based policy recommendations which demonstrate the critical importance of good housing to the growth of the Northern economy and the wellbeing of its people – a key enabler of 'levelling-up'.

We make the following recommendations to the CSR:

- **The Government should create new tools to boost housing delivery in the North and make a strong statement about the role of housing in renewing the region's economy.** Housing should be seen as central to the Government's ambition to boost the Northern economy and level-up left behind communities.
- **Specifically, the Government should create a new housing infrastructure investment fund – the Levelling Up Housing Infrastructure Fund (LUHIF) –** to boost supply, unlock the delivery of currently unviable and stalled housing projects, and speed up retrofit of existing homes to improve energy efficiency and reduce carbon emissions. This should be a distinct stream of the already promised Single Housing Infrastructure Fund.

Alongside supporting the delivery of new homes, the LUHIF will create new green jobs and add value and training into supply chains, improving health outcomes and ensuring affordable homes are built where they can have the most impact on growth in left-behind communities. In turn, this will help the Government meet the following CSR objective: ***“levelling up economic opportunity across all nations and regions of the country by investing in infrastructure, innovation and people.”***

The recommendations in this submission are supported by the following research:

- [Cebr/Quod, The Role of Housing in the Northern Powerhouse, June 2019](#)
- [North Housing Consulting Limited, The Spatial Distribution of Housing Investment in the North, March 2020](#)
- [Cebr, Levelling up the Green Book Stage 1, June 2020](#)

About Homes for the North

Homes for the North is an alliance of 17 of the largest developing housing associations operating in the North of England. We bring together providers of affordable housing across the three Northern regions to deliver policy solutions to the housing crisis, and make a compelling case for a stronger role for housing in achieving the objectives of the Government's Northern Powerhouse Strategy.

Collectively, we add approximately £2.5bn per year to the Northern economy, provide affordable homes for 1 million people and employ 17,500 people across the region. Our members delivered 10,963 new homes from 2017-2020, and have an appetite to do more, already planning 24,000 homes for development over the next three years. This includes a mix of social, affordable and market housing. Unlocking sites and investment in the North would enable housing associations to expand on this impact, providing high quality homes and investment in people in their communities.

Homes for the North members are anchor institutions and long-term investors with an important role to play in supporting inclusive growth. We are uniquely placed within our communities to achieve this through investment in existing stock and new homes, employment of local people and supporting our tenants through health, financial and skills

services. Four in ten of our members' homes are located in the 10% most deprived districts in England, with 75% located in the 20% most deprived. In 2019/20, members provided £1.66m in grants supporting 714 community groups, supported 1 in 14 households with money advice, 4,039 residents into employment, and facilitated 5,203 skills training courses across the North.

What is the problem that needs solving?

Homes for the North welcomes the Government's levelling-up objectives and its ambition to close the economic and social gap experienced by people living in the North (and some other regions) compared to those living in the rest of the country, particularly London and the South East. The Government has a clear vision for the UK designed to drive future prosperity for all through an economy that is rebalanced, internationally competitive and attractive to inward investment.

We believe that the delivery of more housing, including market and affordable homes, has an important role in enabling economic growth and realising the Government's ambitions for an inclusive economy across the whole country. As such, we warmly welcome the Government's announcement of the creation of a £10bn Single Housing Infrastructure Fund to stimulate development and provide the transport, schools and living environments which markets alone will not deliver. We also support the National Housing Federation and its call for the Government to invest in a new generation of beautiful, affordable homes to boost the economy and support national recovery through an additional £20bn in grant funding for the years 2022 to 2032 as part of an expanded Affordable Homes Programme.

However, there is an important spatial dimension to housing investment. The delivery of the right homes in the right places will be crucial if the North is to retain talent and support its future workforce. But without the right policy environment our research has shown that the gap with the rest of country is likely to widen. Whilst there is currently a similar proportion of working age people across the North compared to the rest of England, on current trends the North's working age population is projected to grow at less than a third of the rate of the rest of the country (1.43% compared to 4.77% to 2043, ONS 2018). This trajectory must change if the Government is to achieve its levelling-up ambitions, and we believe housing has an important role to play in supporting the economic and jobs growth that can close this gap.

Government, local authorities and partner agencies across the North are already alive to this challenge, and building on the Government's own Northern Powerhouse Strategy, the Northern Powerhouse Independent Economic Review (NPIER) sets out an ambitious vision for transformative growth, with a shift towards more productive and skilled industries in the North. But the North also needs the right housing offer to support this transformation, and our research indicates that to fulfil this economic potential and accommodate the North's future workforce, a further two million homes (net) will be needed in the region by 2050, an average of 65,000 every year.¹

There is some evidence that the situation is improving. Over the past three years, net housing delivery figures in the North have been 56,000 per annum, although over a ten-year period the annual average has been a more disappointing 38,500. Even more is required and needs to be sustained if the North is to deliver the new and improved homes required to achieve transformative growth and close the gap with London and the South East.

We understand that there are formidable barriers to overcome. Viability and land remediation issues mean that additional Government support is needed, and whilst some Northern areas

¹ Cebr/Quod, The Role of Housing in the Northern Powerhouse, July 2019

have very buoyant markets, other towns and cities experience entrenched market failure, where renewal is key to supporting the levelling-up agenda. These issues must be addressed urgently with Government support to stimulate economic growth and address longstanding economic challenges in Northern communities.

These ambitions can only be achieved through a combination of accelerated new housing provision and ensuring the current stock remains fit for the future through a concerted investment in existing homes. There is a major stock condition challenge in the North, and decisive action is urgently needed to drive improved standards, bring empty homes back into use, and in some cases, replace homes that are no longer fit for purpose. The North has an above average proportion of older homes, which are energy inefficient and exacerbate health inequality, fuel poverty and can act as a block on attracting aspirational workers. According to the Northern Housing Consortium, nearly a quarter of Northern homes were built pre-1919, representing 46% of non-decent homes in the North. Across all sectors, seven in ten fail to meet EPC rating C. Many homes will need radical carbon-reduction measures, such as refurbishment and enhanced energy efficiency measures, to ensure they remain a desirable places to live.

What is our proposition?

Homes for the North is calling for the establishment of a **Levelling-Up Housing Infrastructure Fund (LUHIF)**, specifically identified as a transparent stream within the proposed £10bn Single Housing Infrastructure Fund. Through effective and joined-up planning and programme management, the LUHIF should be targeted to ensure housing provision and regeneration is supporting levelling-up objectives and provides the North (and other regions) with the tools to deliver the homes required for transformational growth.

Specifically, it is envisaged that the LUHIF would be available to fund the following:

- Large scale housing infrastructure projects that are required to transform the housing offer in areas of major economic growth, for example, HS2 and Northern Powerhouse Rail. This would establish a level playing field for housing investment, including funds for remediation works, and would subsume the existing Brownfield Housing Fund.
- Small scale housing infrastructure projects that are required for place-making in areas where the infrastructure levy will be insufficient to fund green spaces or other facilities.
- Housing regeneration projects that support town-centre regeneration schemes, particularly those with an emphasis on decarbonisation, jobs, and place-making. This would complement additional investment from the £3.8bn Social Housing Decarbonisation Fund promised in the 2019 Conservative Manifesto. We support the Northern Housing Consortium's call to bring all of this funding forward to the current spending review period.

The LUHIF should be sized to enable the delivery of 65,000 net new homes per annum across the North, in line with the Northern Powerhouse Independent Economic Review. With the North currently housing 28% of England's households, and delivering around 24% of its housing output, the Northern allocation of the LUHIF should represent around a quarter of the value of the Single Housing Infrastructure Fund, reflecting the imbalance in the capacity of regions to generate funds from the proposed Infrastructure Levy through land value capture. Furthermore, it is recommended that the Ministry of Housing, Communities and Local Government (MHCLG) develops a revised Green Book appraisal toolkit to support the

appraisal of projects seeking LUHIF funding, which reflect a clear business case for housing investment and levelling-up objectives.

The LUHIF should be overseen by Homes England, but where possible, devolved through existing governance arrangements including to Combined Authorities, to ensure that decisions are underpinned by local knowledge and compliment investment across other sectors. As the devolution architecture of the North evolves, oversight for how and where housing funds are allocated should be devolved further in accordance with a transparent methodology.

A clear and robust set of measures should be established whereby devolved institutions report to Homes England and MHCLG on where funds have been invested and how housing is contributing to the Government's efforts to rebalance the economy.

How would this solve the problem?

The LUHIF would serve to address some of the chronic challenges that currently prevent the North from delivering the homes required to support economic growth. Firstly, by providing access to funds for new housing projects, it would unlock the delivery of sites that are currently stalled due to issues related to, for example, remediation costs or an absence of adequate infrastructure provision to support new housing.

Furthermore, the Fund would help to unlock sites that are strategically important for local labour markets, economic growth or aligned to other initiatives such as town centre regeneration. By supporting further housing delivery, the LUHIF would enable the North to retain talent and promote economic activity in key locations.

What other policy changes would be required to support this?

Homes for the North has identified a number of further issues which hamper the delivery of the housing the North requires. These relate to the lack of a coherent vision, and policies which inhibit housing land supply and investment. Policy reform is required in these areas to ensure the LUHIF is effective.

Firstly, an ambitious Housing Growth Strategy for the North is required, which would establish the scale, type, and location of homes required and inform the distribution of the LUHIF. This should reflect the Northern Powerhouse Independent Economic Review's vision for transformative growth in the region. It should be produced by the Government and Homes England in collaboration with other bodies such as the Convention of the North (representing local authorities), NP11 and Homes for the North, and embedded in Homes England's Strategic Plan. Additionally, MHCLG should review Homes England's current objectives and Strategic Plan to ensure that levelling-up is at the heart of decision-making when it comes to housing investment.

Secondly, the Government must scrap the 80:20 rule for the distribution of housing investment, which currently skews investment away from the North and other areas towards London and the South East. Following the 80:20 rule, Homes England focusses 80% of its funding for housing infrastructure on 'high affordability pressure' areas, which are identified using median house price to median income ratios.

Most of these areas are outside the North, with only 4 out of 72 local authorities in Northern England able to qualify for the larger pot of housing infrastructure investment required to deliver more homes. As a result of the 80:20 rule, our research shows that only 12% of the

£5.5bn Housing Infrastructure Fund had been allocated to the North at the end of March 2020, significantly lower than its share of English households of 28%.²

The 80:20 rule must be replaced with an overt spatial investment strategy that matches levelling up ambitions. We believe the LUHIF would be the most transparent and effective way of achieving this. The Affordable Homes Programme should also be allocated in a way that reflects the ambitions set out in the Housing Growth Strategy, with the crude affordability driven method of allocating funding for homes let at Social Rents also ceasing.

Thirdly, the Treasury Green Book should be revised through new MHCLG Appraisal Guidance that better reflects rebalancing ambitions. Currently, the core measurement used by MHCLG in appraising the value for money of housing projects is Land Value Uplift. However, the higher level of land values in the South East and London skews funding away from the North, where land value is typically lower, without there being an adequate test of whether the benefits accrued are truly additional.

Our research recommends that whilst genuine additional Land Value Uplift is an important benefit which should be measured, a wider evidence base should be routinely used in the appraisal process to ensure appropriate weight is placed on other social, economic and environmental factors.³ Appraisal guidance should also allow Land Value Uplift assumptions to reflect transformational scenarios (rather than baking in past market failures) and provide scheme promoters in the North with a broader set of tools to make the strategic case for their schemes in a consistent way.

Finally, the proposed new standard method for establishing housing requirements through the planning system must be changed to ensure it supports levelling-up objectives. Whilst the North's share of housing delivery has been around 24% of the national total over the last three years, under the 2017 standard method the North's share of national housing requirements is as low as 17% and under the Government's proposed new standard method, would fall further to 15%. Housebuilding targets must reflect growth ambitions. Homes for the North will share its views on the proposed new standard method in its submission to the Government's consultation on '*Changes to the Current Planning System*'.

What would be the outcome?

Ambitious policies are needed if the Government is to achieve its vision to level-up economic and social conditions across the country. Housing has an integral role to play in boosting economic growth and efforts to close the gap between the North and South, and our members stand ready to do more to support this national mission. A lack of reform in these areas risks hampering the North's ability to deliver the homes required to retain talent, support its workforce, and deliver transformative growth.

The LUHIF proposed in this submission would unlock investment and provide the North with the means to deliver more quality affordable homes in locations that are important for economic growth. In addition, it would help to renew existing poor-quality homes, ensuring that these remain a sustainable part of the North's future housing supply.

Furthermore, greater investment in housing will help to renew left behind communities and tackle longstanding economic and social disparities between the North and the rest of the country unlocking the capacity of housing associations across the North to deliver more jobs

² North Housing Consulting Limited, The Spatial Distribution of the Housing Infrastructure Fund and its impact on the North: Post Budget Review March 2020, March 2020

³ Cebr, Levelling up the Green Book Stage 1, June 2020

and investment in communities as anchor institutions. Higher quality housing can deliver a wide range of benefits, including better health, wellbeing, training, and employment opportunities, as well as supporting initiatives such as town centre regeneration.