

The Changing Spatial Distribution of Housing Investment 1998 to 2022: Impact and Implications for the North



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Housing Investment in the North

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About Homes for the North

Homes for the North is an alliance of 17 of the largest developing housing associations in the North of England. In January 2016, we launched in Parliament, in order to bring the large regional providers together to help develop policy solutions to the housing crisis in the North.

Homes for the North members currently provide a third of all social rented homes in the North and are planning to build over 20,000 new homes over the next three years. This will add to our current stock of around 500,000 homes. Our work and investment provides a significant contribution to local economic growth, adding up to £2.5bn per year to the Northern economy.

Executive Summary

Recent announcements from central Government have indicated a shift in public expenditure on housing to focus more explicitly on areas of highest affordability pressure. This has resulted in a spatially targeted funding allocation framework that will see a significant amount of Government funding allocated to areas in London and the South East.

There are intense housing issues in the South of the country that need to be tackled. However, by targeting the majority of Government investment in housing towards these areas there is a major risk that other areas will suffer from a chronic lack of investment resulting in increasingly polarised communities and limiting economic growth, whilst issues in the South will continue to intensify.

This report shows that the current direction of Government policy regarding public expenditure on housing could reduce the North's share of investment moving forward by nearly 50%. This is in spite of continued support for the Northern Powerhouse agenda and the development of Local Industrial Strategies focussed on boosting economic growth in our towns and cities.

Historic Trends

Looking at Treasury data over 20 years, the share of UK public expenditure on housing targeted at the North has reduced from 24% of the total at the start of the period to 17.8% at the end of the time series. The current share of funding is much lower than the North's share of the UK population which is 23.3%. However this is influenced by the increased share in the UK's devolved nations. The North's share of England's proportion of the funding has not dropped as significantly.

However after experiencing very sharp falls in the volume of investment after 2010, the amount of public sector support for housing investment has been increasing in recent years. Generally speaking the North has secured a greater proportion of funding from programmes available for Registered Provider development than for overall public sector housing investment during this decade.



Spatial targeting of funding moving forward

Looking forward a significant shift in the way that funding is allocated quickly becomes apparent particularly when focussing on its spatial distribution.

The Ministry of Housing, Communities and Local Government (MHCLG) has made recent announcements highlighting the geographical targeting of funding programmes towards areas of highest affordability pressure. Grant for housing let at social rents is calculated using a formula which compares average social housing rents with average private sector rents. Eligibility is restricted to areas where there is a differences of £50 or more a week between the two tenures. Only 11 of 72 Northern local authorities meet this criteria.

In addition to this in October 2018, MHCLG announced that five of its programmes would be subject to geographical targeting - namely the Housing Infrastructure Fund (Forward Fund), Estates Regeneration Fund, the short-term Home Building Fund, the Small Sites Fund and the Land Assembly Fund. These programmes will predominantly be funded through the National Productivity Investment Fund.

The announcement highlighted that these funds will be distributed using affordability principles whereby 'highest affordability pressure' areas are identified using median house price to median income ratios – the 50% of local authorities above the median being eligible to bid for 80% of the funding available. For the North, just 4 out of 72 Local Authorities are in this category.

Geographical targeting in using predominantly affordability based metrics results in the majority of authorities eligible for funding being based outside the North, exacerbating the well-documented, North-South divide the country faces.

Furthermore, this report demonstrates that when this targeted funding is overlaid with measurements on the basis of need using the Index of Multiple Deprivation (2015), a mismatch between funding allocation and areas with higher levels of deprivation becomes strikingly obvious. Areas that have been subject to a long-standing lack of productive investment, resulting in high levels of deprivation, are largely excluded from funding based on affordability pressures alone.

Indeed, this pattern of funding allocation is already emerging where funding allocations have been announced. For example the Housing Infrastructure Fund (subject to the 80:20 split) has allocated £1.649bn so far, of which only 10.6% is in the North.

In addition, the Shared Ownership and Affordable Homes Programme allocated to Strategic Partners to date highlights a similar pattern. The share of the strategic partnership resources which have been allocated to the three northern regions (identified by the address of the Head Office of the recipients) is calculated at 22.4%. However when the allocations to London are taken into account this figure falls to just over 11% of the national allocation.

Priorities for the North

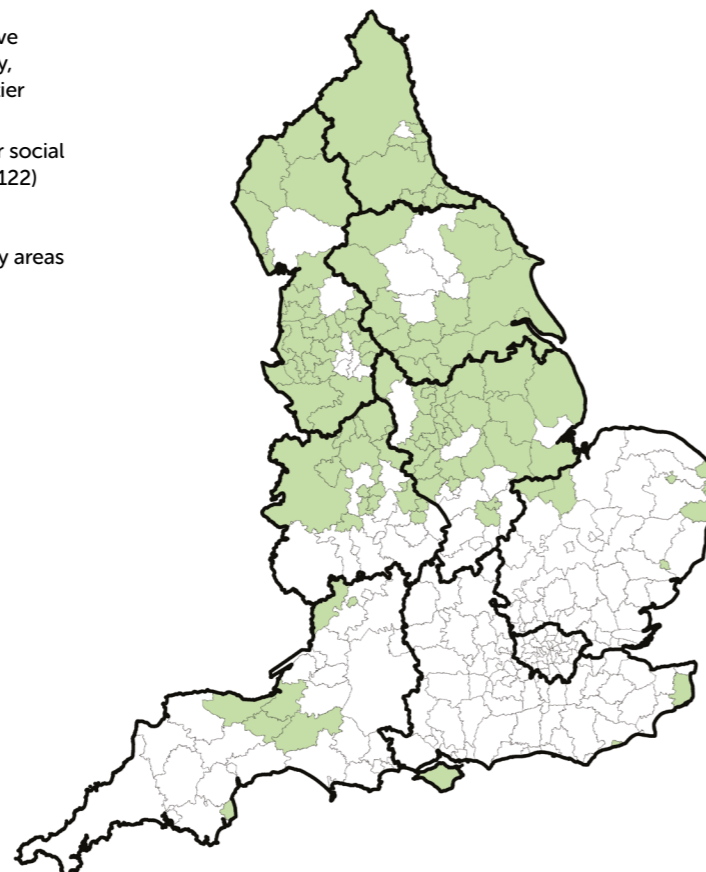
The emerging trend as demonstrated by this report places the North at a disadvantage in comparison to other parts of the country in terms of public expenditure on housing.

The Government has committed to pursuing the development of a Northern Powerhouse, enabling the North to play its part in boosting the UK economy as a whole and realise its full potential. However, the central Government policies and programmes to facilitate housing development have entered a transitional period. Without compensatory measures in the forthcoming Comprehensive Spending Review it would appear the North will experience a further reduction in expenditure share from housing and infrastructure programmes which will become progressively more obvious as pre-existing budgets are expended. This has the potential to choke economic growth across the North if it is not addressed.

Map 4.3 Social Rent or Five Funds funding – Not in scope for either programme

Affordability pressure eligibility: social rent or five funds. Eligibility by unitary, metropolitan and lower-tier districts.

- Areas not in scope for social rent or 80% funding (122)
- English regions
- English local authority areas



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“Without compensatory measures the North will experience a further reduction in expenditure share from housing and infrastructure programmes. This has the potential to choke economic growth across the North”.

1. Introduction and Context

1.1 On 30th October 2018 the Government announced the “geographical targeting” of five Homes England programmes to direct 80% of their funding to high affordability areas as defined by house prices to household income ratios. These funding streams, which are targeted at land assembly, infrastructure, estate regeneration and short-term housebuilding, will spatially focus £9.740bn of public sector investment across England in the period up to 2024. This announcement followed an earlier statement in June by the Ministry of Housing Communities and Local Government (MHCLG) which stated that newly available grant for approximately 12,500 social rented housing outside of London should be targeted at local authority areas which exhibited high affordability issues when measuring the gap between market and social rents across England. As we will see, the spatial impact of these changes are profound with only 4 of the 72 northern local authorities being able to access the 80% funding associated with the five targeted funding programmes and just 11 being able to bid for future social housing grant allocations.

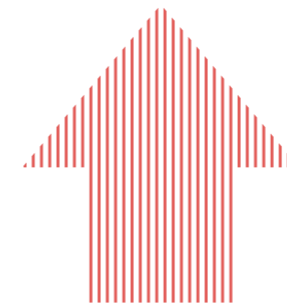
1.2 The progressive shift in funding for growth and infrastructure away from the North is arguably now deeply entrenched in the British political system. The 2003 Sustainable Communities Plan divided England into “Growth Areas” and areas of “low demand” with different policy prescriptions attached to each of the labels. A review completed for the Government Office for Science entitled Cities and Public Policy by Harding and Nevin (et al) in 2015 noted, using Treasury data, that when public expenditure is split into “productive” investment (economy, infrastructure and housing) and “non-productive” investment (health and welfare, for example) a large divergence in spending allocations between the English regions emerged. London and the South East benefitted increasingly from productive expenditure as did the devolved administrations in Scotland, Wales and Northern Ireland. Conversely the North was compensated by health and welfare expenditure to offset the social costs of historic decline and under development. Overall the expenditure gap between regions and UK devolved administrations reduces when total per capita public expenditure is compared and contrasted because of the demand-led pressures for health and social security payments. An examination of more recent figures conducted for this study suggests this disparity continues, with productive expenditure being afforded a degree of protection during the era of austerity in favoured regions and the sub-national administrations.

1.3 There is evidence which suggests that the recent move by central Government to explicitly target and integrate economic and housing development has a number of drivers. Firstly the UK has failed to recover from the economic crash of 2008/9 with productivity growth collapsing and real wages declining. Secondly the nation will face new challenges in relation to competitiveness if Brexit is implemented, and thirdly the Government has taken major decisions over the last two years on where additional growth will be supported to diversify reliance away from the City of London and provide a more balance portfolio of economic drivers to support national prosperity. The two major initiatives which have come to prominence in 2017 and 2018 are the Thames Estuary (2050) Initiative and the Milton Keynes/Oxford/Cambridge Arc.

1.4 The Thames Estuary Initiative is an expanded programme which was originally focused on the Thames Gateway within London, and has now been expanded to cover 18 Local Authority Districts across both banks of the Thames from the City of London to Kent and Essex. There is according to Government “potential” for 1 million new homes and 1.3 million new jobs over the next 30 years. The vision is accompanied by a programme of investment and a timetable for delivery which encompasses new road and rail infrastructure, additional river crossings, land reclamation and programmes of master planning. The programme integrates new growth industries such as Life Sciences with housing provision and transport hubs. Additionally in the 2017 Autumn Budget the Government announced a Growth Corridor focussed on the Milton Keynes/Oxford/Cambridge Arc. Here there is an as estimated “potential” to develop up to 1 million homes with a similar number of jobs by 2050 based upon the knowledge economy and the emergence of a driver of a similar scale to Silicon Valley in California. The National Infrastructure Commission supports both of these initiatives and the machinery of Government is working to secure their implementation.

1.5 The creation of a framework to manage economic and household growth in the East and South of England is now supported by a sophisticated targeting and delivery framework with significant funding provision for land, housing and economic development. This pan-regional growth strategy is overseen by partnerships forged between central and local Government, housing associations and the private sector. A future challenge for Government will be to transfer the knowledge and best practice from this policy innovation to assist with the development of bespoke integrated growth strategies in the North of England and achieve a further diversification and rebalancing of the national economy and housing market. A continued absence of this type and scale of partnership working between central Government and agencies in the North is likely to be reflected in future funding allocations unless a national framework for growth is developed supported by additional funding.

1.6 The policy and political background to this proposed study is therefore complex and requires a multidisciplinary lens with which to view past housing expenditure and future projections. The next section details the very specific questions highlighted in the invitation to tender for this project which are addressed in this paper.



2. Specifications for the Project

2.1 Following on from the announcements made by Government in respect of targeting the Housing Infrastructure resources and elements of the Shared Ownership and Affordable Housing Programme (SOAHP), Homes for the North have commissioned this study with the following specification:

- ▶ To consider the historic geographical distribution of funding for the 11 funds which include:
 - Affordable Homes Programme (and its predecessor programmes)
 - Shared Ownership and Affordable Homes Programme
 - Housing Infrastructure Fund
 - Estates Regeneration Fund
 - Home Building Fund
 - Small Sites Fund
 - Land Assembly Fund
 - Care and Support Specialised Housing Fund (and predecessor funds for supported, sheltered and extra care housing).
 - Community Housing Fund
 - Help to Buy Programmes
- ▶ To consider the impact of Homes England’s Methodology for calculating “highest affordability pressure” on the geographical distribution of housing investment per capita and the share of funding the North could expect from this methodology:
 - Calculate the share of the funding the North could expect under this methodology
 - To consider the impact of Homes England’s methodology for allocating funding for “social rent” funding under the Shared Ownership and Affordable Homes programme and calculate what share the North could expect under this methodology.

2.2 This paper addresses the technical questions relating to the allocation of public sector resources for housing and infrastructure investment. The paper is divided into the following sections;

- ▶ Section 3 sets out the historic regional distribution of housing investment prior to the announced changes in 2018, going back to 1998 using Treasury data for Public Sector Investment in housing. Additionally this section of the report details the volume and spatial foci of resources which have been available to Registered Providers (RPs) since 2010 in the aftermath of the financial crash and the subsequent political and policy changes.
- ▶ Section 4 briefly sets out how the targeting of housing and infrastructure resources is now being deployed by central Government and how it impacts on the North in respect of eligibility. It also sets out the criteria for targeting and contrasts this with the distribution of disadvantage and deprivation using the Governments Index of Multiple Deprivation (2015).
- ▶ Section 5 details how the new targeting regime is altering the distribution of Investment.
- ▶ The conclusions of the report are presented in Section 6.

2.3 Appendix 1 lists the data sources which have been used for this project. Most of these sources can be accessed online by the reader. This paper covers spending decisions which were announced up to the end of March 2019.



3. Historic Trends in Public Expenditure on Housing and Community Affairs

3.1 It is important to put the recent changes in central Government targeting priorities into a historical context which looks at both the volume of public sector investment which has been available to the North of England and the priority that the three regions have had when compared to the other regions and the different nations of the UK. The measurement of public expenditure used by the UK Treasury is that which is adopted internationally by the OECD and includes housing development, land purchase, remodelling, urban renewal, infrastructure development and community development. It does not include the borrowing of RPs, but it does register the provision of grant aided activity funded by Government.

3.2 This section of the report is divided into two sections. The first looks at the share and volume of housing expenditure which the North has captured over the period 1998/99-2017/18 using the Treasury definitions. The second captures the programmes which impact upon the performance of local markets and the development opportunities for RPs. The time frame here is 2011-2018 which captures the evolution of a new policy framework which is based upon different tenure and spatial priorities from the decade which preceded it.

3.3 An important contextual point for the comparisons between regions and nations over time is the proportion of population which is accounted for by residents of the three northern regions. Table 3.1 details a northern population which in 2017 represented 23.3% of the UK total, while table 3.6 shows how this represents 27.7% of England's population.

Table 3.1
Share of UK Population 1998 to 2022 (%)

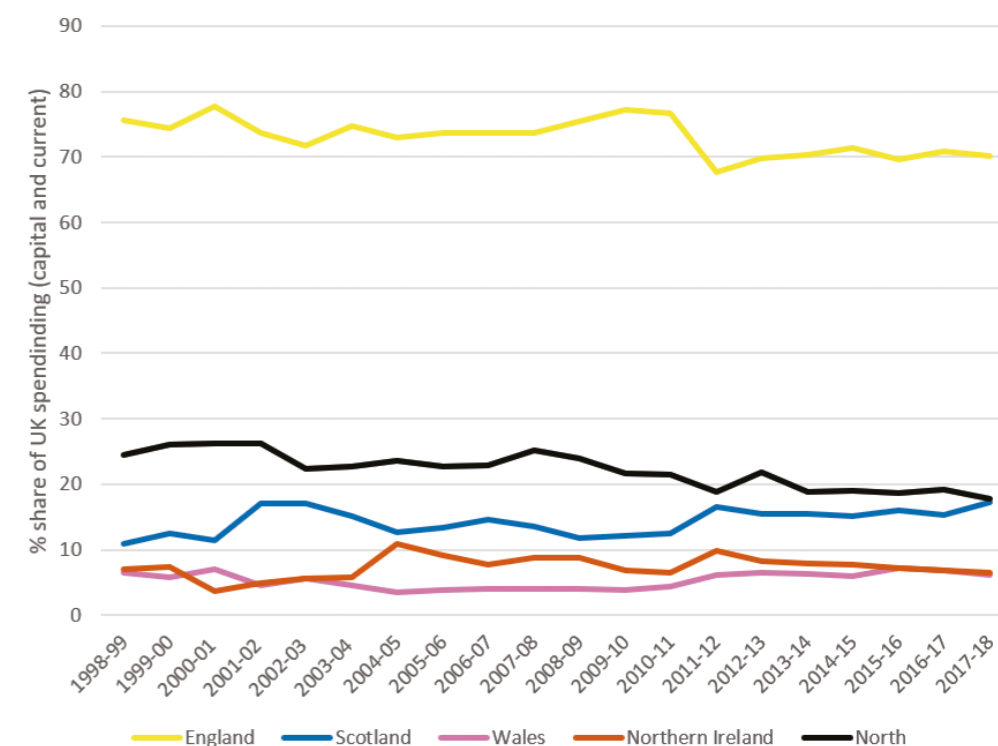
| Share of UK Population 1998 to 2022 (%) | | | |
|---|------|------|------|
| | 1998 | 2017 | 2022 |
| England | 83.5 | 84.2 | 84.4 |
| Northern Ireland | 2.9 | 2.8 | 2.8 |
| Scotland | 8.7 | 8.2 | 8.1 |
| Wales | 5.0 | 4.7 | 4.7 |
| East | 9.1 | 9.3 | 9.4 |
| East Midlands | 7.1 | 7.2 | 7.2 |
| London | 12.1 | 13.4 | 13.7 |
| North East | 4.4 | 4.0 | 3.9 |
| North West | 11.6 | 11.0 | 10.9 |
| South East | 13.5 | 13.8 | 13.8 |
| South West | 8.3 | 8.4 | 8.5 |
| West Midlands | 9.0 | 8.9 | 8.8 |
| Yorkshire and The Humber | 8.5 | 8.3 | 8.2 |

Source:
Population estimates and projections by single year of age via NOMIS. © Crown copyright: Adapted data from ONS under the Open Government Licence v.3.0.

Trends in Housing Expenditure 1998/99-2017/18

3.4 Figure 3.1 shows that the North of England captured 24.5% of UK housing expenditure in 1998/99, a figure which was commensurate with its share of total population. In the year preceding the financial crash it was still 24%, however after the crash the trend line is characterised by a sharp fall to 17.8% which was equivalent to the share invested in Scotland, which has a population share of just 8.7%.

Figure 3.1
Housing expenditure: UK Share

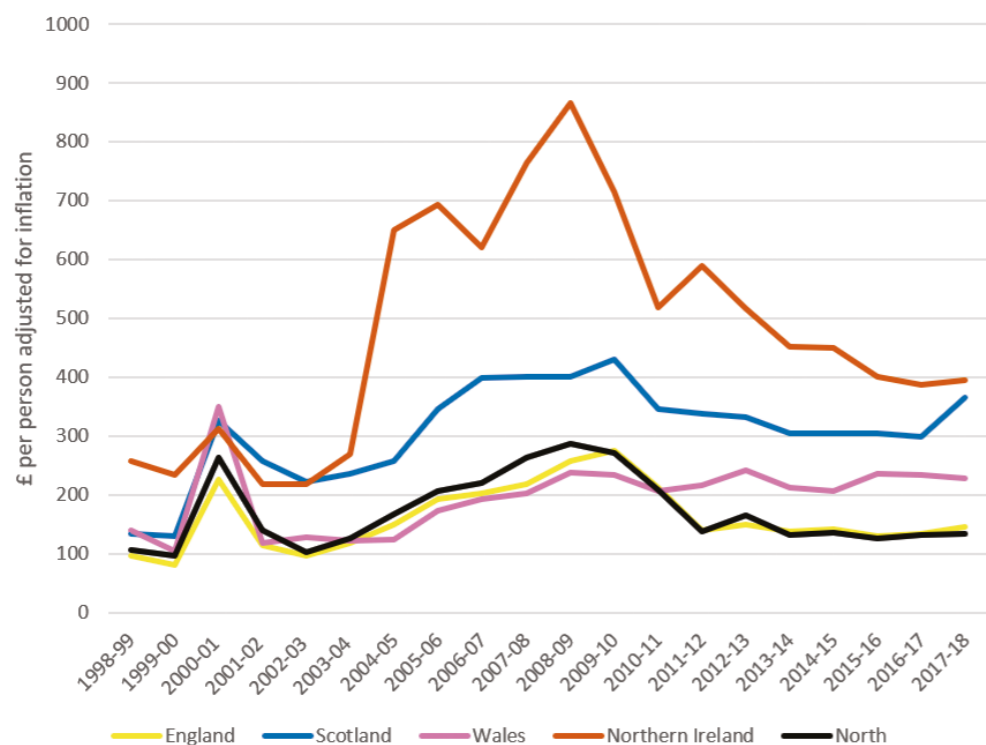


Source:
Alan Harding and Brendan Nevin, et al., 'Cities and Public Policy', Foresight Future of Cities Working Paper, London: Government Office for Science, 2015; HM Treasury, 'Country and Regional Analysis November 2018', London: The Stationery Office, 2018.



3.5 The fall in the national share of expenditure is reflected on a per capita basis in figure 3.2. Here it is evident that the North benefited from a level of investment which was higher than the English average until the financial crash, and thereafter it tracks the national average. In contrast, after the crash each of the devolved national administrations enjoy higher per capita expenditure albeit all parts of the UK experience a reduction in public sector investment in housing reflecting central Government priorities in the initial phase of the deficit reduction programme.

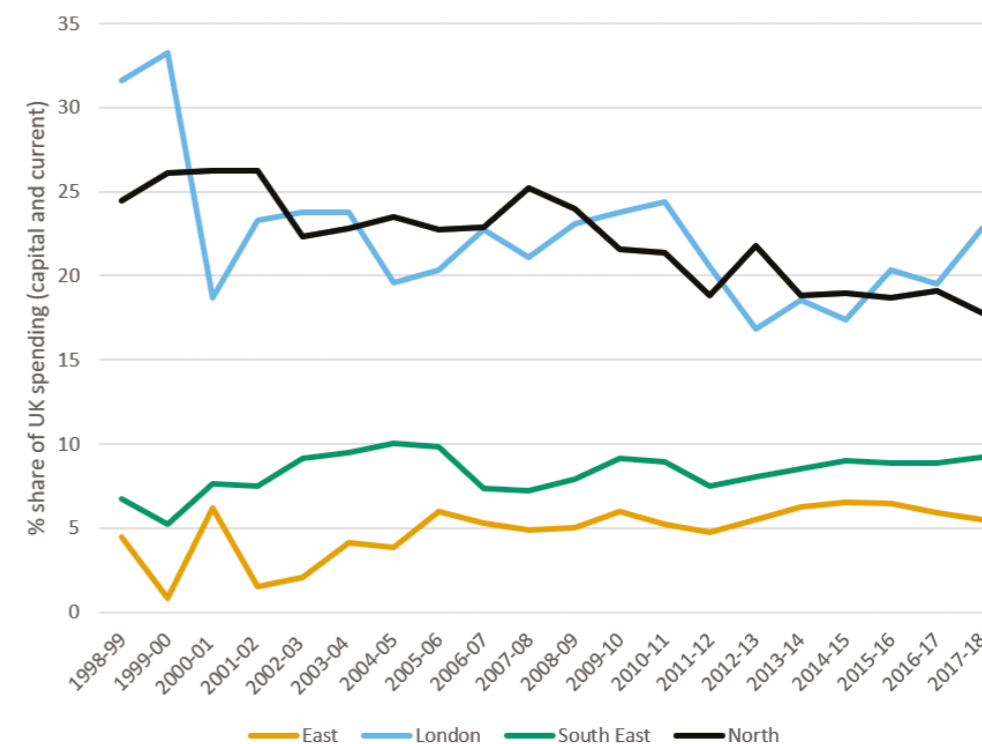
Figure 3.2
Total Housing expenditure per person



Source: Alan Harding and Brendan Nevin, et al., 'Cities and Public Policy', Foresight Future of Cities Working Paper, London: Government Office for Science, 2015; HM Treasury, 'Country and Regional Analysis November 2018', London: The Stationery Office, 2018.

3.6 In figure 3.3 the spending in the North is compared with London, the South East and East of England and is expressed as a share of total UK expenditure on Housing and Community Affairs. These spatial comparisons have been chosen because of the explicit desire to target more resources in these locations as documented by recent funding allocation statements. A more relevant comparison given the devolved nature of governance at the supra-national level within the UK, is to place this analysis in the context of regional spending within England. The data which outlines the spend across England as opposed to the UK as a whole for this twenty year period shows that the share of spending in the North starts in 1998/99 at 32.3% and peaks at 34.3% in 2006/7. It then declines to 25.3% and finishes the period with investment below its share of the English population (27.7%). By contrast both the South East and East of England maintained their increased share generated after the low point of 1999-2000.

Figure 3.3
Housing expenditure per person: UK share



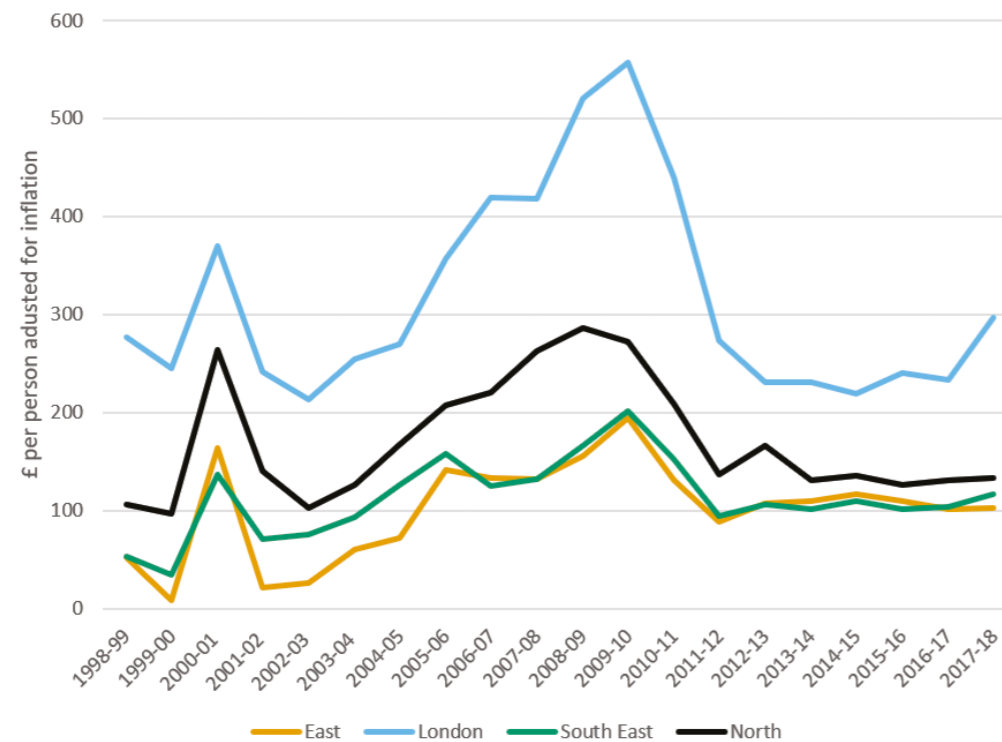
Source: Alan Harding and Brendan Nevin, et al., 'Cities and Public Policy', Foresight Future of Cities Working Paper, London: Government Office for Science, 2015; HM Treasury, 'Country and Regional Analysis November 2018', London: The Stationery Office, 2018.

3.7 Figure 3.4 expresses these shifts in terms of real expenditure per capita and here the changing focus is more evident with the gap between the North and the South East and East being at its largest in 2007/8 before declining to a position of near parity by 2017/18. It is important also to take into account the volume of expenditure as well when viewing this graph. In 1998/99 in nominal terms the budget in the North was just £1.060bn, this peaked in 2008/9 at £3.653bn and was £2.047bn in 2017/18. In real terms¹ those figures are £1.518bn, £4.224bn and £2.047bn in 2017/18 prices. The volume of public expenditure on housing has therefore never fallen as low in the 21st century as it was in the first two years of the new Labour Government which inherited expenditure plans from the administration led by John Major.

¹ Real Prices derived from the HM Treasury GDP Deflator



Figure 3.4
Housing expenditure per person



Source: Alan Harding and Brendan Nevin, et al., 'Cities and Public Policy', Foresight Future of Cities Working Paper, London: Government Office for Science, 2015; HM Treasury, 'Country and Regional Analysis November 2018', London: The Stationery Office, 2018.

3.8 Although expenditure is aggregated throughout this paper to reflect spending across the North as a whole, it is important to note that expenditure is not evenly distributed across its geography. Table 3.2 shows that in 2016/17 the North East had the second highest per capita expenditure in England. Table 3.3 explains this concentration of resources by illustrating the tenure profile, which in the North East and London is skewed towards social housing, therefore both areas generate relatively more public expenditure by virtue of their atypical market structure.

Table 3.2
Identifiable expenditure on housing and community amenities

| Identifiable expenditure on housing and community amenities England and regions, 2016-17 | | |
|---|-------------------|-------------------|
| | Total (£ million) | Total (£ million) |
| London | £1,793 | £203 |
| North East | £484 | £183 |
| West Midlands | £811 | £138 |
| Yorkshire and the Humber | £753 | £138 |
| East Midlands | £601 | £126 |
| East of England | £678 | £110 |
| North West | £790 | £109 |
| South East | £868 | £96 |
| South West | £430 | £77 |
| England | £7,206 | £130 |

Source: HM Treasury, PESA 2018, Table 9.10; ONS, mid-year population estimates for mid-2017 via nomisweb.co.uk.

Table 3.3
Social Renting in England 1996 to 2016 (% of households)

| Social Renting in England 1996 to 2016 (% of households) | | | | | |
|--|------|------|------|------|------|
| | 1996 | 2001 | 2006 | 2011 | 2016 |
| East | 19.3 | 16.6 | 16.7 | 16.7 | 15.9 |
| East Midlands | 19.3 | 18.9 | 16.3 | 16.3 | 16.0 |
| London | 27.2 | 26.4 | 25.5 | 24.6 | 22.2 |
| North East | 31.1 | 29.1 | 26.0 | 22.8 | 23.1 |
| North West | 23.8 | 21.2 | 18.4 | 17.8 | 17.6 |
| South East | 15.2 | 14.6 | 13.0 | 12.8 | 12.4 |
| South West | 16.2 | 13.9 | 13.5 | 12.8 | 12.7 |
| West Midlands | 23.2 | 20.7 | 19.3 | 19.5 | 17.5 |
| Yorkshire and The Humber | 24.6 | 22.4 | 20.7 | 18.2 | 20.1 |
| England | 21.7 | 19.9 | 18.4 | 17.7 | 17.1 |
| The North | 25.4 | 23.1 | 20.6 | 18.8 | 19.4 |

Source: UK Parliament, House of Commons Library, 'Number CBP 7706, 9 June 2017: Home ownership and renting: demographics', Briefing Paper, London: The Stationery Office, 2017.

Housing programmes 2011-2018

3.9 The volume of housing investment being allocated by central Government has evolved at pace since the 2010 General Election. The first phase of restructuring of housing policy in this era was to retrench from funding the development of social and affordable housing at the scale of the previous Government's 2008-2010 programme which provided in excess of £8bn in grant. The 2011-2015 programme received an allocation of £1.5bn housing grant to fund affordable rent, and this in turn was followed by an enhanced programme of £2.9bn for the 2015-2018 period. Before this investment could be allocated in its entirety, the emphasis of housing policy and the ambition of Government to reshape the housing market changed dramatically. The 2015-18 programme was curtailed and the contractual commitments of £1.8bn were honoured but the unspent resources were transferred to a new 2016-2021 Shared Ownership and Affordable Homes Programme (SOAHP). This new programme was established with initial resources of £4.1bn and ran in parallel to the 2015/18 programme until it ceased to be monitored at the end of 2017 and its underspend was rolled forward into the SOAHP. Most of the resources in the SOAHP were back-loaded for delivery in the 2018-21 period.

3.10 The overall investment programme to support what was widely understood to be failing national housing market (see the Housing White Paper Fixing our Broken Housing Market 2017) increased dramatically. The Chartered Institute of Housing's Housing Review 2019 details expenditure of £70.461bn between 2015/16 and 2022/23 of which £23.531bn is grant (33.4%). The grant to finance social and affordable housing continued to increase after 2016 with two further allocations totalling £3.4bn to support the development of a social housing rent programme and new strategic partnerships with individual RPs. This additional resource was divided equally. The SOAHP now has a resource of £7.7bn 2016-2021 with a further £2bn being made available for the period beyond 2022.

3.11 The Affordable Housing Programme has been the mainstay of RPs development programmes since 2010, and two major programme allocations have been completed covering periods 2011-2015 and 2015-2018. Tables 3.5a and 3.5b detail the regional spending and outputs generated by the 2011-2015 programme and how they evolved over their lifetime. This programme was characterised by a low level of expenditure following the initial design of the austerity programme post 2010. The programme by September 2014 had committed £413m for development in the North, a 24.8% share of the National Programme.

Table 3.4
HCA Affordable Homes Programme 2011-2015

| HCA Affordable Homes Programme 2011-2015 (at June 2012) | | | | | | | | | |
|---|-----------------|--------|--------------------|--------------------------|--------|--------------------|-----------------|--------|--------------------|
| Operating region | Affordable Rent | | | Affordable homeownership | | | Total programme | | |
| | Grant (£m) | Units | Grant per unit (£) | Grant (£m) | Units | Grant per unit (£) | Grant (£m) | Units | Grant per unit (£) |
| London | 533.6 | 17,492 | 30,500 | 90.9 | 6,380 | 14,200 | 624.5 | 23,872 | 26,200 |
| Midlands | 242.1 | 11,841 | 20,500 | 28.5 | 3,158 | 9,000 | 270.7 | 14,999 | 18,000 |
| South and South West | 203.0 | 10,843 | 18,700 | 30.0 | 3,313 | 9,100 | 233.1 | 14,156 | 16,500 |
| East and South East | 193.1 | 11,717 | 16,500 | 27.1 | 4,168 | 6,500 | 220.2 | 15,885 | 13,900 |
| North West | 166.6 | 8,228 | 20,300 | 14.9 | 1,177 | 12,600 | 181.5 | 9,405 | 19,300 |
| North East, Yorkshire and The Humber | 160.6 | 7,490 | 21,400 | 8.9 | 861 | 10,300 | 169.4 | 8,351 | 20,300 |
| Not yet allocated | NA | NA | NA | NA | NA | NA | 50.0 | 3,400 | 14,706 |
| England | 1,499.0 | 67,611 | 22,200 | 200.3 | 19,057 | 10,500 | 1,749.4 | 90,068 | 19,423 |

Source: Chartered Institute of Housing, UK Housing Review 2014-19

Table 3.5a
HCA Affordable Homes Programme, 2011-15 by region

| HCA Affordable Homes Programme 2011-15 by region | | | | |
|--|-------------------|--|--------------------------|---------------|
| Operating region | Grant (£ million) | Units Approved offers - end of September 2013 | | |
| | | Affordable rent | Affordable homeownership | TOTAL |
| London | 534.2 | 14,296 | 6,774 | 21,070 |
| East and South East | 228.3 | 12,275 | 3,980 | 16,255 |
| Midlands | 287.6 | 13,176 | 2,847 | 16,023 |
| North East, Yorkshire and The Humber | 194.6 | 8,964 | 781 | 9,745 |
| North West | 188.4 | 8,976 | 1,068 | 10,044 |
| South and South East | 237.6 | 12,007 | 3,403 | 15,410 |
| Total | 1,670.7 | 69,694 | 18,853 | 88,547 |

Source: Chartered Institute of Housing, UK Housing Review 2014-19

| HCA Affordable Homes Programme 2011-15 by region | | | | |
|--|-------------------|--|--------------------------|---------------|
| Operating region | Grant (£ million) | Units Approved offers - end of September 2014 | | |
| | | Affordable rent | Affordable homeownership | TOTAL |
| London | 500.0 | 13,465 | 6,325 | 19,790 |
| East and South East | 221.9 | 12,036 | 3,853 | 15,889 |
| Midlands | 291.4 | 13,061 | 2,642 | 15,703 |
| North East, Yorkshire and The Humber | 210.3 | 10,285 | 738 | 11,023 |
| North West | 202.7 | 9,473 | 1,059 | 10,532 |
| South and South East | 238.4 | 12,404 | 3,002 | 15,406 |
| Total | 1,664.7 | 70,724 | 17,619 | 88,343 |

These Tables show how the resources allocated initially under the programme were subject to virement between regions over time.

Table 3.5b
HCA Affordable Homes Programme 2015-2018: committed output by region

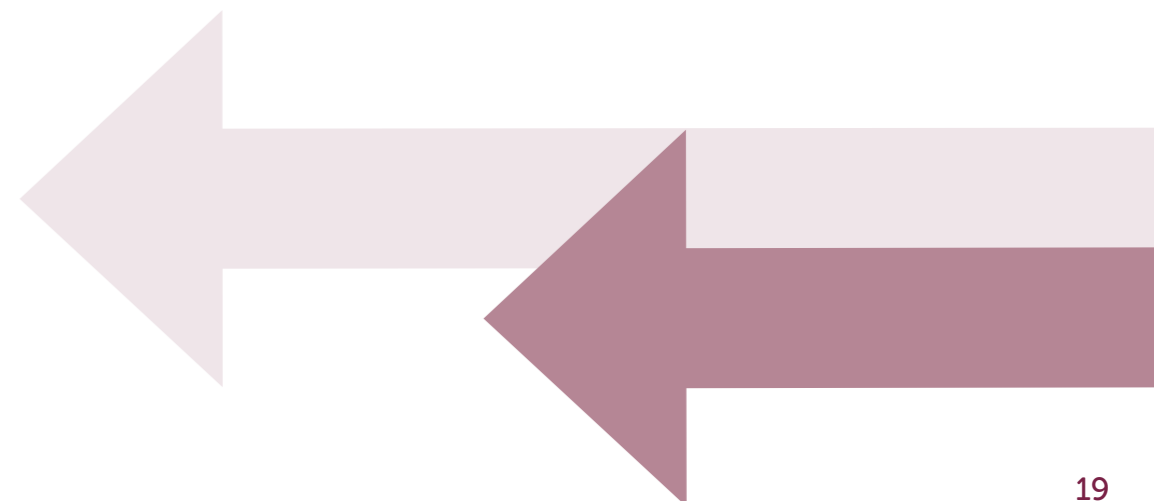
| HCA Affordable Homes Programme 2015-2018: committed output by region | | | | | | | |
|--|-------------------|-------------------------|--------------|----------------------------------|--------------|---------------|---------------|
| Operating region | Grant (£ million) | Units — Affordable rent | | Units — Affordable homeownership | | Total units | |
| | | Grant Funded | Nil grant | Grant Funded | Nil grant | Grant Funded | Nil grant |
| London | 629.9 | 12,497 | 3,735 | 7,027 | 3,080 | 19,524 | 6,815 |
| East and South East | 160.1 | 5,915 | 2,242 | 1,013 | 1,280 | 6,928 | 3,522 |
| Midlands | 240.3 | 9,257 | 1,181 | 1,284 | 419 | 10,541 | 1,600 |
| North East, Yorkshire and The Humber | 209.0 | 8,328 | 438 | 316 | 37 | 8,644 | 475 |
| North West | 196.0 | 7,638 | 266 | 939 | 109 | 8,577 | 375 |
| South and South West | 142.3 | 4,475 | 1,912 | 824 | 564 | 5,299 | 2,476 |
| TOTAL | 1,577.6 | 48,110 | 9,774 | 11,403 | 5,489 | 59,513 | 15,263 |

| HCA Affordable Homes Programme 2015-2018: committed output by region | | | | | | | |
|--|-------------------|-------------------------|---------------|----------------------------------|--------------|---------------|---------------|
| Operating region | Grant (£ million) | Units — Affordable rent | | Units — Affordable homeownership | | Total units | |
| | | Grant Funded | Nil grant | Grant Funded | Nil grant | Grant Funded | Nil grant |
| London | 503.6 | 11,850 | 3,197 | 6,342 | 2,805 | 18,192 | 6,002 |
| East and South East | 151.5 | 5,583 | 4,085 | 1,009 | 1,402 | 6,592 | 5,487 |
| Midlands | 317.7 | 11,319 | 1,971 | 2,029 | 620 | 13,348 | 2,591 |
| North East, Yorkshire and The Humber | 229.6 | 8,950 | 939 | 364 | 39 | 9,314 | 978 |
| North West | 218.5 | 8,088 | 702 | 1,180 | 55 | 9,268 | 757 |
| South and South West | 161.8 | 5,011 | 3,704 | 898 | 680 | 5,909 | 4,384 |
| TOTAL | 1,582.8 | 50,801 | 14,598 | 11,822 | 5,601 | 62,623 | 20,199 |

Source: Chartered Institute of Housing, UK Housing Review 2014-19

| HCA Affordable Homes Programme 2015-2018: committed output by region | | | | | | | |
|--|-------------------|-------------------------|---------------|----------------------------------|--------------|---------------|---------------|
| Operating region | Grant (£ million) | Units — Affordable rent | | Units — Affordable homeownership | | Total units | |
| | | Grant Funded | Nil grant | Grant Funded | Nil grant | Grant Funded | Nil grant |
| London | 420.6 | 10,310 | 3,585 | 7,056 | 3,407 | 17,366 | 6,992 |
| East and South East | 311.1 | 11,052 | 2,851 | 2,005 | 623 | 13,057 | 3,474 |
| Midlands | 224.2 | 8,673 | 1,290 | 443 | 39 | 9,116 | 1,329 |
| North East, Yorkshire and The Humber | 208.5 | 7,711 | 915 | 1,123 | 55 | 8,834 | 970 |
| North West | 137.4 | 5,017 | 5,023 | 948 | 1,367 | 5,965 | 6,390 |
| South and South West | 160.8 | 4,938 | 5,532 | 968 | 670 | 5,906 | 6,202 |
| TOTAL | 1,462.6 | 47,701 | 19,196 | 12,543 | 6,161 | 60,244 | 25,357 |

These Tables show how the resources allocated initially under the programme were subject to virement between regions over time.



3.12 The 2015-2018 programme benefited initially from a substantial increase in resources, albeit from a very low base, but following its curtailment it provided a similar national resource base to that which preceded it. £432.7m of grant had been committed to the North by September 2017 from a national total of £1.462 bn. This provided the North with an increased share of 29.6%. The programme expenditure assessment of the 2015-2018 programme was never finalised as it was merged with the more ambitious SOAHP 2016-2021 and some expenditure slippage was actually invested in 2018/19. This made direct comparisons between the two parallel programmes methodologically unsound because of this overlap. The targeting of expenditure post-March 2018 is the subject of discussion in the next section which addresses the likely future pattern of expenditure given the introduction of the Government’s new spatial priorities for investment.

3.13 As noted above, the last decade has been characterised by a proliferation of funding announcements which have been designed to stimulate the market and address need and, in addition to the Affordable Housing Programme, there have been a number of initiatives which have been relevant to the RP sector. Those which are of interest to this commission include: Care and Support Specialised Housing Fund; Help To Buy Equity Loans; Estate Regeneration Fund; Community Housing Fund and the Housing Infrastructure Fund (HIF). The HIF has two components, a £5.5m Forward Fund which is ring-fenced on the 80:20 principle discussed earlier, and a Marginal Viability Fund which funds smaller projects. The Marginal Viability Fund was not hypothecated and was allocated nationally in a one-off allocation of £866.3m in 2018 which was subsequently reduced to £610.7m after appraisals in 2019.

3.14 Tables 3.6 and 3.7 detail the scale and regional shares of the expenditure relating to these programmes over the period 2013-2018. There are a number of qualifications to note in relation to these expenditure lines:

- ▶ The grants available for Estate Regeneration and Community Housing Fund were for scheme development and small scale. The award to development grant to develop proposals carried with it no commitment to fund projects and programmes going forward;
- ▶ The HIF Marginal Viability Fund allocation has been reduced following the initial announcement and subsequent allocations. This one-off allocation for smaller schemes has now been reduced to £610.7m from £866.3m, and the North’s share has reduced in cash terms from £178.2m to £156.4m, although the overall proportion of funding has increased from 20.6% to 25.6%;
- ▶ The Care and Support Specialised Housing Fund allocation to the North was 42.8% of the resources available outside of London, however when account is taken of the GLA budget of £111m which was allocated separately then the national share falls to 26%;
- ▶ The lowest share of programme expenditure allocated across the North in this period was the Help to Buy Equity Loan Scheme at 19.9%. However it should be noted that this fund is demand driven and not allocated to any specific region. Additionally the lower house prices across the North depress the regional share of the national expenditure and perhaps a more accurate assessment of the impact on the market is that 28% of all dwellings funded by this programme are located in the three northern regions.

Table 3.6
Share of Programme spending to 2018 (%)

Source:
Chartered Institute of Housing,
UK Housing Review 2014-19

| Share of Programme spending to 2018 (%) | | | | | |
|---|--------------------------|---|----------------------------------|---------------------------|------------------------|
| | Share of Population 2017 | Care and Support Specialised Housing Fund 2013-16 | Help to Buy Equity Loans 2013-18 | Estate Regeneration Grant | Community Housing Fund |
| East | 11.1 | 10.0 | 12.9 | 7.5 | 14.9 |
| East Midlands | 8.6 | 5.0 | 9.4 | 4.0 | 4.5 |
| London | 15.9 | 0.0 | 18.7 | 26.5 | 3.8 |
| North East | 4.8 | 5.7 | 4.2 | 10.1 | 2.2 |
| North West | 13.1 | 25.9 | 9.4 | 10.8 | 9.9 |
| South East | 16.3 | 21.8 | 19.8 | 9.9 | 18.9 |
| South West | 10 | 12.3 | 10.6 | 21.0 | 31.9 |
| West Midlands | 10.5 | 8.2 | 8.7 | 4.2 | 3.2 |
| Yorkshire and The Humber | 9.8 | 11.1 | 6.3 | 6.0 | 10.7 |
| The North | 27.6 | 42.8 | 19.9 | 27.0 | 22.8 |

Table 3.7
Value of Programme spending to 2018 (£m)

| Value of Programme spending to 2018 (£m) | | | | |
|--|---|----------------------------------|---------------------------|------------------------|
| | Care and Support Specialised Housing Fund 2013-16 | Help to Buy Equity Loans 2013-18 | Estate Regeneration Grant | Community Housing Fund |
| East | 2013-16 | 1,371.0 | 2.4 | 9.0 |
| East Midlands | 8.6 | 1,001.4 | 1.3 | 2.7 |
| London | 0.0 | 1,996.5 | 8.4 | 2.3 |
| North East | 10.0 | 446.7 | 3.2 | 1.3 |
| North West | 45.1 | 1,000.9 | 3.4 | 5.9 |
| South East | 38.0 | 2,111.8 | 3.1 | 11.3 |
| South West | 21.4 | 1,135.4 | 6.6 | 19.1 |
| West Midlands | 14.3 | 926.0 | 1.3 | 1.9 |
| Yorkshire and The Humber | 19.4 | 675.1 | 1.9 | 6.4 |
| England | 174.3 | 10,664.7 | 31.5 | 60.0 |
| The North | 74.5 | 2,122.7 | 8.5 | 13.7 |

Summary

3.15 The evidence here shows that overall public sector housing investment has been falling in relative terms in the North over the last decade. However after experiencing very sharp falls in the volume of investment after 2010, the amount of public sector support for housing investment has been increasing in recent years. Generally speaking the North has secured a greater proportion of funding from programmes available for RP development than for overall public sector housing investment during this decade.

4. Spatial Targeting of Housing and Infrastructure Funding

4.1 An important context to the debate about the spatial targeting of housing resources is the development of the National Productivity Investment Fund. This lists five housing funds which are illustrated in [table 4.1](#). Collectively these funds account for £12.185bn of investment over the period 2017-18 to 2023-24. Affordable Housing Grant accounts for £2.925bn of this resource, however as yet there is no clear explanation to emerge which explains why this fraction of the SOAHP 2016-21 programme is included. Communications with MHCLG have indicated that the only formal mechanisms to target housing resources as a result of this coordinated approach to economic and housing investment were published in 2018 in relation to Social Housing allocations (MHCLG 2018a)² and the targeting of five funds for housing infrastructure and regeneration (MHCLG 2018b)³. The extent to which social and affordable development will be “levered” into areas prioritised by MHCLG because of growth and affordability issues is addressed in sections 5 and 6 of the report.

Table 4.1
National Productivity Investment Fund

| National Productivity Investment Fund (£ million) ¹ | | | | | | | |
|--|--------------|--------------|--------------|--------------|----------------------|----------------------|----------------------|
| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 ² | 2022-23 ² | 2023-24 ² |
| Housing | | | | | | | |
| Accelerated Construction | 0 | 345 | 170 | 200 | – | – | – |
| Affordable Housing | 495 | 605 | 1,215 | 610 | – | – | – |
| Housing Infrastructure Fund | 0 | 355 | 1,165 | 1,140 | 1,070 | 1,190 | 1,590 |
| Small sites infrastructure and remediation | 0 | 275 | 355 | 120 | – | – | – |
| Land Assembly Fund | 0 | 0 | 220 | 355 | 355 | 355 | – |
| Transport | | | | | | | |
| Road and local transport | 365 | 360 | 290 | 415 | 90 | 90 | – |
| Next generation vehicles | 75 | 145 | 155 | 115 | – | – | – |
| Digital railway enhancements | 30 | 55 | 165 | 285 | – | – | – |
| Cambridge – Milton Keynes – Oxford Arc | 5 | 135 | 0 | 0 | – | – | – |
| Transforming Cities Fund | 0 | 140 | 355 | 485 | 1,010 | 910 | – |
| Future High Streets Fund | 0 | 0 | 5 | 75 | 220 | 240 | 195 |
| Tyne and Wear Metro | 0 | 0 | 25 | 35 | 265 | – | – |
| Digital Infrastructure | | | | | | | |
| Fibre and 5G investment | 25 | 150 | 275 | 290 | – | – | – |
| Research and Development | | | | | | | |
| Research and Developing funding | 425 | 820 | 1,520 | 2,000 | 2,325 | – | – |
| Total | 1,420 | 3,385 | 5,915 | 6,125 | 6,955 | 6,500 | 7,250 |

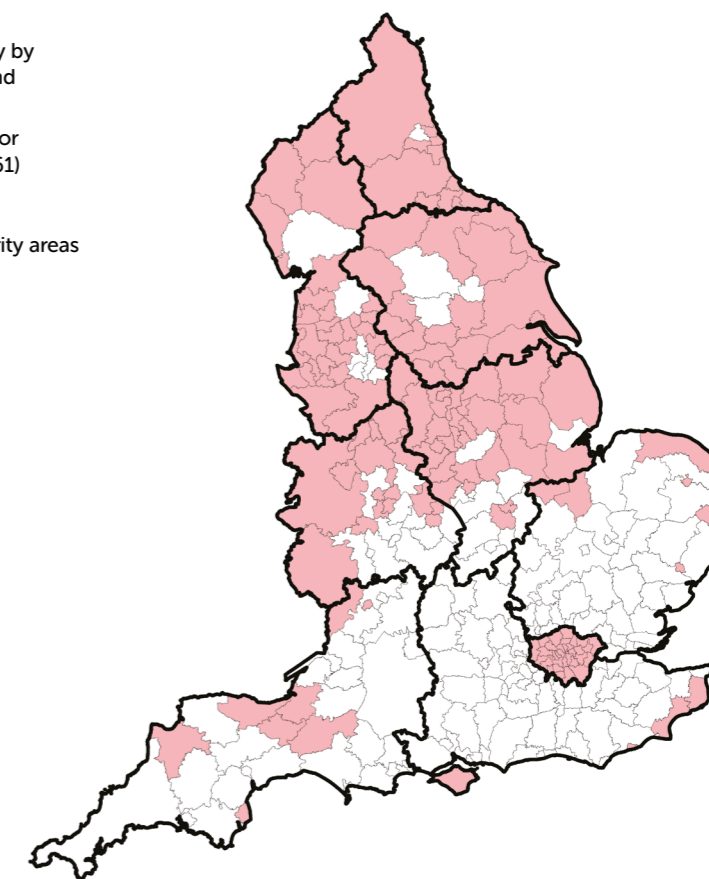
¹ Gross costs are presented on a UK basis
² Further allocations will be made at future Fiscal events

Source: HM Treasury calculations

4.2 The spatial targeting of Social Housing Grant announced by MHCLG was based on a simple formula which compared average social housing rents with average private sector rents with eligibility being restricted to those areas where there was a difference of £50 per week or more between the two tenures. This produced a pattern of eligibility which is detailed on [Map 4.1](#). This shows that only 11 Local Authority Areas were eligible in the North, of which 7 were in the North West, 3 in Yorkshire and Humberside and 1 in the North East.

Map 4.1
Social Rent affordability pressure - Not eligible

Social rent affordability pressure areas. Eligibility by unitary, metropolitan and lower-tier districts.
■ Areas not in scope for targeted funding (161)
 English regions
 English local authority areas



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² MHCLG 2018a: Shared Ownership and Affordable Homes Programme, Addendum to the Prospectus 2016-2021; June 2018
³ MHCLG 2018b : Geographical Targeting across five housing programme Funds; October 2018

4.3 The MHCLG methodology for targeting the following funds were detailed in June 2018:

- ▶ Housing Infrastructure Forward Fund;
- ▶ Accelerated Construction Fund
- ▶ Small Sites infrastructure Fund
- ▶ Land Assembly Fund
- ▶ Regeneration Fund

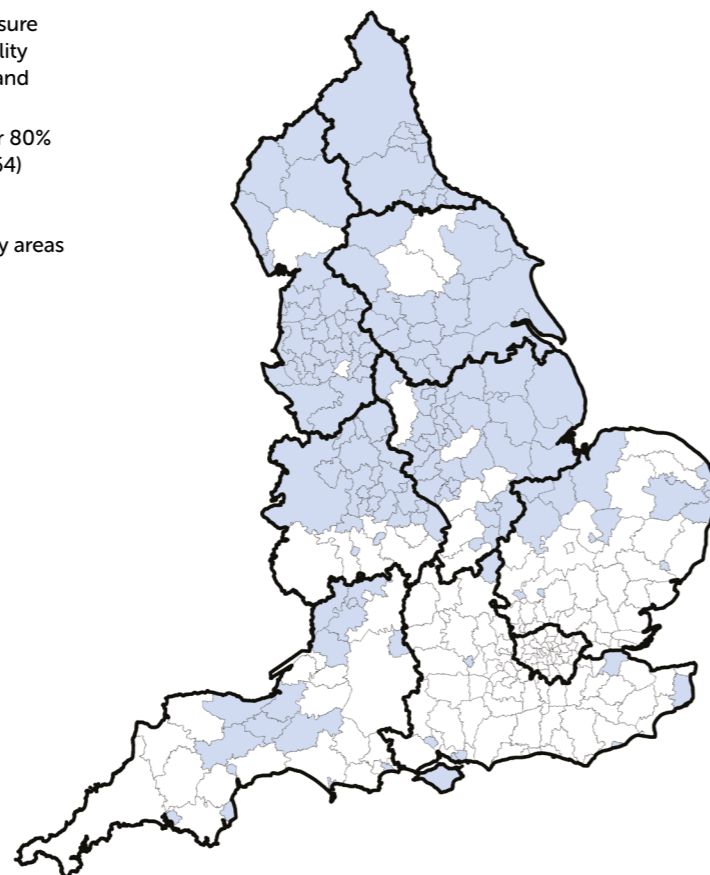
The Regeneration Fund is not included in the National Productivity Investment Fund, and is a recoverable loans resource rather than grant, however the total ring-fenced investment for these five funds is approximately £8.740bn. The targeting for these funds is based on a concept of “High Affordability Pressure” which generates a median house price to median income ratio for all 326 English Local Authorities, and then selects the 50% of areas above the median ratio for preferential targeting. Those areas with high house prices are eligible for 80% of the available funding averaged across the total budget over five years. The remaining 50% of the country are restricted to a 20% allocation.

4.4 Map 4.2 shows the impact of this formula on the North, with just four local authorities qualifying for inclusion in the 80% distribution cohort for the five funds. To make an assessment of the impact of this targeting on the North of England the following estimate was made. If we assume these funds were divided equally across England between those localities that qualified for the 20% and 80% allocations, then those in former grouping would each receive £10.71m on average while those benefiting from preferential targeting would secure £42.8m. So on the basis of just four of the 72 northern Local Authorities having priority then if funds were distributed equally according to the formula then the Northern regions would secure £899.548m or 10.3% of the total available nationally.

Map 4.2
Highest affordability pressure - Not in scope for priority funding

Highest affordability Pressure five funds 80/20%. Eligibility by unitary, metropolitan and lower-tier districts.

- Areas not in scope for 80% funding allocation (164)
- English regions
- English local authority areas



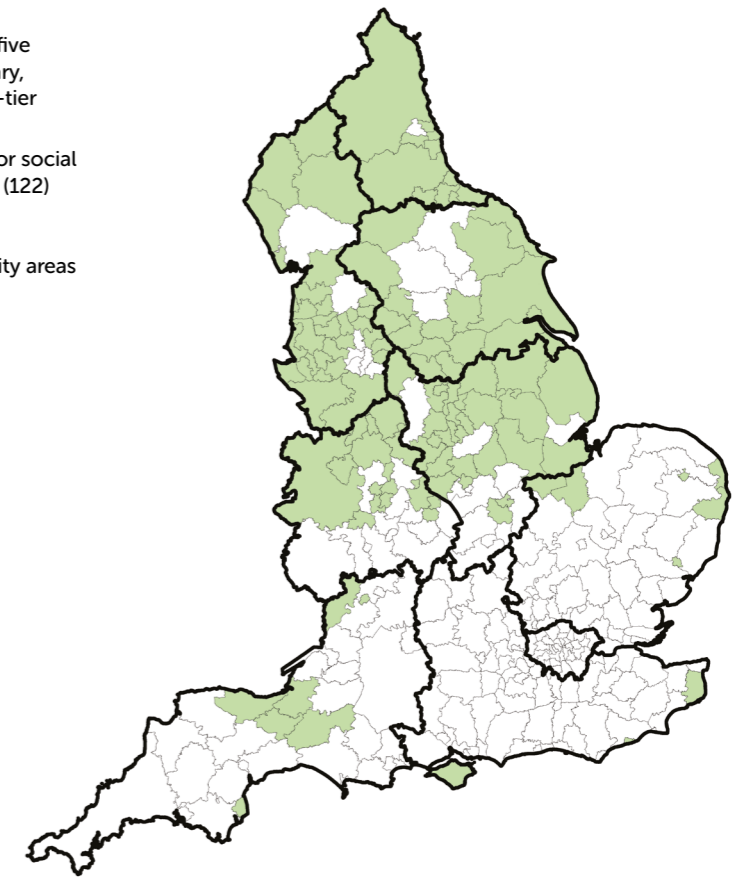
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4.5 Map 4.3 shows those local authorities which have no eligibility for priority either for social housing or the five funds, and conversely those areas outside London which have eligibility for both are highlighted in figure 4.8. Those areas which have priority for both targeting regimes will see the most intense housing investment over the spending period, and it is evident that those priority areas are overwhelmingly in the East and South of England including London. In respect of the maps London is a priority area for both the social, housing, land and infrastructure funding but does not always show up in targeted maps produced by data supplied by MHCLG as the resources are often passed directly to the GLA to manage and allocate.

Map 4.3
Social Rent or Five Funds funding – Not in scope for either programme

Affordability pressure eligibility: social rent or five funds. Eligibility by unitary, metropolitan and lower-tier districts.

- Areas not in scope for social rent or 80% funding (122)
- English regions
- English local authority areas



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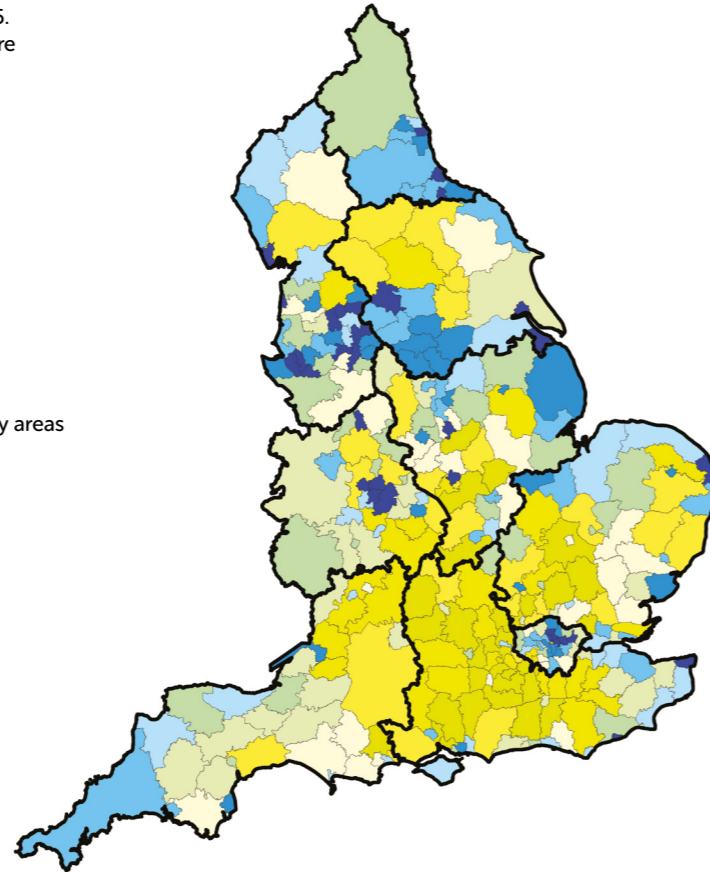
4.6 The decision made by MHCLG to target resources on the basis of house prices, rents and incomes produces very different outcomes compared to targeting on the basis of measurements of need. To illustrate this, Maps 4.4 to 4.8 show the relationship between the Index of Multiple Deprivation (2015) and the relative priority of areas for funding. What is striking is that outside of London the majority of areas with high deprivation are excluded, whilst those which are targeted as priorities for social housing and infrastructure provision are overwhelmingly advantaged.

Map 4.4
Deprivation by local authority area 2015

Multiple Deprivation 2015. Rank of overage IMD score by local authority district.

- 1 to 34
- 34 to 67
- 67 to 100
- 100 to 133
- 133 to 166
- 166 to 199
- 199 to 231
- 231 to 263
- 263 to 295
- 295 to 325

English regions
English local authority areas



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Map 4.6
Deprivation and fund targeting: Highest Affordability Pressure, priority for 80% of five Housing Funds

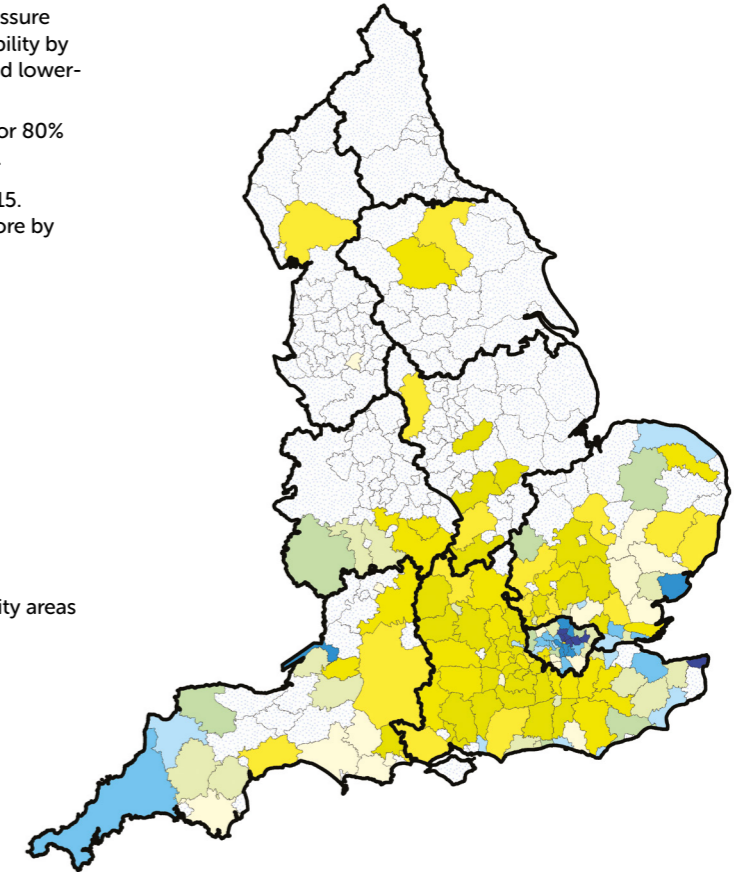
Highest affordability Pressure five funds 80/20%. Eligibility by unitary, metropolitan and lower-tier districts.

Areas not in scope for 80% funding allocation (164).

Multiple Deprivation 2015. Rank of average IMD score by local authority district.

- 1 to 34
- 34 to 67
- 67 to 100
- 100 to 133
- 133 to 166
- 166 to 199
- 199 to 231
- 231 to 263
- 263 to 295
- 295 to 325

English regions
English local authority areas



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Map 4.5
Deprivation and fund targeting: Eligibility for Social

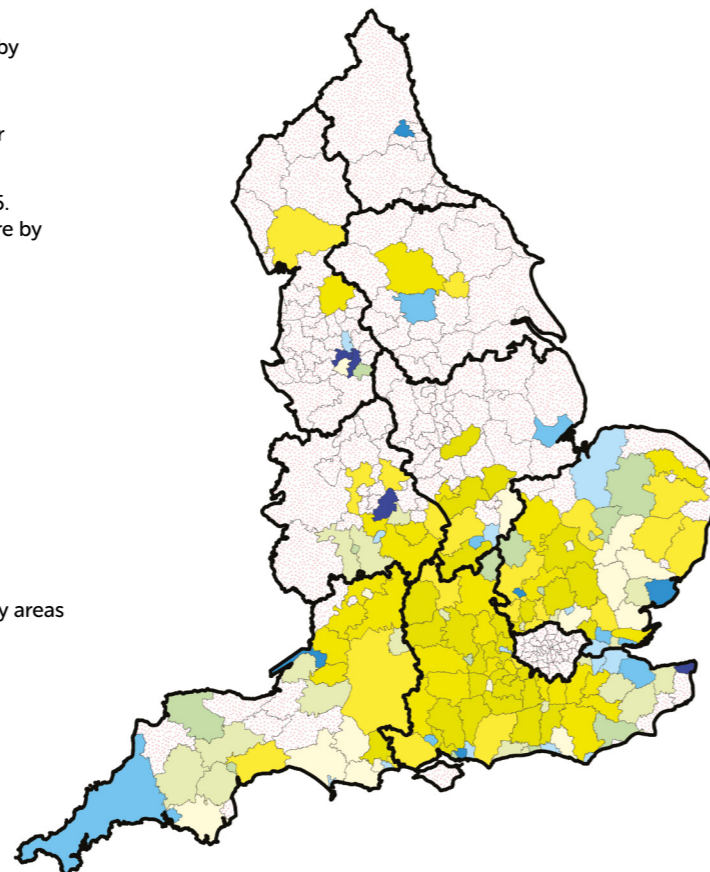
Social rent affordability pressure areas. Eligibility by unitary, metropolitan and lower-tier districts.

Areas not in scope for targeted funding (161).

Multiple Deprivation 2015. Rank of average IMD score by local authority district.

- 1 to 34
- 34 to 67
- 67 to 100
- 100 to 133
- 133 to 166
- 166 to 199
- 199 to 231
- 231 to 263
- 263 to 295
- 295 to 325

English regions
English local authority areas



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Map 4.7
Deprivation and fund targeting: Highest Affordability Pressure, social rent or five fund priority

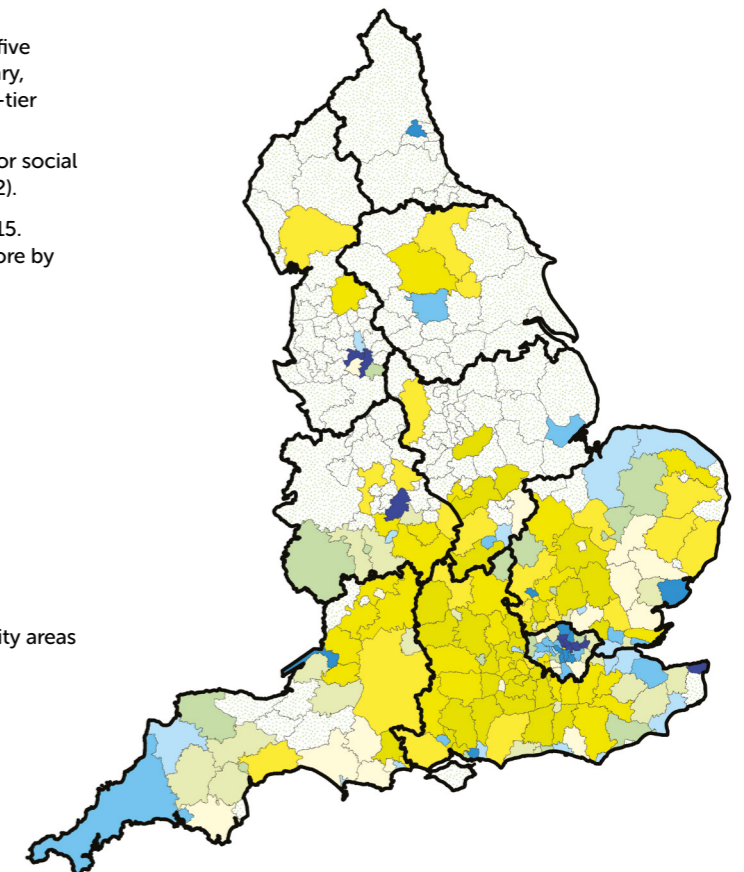
Affordability pressure eligibility: social rent or five funds. Eligibility by unitary, metropolitan and lower-tier districts.

Areas not in scope for social rent or 80% funding (122).

Multiple Deprivation 2015. Rank of average IMD score by local authority district.

- 1 to 34
- 34 to 67
- 67 to 100
- 100 to 133
- 133 to 166
- 166 to 199
- 199 to 231
- 231 to 263
- 263 to 295
- 295 to 325

English regions
English local authority areas



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Map 4.8 Deprivation and fund targeting: Affordability Pressure Priority for both social housing and the five funds

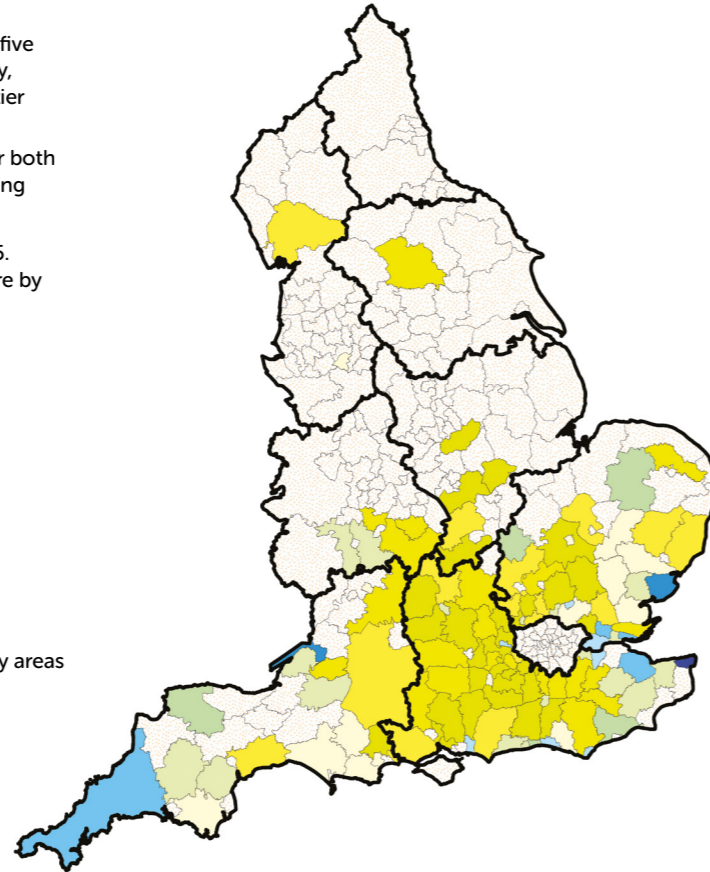
Affordability pressure eligibility: social rent and five funds. Eligibility by unitary, metropolitan and lower-tier districts.

□ Areas not in scope for both social rent and 80% funding (203).

Multiple Deprivation 2015. Rank of average IMD score by local authority district.

- 1 to 34
- 34 to 67
- 67 to 100
- 100 to 133
- 133 to 166
- 166 to 199
- 199 to 231
- 231 to 263
- 263 to 295
- 295 to 325

- English regions
- English local authority areas



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**Table 4.2
Child Poverty**

| Child Poverty | | |
|---|----------------------------------|-------------------|
| Top 20 local authorities with highest levels of child poverty across the UK – after housing costs Local authority | % of children in poverty 2017/18 | Number in poverty |
| (UK) | 30% | 4.1 million |
| Tower Hamlets | 56.7% | 42,775 |
| Newham | 51.8% | 48,862 |
| Hackney | 48.1% | 32,786 |
| Islington | 47.5% | 22,257 |
| Blackburn with Darwen | 46.9% | 19,859 |
| Westminster | 46.2% | 23,217 |
| Luton | 45.7% | 28,373 |
| Manchester | 45.4% | 63,427 |
| Pendle | 44.7% | 10,293 |
| Peterborough | 43.8% | 23,663 |
| Camden | 43.5% | 24,118 |
| Sandwell | 43.2% | 38,260 |
| Stoke-on-Trent | 43.2% | 27,421 |
| Brent | 43.1% | 36,685 |
| Barking and Dagenham | 42.8% | 29,192 |
| Lambeth | 42.8% | 29,156 |
| Enfield | 41.7% | 38,102 |
| Walsall | 41.4% | 30,551 |
| Leicester | 41.3% | 39,776 |
| Hyndburn | 40.7% | 8,307 |

Source:
Source Loughborough University 2019

4.7 If property-related metrics are used to target expenditure, then there is a risk that people based need indicators are overlooked. **Table 4.2** provides an example of this. The table produced by Loughborough University highlights the 20 Local Authorities with the highest proportion of children in poverty after taking account of housing costs. Only 12 of the authorities have a priority under both targeting regimes and 7 have no priority at all (being located in the ex-industrial areas of the Midlands and the North).

Summary

4.8 The evidence in this section of the report shows that the very simple metrics used to spatially target resources managed by Homes England and MHCLG exclude areas which have a high level of need and deprivation – particularly in the North. Unless new funding is provided which focuses on the growth and renewal issues of the North then we would expect to see the relative share of public sector investment in housing fall sharply in the medium term.



5. Changes to Funding Regimes and Targeting and its impact on the North: the evidence to date

5.1 As a result of additional resources being made available for both Social and Affordable Housing for rent in 2016 and 2017 the investment which was allocated by central Government to the SOAHP 2016-21 was £7.7bn. An extra £2bn which was made available in 2018 will not be spent until 2021/22 and beyond, when it will be incorporated into a new housing settlement which will be designed following a Comprehensive Spending Review.

5.2 The commitments made under the SOAHP as of December 2018 are listed in Table 5.1. However because of the way that procurement and allocations are now changing with the introduction of the National Productivity Investment Fund, new long-term procurement processes outside London and large one-off allocations to the GLA, it is not possible to monitor annual spend the same way as it was with the 2011-2015 and 2015-2018 programmes. During the 2018/19 financial year an additional £1.67bn was allocated to strategic partnerships outside London and a further £1.67bn was allocated to the GLA. However in Table 5.1 only the GLA allocation has been registered because of a different cut-off date being applied to the GLA and Homes England for the provision of information relating to expenditure commitments. Nevertheless these are the first large allocations to be made by the Government after the announcements which introduced the new targeting mechanisms for social housing and land and infrastructure funding. Therefore, they give an indication of the extent to which “mainstream” housing resources will follow the same pattern of distribution in future as the five targeted programmes.

Table 5.1
Shared Ownership and Affordable Homes Programme 2016-21

| Shared Ownership and Affordable Homes Programme 2016-21: committed output by operating area | | | | | | | | | |
|---|----------------|---|-----------|-------------------------|------------|----------------------------------|------------|---------------|--------------|
| Operating region | Grant (£m) | Units - social rent/ London Affordable Rent | | Units - Affordable Rent | | Units - Affordable homeownership | | Total units | |
| | | Grant funded | Nil grant | Grant funded | Nil grant | Grant funded | Nil grant | Grant funded | Nil grant |
| London | 2,603.2 | 17,764 | 5,228 | 1,421 | 2,503 | 12,469 | 6,257 | 31,737 | 14,604 |
| Midlands | 430.0 | — | — | 3,950 | 1,201 | 8,592 | 548 | 12,542 | 1,749 |
| North East, Yorkshire and The Humber | 371.8 | — | — | 3,841 | 879 | 6,912 | 183 | 10,753 | 1,062 |
| North West | 398.7 | — | — | 3,617 | 851 | 8,220 | 419 | 11,837 | 1,270 |
| South East | 305.7 | — | — | 1,595 | 5,269 | 7,827 | 4,653 | 9,422 | 9,992 |
| South West | 225.3 | — | — | 1,567 | 3,503 | 4,945 | 1,040 | 6,512 | 4,543 |
| TOTAL | 4,334.9 | 17,764 | 17 | 3,841 | 879 | 6,912 | 183 | 10,753 | 1,062 |

Source:
Source CIH UK Housing Review 2019.

Table 5.2
Share of Programme Spending to 2022 (%)

| Share of Programme Spending to 2022 (%) | | | | |
|---|--------------------------|---------------------------------------|---------------------------|--------------------------------|
| | Share of Population 2017 | AHP 2022 Strategic Partner allocation | HIF Forward Fund projects | HIF Marginal Viability Funding |
| East | 11.1 | 1.5 | 19.5 | 9.2 |
| East Midlands | 8.6 | 10.8 | 0.0 | 6.6 |
| London | 15.9 | 17.0 | 46.4 | 0.0 |
| North East | 4.8 | 5.2 | 0.0 | 7.6 |
| North West | 13.1 | 10.3 | 10.6 | 14.2 |
| South East | 16.3 | 8.7 | 18.7 | 29.3 |
| South West | 10 | 4.9 | 4.7 | 19.8 |
| West Midlands | 10.5 | 34.6 | 0.0 | 9.5 |
| Yorkshire and The Humber | 9.8 | 7.0 | 0.0 | 3.8 |
| The North | 27.6 | 22.4 | 10.6 | 25.6 |

Source:
Ministry of Housing Communities and Local Government, 'Housing Infrastructure Fund: Approved Marginal Viability Fund Projects (added 25 March 2019) File Name 90325_Aproved_MVF_schemes', [government website], <<https://www.gov.uk/government/publications/housing-infrastructure-fund>>, accessed 8 April 2019.

Table 5.3
Value of Programme Spending to 2022 (£m)

| Value of Programme Spending to 2022 (£m) | | | |
|--|---------------------------------------|---------------------------|---------------------------------|
| | AHP 2022 Strategic Partner allocation | HIF Forward Fund projects | HIF Marginal Viability Funding* |
| East | 25.6 | 227.0 | 56.4 |
| East Midlands | 178.4 | 0.0 | 40.1 |
| London | 280.4 | 540.7 | 0 |
| North East | 85.0 | 0.0 | 46.6 |
| North West | 169.6 | 123.7 | 86.9 |
| South East | 144.0 | 218.0 | 179.1 |
| South West | 81.3 | 55.1 | 120.9 |
| West Midlands | 570.6 | 0.0 | 57.8 |
| Yorkshire and The Humber | 114.8 | 0.0 | 23.0 |
| England | 1,649.5 | 1,164.5 | 610.7 |
| The North | 369.4 | 123.7 | 156.4 |

Source:
Ministry of Housing Communities and Local Government, 'Housing Infrastructure Fund: Successful Forward Fund projects', [government website], <<https://www.gov.uk/government/publications/housing-infrastructure-fund>>, accessed 8 April 2019.

Table 5.4
Share of
Programme
spending to
2022 (%)

| Share of Programme spending to 2022 (%) | | | | |
|---|--------------------------|--------------|--------------------|--|
| | Share of Population 2017 | | AHP 2022 Strategic | |
| | % | Number | % | |
| East | 11.1 | 534 | 1.4 | |
| East Midlands | 8.6 | 3,841 | 10.3 | |
| London | 15.9 | 5,352 | 14.4 | |
| North East | 4.8 | 2,300 | 6.2 | |
| North West | 13.1 | 5,110 | 13.8 | |
| South East | 16.3 | 2,546 | 6.9 | |
| South West | 10 | 1,671 | 4.5 | |
| West Midlands | 10.5 | 13,312 | 35.9 | |
| Yorkshire and The Humber | 9.8 | 2,452 | 6.6 | |
| England | 100.0 | 37,116 | 100.0 | |
| The North | 27.6 | 9,862 | 26.6 | |

5.4 The estimate of spending in the North following the strategic partnering allocations needs to be adjusted to take account of the identical commitments made to London via the GLA in 2018/19. The North’s estimated share of this national allocation then falls to around 11%. Significantly the first allocations from the HIF Forward Fund made in 2019 which allocated £1.649bn nationally, produced two road schemes for the North which will absorb 10.6% of the initial commitments made in relation to this fund.

5.5 The Accelerated Construction Fund, Small Sites Infrastructure Fund and Land Assembly Fund commenced spending in the 2018/19 financial year and at the time of writing are yet to report a regional breakdown. However the Homes England Strategic Plan has a KPI to ensure that these funds achieve the 80:20 split in favour of areas defined as having high pressure affordability issues. Therefore over a medium term financial planning period we should expect the North to generate around 10-11% of expenditure commitments (as per the estimate in Section 4).

5.6 While the seed corn grant available to develop regeneration proposals were widely distributed across England the £480m loans fund to expedite development has been retrospectively restricted to areas of high affordability pressure. There is no expectation that the North will access any of the funding available, and even in areas with high land values take up of the resource would seem to be slow, with no announcements made yet in respect of allocations from this reconfigured budget. Housing regeneration in the North would in most cases require grant support rather than loan finance because of its lower land and property values.

5.7 This paper does not explore the public policy drivers, or the socio-economic or housing market implications of the shift in expenditure priorities which are emerging from central Government. If the changes detailed here are to be embedded and durable over the medium term and are not diluted or amended by national events or new initiatives within the next Comprehensive Spending Review then it will have implications for the development of strategic thinking and investment programmes across the North of England. In the short-term however (to 2021/22) the combination of the increases in resources available for Strategic Partnering, along with the continued allocations from the Homes England share of the SOAHP which are not subject to targeting may well ensure that the volume of investment for affordable housing increases in the North compared to the 2015-18 programme.

Summary

5.8 The section of the Report is based on the first financial allocations being made by Central Government using the new spatial targeting regime. This confirms the pattern of expenditure one would expect given the maps set out in Section Four of eligible local authority areas. However additional allocations of none targeted funding also appear to be closely aligned with the spatial priorities set out by Central Government, thus intensifying the public policy focus on the South and East of England.



6. Conclusions

6.1 The conclusions here are split into two categories- historic spend and expenditure which has been targeted following the absorption of a significant part of the Housing and Infrastructure budget into the National Productivity Fund in the 2017 Budget. The Percentage of funds allocated to the North can be benchmarked against its share of England's population which is 27.6%.

Historic Spend

- ▶ Looking at Treasury data over 20 years, the share of UK public expenditure on Housing targeted at the North has reduced from 24% of the total at the start of the period to 17.8% at the end of the time series. This decline appears to be partially related to increases in spend in Scotland in relative terms but also shifts within England which have favoured the South East and East of England.
- ▶ The North East has on the Treasury definition had a very high level of per capita housing spend, being second only to London in England. But this relates to the high level of social housing in the region which is 35% larger than the national average. The OECD definition of spend includes maintenance/remodelling expenditure- so a larger social housing stock generates higher per capita spend.
- ▶ Looking at the main RP development funding, in the 2011-15 AHP the North received a 24.8% allocation. In the 2015-18 programme the allocation was 29.6% before the programme was absorbed into the 2016-21 programme in its last year.
- ▶ The Community Housing Fund has thus far only produced data relating to development expenditure and the North's share of this was 22.8%.
- ▶ The largest item of housing expenditure in the period 2013-18 was the Help to Buy Equity Loan Fund which spent in excess of £10bn. The North's share of this expenditure was 19.9%.

The targeting of expenditure at the North in these more recent programmes is broadly consistent with the trends in the historic Treasury Data.

Targeted Expenditure: Looking Forward

6.2 The full impact of the new regime for targeting Infrastructure and affordable housing funds is not yet apparent as the spend for The Accelerated Construction Fund, Small Sites Fund and Land Assembly Fund have not yet reported on their first years spend. There is however a growing body of evidence that the targeting regime where the 80:20 split is official policy is having an impact as the following shows:

- ▶ The HIF Marginal Viability Fund (which was not included in the new targeting policy) has allocated £610m and the allocation to the North was 25.6%. However this one off allocation accounts for less than 10% of the HIF resources available until 2023-24, the rest being subject to targeting measures.
- ▶ The £5.5bn Targeted HIF Forward Fund which is targeted and subject to the 80:20 split has allocated £1.649bn at the time of writing of which 10.6% has been allocated to the North. This is very close to 10.3% estimate of the value of the five targeted funds that would be available to the northern regions if resources were allocated evenly across the country given the number and location of districts which are included in the 80% and 20% priority lists.
- ▶ There is no expectation that any of the £480m loans fund for regeneration will be allocated to the North of England, partly because of the small number of local authorities with "High Affordability pressures", but also the lower land values in the North do not produce surpluses which allow regeneration loans to be paid back in most locations
- ▶ In the last 18 months £3.4 bn of expenditure has been allocated from the 2016-21 SOAHP (programme). This has been equally split between London and the rest of England. The share of the strategic partnership resources which have been allocated to the three northern regions (Identified by the address of the Head Office of the recipients) is calculated at 22.4%. However when the allocations to London are taken into account this figure falls to just over 11% of the national allocation. This suggests that affordable housing allocations will closely mirror the targeting regime for land and infrastructure spend going forward.
- ▶ If the development of new social housing were to follow the distribution of resources then a theoretical maximum of 2,800 of the 12,500 social housing units to be funded through the £1.67bn made available outside London announced in 2018, would be located in the North. Take up at this scale would largely depend upon sufficient land being made available within the 11 districts which qualify to receive the higher level of subsidy required to develop social housing for rent.
- ▶ The Central Government policies and programmes to facilitate housing development have entered a transitional period. Without compensatory measures in the forthcoming Comprehensive Spending Review it would appear the North will experience a further reduction in expenditure share from housing and infra structure programmes which will become progressively more obvious as pre-existing budgets are expended. This reduction in share however appears to be coinciding with higher volumes of expenditure nationally and at a time when resources previously allocated for continuous market engagement have not been expended. These two factors produce a "dampening" effect during any transitional period and therefore may not negatively impact on development rates in the short-term.

Appendix 1: Data Sources for Programme Data

Affordable Housing Programme

Chartered Institute of Housing, 'Housing expenditure plans: Table 2.4.1 HCA Affordable Homes Programme, 2011-2015', UK Housing Review 2011/2012 [information website], <<https://www.ukhousingreview.org.uk/ukhr1112/housingexpenditure.html>>, accessed 4 March 2019.

Chartered Institute of Housing, 'Housing expenditure plans: Table 2.4.1 HCA Affordable Homes Programme, 2011-2015 (at June 2012)', UK Housing Review 2013 [information website], <<https://www.ukhousingreview.org.uk/ukhr13/housingexpenditure.html>>, accessed 4 March 2019.

Chartered Institute of Housing, 'Housing expenditure plans: Table 2.4.1 HCA Affordable Homes Programme, 2011-2015 by region', UK Housing Review 2014 [information website], <<https://www.ukhousingreview.org.uk/ukhr14/housingexpenditure.html>>, accessed 4 March 2019.

Chartered Institute of Housing, 'Housing expenditure plans: Table 2.4.1 HCA Affordable Homes Programme 2011-15 by region', UK Housing Review 2015 [information website], <<https://www.ukhousingreview.org.uk/ukhr15/housingexpenditure.html>>, accessed 4 March 2019.

Chartered Institute of Housing, 'Housing expenditure plans: Table 2.4.1 Affordable Homes Programme 2015-18: committed output by region', UK Housing Review 2016 [information website], <<https://www.ukhousingreview.org.uk/ukhr16/housingexpenditure.html>>, accessed 4 March 2019.

Chartered Institute of Housing, 'Housing expenditure plans: Table 2.4.2 Affordable Homes Programme 2015-18: committed output by region', UK Housing Review 2017 [information website], <<https://www.ukhousingreview.org.uk/ukhr17/housingexpenditure.html>>, accessed 4 March 2019.

Chartered Institute of Housing, 'Housing expenditure plans: Table 2.4.2 Affordable Homes Programme 2015-18: committed output by region', UK Housing Review 2018 [information website], <<https://www.ukhousingreview.org.uk/ukhr18/housingexpenditure.html>>, accessed 4 March 2019.

Chartered Institute of Housing, 'Housing expenditure plans: Table 2.4.2 Shared Ownership and Affordable Homes Programme 2016-21: committed output by operating area', UK Housing Review 2019 [information website], <<https://www.ukhousingreview.org.uk/ukhr19/housingexpenditure.html>>, accessed 4 March 2019.

Affordable Housing: Government Statements

Ministry of Housing, Communities and Local Government, 'Affordable Homes Programme 2015 to 2018 programmes summary: end of March 2017: Funding by minimum HCA geography area', [government website], <<https://www.gov.uk/government/publications/affordable-homes-programme-2015-to-2018-quarterly-updates>>, accessed 8 April 2019.

Ministry of Housing, Communities and Local Government, 'Press release: Homes England agrees first wave of strategic partnerships to ramp up building of affordable homes, Published 3 July 2018', [government website], <<https://www.gov.uk/government/news/homes-england-agrees-first-wave-of-strategic-partnerships-to-ramp-up-building-of-affordable-homes>>, accessed 8 April 2019.

Ministry of Housing, Communities and Local Government, 'Press release: Homes England confirms new wave of strategic partners, Published 31 October 2018', [government website], <<https://www.gov.uk/government/news/homes-england-confirms-new-wave-of-strategic-partners>>, accessed 8 April 2019.

Ministry of Housing, Communities and Local Government, 'Press release: Homes England secures eight more strategic partners to deliver thousands of new homes, Published 31 January 2019', [government website], <<https://www.gov.uk/government/news/homes-england-secures-eight-more-strategic-partners-to-deliver-thousands-of-new-homes>>, accessed 8 April 2019.

Community Homes Fund

Ministry of Housing, Communities and Local Government, 'Press release: £60 million boost for communities affected by second homeownership, Published 23 December 2016', [government website], <<https://www.gov.uk/government/news/60-million-boost-for-communities-affected-by-second-homeownership>>, accessed 8 April 2019.

Care and Support Specialised Housing Fund

Ministry of Housing, Communities and Local Government, 'Care and Support Specialised Housing Fund: successful bids', [government website], <<https://www.gov.uk/government/publications/care-and-support-specialised-housing-fund-successful-bids>>, accessed 8 April 2019.

Ministry of Housing, Communities and Local Government, 'Care and Support Specialised Housing Fund: phase 2 successful bids', [government website], <<https://www.gov.uk/government/publications/care-and-support-specialised-housing-fund-round-2-successful-bids>>, accessed 8 April 2019.

Estate Regeneration Fund

Ministry of Housing, Communities and Local Government, 'Press release: More than 100 housing estates receive regeneration cash boost, Published 24 March 2017 and list of the local authorities and housing associations who will benefit from the fund', [government website], <<https://www.gov.uk/government/news/more-than-100-housing-estates-receive-regeneration-cash-boost>>, accessed 8 April 2019.

Help to Buy

Ministry of Housing, Communities and Local Government, 'Help to Buy (equity loan scheme) and Help to Buy: NewBuy statistics: April 2013 to 31 March 2018:

Cumulative sales since the launch of the Help to Buy (equity loan) scheme and Help to Buy: NewBuy scheme: File Name Help to Buy Tables', [government website], <<https://www.gov.uk/government/statistics/help-to-buy-equity-loan-scheme-and-help-to-buy-newbuy-statistics-april-2013-to-31-march-2018>>, accessed 8 April 2019.

Housing Infrastructure Fund

Ministry of Housing, Communities and Local Government, 'Housing Infrastructure Fund: Approved Marginal Viability Fund Projects (added 25 March 2019) File Name 90325_Approved_MVF_schemes', [government website], <<https://www.gov.uk/government/publications/housing-infrastructure-fund>>, accessed 8 April 2019.

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