

## Written evidence submitted by Homes for the North

### Overview

This document is the representation to the Treasury Committee inquiry into 'An Equal Recovery', submitted by Homes for the North (H4N), an alliance of 17 of the North's largest developing housing associations.

This inquiry asks various questions related to the economic impact of the coronavirus crisis. Rather than addressing all questions raised in this inquiry, this representation focuses on regional imbalances and the role of housing in supporting an inclusive national recovery and efforts to level-up the economy. Therefore, this submission seeks to address the following questions in particular:

- How can the Government address regional imbalances and mitigate the impact of scarring in regions?
- How does housing, and housing finance, impact on intergenerational inequality and regional imbalances?

It is the contention of H4N that housing is of critical importance and should be an integral part of the Government's mix of policies to promote long-term productivity growth and create new high-quality jobs.

Homes for the North undertakes research with expert consultants 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'.

In summary, the view of Homes for the North is that national policies for planning and funding for new homes should be reformed to enable the North to fulfil its economic growth potential and deliver inclusive growth to communities across the region. As the country looks ahead to the national recovery, the critical role of housing in supporting the national recovery and ambitions to address longstanding spatial inequalities must be recognised. The delivery of the right homes in the right places can boost economic prosperity and support the regeneration of communities.

Against this background, Homes for the North makes the following recommendations to this inquiry:

- 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 central to the Government's ambition to boost the Northern economy and level-up left behind communities.
- The new Green Book will not on its own deliver Levelling Up. There is scope for the Government to improve the evidence base and support consistent, high-quality guidance for scheme promoters. This includes further strengthening of the evidence base on housing externalities and developing a Strategic Case-making toolkit to help promoters of housing schemes to explain admissible impacts and standards of evidence to help scheme promoters produce consistent, high quality cases.
- Homes for the North welcomes the Government's commitment to replace the 80:20 rule for the distribution of housing investment. It is the contention of Homes for the North that the 80:20 rule should be replaced with criteria to support levelling up objectives. These criteria should be applied to all Homes England funding streams following the Comprehensive Spending Review. Homes for the North has

commissioned research on the levelling up criteria as a replacement for the 80:20 rule, which will be submitted in response to the Comprehensive Spending Review. In the meantime, Homes for the North would welcome a discussion with the Government on what such criteria could look like and how it could be applied to funding decisions.

In turn, this will help the Government meet the following objective originally set out in the Comprehensive Spending Review: ***“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](#)
- Cebr, Operationalising the Levelling-Up Agenda in Housing Appraisal, June 2021

### **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 and 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 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 to 714 community groups, supported 1 in 14 households with money advice, placed 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. Housing has a particularly important role as

we prepare for the national recovery following the current Covid-19 crisis and must be at the centre of our national thinking around how to boost economic growth, especially as those most effected by the crisis are likely to be in poorer areas without access to quality affordable homes.

As such, we have warmly welcomed 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, and the subsequent announcement of a significant down-payment in the Comprehensive Spending Review through the establishment of a National Home Building Fund. We also support the National Housing Federation and its call for the Government for a once-in-a-generation investment in affordable homes, through the creation of a ten-year £32bn 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.<sup>1</sup>

There is some evidence that the situation is improving. Over the past three years, net housing delivery figures in the North have been nearly 60,000 per annum (63,180 in 2019/20), although over a ten-year period the annual average has been a more disappointing 43,009<sup>2</sup>. The North's national share of housing provision has risen steadily from around 20% in 2011/12, to 26% in 2019/20. It is now broadly in line with its current household share. However, 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 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

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<sup>1</sup> Cebra/Quod, The Role of Housing in the Northern Powerhouse, July 2019

<sup>2</sup> MHCLG Live Tables, Table 118

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 desirable places to live.

It is the contention of Homes for the North that housing has a crucial role to play in supporting an inclusive, sustainable recovery that addresses regional imbalances.

### **What is our proposition?**

Homes for the North has identified several issues which hamper the housing delivery the North requires to support sustained economic prosperity. 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 that the distribution of housing investment is effective.

Firstly, Homes for the North welcomes the Government's announced revision to the 80:20 rule in December 2020, which will prevent the disproportionate concentration of investment in London and the South East.

Homes for the North's research has identified the 80:20 rule, used by Homes England for the distribution of housing infrastructure investment, as an obstacle to the levelling-up agenda. It has led to only 12% of the £5.5bn Housing Infrastructure Fund being allocated to the North by the end of March 2020, a fraction of its share of English households at 28%.<sup>3</sup>

The 80:20 rule must be replaced with an overt spatial investment strategy that matches levelling up ambitions and address longstanding regional imbalances. 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.

The replacement for the 80:20 rule must have a clear criteria for levelling up that reflects the Government's ambitions to rebalance the economy. The new levelling up criteria should then be applied to all Homes England funding streams following the Comprehensive Spending Review. Homes for the North has commissioned research on the levelling up criteria which will be submitted in response to the Comprehensive Spending Review. In the meantime, Homes for the North would welcome a discussion with the Government as this research emerges.

Secondly, the Treasury Green Book review should drive 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 (externalities).<sup>4</sup> Appraisal guidance should also allow Land Value Uplift assumptions to reflect transformational scenarios (rather than baking in past market

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<sup>3</sup> 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

<sup>4</sup> Cebr, Levelling up the Green Book Stage 1, June 2020

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.

Latest research undertaken by Cebr on behalf of Homes for the North makes various recommendations on ways in which externalities associated with housing investment can be identified and factored into appraisals to support aspirations to level-up the regions.<sup>5</sup> The new Green Book cannot deliver levelling up on its own.

Therefore, our research shows that there is scope for Government to both improve the evidence base and support consistent, high-quality guidance for scheme promoters. In summary, this research makes the following recommendations for reforms to the Green Book:

- **Support further strengthening of the evidence base on housing externalities, including through project evaluations** – this will allow housing schemes to **demonstrate** their contributions to policy outcomes, ensuring that funds are directed to the best schemes.
- **Develop a strategic case-making toolkit to help promoters of housing schemes clearly explain admissible impacts and standards of evidence to help scheme promoters produce consistent, high quality cases** – this could both streamline case-making and provide a consistent way for qualitative externalities to be reported and appraised.
- **Develop a Levelling-Up strategy around which convincing strategic cases can be developed** - such a strategy could ensure maximum clarity for scheme promoters on what the specific objectives of Levelling-Up are.
- **Review Government funding programmes to ensure they support all aspects of housing investment that can support Levelling Up and remove barriers to clear, consistent decision-making** - stakeholder discussions identified that wider issues with funding programmes and awards have created serious issues for case-making.

#### **How would this solve the problem?**

The recommendations set out in this submission would serve to address some of the chronic challenges that currently prevent the North from delivering the homes required to support economic growth and address regional longstanding regional imbalances.

Firstly, by replacing the 80:20 rule with a specific levelling up criteria applied to all Homes England funding streams moving forward, persistent imbalances in the distribution of funding for new homes would be addressed. This would enable the North to boost housing delivery, ensuring that the region is able to retain talent and promote economic activity in key locations.

Secondly, the recommendations made for further reform to Green Book appraisal guidance will ensure clarity for decision makers and scheme promoters and improve the quality and consistency of case-making in housing investment.

Developing a levelling up strategy around which strategic cases can be developed will provide for more ambitious regional growth, productivity, or housing delivery targets, support housing regeneration and brownfield remediation, and set out how housing and other schemes can contribute to social, economic and environmental objectives. Reform in this area will ensure Government funding programmes can support levelling up ambitions.

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<sup>5</sup> Cebr, Operationalising the Levelling Up Agenda in Housing Appraisal, June 2021

### **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, especially against the backdrop of a COVID recovery.

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 recommendations 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, an even distribution of 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 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.

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