Northern Housing Consortium Autumn Budget 2024 Representation

The Northern Housing Consortium is a not-for-profit membership organisation whose members own or manage 9 out of 10 socially rented homes in the North of England. Our members are councils, housing associations, ALMOs, and combined authorities, who we bring together to develop insight, influence and solutions. We are the collective voice of housing in the North.

We appreciate that Government has a difficult fiscal context within which to operate. This is why our proposals focus on areas where spending can keep the sector delivering on the Government's priorities – building the new homes the country needs and cutting carbon emissions, tackling fuel poverty and creating a generation of new green jobs by upgrading homes to support the Warm Homes Plan – and how that funding can be reformed to deliver more. These proposals will help set firm foundations for enhanced delivery later in the parliament - especially on Net Zero, unlocking brownfield land and regenerating communities and tackling poor quality stock – by providing funding certainty now.

At this government's first Budget we are focusing our representation on:

1. **A two-year extension to grant funding for affordable housing development to keep affordable housing providers building the homes we need,** ahead of announcing a new long-term Affordable Homes Programme with the flexibility to work with Mayoral Combined Authorities to deliver on local priorities.
2. **A new ten-year rent settlement of CPI+1% for social landlords** so they can effectively plan their own investments in new and existing homes.
3. **A long-term funding commitment for the decarbonisation of the North's social housing stock of £500 million a year between 2025 and 2030, with a commitment to increase funding to a minimum of £1 billion per year from 2030-2035** to cut carbon emissions, tackle fuel poverty and support the creation of up to 77,000 new good green jobs in the North.
4. **A ten-year, £4.2 billion, programme of devolved brownfield funding to unlock the delivery of 320,000 new homes** by remediating all identified brownfield land in the North of England. This needs to be based on a more comprehensive assessment of total project benefits in line with updated value-for-money methodology.
5. **The need for government to consult on both funding and regulation, including a new Decent Homes Standard covering the social and private rented sector, to tackle challenges with the existing stock and the need to regenerate communities across the North**. Time-limited capacity funding is also needed to support local authorities to enforce higher standards in the private rented sector.
6. **Permanently linking Local Housing Allowance rates to the 30th percentile of local market rents** to ensure private rental sector affordability and prevent homelessness.

1. Extending the current Affordable Homes Programme

In the North there are:

- approximately 425,000 households on a social housing waiting list
- almost 6,000 households, including approximately 12,500 children, living in temporary accommodation.
- For local authorities in the North, the cost of providing temporary accommodation was almost £164 million – a significant and continuing burden on already stretched local authority finances.

This impacts people's daily lives and is an entirely avoidable tragedy.

Unfortunately, the UK is not building at anywhere near the rates needed to address this. Only 14,400 affordable housing starts took place in 2022/23 across the North – the most recent year for which data is available.

The new government have rightly identified that our only solution is to substantially increase the new supply of homes, including new affordable housing. The North's social housing sector stands ready to support the Government in delivering this, and in meeting its ambitious target of 1.5 million new homes in this parliament.

Government's confirmation that future investment in affordable housing will be confirmed at the next Spending Review, and changes to the National Planning Policy Framework, are welcome but we need action now at this Autumn Budget.

The current Affordable Homes Programme is essentially empty, despite being supposed to be the Government's principal funding programme to support affordable housing development until 2026. Our members, particularly smaller and medium sized providers developing through Continuous Market Engagement, report that they can no longer access grant to build new affordable homes despite having schemes that are ready to start development.

Across a small group of members surveyed in the North over 1,500 homes that could be started now are being held up by a lack of available funding for Continuous Market Engagement. If there is no extension to the existing programme, these sites will be at best delayed and much of the delivery is likely to be lost in this Parliament. This is a snapshot of a handful of members and the real figure nationally is likely to be much higher.

These are shovel-ready schemes that can deliver now. The cycle of development is not straightforward, meaning that any lost development now cannot easily be replaced in this Parliament, and housing providers need long-term certainty about future grant programmes before they can fully commit to bringing a scheme forward.

To get to a formal application for Homes England grant a provider must:

- know that a proposed development will stack up financially, including any costs associated with meeting the policy requirements of the relevant grant funding programme
- negotiate with landowners and agree an option on the acquisition of land

- go through the planning process, which can easily take a year in the current context
- obtain a firm price for the delivery of works from a contractor

Only then will Homes England agree a grant allocation. At that point a provider's Board can agree that a scheme can commence, and everything will be signed into contract.

Providers of social housing are independent not-for-profit businesses and their boards have a duty to ensure they do not put their organisation or existing tenants at risk by entering unfunded contracts. Even at a relatively small level, taking on contracts at risk could potentially lead to a downgrade from the Regulator of Social Housing, which will increase a provider's borrowing costs across the piece. Therefore, providers' boards will not approve schemes without funding agreed.

From there it can take 18 months to 2 years to deliver a typical scheme. That means that schemes identified but not yet progressed are likely to fail to meet the requirement for Continuous Market Engagement funded homes to have been completed by 31 March 2026, even if funds were available.

All of these schemes mentioned above are currently at a stage where providers can make a grant application. If they have to delay that until a new Programme is issued, land options can fall through, and quotes from contractors are highly likely to be revised meaning schemes could become unviable.

It is important to understand that an announcement of a new Programme in a Spending Review is not sufficient. For a provider to know that a proposition is financially viable they need to know the detailed policy requirements. These are usually released in detail in a prospectus, which typically follows an announcement of funding. For example, the current Affordable Homes Programme was announced at Budget in March 2020 but the prospectus was not published until September 2020, with bids opening in early 2021. The providers and sites mentioned above need to be able to obtain grant funding agreements in the immediate future, under the current, known funding policy arrangements. Having to wait for the equivalent dates in this programme period, where applications open in early 2026 will jeopardise all of these schemes and risks them failing to be delivered.

We have an operating programme, which providers are familiar with, open now, in the Affordable Homes Programme 2021-2026. Extending this by two years would mean providers can bring forward identified sites now with certainty over the parameters of the programme, including likely grant rates, tenure mix, other policy requirements, and build them out over the next couple of years. These sites will then easily start and complete within this parliament.

However, if the Affordable Homes Programme cannot provide grant to new schemes until a new programme begins in 2026, and identified schemes cannot be delivered, we risk new affordable home starts collapsing. If this happens, these homes will not contribute to the Government's target to build 1.5 million new homes in this parliament, and it will take several years to build capacity back up even to the insufficient levels that they are at currently.

For example, at the end of the 2011-2015 Affordable Homes Programme in 2014/15, delivery dropped from **65,959** affordable homes delivered (through all routes) to **32,614** in 2015/16. It then took three years to recover to **57,226** in 2018/19 after which delivery of affordable housing has been reasonably consistent. Delivery has only just returned to **63,909** in the latest batch of stats for 22/23, eight years later.

If we are to deliver 1.5 million homes in this parliament then we cannot afford to spend much of this parliament trying to make ground back up rather than building on the progress of recent years.

The existing programme needs an immediate two-year extension.

This will ensure that affordable housing providers can continue to develop and plan their pipelines for the next few years, and into the period covered by the next full Affordable Homes Programme.

How UK Government can help:

- **Provide a two-year extension to the existing Affordable Homes Programme now** to ensure that affordable housing providers can continue to develop new homes.

- **Commit to a post-2026 Affordable Homes Programme** with long-term funding to maximise the delivery of new homes, and the flexibility to work with Mayoral Combined Authorities to deliver on local priorities.

2. Social housing rent policy

Over the last decade, social housing rent policy has not provided the certainty, or the levels of funding required by landlords to effectively plan their own investments in properties. A previous commitment of a 10-year rent policy was repeatedly interrupted with rent cuts and a below inflation rent cap. This has significantly reduced the overall ability of the housing sector to invest in its properties, through both reducing annual rental income, and reducing total investment capacity across the 30-year business plan period upon which housing providers plan their property investment programmes.

Uncertainty around future income levels has also made the sector less attractive to private finance, the means through which much new development and large-scale property improvements are funded.

For providers to meet all the requirements they must deliver - including tackling issues related to damp and mould, decarbonising homes, delivering building safety works, and developing new homes - certainty about their own future income is a priority.

Government must provide this certainty in this October's Autumn Budget. It is vital that future rental income can be planned for via a new long-term rent policy, which provides the levels of income required to deliver against the sector's multiple priorities. Doing so will enable providers to deliver much-needed new homes as well as improve existing homes and places.

How UK Government can help:

- **Commit to a ten-year rent policy of CPI +1.0%** to unlock a new wave of investment in properties and make the sector a more attractive proposition for private lenders.

3. Funding to decarbonise the social housing stock

Between now and 2030, more than 440,000 homes in the North will need retrofitting to meet the Government's target of all social homes reaching EPC C by the end of the decade. Following this, the task becomes much more difficult as the housing sector moves towards the full decarbonisation of the social housing stock by 2050.

The decarbonisation of the social housing stock will play a key part in the Government's Warm Homes Plan, through improving the energy efficiency of social rented homes themselves, and acting as a catalyst for supply chains to scale up, bringing down per-unit costs for improving domestic energy performance, and making it more easy to secure contractors to deliver such works in the private rental and owner occupied tenures.

This agenda also presents significant economic potential. Previous Northern Housing Consortium research, in partnership with IPPR North, identified a potential for 77,000 new jobs in retrofit roles across the North of England.

Current Government programmes, such as the Social Housing Decarbonisation Fund (SHDF), are supporting housing providers to make improvements to the energy performance of their homes - but to deliver the above benefits in full, changes to how retrofit funding is structured will be needed.

Principally amongst these required changes is the need to provide grant funding over significantly longer time periods than we see for the current two- or three-year grant programmes. The lack of such certainty is currently inhibiting providers from effectively planning out the decarbonisation of their homes between now and 2050 and adopting more comprehensive decarbonisation strategies.

If Government provides greater longer-term certainty around grant funding, this would allow providers to take more strategic approaches to improving the energy performance of their stock – including:

- aligning energy performance improvements with their wider asset management programmes
- generating greater efficiencies within investment programmes
- delivering greater value for money for both providers and Government

If the housing sector is to deliver Net Zero by 2050, the supply chain and workforce available to deliver these works is going to have to grow significantly. We currently have an underdeveloped and immature retrofit supply chain in the North. There are concerns within our membership that there is not currently the workforce to deliver expanded retrofit programmes at a scale significantly beyond what we are achieving currently. This is partly down to the lack of clarity over long-term future Government grant funding, which affects housing providers ability to present to contractors a viable, long-term pipeline of works that contractors believe it is worth increasing capacity for.

Government can support the supply chain to scale up, by making a clear commitment to a decade of funding for retrofit.

This would allow:

- housing providers to strategically plan their own investments in their homes

- supply chain partners to scale up to deliver ambitious retrofit programmes, in partnership with housing providers

The provision of existing funding is currently through relatively short, time-bound Waves, which is also problematic for retrofit delivery. This model of delivery means that all successful providers receive confirmation of their successful applications at the same time, leading to numerous providers all procuring services from a shallow pool of contractors simultaneously, resulting in substantial cost increases for providers. The existing retrofit funding is injecting sharp spikes in demand for retrofit contractors as each Wave of funding is released, rather than supporting a consistently increasing level of demand over time.

By moving to a longer-term programme of retrofit funding that provides funding over a longer, more consistent period of time, this will smooth out demand for contractors, and help make retrofit programmes using public funds a better value for money proposition.

Mayoral Combined Authorities (MCAs) across the North have already played a significant role in the delivery of retrofit funding, most notably through leading consortia of housing providers who have received waves of SHDF. These providers have provided an important support function that our housing provider members have consistently reported has improved the delivery of funding. MCAs are ready to scale up this work, and retrofit funding is a prime candidate for future devolution, as is already happening in Greater Manchester. Delivering retrofit funding locally will also allow funding to be better aligned to the varied requirements of different housing providers and their housing stocks through developing programmes with tailored targets and timescales.

Furthermore, to expand the retrofit workforce to deliver at the scale that we need, the education and skills sector will also need to play a critical role. Mayoral Combined Authorities are well placed to support the development of this expanded workforce, utilising their own housing partnerships of local affordable housing providers and their unique ability to convene all relevant stakeholders (including housing providers, local authorities, Further Education colleges, training providers, supply chain partners and more). Local Skills Improvement Plans provided a first step in establishing local skills need and improving local provision, but they differ in the extent to which they provide robust data for construction and retrofit upon which to base comprehensive skills strategies.

To truly deliver the change that we need, Mayoral Combined Authorities need to be supported to deliver locally-led skills strategies that put retrofit and construction at their heart. They also need the resources to support and scale local skills initiatives, aiming to bring new entrants into the retrofit workforce.

The establishment of Skills England, and the development of a new post-16 education strategy, also presents a significant opportunity for the new Government to utilise the insight of social landlords. Social landlords have experience as large employers in construction and retrofit, as anchor institutions in communities, and as organisations with experience supporting people furthest from the labour market into sustainable employment. Social housing providers with extensive and experienced employability initiatives should be seen as core parts of the skills system and their insights should be used to inform any new post-16 education strategy.

We have undertaken new research with social housing providers, local authorities, Mayoral Combined Authorities, contractors, and procurement professionals about what they need to deliver the comprehensive decarbonisation of the North's social housing stock. Their verdict was clear – **the main thing Government can do now that would make the biggest impact is committing to genuine long-term funding for retrofit.**

How UK Government can help:

- **Provide long-term certainty for social landlords and the retrofit supply chain with a 10-year programme of retrofit funding for social housing retrofit**.
    - For the North, this should be a minimum of £500 million a year in grant funding to get northern social homes to EPC C by 2030 and start the journey to net zero.
    - To make meaningful progress towards fully decarbonising all northern social housing – commit a minimum of £1 billion a year from 2030 to 2035, with a commitment to review progress and costs in 2030.

- **Provide Mayoral Combined Authorities with the resources through their devolution settlements to develop and deliver locally-led skills strategies that put retrofit and construction at their heart, as well as to support and scale local initiatives to bring new entrants into the workforce.**

4. Funding to redevelop brownfield land in the North

The Government has recently confirmed that in delivering its ambition of building 1.5 million homes over this parliament, redeveloping brownfield land for new housing should be a priority. Our recent research paper, Brownfield First, has identified capacity for up to 320,000 new homes on almost 6,500 hectares of previously developed land across the North.

Redeveloping this land for new homes has the potential to alleviate housing pressures, support our cities and towns, and regenerate areas across the North. **We calculate that the cost to remediate all brownfield land in the North of England would be £4.2 billion.**

Existing brownfield funding has supported the development of new homes on previously developed land, but it has often been associated with numerous obligations and requirements placed on Mayoral Combined Authorities delivering the funding. These include the requirement for each individual scheme supported to achieve a Benefit Cost Ratio (BCR) of 1.0 independently, and timescales that do not adequately reflect the long-term nature of brownfield regeneration.

In addition to this making it difficult to deliver more ambitious, lengthy regeneration schemes, these limitations mean that Mayoral Combined Authorities cannot take a strategic approach to remediating their brownfield land in line with mayoral or local priorities. This is hampered further by capacity issues within MCAs and local authority housing and planning teams. Instead, funding programmes are led principally by whatever opportunities the market can provide within prescribed timescales**. For this to be remedied, future brownfield funding should be fully devolved to Mayoral Combined Authorities and be made over periods of a decade, reflecting the long timescales associated with bringing previously**

developed land back into productive use, and allow mayors and MCAs to deliver on their own ambitious plans for growth and regeneration.

The existing Government business case appraisal process and the requirement for each scheme to achieve 1.0 independently on a BCR, also raises issues for those delivering funding. The existing appraisal framework places a disproportionate focus on a project's (BCR), with a major component of that being the 'land-value uplift' from the land being put into more productive use. Currently in project appraisals, this narrow BCR figure carries overwhelming weight compared to a project's strategic case or wider potential benefits, which cannot be adequately quantified for assessment. **This means that projects that can be supported are more likely to be focused in areas of higher land values and investment, and therefore tends to be concentrated in areas that are already more prosperous, running counter to the Government's stated regional development ambitions.** The ability to make BCR assessments across an entire funding programme, rather than on an individual case-by-case basis would go some way to alleviate these issues, by permitting schemes in lower land value areas to be supported via an effective cross-subsidy from schemes in areas of higher land values.

Previous Government work has identified some of these issues, leading to a Review of the Green Book in 2022 and publication of updated MHCLG appraisal guidance, which aim to take a more holistic view of a project's wider benefits and emphasise the importance of investing to reduce economic imbalances between areas. However, existing devolved brownfield funding is not yet using this updated appraisal framework, instead relying on previous rules. **Any future funding programmes must use updated appraisal guidance and the Government should look to use 'Value for Money bandings' on all future housing and land appraisals through amending the Green Book further, ensuring a more comprehensive assessment of a project's potential benefits.** We have published a separate report – Unlocking Brownfield Land: Government value-for-money rules alongside our Brownfield First report – which provides greater depth on these issues.

Finally, there are issues with the existing evidence base for brownfield regeneration programmes, meaning that it can be difficult to quantify all wider benefits of regeneration into appraisals for potential projects. To address this, **Government should fund further monitoring and post-intervention evaluation of brownfield regeneration schemes** so that their wider impacts can be effectively quantified and subsequently used to inform future proposal appraisals.

How UK Government can help:

- **Fund the remediation of all identified brownfield land in the North, with a total investment of £4.2 billion, reflecting the total identified brownfield capacity in the North.** This funding should be spread over 10 years, reflecting the extended timelines associated with brownfield regeneration, and fully devolved to Mayoral Combined Authorities, where they exist, to allow them to deliver on their own ambitious growth and regeneration plans.

- **Consolidate brownfield funding streams** to simplify the funding landscape and ensure that MCAs can take on the redevelopment of strategically important sites with support from Homes England.

- **New funding programmes should also ensure the effective implementation of Value for Money bandings, and programme-wide BCR assessments**, rather than on an independent case-by-case basis. This should be done by amending the appraisal framework for devolved brownfield funding programmes, and then subsequently through wider amendments to the Green Book. This would ensure that housing and land investment appraisals incorporate a more comprehensive assessment of project benefits, and a wider range of communities across the country will benefit from investment.

- **Provide capacity funding for Mayoral Combined Authorities** and local authority housing and planning teams to support them to:
    - take a strategic approach to planning brownfield remediation
    - establish a pipeline of works that can be delivered
    - maintain accurate and up-to-date brownfield data
    - work in partnership with each other
    - improve timescales for delivery

- **Support further research to fill evidence gaps for the wider benefits of housing and regeneration interventions** by providing revenue funding for monitoring and post-intervention evaluation as part of devolved brownfield settlements. This would provide a stronger, more localised evidence base that could be used to inform future housing and regeneration business cases.

5. Housing quality and regeneration

Funds need to be made available to improve housing quality in the North in both the social and private rental tenures. Across the North, we have approximately 365,000 privately rented homes and 119,000 social rented homes that do not meet the Decent Homes Standard. What is even more concerning, is that 1 in 6 homes in the North's private rental sector have a Category 1 Hazard – an issue deemed so serious to the occupant's health that the local authority is obliged to take enforcement action.

The Decent Homes Standard provides the framework upon which all social housing landlords base their asset management plans and sets the expected standard for housing quality. We support the Government's ambition to apply both the Decent Homes Standard and Minimum Energy Efficiency Standards to the private rental sector.

In 2022, the previous Government pledged to revise and strengthen the Standard but progress has stalled, with a long-promised consultation still not having taken place. This uncertainty makes it difficult for housing providers to plan their future property investment programmes, as they do not know how much compliance with an updated Standard will cost, or when it will be brought in.

We calculate that the cost of making all rented homes in the North compliant with the existing Decent Homes Standard is £3.65 billion – with the socially rented homes costing £620 million and homes rented privately costing £3.03 billion.

This does not reflect any increased costs associated with a revised Standard which can only be estimated once the details of the proposed Standard are finalised. These requirements and their costs must be established through effective consultation with the housing sector. They will need to be matched with appropriate levels of Government funding for providers to increase their home improvement plans.

Ultimately, a holistic solution to the challenges posed by the existing stock is needed. Any future funding to improve housing quality should be considered alongside funding for regeneration to deal with stock at the end of its life, and the need to invest in the redevelopment of places and communities across the North. Currently, there is little grant funding available for much-needed regeneration, save for some limited but welcome flexibility in the Affordable Homes Programme.

Housing quality enforcement

While the introduction of minimum standards is a strong first step to improving housing quality in the private rental sector, the success of these plans will be determined by how effectively any standards can be monitored and enforced.

We know that the strongest tools that local authorities have in driving up standards in their private rental sectors are selective licensing schemes. Unfortunately, the process for establishing a new scheme can be onerous for councils, leading to areas of low housing quality not currently operating under a licensing scheme, and therefore without an adequate process to effectively enforce housing quality requirements. There is a role for central Government in making it easier for councils to establish new selective licensing schemes to cover a wider range of areas and effectively enforce standards.

Furthermore, local authority housing and planning services' capacity fell disproportionately in the North under the last Government, with spending falling by:

- 54% in the North, compared to 34% in the rest of England for housing services
- 65% in the North, compared to 50% in the rest of England for planning and development services

This has made it significantly more difficult to effectively operate licensing schemes and enforce housing quality standards. Data published by the Ministry of Housing, Communities and Local Government last year showed that the most common local authority housing enforcement team size is between two and five Full Time Equivalent (FTE) staff – with 26 local authorities having between zero and one FTE staff working on housing enforcement.

Enforcement capacity will need to increase significantly if councils are to effectively enforce any minimum standards, or operate expanded selective licensing schemes, to truly improve housing quality.

How UK Government can help:

- **Consult on both funding and regulation, including a new Decent Homes Standard, to tackle challenges with the existing stock and the need to regenerate communities across the North.**

- **Support local authorities to tackle poor quality homes in the private rented sector by:**
    - Removing central Government barriers to new selective licensing schemes, as these are the strongest tool that councils have available to drive up standards in the private rental sector.
    - **Properly fund local authority capacity to enforce standards.** An initial 2-year investment is needed for local authorities to set up enforcement teams to tackle poor standards in privately rented homes. After this time, the fees from licenses should be set at a level that is sufficient to continue to enforce decent standards.

- **Increase capacity in local authority planning departments**
    - **This will help to reduce delays on new developments**, ensure the planning system can be administered effectively and efficiently, and facilitate community involvement.
    - Set up a 'Planning Super Squad' in every MCA to provide expertise, guidance, and capacity directly to local authorities on areas where complex, technical skills are required but are in limited supply.

6. Private rental sector affordability

At the last Autumn Statement, the then Chancellor restored Local Housing Allowance (LHA) rates so that they once again covered the thirtieth percentile of local market rents. This followed a concerted and long-running campaign from the housing sector and local government, highlighting how as the levels of support available for private renters on low incomes became outstripped by the increasing cost of renting, this was leading to rising levels of homelessness and significant costs for local authorities in providing temporary accommodation. As mentioned above, in the North, this cost was approximately £164 million in 2022/23.

Rates were, however, only increased for 2024/25 and will then be frozen in cash terms for subsequent years. This means that as private sector rents continue to rise in the future, the support available for those on low incomes will become increasingly inadequate, rent arrears will increase, leading to evictions, greater levels of homelessness, and local authorities will see the same pressures from providing temporary housing increase further.

The approach taken by the last Government, to increase rates only when affordability pressures reach a crisis point that threatens to bankrupt local authorities is merely a sticking plaster, rather than the long-term solution that the situation demands. The long-term adequacy of the Local Housing Allowance, ensuring that those on low incomes can rent with increased security in the private rental sector, will be key in preventing homelessness in the long-term and in any cross-government strategy for ending homelessness, as promised in the 2024 Labour manifesto. To effectively remedy this situation, **Local Housing Allowance rates should be linked to the thirtieth percentile of local market rents in perpetuity.** Failure to do this will result in the Government lurching from crisis to crisis, more renters on low incomes facing eviction, and even greater financial burdens being placed on local authority finances at a later date.

How UK Government can help:

- Provide long-term certainty and security for private renters on low incomes by **permanently linking Local Housing Allowance rates to the 30th percentile of local market rents**.

Delivering against these priorities would go a long way towards delivering the new, affordable homes that the North so desperately needs, supporting the re-development of derelict land, driving up the quality and energy performance of the North's existing homes, and improving housing security.

Please contact Tracy Harrison, Chief Executive of the Northern Housing Consortium for any further information at tracy.harrison@northern.consortium.org.uk