Housing, Communities and Local Government Committee – 'Delivering 1.5 million homes and investing in public infrastructure' Inquiry – Northern Housing Consortium submission

About the Northern Housing Consortium

The Northern Housing Consortium (NHC) is the 'Voice of Housing in the North'. Our membership includes housing associations, local authorities, Arms-Length Management Organisation (ALMOs) and Mayoral Combined Authorities. Our members manage 9 out of 10 socially rented homes in the North of England.

Summary of response

- Due to lower land values in the North, the role of Section 106 agreements in delivering new affordable housing supply is less significant than elsewhere in the country. In the North, approximately 30% of new affordable housing is delivered through this mechanism, compared with over 50% outside of the North. As a result, the North is more reliant on grant funding to deliver new affordable homes, and this will remain the case in the future.

- Land value capture mechanisms, especially Section 106, do however play a significant role in new affordable housing delivery in the North. Over the last five years, 30.3% of new affordable supply has been delivered through Section 106 agreements. In 2023/24, this was more than 4,200 new homes.

- Section 106 is well understood and well-integrated into the existing housing and planning landscape. As a result, we do not believe that the introduction of disruptive, wholescale changes to existing land-value capture mechanisms are required, and doing so would reduce the likelihood of the government meeting its 1.5 million home target.

- **There is no way to meet the government's affordable housing ambitions in the short term without substantially increasing grant funding availability. The Affordable Homes Programme is the most direct lever Government has at its disposal to deliver new affordable housing in this parliament.** The swift announcement of the next Affordable Homes Programme, as soon as practically possible, should be a priority for both Government and the Committee.

- Some short term issues, including local authority capacity and the financial capacity of the affordable housing sector, are currently holding back Section 106 from delivering the new affordable homes we need. Government can remedy these, however, as part of the ongoing spending review through a new long-term rent policy and a real terms increase in local government spending power.

Land value capture in the North

The Northern Housing Consortium and our members welcome the government's ambition to build 1.5 million new homes across this parliament and to significantly increase levels of affordable housebuilding. Our submission to the ongoing Comprehensive Spending Review laid out how the affordable housing sector can play a key role in delivering the government's ambitions, and the types of support that will be required from government. [1] We also welcome the Housing, Communities and Local Government Committee launching an inquiry into the nature and impact of the current system of land-value capture.

The principal methods of land-value capture for the housing sector in the North are developer contributions, principally taking the form of Section 106 agreements and Community Infrastructure Levy (CIL) payments. These both play a significant role in delivering required infrastructure – including in education and highways – and supporting the development of new affordable homes.

Existing land-value capture mechanisms, especially Section 106 agreements, play a critical role in delivering new affordable housing in the North. In 2023/24, Section 106 agreements delivered 4,275 new affordable homes in the North, and in the last 10 years this has been more than 33,000 new affordable homes. Between 2019/20 and 2023/4, 30.3% of all new affordable homes in the North were delivered through Section 106.

In the North, however, there are longstanding issues with the current system of land-value capture as a means of delivering the affordable housing the region needs. There are both long-term, structural issues, primarily related to the lower land values found in the North, which limit the ability of land-value capture to benefit the North to the fullest, as well as there being some immediate, short-term issues which are holding back the existing system.

Despite these issues, the housing sector would generally consider the current land value capture mechanisms, especially Section 106, to be well understood and well-integrated into the existing housing and planning landscape. Therefore, given the pressure on the government to rapidly increase overall levels of housing development, and levels of new affordable housing supply, we would advise government to not make disruptive, largescale changes to land-value capture mechanisms, or introduce any major alternative. The affordable housing sector, generally, did not support the previous government's proposals to replace Section 106 with an Infrastructure Levy. This was primarily due to concerns around the implementation of any replacement being overly disruptive and potentially reducing the levels of affordable housing delivered through land-value capture. If the Government is minded making changes to land-value capture in the future, serious consideration will need to be given to transitional impacts that risk either seizing up the land market or delivering lower levels of affordable housing in the short-term.

If government wishes to significantly increase delivery in this parliament, the best way this to achieve this, especially in the North, is to provide certainty over grant funding through a new long-term Affordable Homes Programme as soon as possible.

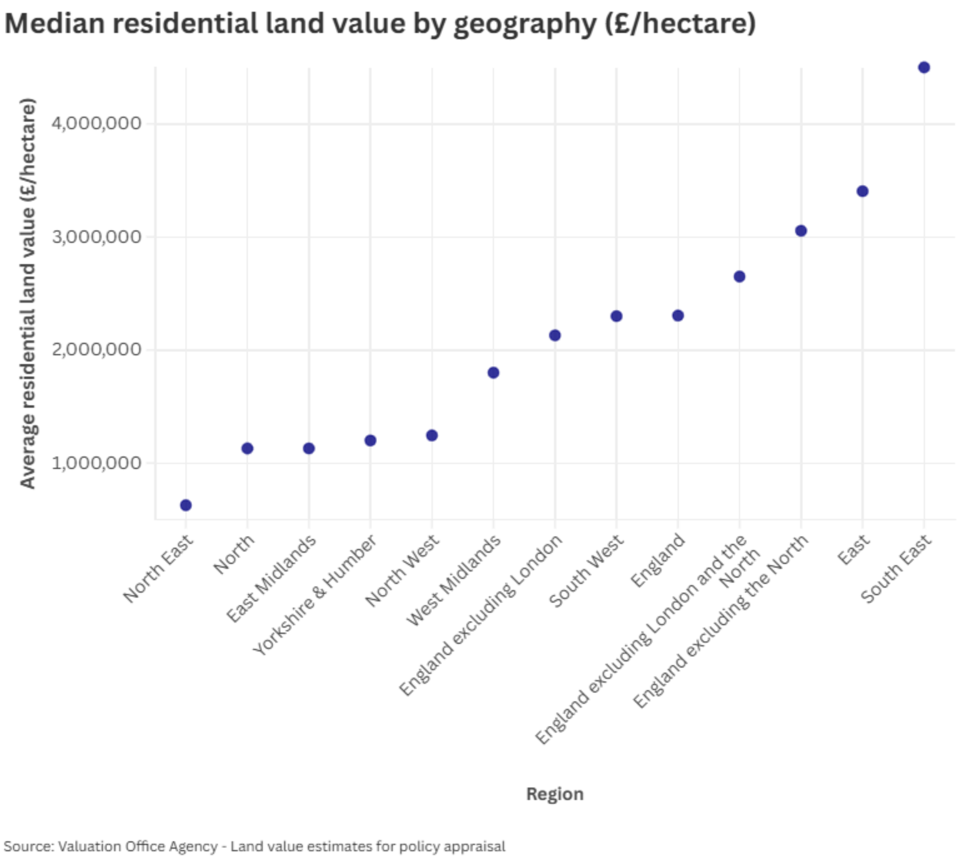
[1] Northern Housing Consortium (2025), 'Comprehensive Spending Review: Spring 2025'.

Long-term issues with land-value capture in the North

Residential land values in the North

While existing land-value capture mechanisms do play a significant role in the delivery of new affordable housing, in the North of England they face one fundamental obstacle. This is that residential land values are significantly lower in the North than across the country.

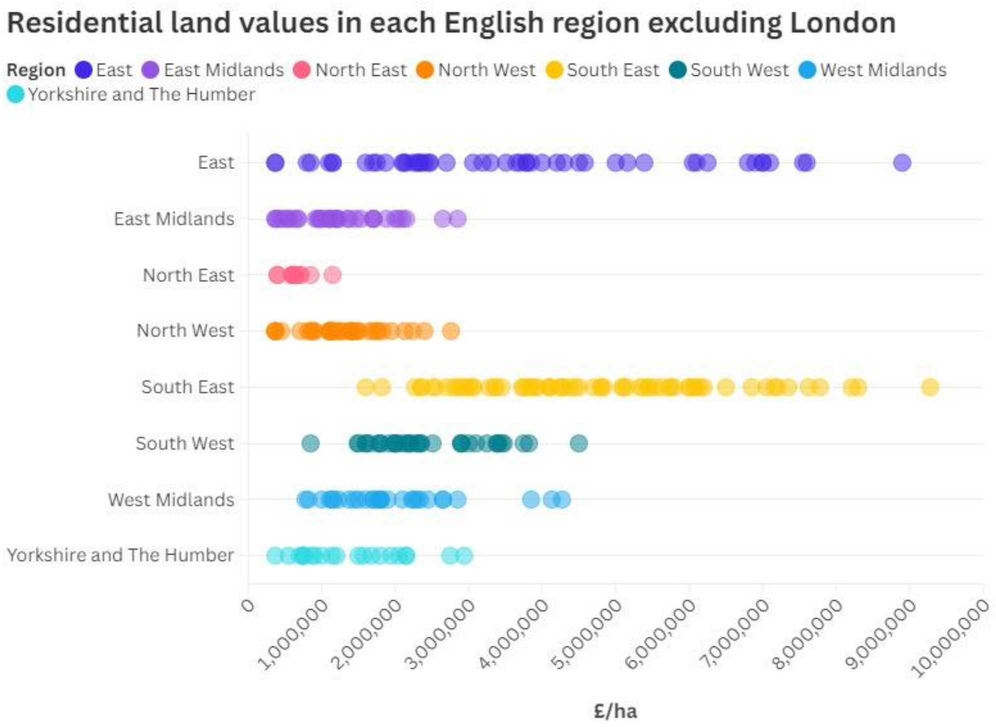
In the North of England, the median residential land value of all local authority areas is £1.13 million per hectare.[2] This is less than half the £2.31 million per hectare for residential land across all of England. Excluding London from this assessment takes the median per-hectare residential land value across the country to £2.13 million which is still 88% higher than the values found in the North. In the North East, the region with the lowest land values and the only region where residential land is valued at less than £1 million per hectare, this is £627,500. In the South East, this figure is £4.5 million. The median residential land value in different geographies can be seen in the chart below.



Not only are the regional averages lower in the North, but maximum values within each region are generally much lower too. Across the North of England, the local authority area with the highest residential land value is Harrogate (£2.94 million per hectare). This is less than a third of the residential land value found in Elmbridge, a local authority in the South

[2] **Note** - When comparing regional land values, this submission has used the median value of local authorities within a region or geography, unless otherwise stated. This is because the 'mean' can be heavily distorted by a small number of exceptionally high land values such as Kensington and Chelsea, Westminster and City of London where residential land values are £161 million, £136 million and £128 million per hectare respectively.

East, and the local authority area with the highest residential land value outside of London (£9.28 million per hectare). The chart below shows the range of residential land values within different regions, demonstrating how values in the North are generally much lower than regions such as the East and South East. [3]



Local authorities in London are generally outliers compared to the rest of the country, but it is of value to compare and contrast residential land values. For example, Kensington and Chelsea, the local authority area with the highest land values in the country, has an assumed residential land value of over £161 million per hectare. This is almost 55 times higher than the local authority area in the North with the highest residential land values. Havering, the London local authority area with the lowest residential land value, still has residential land values that are 2.6 times higher than those found in Harrogate (£7.61 million vs £2.94 million).

[3] **Note** – charts do not include residential land values for London. This is because the inclusion of this data would distort the chart to such an extent that the genuinely significant differences in residential land values between other parts of the country (e.g. the North and the South East) would become difficult to distinguish.

Range of local authority residential land values and median values by geography (£/hectare)

Region	Minimum residential land value (per hectare)	Maximum residential land value	Median residential land value
North East	£400,000 (Redcar & Cleveland and South Tyneside)	£1.15 million (North Tyneside)	£627,500
North West	£370,000 (four authorities)	£2.76 million (Cheshire West and Chester)	£1.245 million
Yorkshire & Humber	£370,000 (North Lincolnshire)	£2.94 million (Harrogate)	£1.2 million
North	£370,000 (five authorities)	£2.76 million (Cheshire West and Chester)	£1.13 million
London	£7.61 million (Havering)	£161.48 million (Kensington and Chelsea)	£21.39 million
England	£370,000 (nine authorities)	£161.48 million (Kensington and Chelsea)	£2.31 million
England excluding London	£370,000 (nine authorities)	£9.28 million (Elmbridge)	£2.13 million
England excluding the North (including London)	£370,000 (four authorities)	£161.48 million (Kensington and Chelsea)	£3.06 million
England excluding London and the North	£370,000 (four authorities)	£9.28 million (Elmbridge)	£2.65 million

Land value uplift – agricultural land

These lower residential land values mean that the 'uplift' generated by moving a piece of land from an unproductive use (such as brownfield or agricultural) to a more productive use (residential) is also much lower. This is especially the case for agricultural land. For example, the median residential land value for the South East (£4.5 million), represents an uplift of 18,000% or 180 times the per-hectare value of agricultural land (£25,000) in that region. Across the North, the median residential land-value is £1.13 million representing an increase of 5,050% or 51 times, over the average value of agricultural land across the North (£22,375). This uplift is less than a third of that seen in the South East. Outside of the North, developing a hectare of agricultural land for new housing will provide a value uplift of 12,533% or 125 times the original value.

In addition, these issues are seen most acutely in the areas of lowest land-values. The local authority areas in the North of England with the lowest land values have a residential land value of £370,000 per hectare (Allerdale, Copeland, Carlisle, Burnley and North Lincolnshire).[4] Using Burnley as an example, this is an uplift of 1609% or 16 times from the

[4] Note – land value estimates have not yet been published since local government reorganisation in Cumbria took place in 2023. Following this, Barrow in Furness, Eden and South Lakeland councils were amalgamated to form the new Westmorland & Furness Council, while Allerdale, Carlisle and Copeland councils were amalgamated to form the new Cumberland Council.

value of agricultural land in Greater Manchester (£23,000). In the South East, the local authority with the lowest residential land values is the Isle of Wight. This area has a residential land value of £1.6 million and an agricultural land value of £25,000 per hectare – this is a 6,400% or 64-time uplift. Therefore**, the local authority area with the lowest residential land values in the South East represents a land-value uplift more than three times larger than that seen in the Northern local authority with the lowest residential land values and 27% larger than the Northern average**. The variations in potential land-value uplift across different geographies can be found in the table and chart below.

Land-value uplift represented by developing agricultural land by various geographies

Region	Median residential land value (£/hectare)	Median agricultural land value	Uplift
North East	£627,500	£16,000	3922% or 39 times
North West	£1.245 million	£23,000	5412% or 54 times
Yorkshire & Humber	£1.20 million	£20,000	6000% or 60 times
North	£1.13 million	£22,375	5050% or 51 times
South East	£4.50 million	£25,000	18000% or 180 times
England excluding London	£2.13 million	£23,000	9261% or 93 times
England excluding the North	£3.05 million	£24,375	12,533% or 125 times

Industrial and brownfield redevelopment

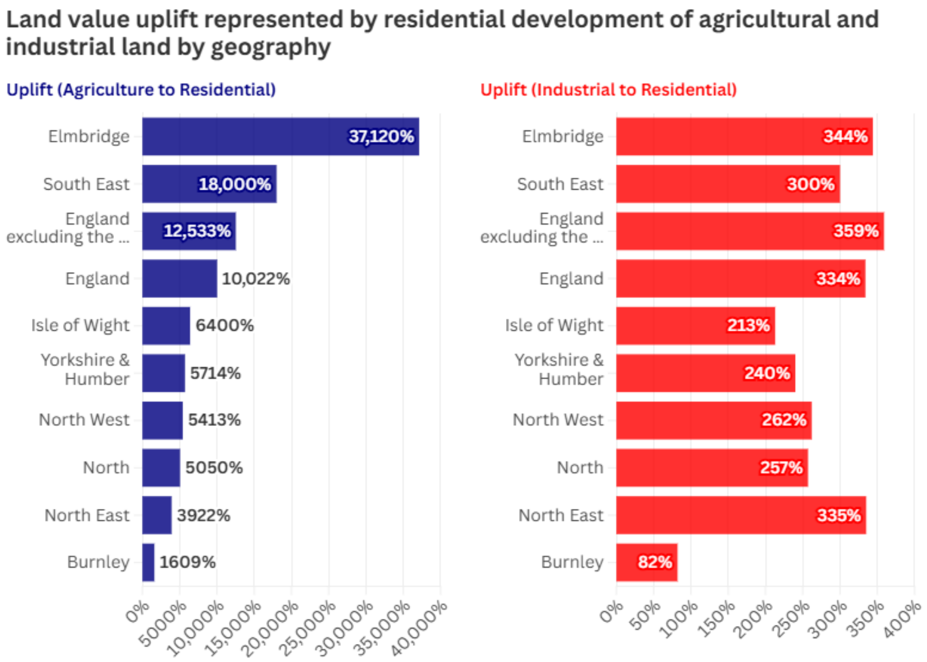
This reduced land-value uplift in the North is also seen when redeveloping an industrial or brownfield plot for housing, as well as on greenfield sites on agricultural land, albeit not to the same extent. Across the North of England, the uplift represented by redeveloping an industrial plot of land for new housing is 257% or 2.5 times its pre-existing value. Outside of the North, this figure is 359% or 3.6 times its pre-existing value - 40% higher than in the North.

In many cases, where the potential land-value uplift is lower, the elevated costs associated with remediating brownfield or industrial sites mean that a housing scheme is not financially viable without grant funding. As the potential uplift is generally lower in the North, this means that housing schemes on industrial land in the North are less likely to be financially viable and to progress. This is despite the North having a desperate need for new homes, and having identified brownfield land, suitable for redevelopment, with capacity for up to 320,000 new homes.[5]

To fully unlock this land, longer-term remediation and regeneration funding is needed. A funding stream that provided ten years of grant funding certainty for the remediation of brownfield land would allow local and combined authorities to take on the most challenging, and most significant, brownfield sites within their areas. Without this long-term certainty, such sites will for the most part remain vacant. This is in line with the recent Public Bodies Review of Homes England that recommended that regeneration funding should be longer-

[5] Northern Housing Consortium (2024), 'Brownfield First'.

term, providing additional confidence to the private sector and institutional investors which will, in turn, leverage in additional investment.



<u>Land value capture vs Homes England grant funding</u>

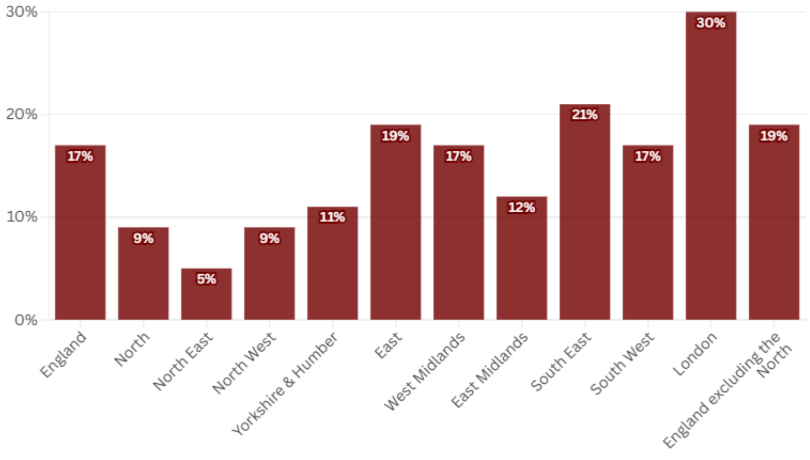
In addition to some housing schemes being unviable, the reduced potential land-value uplift has major implications for the role of land-value capture mechanisms in the North. This is because, inevitably, there is less land value to capture and put towards other ends such as new affordable housing or infrastructure.

As a result of this, land value capture mechanisms play a significantly smaller contribution to the delivery of new housing, and affordable housing, in the North of England than elsewhere. In the last five years, 30.3% of all new affordable housing has been delivered through Section 106 agreements, compared to 47.2% across the country as a whole, and 51.7% outside of the North. This figure is as high as 58.1% in the South East, and as low as 20.4% in the North East, directly corresponding with these regions' residential land values.[6]

This picture is consistent with the relative contribution to total new housing supply played by Section 106 in different regions. Across England, approximately 17% of all new housing is delivered through Section 106 agreements. In the North of England, this is 9% and as low as 5% in the North East. The only regions with a Section 106 contribution higher than the national average are, unsurprisingly, those with elevated residential land values (London, South East and East). These relative contributions can be seen in the chart below.

[6] Ministry of Housing, Communities and Local Government (2024), 'Indicators of Affordable Housing Supply – Live table 1011'.

Proportion of total new housing supply delivered by Section 106 agreements

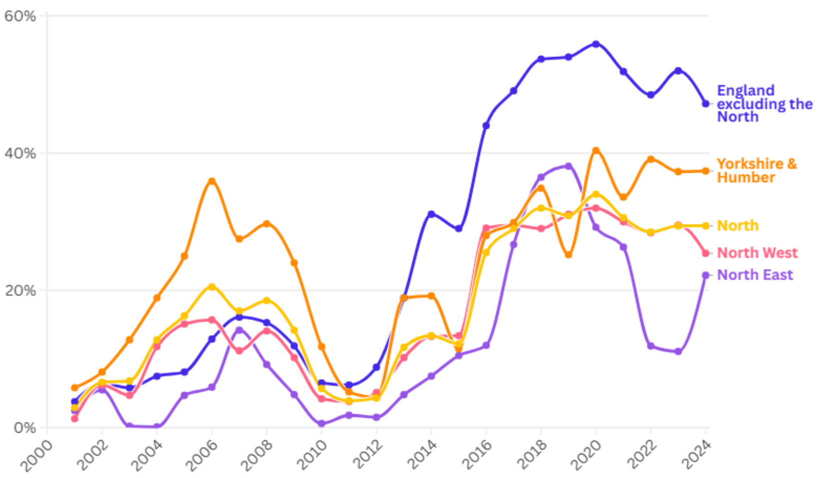


Source: MHCLG - Live table 1011, MHCLG - Live table 217c

Historic trends and Northern performance

In recent years, Section 106 has played an increasingly significant role in the delivery of new affordable housing. This is a trend that has been seen right across the country, including in the North. At the turn of the century, the proportion of affordable housing delivered through Section 106 agreements was generally less than 10%. This has subsequently increased over time and increased dramatically from 2012 to the current levels already mentioned. While this increase has been seen in the North, there has remained a stubborn gap between the contribution played by Section 106 in the North and across the rest of the country, with the North consistently underperforming the rest of England. The North has never reached the levels of Section 106 contribution currently seen across the country more widely, and no Northern region has had a higher proportion of its new affordable housing delivered through Section 106 than the rest of the country since 2010. This trend, and the gap between the Northern regions and the rest of the country, can be seen in the chart below.

Proportion of new affordable supply delivered through Section 106 since 2000

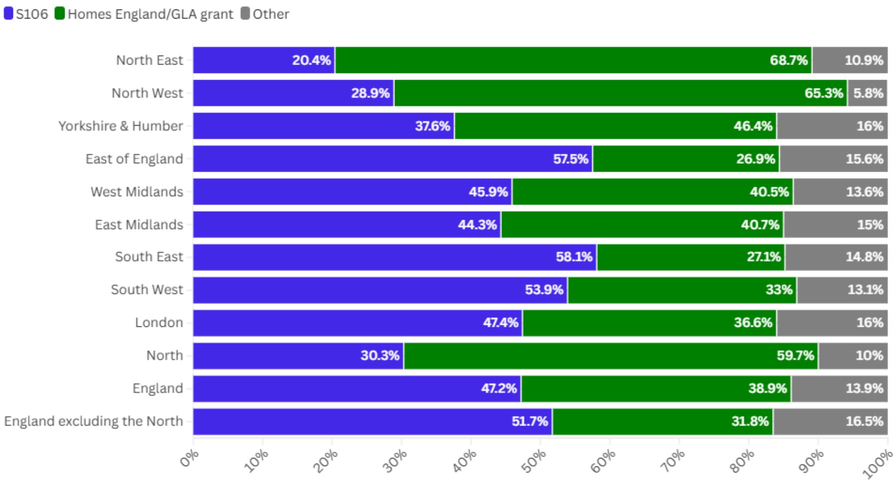


Source: MHCLG - Live table 1011

Importance of grant funding

The impact of the reduced contribution that can be played by land-value capture in the North, is that a greater proportion of new affordable homes must be delivered by grant funding, typically from Homes England through the Affordable Homes Programme. In the North, almost 60% (59.7%) of new affordable housing supply is delivered through Homes England grant funding, compared with just 38.9% across England. Again, the comparison between the North East and South East regions is apt. In the former, 68.7% of new affordable homes are delivered by grant funding from Homes England, while in the South East, this figure is just 27.1%. Respective proportions of affordable housing supply delivered by Section 106 vs Homes England grant funding for each region is shown in the chart below.

Proportion of new affordable supply delivered by Section 106 and Homes England/GLA grant by region (%) (2019/20-2023/24)



Source: MHCLG - Live table 1011

This reliance on grant funding to deliver most new affordable housing in the North is not going to change in the near future. The government's new housing targets hope to see the overall delivery of new housing in the North increase by 27% against recent levels, with a collective target for the North of 70,610 new homes per year.[7] We support these ambitious targets, but it is important that this increase in delivery of new homes includes a significant proportion of new affordable housing. If government wished for a third of new housing supply to be affordable, this would be more than 23,500 new affordable homes or an increase on 2023/24 delivery of approximately 62% in the North. [8]

This level of increase cannot be delivered solely through increasing the proportion of new affordable homes delivered through land-value capture, such as Section 106. This is especially the case if the government wishes to meet its commitment to deliver a greater proportion of affordable housing for social rent, which takes a greater level of land-value capture per home to make viable.

This is because there is a careful balance to be struck when setting land-value capture requirements. If they are set at too high a level, either the specific housing scheme will become unviable, or an aspiring housebuilder will be unable to purchase the relevant plot of

[7] Ministry of Housing, Communities and Local Government (2024), 'Local housing need – Outcome of the new method'.

[8] Ministry of Housing, Communities and Local Government (2024), 'Affordable housing supply statistics (AHS) 2023-24 – Live table 1011C'.

land at a price which the current landowner deems worthwhile. If this is not possible, the landowner will not sell, and the scheme will not progress. The potential impact of this, at a larger scale, is that the land market effectively seizes up and there will no longer be a consistent supply of land being brought forward for development. This will make it extremely challenging for the government to meet its 1.5 million home target as land is one of, if not the, most important input for new housing development.

Therefore, if the government is committed to increasing the level of affordable housing supply, including in the North of England, the only realistic solution is to significantly increase the levels of grant funding for new affordable housing along with wider changes to put the housing sector on a more sustainable financial footing, to be discussed below. This would ideally be done as quickly as possible, so affordable housing providers can plan out new, expanded development programmes across the rest of this parliament and **the swift announcement of the next Affordable Homes Programme, as soon as practically possible, should be a priority for both government and the Committee**.

Other benefits of housing and land interventions

The issues presented by lower land values in some parts of the North also raise wider issues for housing and land interventions, including for authorities tasked with spending government grant funding. Research carried out by the Northern Housing Consortium last year, in partnership with our Mayoral Combined Authority members, identified numerous issues with existing devolved funding for remediating brownfield land, especially the Brownfield Housing Fund.[9] These include strict and inconveniently short funding deadlines, requirements for individual Benefit-Cost Ratio (BCR) assessments, and most notably for this inquiry, an inability for wider benefits of housing and regeneration interventions to be consistently incorporated into Value-for-Money (VfM) appraisals and business case development. This means that the vast majority of a proposed project's listed economic benefits are derived from any potential land-value uplift from the scheme, which as already shown, is likely to be lower in the North. Therefore, schemes in the North are less likely to be able to receive support.

It should be noted that changes made to the Green Book and MHCLG's departmental appraisal guidance, as well as new research by Homes England have made significant progress in making it easier to incorporate these benefits into appraisals. Unfortunately, not all funding programmes are currently being assessed against all changes that have been made. For example, the Brownfield Housing Fund (BHF) has been running since 2020 and, as a result, is still being assessed against a more crude, outdated appraisal methodology. Our members also report that issues around evidencing and including wider benefits into appraisals are still common.

The result of this is that numerous identified schemes that authorities want to support with funding, generally in areas of lower land value, still cannot be supported and therefore have not progressed. This means that, generally, these funding programmes have focused investment on more prosperous areas with higher pre-existing land values, rather than across their entire combined authority areas. This is not how authorities would have chosen to spend their funding and runs counter to both the government's ambitions to empower local leaders, expand English devolution and tackle regional economic inequalities.

[9] Northern Housing Consortium (2024), 'Brownfield First'.

In the future, if government can do more to ensure that the wider benefits of housing and regeneration interventions can be comprehensively included into VfM appraisals, including through expanded research programmes to build a more robust evidence base, and if elected mayors and combined authorities are empowered to make the funding decisions that align with their identified local priorities, this will go a long way to addressing these issues.

Short term issues with land-value capture landscape

There also exist several smaller, short-term issues within the existing land-value capture landscape which the Committee should consider.

Housing provider finances and Section 106 demand

Firstly, there are the well-publicised issues with permitted Section 106 homes struggling to find buyers. In November 2024, Home Builders Federation research estimated that more than 17,000 affordable homes were currently stalled without a prospective buyer. [10] This is in part due to the fact that affordable housing provider finances are now incredibly stretched and the requirement of housing associations to spend greater levels on their existing housing stock, leaving fewer resources available to fund the acquisition of Section 106 properties. The Regulator of Social Housing's most recent 'Sector Risk Profile' shows that the housing sector's debt interest cover has fallen below 100% for the first time since 2009.[11] In addition, the 2024 Global Accounts of the housing sector show that expenditure on existing homes reached a record of £8.8 billion in 2023/24 – 55% above the pre-pandemic level – and that many providers are pulling back on their development plans.[12]

This demonstrates that attempts to investigate the land value capture landscape, with regard to its contribution to delivering more affordable housing, need to be viewed alongside the wider challenges facing the housing sector. Without the affordable housing sector being on a more sustainable financial footing, it is unlikely that these issues will be fully and sustainably resolved as the issue of reduced demand for Section 106 homes will remain.

In addition to this, however, another reason for the lack of demand for some Section 106 homes is that the homes on offer are not the quality or specification that affordable landlords would prefer to spend their finite resources on. This is especially the case with regards to energy efficiency, with housing associations hesitant to spend money on the acquisition of a new home that they will be required to retrofit in the relatively near future. The solution to this is for developers to bring housing associations into the process much earlier, so they can have a more influential role on the design of a scheme, including the types and specification of homes that will be available for acquisition through Section 106. This will help ensure these homes align more closely with what affordable housing providers need and help to maintain demand.

This is an immediate concern as the homes currently stalled are needed right now by families up and down the country, but in the longer-term if this problem cannot be resolved

[10] Home Builders Federation (2024), '17,000 Affordable Homes stalled by lack of bids from Housing Associations'.
[11] Regulator of Social Housing (2024), 'Sector Risk Profile 2024'.
[12] Regulator of Social Housing (2025), '2024 Global Accounts of private registered providers'.

then it will put the government's 1.5 million home target in jeopardy. As well as delivering much needed affordable homes, the construction and sale of Section 106 homes is one critical way in which volume housebuilders can accelerate the buildout of large developments.[13] If there is no demand for Section 106 homes in the future, volume builders are more likely to build out large developments at the local 'absorption rate'. This will slow down the completion of large developments, limit the potential for housebuilding to sustainably increase at the scale required each year, and make it more difficult for the government to deliver 1.5 million new homes over this parliament.

To address this and place the affordable housing sector on a more sustainable footing for the long-term, the most impactful action that government can take would be to commit to a new long-term rent settlement of CPI+1% for ten years, and reintroduce rent convergence at either £2 or £3 per week. Analysis by Savills, co-commissioned by the NHC and other sector bodies as part of the government's recent rent policy consultation, showed that this is the only rent policy option that puts the sector's finances on a sustainable footing in the long-term and opens up additional capacity for investing in new and existing homes. [14]

<u>Local government capacity</u>

Finally, several of our members have reported that due to reduced capacity in local authority planning departments, they are seeing delays on agreeing and signing Section 106 agreements. In this situation, providers cannot start on site until this agreement has been finalised, meaning that schemes are being pushed back, delayed and seeing elevated costs. Frustratingly, this has even been seen on land-led schemes being delivered by Registered Providers of social housing where 100% of the homes on the development will be affordable housing.

In our spending review submission, we made clear that the government's housing ambitions will depend to a large extent on local authority housing and planning departments having the capacity they need to deliver. To do this and support the delivery of the 1.5 million home target, the spending review will need to include a real terms increase in core spending power for local authorities and dedicated resource to specifically increase capacity in local authority planning departments.

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[13] Ministry of Housing, Communities and Local Government (2018), 'Independent review of build out: final report'.
[14] Savills (2024), 'Rent consultation analysis'.