NORTHERN HOUSING CONSORTIUM
VOICE OF THE NORTH

BUDGET 2026 - SUBMISSION FROM THE NORTHERN HOUSING CONSORTIUM

ABOUT US

The Northern Housing Consortium (NHC) is a membership organisation based in the North of England. We are the 'Voice of the North' working with councils, social housing providers and Mayoral Strategic Authorities to develop insight, influence and solutions to create better homes and places.

INTRODUCTORY COMMENTS

We welcome the Government's continued prioritisation of housing and aim for growth in every postcode. The Government's commitment to rebuilding social and affordable housing through the £39 billion Social and Affordable Homes Programme, the creation of the National Housing Bank, investment through Pride in Place and targeted funding through integrated settlements, aligned with Local Growth Plans will provide a strong foundation for delivery.

Housing providers stand ready to support the Government's ambitions for a generational boost to council and social housing, and for growth in every postcode. However, achieving the scale of social housing needed across the North will require the Budget to address the viability challenges, stock condition pressures and regeneration needs that currently limit providers' capacity to build.

The Social and Affordable Homes Programme is a transformational investment in much needed housing and has the flexibility in the programme to support replacement homes. We believe that housing-led regeneration can help this go further. To maximise impact, the flexibility in the programme should be complemented by dedicated regeneration funding, enabling providers to renew ageing stock, unlock brownfield and town centre sites, and increase and drive genuinely affordable housing and better places in areas where market-led development alone cannot meet local needs for affordable homes.

Housing-led regeneration can unlock at least 500,000 good quality homes across the North of England. But, in too many of the places where regeneration is most needed, the economics of development do not stack up without further public subsidy, especially given the high costs associated with delivering regeneration and in the current environment of significant build cost inflation.

Our submission calls on the Government to use the Budget to unlock the North's full contribution to the 1.5 million homes target and the wider growth mission.

SUMMARY OF KEY POINTS

We urge Government to use this Budget to make the following commitments to support housing-led regeneration.

Firstly - We are urging Government to use the Budget to provide an additional source of funding to enable Mayors and Combined Authorities to deliver new place-based housing regeneration.

We propose providing northern Mayors and combined authorities with devolved, place-based flexible funding of £500m per annum for 10 years, as part of integrated settlements where they exist, and running alongside funding streams such as Social and Affordable Homes Programme (SAHP), National Housing Delivery Fund (NHDF), and Pride in Place to:

- Replace or refurbish end-of-life homes with good quality social homes.
- Acquire poor quality private homes, including empty homes and refurbish them into social housing.
- Provide viability gap funding for complex remediation sites and town centre sites to get new homes built, including social housing.

The Northern Housing Consortium estimates this would tackle the vast majority of the 100,000 end-of-life social homes over the next decade.

Secondly - extend the critical existing funding stream that tackles viability challenges.

The National Housing Delivery Fund*:* Extend the fund to 10 years in line with the SAHP to enable Mayors and Homes England to tackle more complex brownfield sites. The Northern Housing Consortium estimates that the current funding level (2028/29 and 2029/30) could remediate the North's brownfield land if it were extended to 10 years.

Thirdly - adjust two vital existing funding streams to unlock more delivery by supporting regeneration.

- Allow Mayors to fund more regeneration through the SAHP (Social and Affordable Homes Programme): Allow Mayors to deploy funding for council and social rent housing flexibly, with projects decided and directed by Mayors through local "continuous market engagement". This funding would be based on the existing prospectus and be explicitly available for regeneration activities, without the 10% cap applied to strategic partnerships.
- On the National Housing Bank*:* We propose creating a dedicated allocation explicitly for housing-led regeneration with an approach to taking and managing risk and with long-term appraisal horizons that enable regeneration schemes to be supported.

To support all three of the above options, we propose:

- Ensuring Homes England have KPIs on homes replaced or renewed – currently all indicators are related to new supply, so they do not distribute funding to deliver regeneration across the North.
- Introducing a new "Centre for Regeneration" in the North to build the capacity and capability needed to deliver regeneration at scale.
- Zero-rate VAT on building safety works and extend the current zero-rating of energy-saving materials to 2030. Solutions to deliver the Government's housebuilding ambitions must be underpinned by a comprehensive and fully funded plan to retrofit and regenerate the UK's ageing housing stock.

Our proposals are designed to ensure that public investment delivers value for money by targeting funding at tackling barriers to home building.

Providing long-term funding for place renewal and stock improvement is fundamental if Government wants housing providers to increase development, support the 1.5 million homes target, and deliver growth across the North.

EVIDENCE TO SUPPORT OUR SUBMISSION

DELIVERING GROWTH THROUGH HOUSING INVESTMENT

The Prime Minister is aiming for growth in every postcode, but in many parts of the North, it is essential to facilitate housing regeneration to deliver that growth. The growth ambition coincides with the NHC's **RENEW** inquiry which is demonstrating the transformative potential of housing-led regeneration to deliver long-term economic and social change.

The Renew Report places the quality of homes and places at the heart of regeneration, viewing it as essential for health, wellbeing, and economic growth. We believe that with targeted investment and policy support, housing-led regeneration could unlock at least **500,000 high-quality homes across the North of England**, creating thriving communities while supporting wider growth and productivity.

Our evidence shows there are three distinct opportunities:

- **Densification** - town and city centre housing-led regeneration opportunities will deliver another 100,000 homes in well-connected, mixed-use neighbourhoods
- **Brownfield Land** - the North's brownfield land has identified capacity for a further 320,000 new homes
- **Social Homes** - between 84,000 and 112,000 social homes are approaching the end of their serviceable life and identified as in need of renewal or replacement.

Our report is based on evidence from organisations responsible for around 1 million of the North's 1.4 million social homes. Insights from more than 160 regeneration schemes have informed the findings.

Evidence of the opportunity and barriers for Northern growth corresponds with many of the proposed projects represented in the Northern Growth Strategy prospectus of over 127,000 well-connected new homes.

Like the Growth Strategy, our evidence recognises that different places need different approaches: major cities need support to densify and expand, while towns need better connections and targeted investment.

Our evidence demonstrates the need for a **place-sensitive approach** to regeneration, recognising that towns have different market conditions and needs compared to larger cities.

NORTHERN REGIONS - DISTINCT FROM WIDER NATIONAL CHALLENGES

The North has substantial opportunities for growth: brownfield land, ageing estates in town and city centre locations capable of renewal, and increasingly mature devolution arrangements able to convene partners around local outcomes.

In the North, town and city centre regeneration is as much an economic growth strategy as it is a housing one. However, from Salford to Teesside, there are many parts of the North where this type of regeneration is not viable and this is holding back local opportunities for growth.

The Renew report makes clear that the North's regeneration challenges are of fundamentally different market conditions, housing stock, and social context. National policy frameworks, when designed for higher-value, higher-demand areas, do not fit the North's needs.

- **Structural Viability Gap** – The fundamental barrier to housing-led regeneration in the North is not a shortage of ambition or need, it is viability. Lower land values and high remediation costs for brownfield sites make many schemes unviable without Government support. In too many of the places where regeneration is most needed the economics of development do not stack up without significant public subsidy, especially given the high costs associated with delivering regeneration and in the current environment of significant build cost inflation.

  In higher-value markets private investment can often absorb these costs, and public subsidy is less critical. In the North, public intervention is essential to bridge the viability gap, or schemes simply do not proceed.

  The average residential land value in the North is £2.34 million per hectare, 46% lower than the English average. In some areas, even high-density development reduces land value (e.g., Leeds), unlike in Manchester where it increases value.

- **Brownfield Regeneration –** Recent Brownfield Housing Fund allocations demonstrate the Government's continued commitment to regeneration in the North, with around 70% of the national £150 million allocation directed to mayoral authorities across the North East, North West, and Yorkshire and the Humber.

  Brownfield land across the North presents a significant regeneration opportunity, with previous NHC analysis of local authority brownfield land registers identifying capacity for at least 320,000 homes.

  Despite an abundance of brownfield land, the viability challenge becomes more severe once abnormal costs are considered. These are the additional costs required to make development possible and are particularly high on brownfield and former industrial land requiring significant remediation and infrastructure investment. Areas of the North, and especially the North East, have suffered more than most from the effects of de-industrialisation. Suppressed land and property values means that public investment can unlock more land[1] but abnormal costs and low-end values mean schemes are often unviable and this adds an extra layer of complexity.

  Brownfield regeneration stimulates local economies through increased housebuilding and construction activity, creating jobs and supporting local supply chains.
  The economic benefits of investment in brownfield regeneration are significant with evidence of substantial increase in land value. Even across the North of England, where house prices, and therefore land values, are lower, converting agricultural land to residential use increases the value of the land by 55 times. This demonstrates a significant economic premium when previously developed land is regenerated for housing.

[1] Our research shows the same £10 million of public investment delivers capacity for 2,115 homes in Newcastle but only 183 in Milton Keynes, but remediation costs can erase this advantage.

The monetised benefit of removing derelict land for communities is calculated at £40-50 per household per year. Where redevelopment replaces derelict land with new green and open space, the benefit rises to as much as £90 per household per year[2].

- **Poor Quality and End-of-Life Stock** - tackling end-of-life stock is not just about maintaining existing homes but is a critical enabler for building new supply, improving the financial viability for providers, and delivering better outcomes for communities.

  Many homes are approaching or have exceeded their serviceable life, creating a backlog of properties in need of renewal or replacement. While ageing stock exists elsewhere, the scale and concentration in the North is much greater, and the financial pressures on providers are more acute due to lower rents and asset values. Maintaining homes at the end of their life is costly, especially with new regulatory requirements. As maintenance liabilities grow, providers' financial headroom for new projects shrinks. These costs absorb a large share of housing providers' resources, limiting their ability to invest in new development. Every pound spent on maintaining ageing stock is a pound not available for new supply.

  Our research shows that between 84,000 and 112,000 social homes in the North will need regeneration in the next ten years, and repairs/maintenance absorb 37% of rental income in the North (vs. 31% nationally).

  Improving the quality of homes is not just about better buildings, but about transforming entire communities and their prospects. Quality is measured not only by the physical standards of homes (such as energy efficiency, accessibility, and safety) but also by improvements to the public realm, green spaces, and community facilities. The example of poor-quality private rented housing creates both a need for regeneration and practical barriers to delivery with local authorities lacking the capacity to enforce standards at scale.

  By replacing obsolete homes and developing, often at higher densities, regeneration directly increases the number of good quality homes available.

- **Private Rented Sector (PRS) -** the North has a higher proportion of poor-quality PRS housing, tenure fragmentation, and absentee landlords, especially in deprived areas. This creates both a need for regeneration and practical barriers to delivery (e.g., land assembly, enforcement). While poor-quality PRS issues exist elsewhere, the scale and concentration in the North is greater. For example, more than 27% of privately let homes in Yorkshire & Humber fail to meet the Decent Homes Standard. Local authorities often lack the capacity to enforce standards at scale. At the same time, over £1 billion of public money is paid annually to private landlords for non-decent homes in the North.

[2] Homes England (2023), 'Homes England – Measuring Social Value, Paper 2: Brownfield Development Values'.

- **Place-sensitive approach to regeneration - we welcome HM Treasury's Green Book review** which allows for a broader understanding of place-based business cases. We expect this to be beneficial for spending proposals from the North, allowing for a more nuanced appraisal of regeneration projects that considers local context and long-term benefits.

  The Appraisal Guide Book 2026, with place-based analysis and assessment of external impacts separate from land value uplift is helpful. The guide explicitly allows appraisal of wider area impacts for supply-side housing interventions with clear placemaking and regeneration objectives, i.e. not relying exclusively on benefits within the site itself. Those impacts can be included where housing is identified as a driver of regeneration, the project is urban, significant in scale, and linked to a robust regeneration rationale. The wider benefits of regeneration can be reflected in the improving conditions for both existing households and the wider neighbourhood and rising nearby house prices, which indicate improvements in local wellbeing and place quality.

  Appraisal of investment in social housing should therefore now account for potential health-care savings, improved employment mobility, and improved educational outcomes. The revised guidance should provide a clear route to capture neighbourhood effects beyond the site boundary and can finally make business cases as place-based social value cases.

  To date, there is limited evidence that the revisions are having a meaningful impact on decision-making processes. Building the evidence base needed to ensure that social value is properly considered in decision-taking will be challenging. However, it is essential that we are able to realise the full potential of the revised Green Book provisions.

- **Capacity and Knowledge Gaps -** years of underinvestment and programme instability have eroded in-house regeneration expertise in northern local authorities and housing providers. This leads to over-reliance on consultants and limits the ability to deliver complex, long-term regeneration. The skills gap is more acute in the North due to deeper funding cuts and less access to private sector expertise.

- **Policy and Funding Misalignment** - national policy and funding frameworks have historically prioritised net additionality (new supply) over renewal and replacement, which disadvantages the North where one of the main challenges is obsolete stock, alongside the need for new homes. In higher-value markets, net additionality is more easily achieved and aligns with local needs, but in the North, it can act as a barrier to necessary renewal.

The barriers outlined above are deeply interconnected and often compound each other, especially in the places with the greatest regeneration need. Addressing them requires a coordinated, long-term, and locally tailored policy and funding response.

This is why our submission recommends a dedicated, long-term regeneration fund to enable providers to replace or renew their most problematic homes, and restore the financial headroom needed to build more new homes. This would enable providers to both address end-of-life homes and ramp up new supply. Without intervention, the number of homes needing regeneration will continue to grow, and the backlog will take decades to address at current rates. This would further constrain providers' ability to deliver new homes and risk a net loss of social housing.

WIDER MACROECONOMIC IMPLICATIONS

Our research paper, *The Social and Economic Case for Housing-Led Regeneration*, brings together evidence from official and academic evaluations of major regeneration programmes to demonstrate the wide-ranging benefits of housing-led regeneration. It examines impacts across housing supply, economic growth and productivity, housing quality, health and wellbeing, and other social and economic outcomes. We have drawn on these findings to inform this section of our response.[3]

The evidence shows that well-designed regeneration programmes can produce substantial improvements in residents' health, wellbeing and employment prospects. These benefits are most pronounced where interventions are delivered at sufficient scale, maintained over the long term, supported by effective local institutions, and developed in partnership with residents alongside investment in the physical housing stock.

The North contains around a third of England's non-decent homes, including some of the poorest-quality private rented housing in the country. Poor housing conditions depress land values, weaken business confidence and hold back growth, opportunity and housebuilding.

Housing-led regeneration reverses this cycle. It brings land back into productive use, unlocks sites for new homes and creates places where developers are more willing to build and businesses are more willing to invest.

It also generates skilled jobs, supports local supply chains and creates valuable training opportunities. Well-designed procurement can ensure that local businesses and residents benefit directly from investment. If regeneration were scaled across the North, it could help build a stronger regional workforce. Where Combined or Strategic Authorities are in place, there are further opportunities to align development with skills funding, including more than £32 million specifically for construction skills.

Agglomeration Effects: Densifying urban areas through brownfield regeneration amplifies agglomeration effects bringing workers, businesses, and institutions closer together. This leads to increased productivity, higher wages, and greater innovation. For example, a doubling of residential density can increase productivity by between 2% and 4%.

By increasing housing density and connectivity, especially around urban centres, regeneration deepens labour markets and supports the agglomeration effects that drive productivity, innovation, and higher wages.

A sustained programme of housing-led regeneration that increases density in well-connected locations offers one of the strongest available mechanisms for narrowing the long-standing productivity gap between the North and the rest of the country. This is how you drive growth in more postcodes.

[3] Renew: The Social and Economic Case for Housing-Led Regeneration NHC 2025

Our proposals for housing-led regeneration will act as a catalyst for broad economic and employment benefits across the North. Bringing derelict or underused land back into productive use increases land values, which is a proxy for wider economic welfare gains.

Direct Employment: Regeneration projects create construction jobs and ongoing roles in housing management, maintenance, and community services.

Evidence shows that the Single Regeneration Budget (SRB) was highly successful in creating or safeguarding over 500,000 jobs and supporting more than 67,000 new business startups across five rounds of interventions. For every £1 of SRB funding, more than £4 of alternative public and private capital was attracted, including around £9 billion of private investment. In the North East, each £1 of SRB funding attracted approximately £2 of wider capital.

Targeted Employment Support: Effective programmes use investment as a platform for apprenticeships, local procurement, and employment support, ensuring that economic benefits flow to local residents.

The New Deal for Communities (NDC) demonstrated a strong emphasis on tackling worklessness, with about 11% of its total spend directed to this theme. Interventions included subsidised training, employment brokerage, community transport, and tailored courses for local employers. Over 1,000 to approximately 5,000 net additional jobs were created or safeguarded, 32,000 instances of job training delivered, and 175,000 people received careers advice. All NDC areas saw a fall in worklessness rates, with the largest falls in areas with the highest initial rates. The employment rate increased by 2.1 percentage points in NDC areas, slightly higher than comparator areas.

For each £1 of NDC spend, a further 47 pence of funding was secured, with the 'housing and the physical environment' theme attracting an additional 70 pence for every £1 spent.

Health Benefits of Regeneration: There is significant evidence that housing-led regeneration delivers a range of health benefits, including reduced mortality, improved physical and mental health, increased life satisfaction, better access to health services, and significant reductions in healthcare costs. These benefits are achieved by addressing poor housing conditions, improving neighbourhood environments, and tackling broader social determinants of health.

Building Research Establishment (BRE) has found living in sub-standard housing costs the National Health Service (NHS) £1.4 billion per year. BRE also identifies that, beyond the cost to the NHS, there are ‘societal costs’ brought on by poor housing, such as those relating to long-term care, mental health and poorer educational achievement.[4] By improving living standards and reducing hazardous housing, regeneration reduces demand on the NHS.

Regeneration programmes target poor quality housing, which is a major contributor to respiratory diseases and other health issues. Improvements such as reducing damp, mould, and disrepair directly reduce risks of respiratory and cardiovascular diseases, especially in children.

[4] Building Research Establishment (2021), The Cost of Poor Housing in England

Evaluations of programmes like the Single Regeneration Budget (SRB) and New Life for Urban Scotland (NLUS) found reductions in both crude and standardised mortality rates in regeneration areas. For example, NLUS saw a 13% reduction in standardised mortality rate.

Regeneration areas often see new or upgraded health facilities. For example, NDC areas collectively saw 221 new or improved health facilities. In those areas, hospital admissions fell faster post-intervention than in comparator areas and 48% of residents saw an improvement in their mental health, compared to 43% in comparator areas.

IN CONCLUSION - WHAT IS NEEDED FOR NORTHERN HOUSING GROWTH

Regeneration is challenging to fund and deliver anywhere, but low land values in the North hold it back further. **The places that most need regeneration for health, growth and their community are the places where it is least financially viable to deliver.** The focus of public policy is on new housing rather than regeneration, and where public financing does support regeneration, it mimics private finance with a low-risk appetite and short-term horizons.

There hasn't been a national dedicated housing regeneration programme in 15 years. This Government is investing in essential new social housing, warm homes and the excellent Pride in Place Programme, but our evidence has identified how to take those objectives go further in the neighbourhoods that most need it, beginning with funding and finance:

Housing-led regeneration can unlock at least 500,000 good quality homes across the North of England according to our research through:

- Densification of town centres with over 100,000, new homes
- Over 300,000 new homes on brownfield land
- Creating modern decent homes by replacing, densifying or refurbishing 100,000 end-of-life social homes that would otherwise be lost.

Our key ask to achieve '<u>Unlocking over 500,000 good quality homes in the North</u>' is LONG-TERM, FLEXIBLE FUNDING TO DELIVER REGENERATION AT SCALE using the following options.

Firstly - we are urging Government to use the Budget to provide an additional source of funding to enable Mayors and Combined Authorities to deliver new place-based housing regeneration.

We propose providing northern Mayors and combined authorities with devolved, place-based flexible funding of £500m per annum for 10 years, as part of integrated settlements where they exist, and running alongside funding streams such as Social and Affordable Homes Programme (SAHP), National Housing Delivery Fund (NHDF), and Pride in Place to:

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- on the National Housing Bank*:* We propose creating a dedicated allocation explicitly for housing-led regeneration with an approach to taking and managing risk and with long-term appraisal horizons that enable regeneration schemes to be supported.

To support all three of the above options:

- **Ensure Homes England have KPIs on homes replaced or renewed** – currently all their indicators are related to new supply, so they do not distribute funding to deliver regeneration across the North.
- **Introduce a new "Centre for Regeneration"** in the North to build the capacity and capability needed to deliver regeneration at scale.
- **Zero-rate VAT on building safety works and extend the current zero-rating of energy-saving materials to 2030**.

  Delivering the Government's housebuilding ambitions must go hand in hand with a long-term, fully funded strategy to retrofit and regenerate the nation's ageing housing stock. Improving and renewing existing homes can make a substantial contribution to the target of delivering 1.5 million homes, while enhancing housing quality, safety and sustainability.

  To support this, the Government should ensure the tax system incentivises investment in existing buildings rather than favouring new development. Reducing the tax burden on retrofit and regeneration works, including aligning the VAT treatment of refurbishment with new build development, would help unlock much-needed investment.

  We therefore urge the Government to use this Budget to zero-rate VAT on building safety remediation works and extend the zero-rating of energy-saving materials beyond 2030.

The Government should also simplify the process for housing associations to claim relief where works are delivered through wider contracts that include both energy-saving and non-energy-saving measures.

We believe our proposals would unlock the potential of some of the North's most left-behind neighborhoods. They would make regeneration viable and achievable across the North, which has diverse needs and challenges beyond big cities. We want to ensure that nowhere is left behind and we can deliver truly affordable homes in every postcode.

The existing policy framework provides no dedicated funding stream for the renewal and replacement of existing stock, and no single instrument is designed to support the full breadth of activity that regeneration involves. Without these changes, the North's most complex schemes will continue to stall, its end-of-life stock will continue to drain provider balance sheets, and the pipeline of delivery-ready schemes will continue to thin.

Our evidence demonstrates that housing-led regeneration delivers substantial economic benefits, including direct economic growth, productivity gains, job creation, increased investment, and reduced public service costs. The evidence supports regeneration as a growth-enhancing intervention central to both economic and social policy objectives.

For further information about this submission, please contact

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