

## **Housing, Communities and Local Government Committee**

### **Long-term delivery of social and affordable rented housing Call for Evidence - Response 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 Housing in the North' working with both local authorities and housing associations to advance the cause of housing. Our membership covers over 90% of all social housing providers in the North. The NHC brings its members together to share ideas, and to represent their interests and to ensure they are heard at a regional and national government level.

#### **Summary of key messages**

- 1. Impact of policy on Northern regions** - Government policy targets many forms of support to areas of 'highest affordability pressure' and in doing so leaves large parts of the country ill-equipped to deal with their own challenges – we believe that a truly national housing strategy would address regional diversity and the nuances of affordability in all regions.
- 2. The North needs affordable housing** - Analysis shows that future requirements for housing in the North consist of 40% affordable housing. This presents a large shortfall with existing delivery. Social housing providers in the North are ambitious to bridge this gap, but there needs to be significant additional investment to boost the availability of social and affordable homes for rent.
- 3. Planning for more homes** - The national assessment of need could undermine ambitious local housing growth plans in parts of the North. The impact of the objectively assessed need methodology will be variable on a regional and local basis, but it is anticipated there will be a significant North-South divide. We believe this contradicts the Government's wider economic policies such as the Industrial Strategy and Northern Powerhouse which aim to rebalance the UK economy.
- 4. Local Authority Capacity** - There is commitment from local authorities to take on greater responsibilities, but additional capacity is necessary to ensure successful delivery. The policy assumption in focusing on high affordability areas is that other places do not require a robust planning service. The challenges of land viability, housing renewal and delivering new build in the North requires skills and properly resourced housing and planning departments.

- 5. Funding for Affordable Housing** – The Affordable Homes Programme is the main lever supporting delivering of affordable housing. It is currently not restricted to any geographic area and provides a significant source of funding for Northern development. The NHC supports sector calls for the Spending Review to set out a more ambitious programme of investment. In recent years, 1 in 3 affordable homes completed with Homes England support have been in the Northern regions; and this must continue to be the case under any expanded programme. Affordable housing grant also fulfils many other roles, including a more flexible and holistic funding regime – directing funding at issues like stock renewal, infrastructure and unlocking difficult sites.
- 6. Availability of Land** - Incentives in the land market must be addressed as part of the affordable housing crisis. The cost and availability of land remains a significant barrier to building more affordable homes, particularly in lower-value housing markets.
- 7. Increasing Affordable Supply through Housing renewal** - New supply is only a small proportion of the potential affordable housing market: the condition and quality of the available housing stock provides the potential for large numbers of affordable homes.

Our detailed response on the above key points is set out below.

## **1. Impact of Policy on Northern Regions**

- 1.1 Government policy is to focus on the challenges associated with the overheated Southern housing market and areas of high affordability pressure<sup>1</sup>. In the main, policies aim to provide: affordable home ownership for first time buyers; finance options for home ownership; to boost levels of new construction; and speed up the planning system. The complexities across different regions has less of a focus.
- 1.2 The fundamental driver of policy, and the associated funding programmes, on targeting areas of 'highest affordability pressure' leaves much of the North without access to the bulk of 5 key Government funds<sup>2</sup> intended to support the delivery of housing. Only 4 out of over 70 Northern local authorities will be able to bid for the bulk (80%) of these funds, with the rest bidding for the remaining 20%.
- 1.3 This targeted approach of investment can be traced back to the inclusion of major housing programmes in the National Productivity Investment Fund (NPIF) established at Autumn Statement 2016, and then expanded to £31bn at Autumn Budget 2017. Responsibility for NPIF lies with the Treasury, with a consequent emphasis on financial

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<sup>1</sup> Defined by affordability ratio: median house price to median workplace based incomes

<sup>2</sup> These funds are: the Housing Infrastructure Fund (Forward Fund), the Estates Regeneration Fund, the short-term Home Building Fund, the Small Sites Fund and the Land Assembly Fund. These funds have a total value in excess of £12bn.

criteria driven by property values, which disadvantages lower value areas including many parts of the North.

- 1.4 IPPR North’s recent State of the North<sup>3</sup> report showed that total public spending in the North has fallen in real terms by £6.3bn since 2009/10 – more than any other region.
- 1.5 Put together, these funding constraints will hinder providers’ ability to build the affordable homes that are needed. Moreover, rather than rebalancing the economy, they will increase the economic gap between London and the South East and the rest of the country.

## 2. Social and affordable requirements in the North

- 2.1 The Government is on record with a commitment to “*get back to the scale of new social housing that will make a real difference to communities*”<sup>4</sup> alongside the commitment to longer term funding for housing associations and the decision to scrap the council housing borrowing cap. These measures show real intent to ensure social housing is an essential part of tackling the housing crisis.
- 2.2 This commitment is starting from a low base. All local authority areas in the North report a shortage of affordable housing. Just under 20,000 affordable homes are needed across the North of England annually. The table below presents requirements for the North of England and shows that the share of affordable housing required in overall new provision is 40 per cent.

House building requirements by tenure 2016-2031 (England)

	Private	Shared Ownership	Intermediate Rent	Social Rent	Total all tenures	Affordable %	Social %
North	28,810	5,580	6,694	6,894	47,977	40%	14%

Source: Heriot Watt University – Housing Requirements Across Great Britain 2018

- 2.3 These figures are based on current backlog needs and adjusted household projections. They do not take into account any rebalancing of the economy based on the ambitions of the industrial strategy. Needs in the North could thus be significantly higher if economic growth ambitions were realised.
- 2.4 Annual average past trends in housing delivery indicate that housing need identified across the North is greater than average delivery. For example, in the Yorkshire & Humber region, around 1,800 affordable homes were built in 2017/18, compared to the 5,488 affordable homes the region needs annually<sup>5</sup>.

<sup>3</sup> IPPR State of the North 2018

<sup>4</sup> Social Housing Green Paper 2018

<sup>5</sup> Data derived from National Housing Federation quarterly supply survey of English housing associations

- 2.5 It is important to note that even at its current rate, affordable housing supply in the North of England makes an important contribution to the government's overall ambitions for new housing supply. The North consistently delivers 1 in 3 homes within Homes England's total affordable housing completions<sup>6</sup>.
- 2.6 There needs to be significant investment, and building targets for social housing, to boost the availability of social homes for rent. This availability is compromised not only by limitations in access to grant funding to build new homes but also because councils have been unable to replace all homes lost through right to buy policy. The rules governing the scheme have not enabled councils to replace homes and this has reduced the overall supply of socially rented housing. Flexibilities over the use of RTB receipts will be beneficial; however, the bigger issue is the levels of discount and the ability to deliver replacement homes. Local discretion over discount rates enabling councils to deal with right to buy in the way that works for local areas with severe shortages of social housing would be a further boost.

### **3. Planning for more homes**

- 3.1 Many Northern local authorities consider the Government's standard methodology for establishing housing need figures fails to consider the economic ambition of many Northern cities. Rates of projected household growth are much lower in the 3 Northern regions. Housing need driven from demographic trends could result in a reduction in housing numbers across the North. These past household projections will fail to recognise that areas that have previously delivered low levels of housing growth may have no option but to continue doing so. In areas where inward migration has been constrained by supply, this constraint will be projected into the future.
- 3.2 The impact of the proposed methodology will be variable on a regional and even an authority-to-authority basis. But it is anticipated there is a significant North-South divide. Those areas which will have their increase capped at 40 per cent are generally based in the south of England. There is a concern that in Northern authorities this could be planning for basic need rather than growth.

### **4. Local Authority Capacity**

- 4.1 Local authorities have a vital role to play in delivering affordable housing. But this sets a challenge to councils to bring forward home-building plans. It cannot be emphasised enough that councils have lost dedicated housing functions and have fewer specialist staff within housing services. In the six years up to 2010/11 across all English local authorities' austerity has necessitated a 52.8% reduction in spend on

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<sup>6</sup> Homes England's North East/Yorkshire and the Humber; and North West operating areas delivered 32% of all Homes England affordable completions in 2018/19; 33% in 2017/18; and 33% in 2016/17. NHC calculation using Homes England Housing Statistics published at: <https://www.gov.uk/government/statistics/housing-statistics-1-april-2018-to-31-march-2019>

planning services<sup>7</sup>. For many, skills and capacity shortages could be a principal barrier to growth in direct local authority delivery.

- 4.2 This shortfall is further compounded by the extension of permitted development rights, which not only deprives local authorities of developer contributions, but creates additional unfunded work for local planning authorities.
- 4.3 The Housing White Paper recognised the need to boost local authority capacity and capability to deliver planning cases and, while there is commitment from local authorities to take on greater responsibilities, additional resources are necessary for successful delivery.
- 4.4 The Northern Housing Consortium is currently working with the Collaborative Centre for Housing Evidence (CaCHE) on a study assessing the loss of local government housing and planning capacity within the North of England in recent years; and the consequences of this reduction in capacity for housing delivery and standards. We would be pleased to share this evidence with the Committee in due course.

## **5. Funding for Affordable Housing**

- 5.1 It is in Northern areas, where private sector investment has been weakest, that there has also been far less public infrastructure investment. Regional inequality in public infrastructure investment could mean that it becomes more challenging to attract other investment in housing. Investment programmes must be structured to meet the investment needs in all parts of the country, not just in areas of highest affordability pressure.
- 5.2 The Shared Ownership and Affordable Homes Programme continues to be the main government lever to get more homes built. The programme has been valuable in Northern regions where housing markets have been weaker meaning that government intervention through this grant makes viable development in markets where the balance between build costs and sales values would otherwise preclude it.
- 5.3 In total this £9bn programme, currently not restricted to any geographic area, provides a significant source of funding to Northern housing development. In the absence of other dedicated funding, affordable housing grant has also fulfilled many other roles, providing a more flexible and holistic funding regime. This has enabled the directing of funding at issues like stock renewal, bringing empty homes back into use, infrastructure and unlocking difficult sites.
- 5.4 Other recent measures, including long term strategic partnerships for housing associations to deliver affordable housing, will be a crucial boost to affordable housing in Northern regions.

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<sup>7</sup> National Audit Office Analysis MHCLG Data 2016/17

5.5 The Northern Housing Consortium supports the calls by national housing sector bodies for a ten-year investment programme for social and affordable housing<sup>8</sup>. The cost of this programme is estimated at £12.8bn per year. As noted above, 1 in 3 Homes England affordable housing completions occur in the agency's northern operating areas, and we believe any expanded programme should ensure this proportion is maintained. This is not only important for Northern communities but makes a critical contribution to the Government's overall housing supply ambitions.

## **6. Availability of Land**

6.1 In order to maximise the number of homes that can be built, in addition to certainty over their income stream, and a more strategic approach to investment, a supply of affordable land is required.

6.2 Some parts of the North have terrific opportunities to exploit their advantage in being able to provide affordable home ownership, but it is vital to acknowledge issues created by viability of land in Northern areas. The securing of land should be treated as part of the wider investment in infrastructure. This requires recognition that public sector investment to boost viability in low value conditions can unlock much needed delivery to improve and transform areas.

6.3 Where market conditions are good and house prices are buoyant, achieving land viability is likely without significant intervention, but in Northern markets there are financial constraints to bringing forward land. New homes on brownfield land in areas where new build house prices cannot provide sufficient buoyancy, may make development financially difficult, if not impossible.

6.4 The cost and availability of land remains a significant barrier to building more affordable homes. We would propose land reforms could include reforming land compensation legislation to capture more of the uplift in land value generated by planning permission for the benefit of the community.

## **7. Increasing Affordable Supply through Housing Renewal**

7.1 The North's housing deficit isn't just in new supply; it is also the quality and age of the existing housing stock. New homes are urgently needed across the North and there has rightly been a focus on finding ways to achieve this. However, in recent years, new supply in the North has accounted for less than 4% of the North's housing stock and so we cannot forget about the critical importance of maintaining, improving or adapting existing homes.

7.2 As can be seen from the table below, most of the homes needed in the North are already built with new build making up a minority of housing stock.

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<sup>8</sup> See <https://www.insidehousing.co.uk/news/news/terrie-alafat-says-spending-review-must-make-a-real-difference-62046>

New construction rates 2011-18

	Dwelling stock	New build 2011-18	New build as % stock
England	22,976,000	911,530	3.97%
North East	1,178,280	40,580	3.44%
North West	3,143,930	85,970	2.73%
Yorkshire and the Humber	2,319,920	72,080	3.11%

Source: MHCLG live tables 100 and 253

- 7.3 Government policy of targeted support towards inflated markets omits consideration of the barrier to accessing housing which meets the definition of affordable but is either sub-standard, or not fit to live in. The term 'affordable' therefore becomes meaningless if it loses sight of living conditions for those who inhabit the homes concerned.
- 7.4 Investment for the regeneration of existing housing stock to meet the requirements for affordable housing are essential if future housing needs are to be met. Investment should be judged on whether it's delivering the right housing solutions in the right places, not just on the biggest 'bang for the buck'.
- 7.5 Housing renewal can add to the overall supply of high-quality affordable homes in areas already established as communities and where people want to live in. It also generates economic growth and in a way that doesn't always require new land or infrastructure.
- 7.6 Investment approaches should be extended to cover housing renewal – and the challenges of achieving it where that involves land remediation and demolition.

## 8. Conclusion

- 8.1 Housing markets across the North are extraordinarily diverse with different barriers to delivery in different places and this presents challenges which are significantly and materially diverse from those in southern housing markets.
- 8.2 Our work with local councils across the North demonstrates that the local government sector is ambitious to be part of the solution to delivering social and affordable rented housing and has a critical role to play in the delivery of all forms of housing. But, the balance of contribution to be made by this sector should be driven by a realistic assessment of its capacity, which will take time to reassemble.
- 8.3 The North's housing associations are similarly ambitious and with access to investment and land stand ready to maintain recent momentum. The forthcoming spending review represents an important opportunity for Government to boost delivery of social and affordable rented housing. In doing so, it must recognise that the national housing crisis has regional dimensions. The North needs a significant boost

to affordable housing supply and investing in this would also contribute towards the national ambition on housing delivery.

For further information about this response, please contact

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