Key Announcements

- A new £4bn Levelling Up Fund to support economic recovery across the UK.
- A £7.1bn National Home Building Fund to support the development of new homes, including an additional £100m to the Brownfield Housing Fund for non-Mayoral Combined Authorities.
- A commitment to refreshing the Green Book to meet priorities including levelling up the regions and meeting net zero targets.
- £254m of additional resource funding to tackle rough sleeping and homelessness.
- An additional £3bn for local authorities to meet Covid-19 pressures.
- A recommitment to the Shared Prosperity Fund equalling EU funding, averaging £1.5bn per year.
- A 3-year £2.9bn Restart programme to provide support to over 1 million unemployed people.
- A plan to create a new National Infrastructure Bank based in the north of England.
- Additional funding to help more homes become more energy efficient.

Introduction

Today (Wednesday 25th November) the Chancellor of the Exchequer has set out the Government's spending plans in a one-year Spending Review covering 2021/22. Alongside the Spending Review, the Government has also published the National Infrastructure Strategy and the results of the 2020 Green Book Review.

This one-year Spending Review comes 12 months after the Conservatives published their election manifesto. In normal times, we would have expected a new Government to set out spending plans for a longer period, and indeed this had been the Government's plan. However, the impact of Covid-19 has meant that the Spending Review has been truncated to a one-year package, with a multi-year Spending Review to follow in 2021.

The Spending Review was focused around the response to Covid, on increasing support for public services, and supporting jobs and businesses. The Review set out a number of measures of interest to the NHC's 140 council, housing association, ALMO and Combined Authority members across the North:

- A new £4bn **Levelling-Up Fund** to support local regeneration
- A £7.1bn **National Home Building Fund** for housing infrastructure, including a further £100m for housing delivery and regeneration along the lines of the current brownfield fund
- £254m to tackle **homelessness and rough sleeping**.

This NHC on-the-day briefing sets out our first take on today's announcements. We will engage with MHCLG and other Government Departments in the weeks to come to further understand today's announcements and to play our part in making housing policy work for the North.

We welcome your comments and questions. Please contact:

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Levelling Up Fund

The Chancellor launched a new £4bn Levelling Up Fund to support economic recovery. This is a competitive fund, which will be managed across the Department for Transport and the Ministry of Housing, Communities and Local Government.

The new Levelling Up Fund worth £4bn for England will invest in local infrastructure that has a *'visible impact'* on people and their communities and will support economic recovery. Moving away from multiple funding streams, this new cross-departmental Fund will invest in a broad range of high value local projects up to £20m, or more by exception. Examples cited include *'bypasses and other local road schemes, bus lanes, railway station upgrades, regenerating eyesores, upgrading town centres and community infrastructure, and local arts and culture'.*

Whilst focused on levelling-up, the Fund will be open to all local areas in England and prioritise bids to drive growth and regeneration in places in need, those facing particular challenges, and areas that have received less government investment in recent years. The Spending Review makes available up to £600m in 2021-22.

Projects are expected to demonstrate strong local support, including from local Members of Parliament. In this respect (and in terms of its aims of making a visible difference) the Fund resembles some aspects of the Towns Fund.

Further detail on the bidding process and criteria will emerge in a Prospectus to be published in the New Year, which will mark the opening of the first round of the Fund. There is £600m allocated to the Fund in 2021/22.

NHC Reaction: The levelling-up fund is important recognition that some parts of our country have received less investment in recent years and the scale of the Fund means it presents a real opportunity for regeneration in the North.

Competitive bidding processes are attractive to central government, but often absorb limited local government capacity on abortive submissions. It is important that the scheme prospectus makes some allowance for revenue costs.

To maximise the Fund's impact, it will need to be aligned with Green Book reform and mainstream investments like the Shared Prosperity Fund and National Home Building Fund. We await the prospectus with interest.

National Home Building Fund

The Spending Review announced a new National Home Building Fund. This Fund will consist of an initial £7.1bn to be spent over the next four years (2021/22 to 2024/25). This includes:

- £4.8bn of capital grant funding for land remediation, infrastructure investment and land assembly
- Delivery of the existing Brownfield Housing Fund. This £400m fund was announced at Budget 2020, and some £276m of it has been allocated to Northern Combined Authorities (North of Tyne, Tees Valley, Greater Manchester, Liverpool City Region, West Yorkshire and South Yorkshire)
- A further £100m for non-Mayoral Combined Authorities to support housing delivery and regeneration along similar lines to the Brownfield Housing Fund
- £2.2bn of new loan finance to support housebuilders across the country.

This £7.1bn fund is pitched as the first part of the Government's promised £10bn investment in housing infrastructure. This £10bn had previously been referred to as the 'Single Housing Infrastructure Fund' and was anticipated as the replacement for major Homes England-managed funds like the Housing Infrastructure Fund, Home Building Fund, and Land Assembly Fund.

The current Homes England-managed funds this new Fund will replace are subject to the crude 80/20 'geographic targeting' restrictions which lock all but four of the North's local authorities from accessing the lion's share of these funds. There is no confirmation in the Spending Review documents about how the new Fund will be allocated, and pressed in questions in the House of Commons after his statement, the Chancellor offered no reassurance but offered to meet with MPs to discuss the concerns expressed about the allocation of the current Housing Infrastructure Fund.

The new Home Building Fund is expected to support the delivery of up to 860,000 homes across the country.

NHC Reaction: It is good to see the Government's continued commitment to a £10bn investment in housing infrastructure. The vast majority of the North has been unfairly restricted from accessing the lion's share of predecessor funds. It will be important that the new National Home Building Fund will not be subject to these types of restrictions, so that the operation of the new Fund reflects the word 'National' in the title. We will be seeking reassurances from MHCLG on this.

It is also pleasing to see the commitment to a further £100m for housing delivery and regeneration. The NHC welcomed the Brownfield Housing Fund when it was announced at the Spring Budget, and worked with MHCLG officials to influence its operation and allocation. Our Spending Review Representation called for further rounds of the Brownfield Housing Fund, and for it to be expanded to new geographies. It is therefore pleasing to see this additional £100m, and the extension to non-Mayoral Combined Authorities presents the prospect of opening access to new geographies without Mayors, such as the North East Combined Authority area.

Green Book Review

Alongside the Spending Review, the Treasury has published a review of the Green Book - the Treasury's guidance on options appraisal, which is used across Government. There have been concerns that the Green Book was restricting investment in the North and thereby acting against efforts to 'level-up'. The review was announced at the 2020 Spring Budget in response to these concerns.

A central finding of the Treasury's review is that the appraisal process often fails to properly consider regional imbalance. This leads to appraisals being focused on a benefit cost ratio (BCR) that does not fully reflect social policy objectives.

The findings of the review can be summarised as:

- The core technical methodology of the Green Book does not itself skew decisions
- However, the Green Book is a technical approach – which does not itself set policy objectives or determine decisions
- Current appraisal practice, and the approach to business cases, is not enabling schemes' contributions to strategic priorities to be properly reflected
- There is therefore a need for change to the Green Book, and to the way it is used, to ensure effective decision-making in pursuit of levelling-up and other objectives.

The Treasury have set out a range of actions in response. This includes a stronger requirement to set out clear objectives for interventions at the outset, stronger and clearer advice for what constitutes value-for-money, and new guidance on how to appraise transformational change scenarios, and for place-based impacts.

The refreshed Green Book is intended to ensure that project appraisals properly analyse how proposals deliver the government's key priorities, including levelling up, and net zero, and how they will impact different places. Starting now, appraisals must give a comprehensive picture of cost and benefits, including impacts that are difficult to monetise.

NHC Reaction: Government pledged to level-up the economy of the regions, and the new tranche of Conservative MPs in Northern regions are not allowing this pledge to be forgotten, and have lobbied for tangible change.

Economic decisions based on BCRs have disadvantaged the North and historically have shifted investment away from Northern areas. There is significant potential for monetising other benefits to bring about investment and improved social and economic outcomes associated through revised appraisal.

Today's Review is a detailed and technical review which will take time to digest. The proposals around transformational change scenarios are promising as this is an area where the value of investment in the North has perhaps not been well-reflected in the past. The NHC is currently working with Homes for the North on new research which will set out the broad range of impacts housing investment can have, the evidence base behind these, and what more needs to be done to ensure these impacts can be reflected in appraisal approaches.

Homelessness and Tackling Rough Sleeping

Today, Rishi Sunak announced under the second priority of the 2020 Spending Review '*improving outcomes in public services'* £254m of additional resource funding to tackle rough sleeping and homelessness in the next financial year. This will be used to bolster vital accommodation, substance misuse and frontline support services for those faced with homelessness.

This is in addition to the £103m that has already been promised for 2021-22 in the Chancellor's first budget in March and would represent a 60% increase on plans laid out by his predecessor, Sajid Javid.

According to the Treasury, the funds will boost the "rough sleeping initiative" programme launched back in 2018, providing much needed funds to help local authorities to prevent rough sleeping, and aid prison leavers at risk of homelessness.

The funding boost comes amongst growing concern over the dangers for rough sleepers during this second Covid wave, as we are in the midst of early winter and face colder temperatures over the months ahead, and as the economic effects of the pandemic continue to lead to rising levels of unemployment and deeper financial hardship.

The success of spending decisions is measured by their impact on people's daily lives. The Spending Review places a renewed focus on outcomes and ties spending and performance more closely together. This approach is part of implementing the Public Value Framework.

NHC Reaction: The NHC welcomes today's announcement around additional funding to tackle an urgent issue for the sector, NHC members have been continually supporting local communities faced with homelessness and rough sleeping. This funding will provide them with an opportunity to develop programmes like Housing First and Everyone In, which have proved to be successful in supporting those faced with homelessness to transition them into safe and secure accommodation and providing targeted support.

However, the sector alongside partners and homeless charities have concerns that as a result of the pandemic and over this second wave with the prospect of future job losses and financial challenges, there could be a sharp rise in the number of homeless people. In addition, over the first wave many were accommodated in hostels and hotels, where we did see an end to rough sleeping and as the hospitality sector opens back up over the coming months, where next for those who have been protected over the short term? This additional funding will help to mitigate some of those concerns and provide a longer term, sustainable solution. The NHC would like to see a higher priority based on tackling the issue, and a focus on prevention and early intervention rather than supporting people when they have hit a crisis point, this will require further funding and support alongside a strong government strategy to end homelessness and rough sleeping for good, as well as a strong welfare safety net.

TheGgovernment should also improve its support to councils for people with "no recourse to public funds" – currently a consequence of their immigration status, and as a result will lead them to the streets.

Local Government Funding

The Chancellor recognised the additional pressures Covid-19 has placed on local authorities and expects to provide over £3bn of additional funding to meet these Covid-19 pressures. However, except for health workers, the rest of the public sector pay rises are paused in 2021-22.

Government expects to provide the £3bn in additional support by:

- providing an additional £1.55bn of grant funding to local authorities to meet additional expenditure pressures as a result of Covid-19
- £670m of additional grant funding to support the more than 4 million households that are least able to afford council tax payments
- an estimated £762m to compensate local authorities for 75% of irrecoverable loss of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years
- extending the existing Covid-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021.

Core spending power will be increased by an estimated 4.5% in cash terms next year:

- Local authorities will be able to increase their council tax bills by 2% without needing to hold a referendum
- Social care authorities will be able to charge an additional 3% precept to help fund pressures in social care.

The underlying core settlement for local authorities in 2021-22 includes: maintaining the existing New Homes Bonus scheme for a further year with no new legacy payments.

Full details of the proposed Local Government DEL settlement for 2021-22 will be set out shortly by the Ministry of Housing, Communities and Local Government (MHCLG).

NHC Reaction: Prior to the Spending Review, we pushed for a sustained real-terms increase in local government funding and support to help local authorities build back their specialist housing and planning expertise. This will be vital to deliver the Government's ambition on levelling up.

Local government in the North of England must have capacity to deliver new place-making programmes. This will contribute to Government priorities around levelling up, economic recovery, net zero and public service reform.

Today's support will prop-up core services and help local authorities to deliver the substantial additional responsibilities for Covid-19 responses. It is less clear how councils will build back services for housing, planning, infrastructure and place-making.

This is important, because projects for delivery under initiatives like the new Levelling Up Fund will only succeed if local authorities are funded sufficiently to provide the capacity to bring forward – at speed – the necessary 'shovel ready' programmes of work.

Reductions in capacity have particularly impacted on Northern councils' access to specialist skills. As capacity has focused on core functions, expertise on large-scale regeneration have been lost.

UK Shared Prosperity Fund

The Chancellor announced that the government will deliver on the minimum commitment to the UK Shared Prosperity Fund outlined in its 2019 manifesto, where they pledged to “at a minimum match the size of [Structural] funds in each nation” – targeted at areas that have been ‘left behind’. The UK-wide fund will utilise the new financial assistance powers in the UK Internal Market Bill and will target places deemed most in need across the UK, with the accompanying document to today’s speech clarifying that ex-industrial areas, deprived towns and rural and coastal communities are the focus. The fund will be delivered jointly by Ministry of Housing, Communities and Local Government and the Department for Work and Pensions.

Intended to spur regeneration and innovation, the fund will prioritise three areas: investment in people, tailored to local needs and including work-based training to supplement national programmes; investment in communities and place, including cultural facilities and civic, green and rural infrastructure, as well as town centre and transport improvements and digital connectivity; and investment for local businesses, intended to support innovation. Places that secure funding would agree specific outcomes to target within the UK-wide framework, developing investment proposals approved by government and in line with the Government’s glean growth and net zero ambitions. Unfortunately, we will have to wait until the UK-wide investment framework published in the spring for further details.

In order to help local areas prepare over 2021-22 for introduction of the UK Shared Prosperity Fund, the government will provide a further £220m of UK-wide funding to support pilot programmes and new approaches, separate to MHCLG. Further details on this aspect will be published in the New Year.

NHC Reaction: Further detail on the Shared Prosperity Fund is long-overdue. While today’s announcement is welcome, we await further details in the new year. We also note that observers have pointed out that EU structural funds were match-funded by UK funds, and it is not clear that the Government’s proposals to replicate the scale investment from EU funds will also include the match-fund.

Employment Support and Restart Programme

Today the Chancellor announced £3.6bn of additional funding for the Department of Work and Pensions to deliver labour market support, including funding for:

- the new 3-year £2.9bn Restart programme to provide intensive and tailored support to over 1 million unemployed people and help them find work
- work search support measures announced in the Plan for Jobs
- the £2bn Kickstart Scheme to create hundreds of thousands of new, fully subsidised jobs for young people across the country. This settlement confirms funding for over 250,000 Kickstart jobs.

The government is also providing funding to get more disabled people into work and to improve the DWP's health assessments system.

The Restart programme is a three-year UK-wide programme designed to provide innovative and tailored support to help over 1 million people (unemployed for 12 months or more) into work, with approximately £0.4bn in funding for 2021/22. It is aimed predominantly at older workers who are most likely to be left facing "the scarring effects" of long-term unemployment and will include support through training courses and local partnerships.

For the three months to September, the unemployment rate rose 0.9 percentage points on the year to 4.8%. However, the data suggests that further rises in unemployment are to come. Between March and October, the number of employees on payroll fell by 782,000 (2.7%). Redundancies rose to 314,000 in the three months to September – the highest level on record.

NHC Reaction: Our members work closely with their communities, the DWP, and other local partners, to support people to move into sustainable employment with decent pay and conditions. Unemployment has a devastating effect on individuals and communities, and further investment in training and employment support will be well received. The Kickstart Scheme, announced earlier this year, is aimed at young people, so the Restart programme's focus on the longer-term unemployed is welcome.

The net zero agenda offers huge jobs and skills opportunities for the North, and we hope to see the Restart programme making links to this agenda in order to secure the sustainable jobs our communities need.

We look forward to seeing the details of the new programme in due course.

National Infrastructure Bank

In today's Spending Review the Government revealed plans to create a new National Infrastructure Bank based in the north of England which aims to support local authorities and metro mayors in key infrastructure projects.

This support will be delivered through either National Infrastructure Bank loans or the Bank will offer consultations to local authorities in order to establish the best means of expanding infrastructure and financing it.

In terms of the broad aims of the National Infrastructure Bank, the Government have so far identified that supporting the Prime Minister's ten-point plan as well as levelling up areas will be top of the list. However, it is possible that an initial unspoken responsibility could be to support regions that were previously reliant on the European Investment Bank which it will seek to replace after the Brexit transition period ends in January 2021. Beyond these possibilities the National Infrastructure Bank's aims and operations are not entirely clear as its full responsibilities and scale will be outlined in the 2021 budget.

The National Infrastructure Bank will partially rely on private sector co-investment particularly from banks, international investors in infrastructure and pension funds, which the government have already made increasingly suited to invest in infrastructure projects. In terms of any other mechanisms in place to support the creation of the National Infrastructure Bank the existing UK Guarantees scheme will be utilised in order to provide debt, equity and hybrid products upon its creation.

NHC Reaction: The Northern Housing Consortium welcomes the National Infrastructure Bank as it understands the importance strong and sustainable infrastructure has on housing and local communities particularly those in the North who have recently experienced the repercussions of climate change in the form of increasingly frequent floods. The Consortium also welcomes the proposal to locate the National Infrastructure Bank in the North, and is optimistic about the kind of much needed investment and attention this could bring to the region.

Energy Efficiency – Housing Retrofit

£150m has been allocated to help some of the 'poorest homes' become more energy efficient, and a further £60m to retrofit social housing. The Green Homes Grant voucher scheme has been extended with £320m of funding in 2021-22.

SR20 also confirms £122m in 2021-22 to support creation of clean heat networks. This, together with the measures to be set out in the forthcoming Heat and Buildings Strategy, will help meet the target of installing 600,000 heat pumps by 2028, and scale up the other low carbon heating and energy efficiency measures necessary to make buildings fit for net zero.

NHC Reaction: This is a welcome extension to the Green Homes Grant. The Green Homes Grant will potentially act a stimulus to driving the market for retrofit measures. The main barrier to market stimulus had been the short-term nature of the programme. The extension of the scheme will allow for skills and capacity to match the demand for installations.

The £60m appears to be the first release from the main Social Housing Decarbonisation Fund to retrofit social housing. If this is during the same timeframe as the Green Homes Grant, this will further drive and support the retrofit of social housing – with the social housing sector being the leader in this market.

However, these sums are still far below the assessed need. Research supported by the NHC shows upgrading the social housing stock in the North of England could require £1.18bn per annum of investment. We urge the Government to bring forward the entirety of the proposed £3.8bn social housing decarbonisation fund as soon as possible.

This kind of long-term pump-priming investment in the social housing stock would build supply chains, increase skills, and help the region recover from the impact of Covid-19 (independent estimates suggest the three Northern regions will struggle the most to recover from the impacts of Covid-19 over the longer term), by creating 77,000 jobs across the North by 2030.

A Heat and Buildings Strategy which will provide a 'roadmap' to 2050 is awaited, possibly by the end of the year – we look forward to digesting this, and understanding how Government will deliver on ambitions from the Prime Minister's 10 point plan – such as installing 600,000 heat pumps per year by 2028.