



**NORTHERN  
HOUSING  
CONSORTIUM**  
VOICE OF THE NORTH



# DELIVERING ON NET ZERO AND LEVELLING-UP:

***THE NORTHERN HOUSING CONSORTIUM'S 2021  
SPENDING REVIEW REPRESENTATION***



The Northern Housing Consortium is the 'Voice of the North', representing 140 councils, housing associations, ALMOs and Combined Authorities across the North. Our members own or manage 9 out of every 10 social homes in the North of England.

The NHC is proud to be an official partner of the Government's Northern Powerhouse initiative.



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## Foreword

The Northern Housing Consortium is the 'Voice of the North'. We represent 140 councils, housing associations, ALMOs and Combined Authorities across the North of England. Our members own or manage more than 9 out of 10 social homes in the North of England.

Our Spending Review representation seeks to help Government deliver on two of its top priorities – net zero and levelling-up.

The Government has legislated for the most ambitious carbon reduction target in the industrialised world – seeking to achieve net zero carbon emissions by 2050. Reaching this target means tackling the quarter of carbon emissions that come from the North's existing homes.

To do this, we recommend the Government confirm and accelerate manifesto pledges to deliver a £2.5bn programme of Home Upgrade Grants; and deliver a £3.8bn Social Housing Decarbonisation Fund across England within this spending review period. By delivering this investment within this spending review period, and allocating funds via BEIS' local Energy Hubs, we estimate that Government can trigger a £2.76bn investment in the North's homes. This investment will lay the ground for 77,000 good green jobs across the North by the 2030s – contributing to the delivery of the Government's pledge to level-up.

I have been pleased to support the development of the first wave of the Government's Social Housing Decarbonisation Fund, as a member of BEIS' consultative panel. The NHC's Spending Review proposals draw on this experience, and set out an allocation method that will ensure that this important funding reaches parts of the country in need of levelling-up. We would welcome the opportunity to work with Treasury and BEIS on detailed scheme design.

Our representation also recommends Government recognise the direct link between local authority capacity shortfalls in the North and constraints on housing delivery ambitions and addresses this to enable our councils to deliver more and better homes; and proposes a further round of the successful Brownfield Housing Fund which has enabled the creation of new homes on vacant brownfield land.

The North's councils, housing associations and ALMOs stand ready to work with Government to deliver on these important agendas.



Tracy Harrison  
Chief Executive



## Delivering on net zero and levelling-up through a programme of green home upgrades

### Recommendation:

The Chancellor should confirm and accelerate Conservative Manifesto commitments to invest in green home upgrades:

1. The full £3.8bn Social Housing Decarbonisation Fund should be brought forward into this Spending Review period (2022-23 to 2024-25).
2. The £2.5bn Home Upgrade Grant programme for private rented and owner-occupied homes should be confirmed.

These investments would unlock a further £2.1bn of contributions from landlords, creating a total investment of more than £8.4bn in energy efficiency nationally.

We recommend that Government's investment is allocated via BEIS' local Energy Hubs on the basis of each Hub's share of England's fuel poor households. This would result in a £2bn investment in energy efficiency across the North from Government, co-funded with over £700m from social and private landlords, creating a combined £2.76bn investment in the North's homes over this spending review period: tangible evidence of Government's commitment to levelling-up and net zero.

### Spending Review priorities this recommendation delivers on:

- ✓ **Levelling-up:** potential for 77,000 good green jobs across the North by the 2030s
- ✓ **Net Zero:** tackling the ¼ of emissions in the North which come from domestic sources
- ✓ **Ensuring strong and innovative public services:** making people's lives better by investing in their homes, making them healthier and cheaper to heat

### The challenge

26% of the North's carbon emissions – some 23.6Mt of Co2 – are attributable to our homes<sup>1</sup>. To reach net zero, we must tackle this. Essentially this is a two-part challenge:

1. Retrofitting homes to achieve higher levels of energy efficiency e.g. through improved levels of insulation.
2. Transitioning home heating away from fossil fuels towards renewables (the Northern regions have the highest levels of gas boiler usage in the country, with more than 4/5 homes using mains gas for heating and hot water). This work must take place concurrently, or subsequently, to (1).

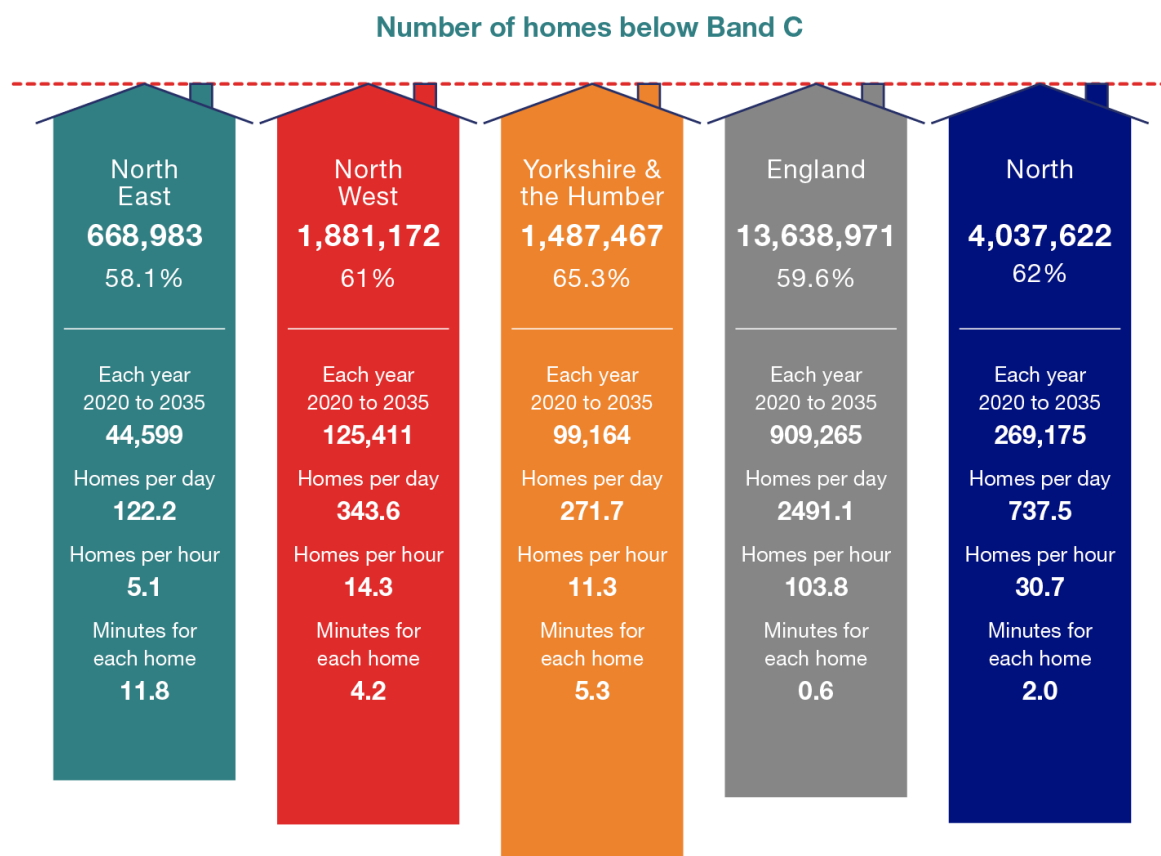
To deliver on the first of these challenges, Government has set out a target for all homes to reach Energy Performance Certificate Band C by 2035. As Fig 1 demonstrates, NHC analysis shows that meeting this target will require retrofitting 270,000 homes each year between 2020 and 2035. This requires significant acceleration of retrofit activity in the North

<sup>1</sup> Source: BEIS UK local authority carbon emissions estimates 2017 Table 1, cited in Long, D. (2021) *The Northern Housing Monitor 2021*. Sunderland: Northern Housing Consortium. Available at: <http://www.northern-consortium.org.uk/northern-housing-monitor/>



of England – activity which this proposed coordinated £2.7bn investment in the North's homes would begin to fund and stimulate.

**Figure 1 : The scale of the challenge : the number of homes below EPC Band C, and the speed of upgrading required to meet Clean Growth Strategy targets<sup>2</sup>**



### **The opportunity: delivering on net zero and levelling-up**

✓ **Creating jobs:** Green home upgrades are labour-intensive. Research supported by the Northern Housing Consortium found that an ambitious programme of green home upgrades – involving retrofit and energy transition - could create 77,000 direct jobs across the North by the 2030s, and a further 111,000 indirect jobs across the UK. The same study concluded that this could generate £3.85bn Gross Value Added (GVA) direct in the North and an additional £5.61bn in supply chains around the country<sup>3</sup>.

These are good, skilled, long-term green jobs. Table 1 overleaf sets out the types of roles associated with housing decarbonisation:

<sup>2</sup> Source: Analysis of the English Housing Survey 2020, presented in Long, D. (2021) *The Northern Housing Monitor 2021*. Sunderland: Northern Housing Consortium. Available at: <http://www.northern-consortium.org.uk/northern-housing-monitor/>

<sup>3</sup> Johns M and Longlands S (2020) *Northern Powerhomes: A green recovery plan to decarbonise homes in the North*, IPPR North. <http://www.ippr.org/research/publications/northern-powerhomes>



**Table 1: Roles associated with housing decarbonisation<sup>4</sup>**

Role	NVQ Level Required	Length of training	Average salary (when qualified)
Plumbing and heating engineer	NVQ 2	2-3 years	£18-35,000
Plumbers	NVQ 2/3	Up to 4 years	£18-40,000k
Electricians	NVQ 3	Up to 4 years (fast track options available)	£32,000
Plasterers	NVQ 2	Apprenticeship – learn on the job	£14-30,000

✓ **Making homes cheaper to heat:** Levels of fuel poverty in the North run above the English average, with over 1million households in the North living in fuel poverty<sup>5</sup>. The North is home to one-third of England's fuel poor households. The average household in fuel poverty faces a £200 gap between their fuel bill and what they could afford if they were to avoid fuel poverty. With wholesale gas costs rising, investment in home energy efficiency is now an urgent imperative. Upgrades will put cash in the pockets of those living in the homes concerned. A report last year estimated potential fuel bill savings from home upgrades at £270 per household per year<sup>6</sup>.

<sup>4</sup> Johns M and Longlands S (2020) Northern Powerhomes: A green recovery plan to decarbonise homes in the North, IPPR North. <http://www.ippr.org/research/publications/northern-powerhomes>

<sup>5</sup> Long, D. (2021) *The Northern Housing Monitor 2021*. Sunderland: Northern Housing Consortium. Available at: <http://www.northern-consortium.org.uk/northern-housing-monitor/>

<sup>6</sup> EEIG (2020) *Energy efficiency's offer for a net zero compatible stimulus and recovery*. London: EEIG. Available at: [https://www.theeeig.co.uk/media/1096/eeig\\_report\\_rebuilding\\_for\\_resilience\\_pages\\_01.pdf](https://www.theeeig.co.uk/media/1096/eeig_report_rebuilding_for_resilience_pages_01.pdf)



✓ **Improved health and wellbeing:** Half of the North's non-decent homes are occupied by someone who is older, or has a long-term disability or illness. The debilitating effect of poor housing on health was all too apparent during the Covid-19 lockdowns<sup>7</sup>, and the Marmot Review concluded that inequalities in social and economic conditions before the pandemic contributed to the high and unequal death toll from Covid-19<sup>8</sup>. Even before the pandemic, 17,000 people died in 2018 because they could not afford to heat their home<sup>9</sup>. But green home upgrades can deliver improved health and wellbeing. The King's Fund estimate that every £1 spent on improving homes occupied by vulnerable households yields £4 in health benefits<sup>10</sup>. Evaluation of retrofit schemes elsewhere in the UK have been shown to save the NHS 42p for every £1 invested<sup>11</sup>.



<sup>7</sup> Brown, P., Newton, D., Armitage, R. and Monchuk, L. (2020) *Lockdown, Rundown, Breakdown: The Covid-19 lockdown and the impact of poor-quality housing on occupants in the North of England*. Sunderland: Northern Housing Consortium. Available at: <https://www.northern-consortium.org.uk/influencing/lockdown/>

<sup>8</sup> Michael Marmot, Jessica Allen, Peter Goldblatt, Eleanor Herd, Joana Morrison (2020). *Build Back Fairer: The COVID-19 Marmot Review*. The Pandemic, Socioeconomic and Health Inequalities in England. London: Institute of Health Equity. Available at: <https://www.health.org.uk/sites/default/files/upload/publications/2020/Build-back-fairer-the-COVID-19-Marmot-review.pdf>

<sup>9</sup> Centre for Ageing Better (2021) *Homes that kill: 2 million homes in England pose a serious threat to health or safety*. Available at: <https://www.ageing-better.org.uk/news/homes-that-kill-two-million-homes-in-england-pose-serious-threat-to-health>

<sup>10</sup> Centre for Ageing Better & The King's Fund (2020) *Homes, health and COVID-19*. London: Centre for Ageing Better. Available at: <https://www.ageing-better.org.uk/publications/homes-health-andcovid-19>

<sup>11</sup> C. Liddell (2008) *Estimating the Impacts of Northern Ireland's Warm Homes Scheme 2000–2008*. University of Ulster and Marmot Review Team

## Basis of allocation

To date, Government has allocated energy efficiency funding using a mixture of national competitive bidding rounds (e.g. Local Authority Delivery (LAD) rounds 1a and 1b, Social Housing Decarbonisation Fund); and direct allocation to the five BEIS-sponsored local Energy Hubs<sup>12</sup> (Local Authority Delivery Phase 2).

National competitive bidding rounds are resource-intensive for local authorities, and can lead to unbalanced outcomes. For example, despite accounting for around 30% of England's social housing stock, the North received just 14% of the Social Housing Decarbonisation Fund Demonstrator funds allocated to England. This runs contrary to Government's levelling-up objective, and is a missed opportunity to tackle the higher levels of fuel poverty that exist in Northern regions.

The NHC therefore recommends that the proposed energy efficiency investments of £3.8bn in the Social Housing Decarbonisation Fund and £2.5bn in Home Upgrade Grants are allocated via BEIS' local Energy Hubs on the basis of the share of England's fuel poor households within each Hub area – see Table 2 below. This is a similar basis to the allocation of LAD Phase 2.

**Table 2: Proposed allocation of energy efficiency funding to BEIS local Energy Hubs<sup>13</sup>**

Energy Hub Area	Number of fuel poor households	% of England's fuel poor households	Social Housing Decarbonisation Fund allocation	Home Upgrade Grant allocation	Total energy efficiency investment from Govt
North East and Yorkshire	574,000	18.1%	£687.8m	£452.5m	£1.14bn
North West	461,000	14.5%	£551m	£362.5m	£913.5m
<b>TOTAL NORTH</b>	<b>1,035,000</b>	<b>32.6%</b>	<b>£1.239bn</b>	<b>£815m</b>	<b>£2.054bn</b>

Allocating funds via the local Energy Hubs also enables:

- Confidence building among the private sector regional supply chain, who will have certainty on funds to be invested within their operating area, enabling them to invest in capacity and skills development at local level
- Coordination of SHDF and HUG investment, both of which will draw on the same regional private sector supply chains
- Provision of local technical assistance and capacity building by the Hub, delivering this alongside capital investment
- Coordination with other regional actors, such as Electricity Distribution Network Operators, whose investment in upgrading the electricity grid will be important to enable roll-out of heat pump technology at scale

<sup>12</sup> BEIS have established a network of five local Energy Hubs across the country. These have local host organisations : the North East and Yorkshire Hub is hosted by Tees Valley Mayor & Combined Authority; and the North West Hub is hosted by the Liverpool City Region Combined Authority

<sup>13</sup> Fuel poverty statistics based on BEIS (2021) Fuel Poverty Statistics for England; cited in Long, D. (2021) *The Northern Housing Monitor 2021*. Sunderland: Northern Housing Consortium. Available at: <http://www.northern-consortium.org.uk/northern-housing-monitor/>



- Registered providers of social housing (e.g. housing associations) to apply direct to the Energy Hub, rather than having to bid via local authorities, as is the case for national competitions (which are distributed by means of Section 31 grants to local authorities).

We recommend that the future Home Upgrade Grant programme encompasses both elements of the Sustainable Warmth Competition launched this Summer – that is, an upgrade programme for low-income households living off-gas grid and a continuation of the LAD programme for low-income households currently heated by mains gas.

The call to bring forward the £3.8bn Social Housing Decarbonisation Fund has broad support from the House of Commons Environmental Audit Committee<sup>14</sup>, the Confederation of British Industry<sup>15</sup>, the National Housing Federation<sup>16</sup> and the Create Streets Foundation's *No Place Left Behind Commission*<sup>17</sup>.

### **Additional investment unlocked**

On the basis of existing co-funding models, we estimate that the Government investment we recommend would unlock a further £711m of contributions from social and private landlords in the North of England, creating a total co-funded investment of £2.76bn in the North's homes.

Government investment in social housing energy efficiency would unlock further investment from landlords. Wave 1 of the Social Housing Decarbonisation Fund has been rolled out on the basis of a co-funding requirement for landlords to fund at least one third of total eligible costs.

On the basis of this one third co-funding arrangement, a national £3.8bn SHDF programme over this Spending Review period would unlock (at least) a further £1.9bn of investment from housing associations and councils, totaling an investment of at least £5.7bn in England's social housing stock.

*The equivalent figures for the Northern allocation suggested in Table 2 above would be a government investment in SHDF of £1.239bn, augmented with a further investment of £619m from social landlords, totaling a combined investment of £1.86bn in the energy efficiency of the North's social housing stock. Using conservative assumptions, we estimate that over this spending review period, this would enable the upgrading of around 124,000 social homes in the North<sup>18</sup>.*

<sup>14</sup> House of Commons Environmental Audit Select Committee (2021) *Fourth Report: Energy Efficiency of Existing Homes*. Available at: <https://committees.parliament.uk/publications/5171/documents/52521/default/>

<sup>15</sup> CBI (2020) *All for affordable: Delivering more affordable homes can accelerate the UK's recovery*. CBI : London. Available at: <https://www.cbi.org.uk/media/6005/all-for-affordable-cbiaffordable-housing-paper-november-2020.pdf>

<sup>16</sup> Inside Housing *There's a lot resting on the Spending Review when it comes to delivering net zero in housing*. Available at: <https://www.insidehousing.co.uk/comment/comment/theres-a-lot-resting-on-the-spending-review-when-it-comes-to-delivering-net-zero-in-housing-71874>

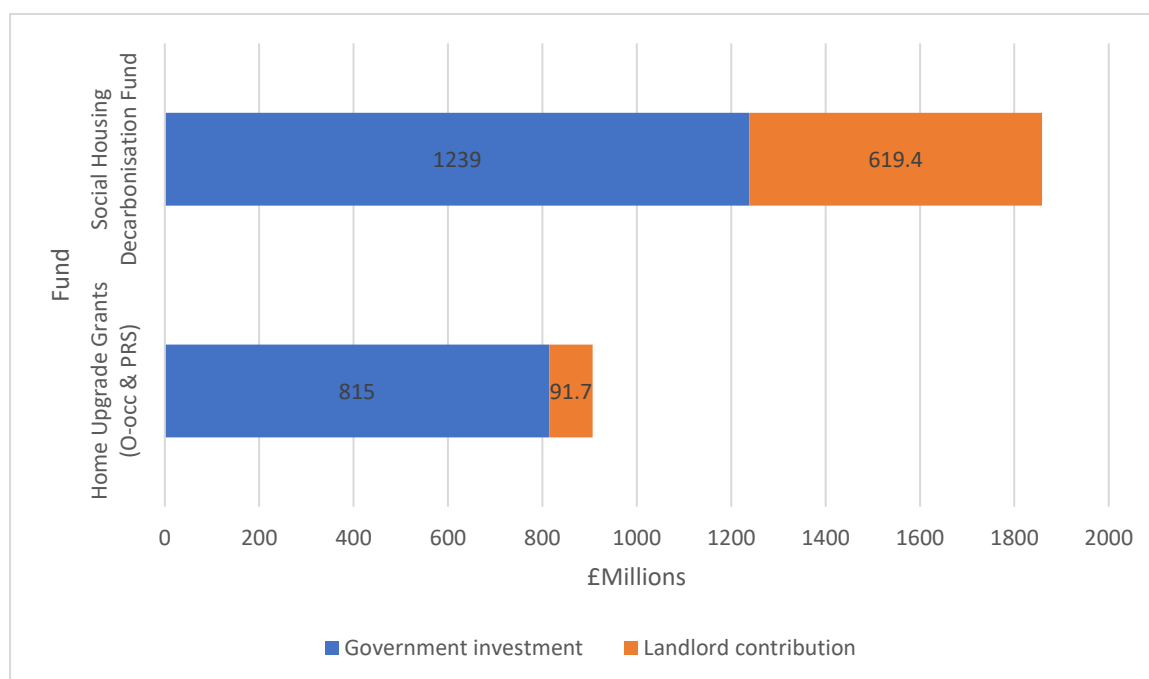
<sup>17</sup> Create Streets Foundation (2021) *No Place Left Behind: The Commission into Prosperity and Community Placemaking*. London: Create Streets Foundation. Available at: [https://www.createstreetsfoundation.org.uk/wp-content/uploads/2021/09/8560\\_PS\\_Create\\_No\\_Place\\_Left\\_Behind\\_FINAL.pdf](https://www.createstreetsfoundation.org.uk/wp-content/uploads/2021/09/8560_PS_Create_No_Place_Left_Behind_FINAL.pdf)

<sup>18</sup> Based on an indicative average grant funding of £10,000 per property: the maximum cost cap for grant funding under Wave 1 of SHDF is £16,000 for the worst-performing properties.

As Home Upgrade Grants are targeted at low-income households (e.g. those with combined household income of no more than £30,000), Government has not sought co-funding contributions from owner-occupiers to date. However, grants have been made available to private landlords who house low-income households; and in these cases, co-funding of one-third of total cost has been sought. If private rented homes were to represent the same proportion of HUG-funded homes as they do of the total private housing stock, we might expect around 22.5% of grants to be made to landlords in the private rented sector (PRS). On that basis, this might amount to investment in PRS properties of £562.5m nationally over the spending review period, and a cofunding contribution of an additional £281.2m from PRS landlords.

*The equivalent figures for the Northern allocation suggested in Table 2 above would be a Government investment in HUG of £815m, with £183.4m of that sum funding the PRS, augmented by £91.7m from private landlords, totaling a combined investment of £906.7m in the energy efficiency of the North's owner-occupied and private rented homes. We estimate this would enable the upgrading of over 100,000 owner-occupied and private rented homes in the North over the Spending Review period<sup>19</sup>.*

**Figure 2: Recommended investment and landlord contributions, North of England**



The total investment in the North from all sources over the Spending Review period therefore amounts to £2.76bn.

<sup>19</sup> Based on an average grant of £7,500 per home. Under the Sustainable Warmth Competition, the maximum grant is £5,000 for LAD (on-gas homes) and £20,000 for HUG (off-gas). An average grant rate of £7,500 would equate to treating 108,666 homes in the North under our proposal.



In considering Covid-19 fiscal recovery, the University of Oxford's Smith School have identified building efficiency retrofits as one of five policies with high potential both on economic multiplier and climate impact metrics<sup>20</sup>.

The Cost Benefit Ratio (Value for Money) indicator for a programme of housing retrofit is estimated at 2.27:1 which classifies the programme as "high" Value for Money<sup>21</sup>.

## **Deliverability**

The social housing sector in England expects to invest £2.9bn<sup>22</sup> on capitalised repairs and maintenance of existing homes in this financial year. Councils and housing associations are skilled asset managers, and many organisations have inhouse repairs and maintenance functions. Previous research for the NHC<sup>23</sup> has shown that  $\frac{3}{4}$  of expenditure by housing organisations in the North is with suppliers based within the North, supporting local jobs and supply chains. This combination of factors makes housing organisations the ideal delivery mechanism for net zero investment.

Coordinated investment in social sector homes by government and housing organisations is a proven model. During the last recession, the Decent Homes programme (a coordinated investment of £37bn over a decade<sup>24</sup>) delivered significant economic stimulus.

We are proposing an ambitious but deliverable programme. The regional allocations proposed are vital to building the skills and supply chain needed to ramp up delivery and meet Clean Growth Strategy targets. By allocating funding regionally, Government minimises uncertainty and sends clear signals to the private sector about the scale of delivery which will occur within each region, enabling them to ramp up skills and capacity to meet forthcoming demand. National competitive bidding rounds cannot deliver this forward view and increase uncertainty for private and public sector alike.

<sup>20</sup> Hepburn, C., O'Callaghan, B., Stern, N., Stiglitz, J., and Zenghelis, D. (2020), 'Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?', Smith School Working Paper 20-02

<sup>21</sup> Washan, P et al (2014) *Building the future : economic and fiscal impacts of making homes energy efficient*. Verco/Cambridge Econometrics. Available at:  
<https://www.sustainableenergyassociation.com/wp-content/uploads/2014/10/Building-the-Future-TheEconomic-and-Fiscal-impacts-of-making-homes-energy-efficient.pdf>

<sup>22</sup> Regulator of Social Housing (2021) Quarterly Survey for Q1: April – June 2021. Leeds: Regulator of Social Housing. Available at:  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1014690/Quarterly\\_Survey\\_Q1\\_2021-22.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1014690/Quarterly_Survey_Q1_2021-22.pdf)

<sup>23</sup> Wilson, I. et al (2013) *The economic impact of housing organisations on the North*. Sheffield: Centre for Regional Economic and Social Research. Available at:  
<https://www.northernconsortium.org.uk/services/policy/economy-and-enterprise/housing-and-the-northern-economic-study/>

<sup>24</sup> NAO (2009) *The Decent Homes Programme*. London: NAO. Available at:  
<https://www.nao.org.uk/wp-content/uploads/2010/01/0910212.pdf>

**Policy commitments that would support this investment:**

- Government should publish the promised Heat and Buildings Strategy as soon as possible, providing clarity to householders, landlords and industry on the preferred pathway for the transition of home heating
- The ongoing MHCLG (now DLUHC) review of the Decent Homes Standard must significantly update expectations on thermal comfort to ensure they align with the Clean Growth Strategy, contribute to the delivery of Government's net zero objective and meet the modern-day expectations of residents
- The certainty offered by the five-year Government policy statement on rents for social housing<sup>25</sup> is important in generating co-funding from social landlords. Government should continue to offer the sector similar certainty on future rent policy
- BEIS should publish their response to the 2020 consultation on raising energy performance standards for private rented homes in order to drive private landlord take-up and co-investment
- Using the Treasury's Net Zero Review to set out a transition of levies from electricity to gas, ensuring that the transition from fossil fuel heating to renewable electric heating does not cost consumers more and risk increased fuel poverty.

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<sup>25</sup> MHCLG (2019) *Policy statement on rents for social housing*. London: MHCLG. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/781746/Policy\\_Statement.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf)



## Delivering on net zero and levelling-up through enhanced local capacity

### Recommendation:

The Chancellor must begin steps to rebuild local authority capacity in the North of England to enable councils to collaborate with Government and deliver on shared agendas, like levelling-up and net zero:

1. The Spending Review should set out a clear commitment to a real-terms increase in local government funding.
2. Homes England's strategic objectives should be amended to clearly focus the Agency's significant human and financial capacity on contributing to levelling-up and net zero.

### Spending Review priorities this recommendation delivers on:

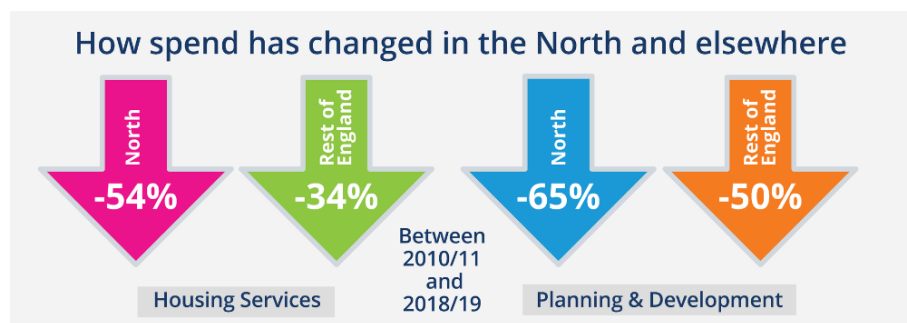
- ✓ **Levelling-up:** providing local authorities with the capacity they need to integrate agendas and deliver levelling-up on-the-ground
- ✓ **Net Zero:** over 60 local authorities across the North have declared climate emergencies. Their local leadership will be key in securing a just and effective transition to net zero
- ✓ **Ensuring strong and innovative public services:** making people's lives better by delivering more and better homes across the North

### The challenge

Northern local authorities have been disproportionately impacted by reductions in spending since 2010. Increasing pressures on key statutory services like adult social care mean that spending has increasingly been focused on statutory services, and reductions in spending have disproportionately affected functions like housing and planning, which will be important in delivering levelling-up and net zero.

Research by the UK Collaborative Centre for Housing Evidence on behalf of the Northern Housing Consortium<sup>26</sup> set out spending changes in the North and elsewhere:

**Figure 3: How spend on housing and planning services has changed**



<sup>26</sup> Hincks et al (2020) *A view from the North: Understanding local authority housing and planning capacity in an era of austerity*. Sheffield: UK Centre for Housing Evidence. Available at: <https://www.northern-consortium.org.uk/influencing/ournorth/local-authority-capacity/>

Updated out-turn spending figures covering the period to 2020/21 suggest these reductions have continued, with spend on planning now reduced by 73% across the North against the same 2010/11 baseline; and housing services (general fund only) reduced by 58%<sup>27</sup>. This means that councils in the North now spend 1.9p of every £1 on housing, compared to 3.7p in the rest of England. For planning and development, the figures are 1.4p in every £1 in the North, compared to 1.6p in the rest of England.

Despite these reductions in capacity, Northern councils have continued to deliver: the North comfortably outperformed the Government's housing delivery test, achieving 146% of the aggregated target over the period 2017/18 to 2019/20<sup>28</sup>. However, this positive performance masks challenges in the type and quality of housing provided. Local authority officers told researchers that delivery has been reduced to "...a numbers and targets game [rather] than addressing the real questions of housing quality and need"<sup>29</sup>. Evidence of this can be seen in the delivery of affordable housing in the North, which fell 45% short of the identified need between 2015/16 and 2019/20<sup>30</sup>.

While capacity has reduced in local authorities, it has *increased* within Government's national agencies. Homes England is the national housing and regeneration agency – a valuable source of skills and expertise. Its Strategic Plan<sup>31</sup> sets out an ambition for the Agency to grow its team, aiming to '*almost double in size over the next 18 months*'. Homes England's headcount has grown rapidly, from 785 full-time equivalent staff in 2017/18<sup>32</sup> to 1,253 in 2020/21, with net annual staff costs now over £100m<sup>33</sup>. Homes England's current objectives were developed in 2018 under the previous Government. They include an objective to 'provide expert support to priority locations', but too often this means a focus on already economically buoyant areas of the South/East, at the expense of areas in need of regeneration, who would welcome the Agency's expertise and skills. The opportunity therefore exists to refocus the Agency's significant resources on the current Government's priorities, ensuring that expert advice and support is available to those areas in need of levelling-up.

<sup>27</sup> Source: Analysis of the MHCLG local government out-turn spending, presented in Long, D. (2021) *The Northern Housing Monitor 2021*. Sunderland: Northern Housing Consortium. Available at: <http://www.northern-consortium.org.uk/northern-housing-monitor/>

<sup>28</sup> Long, D. (2021) *The Northern Housing Monitor 2021*. Sunderland: Northern Housing Consortium. Available at: <http://www.northern-consortium.org.uk/northern-housing-monitor/>

<sup>29</sup> Local authority officer interview, cited in <sup>29</sup> Hincks et al (2020) *A view from the North: Understanding local authority housing and planning capacity in an era of austerity*. Sheffield: UK Centre for Housing Evidence. Available at: <https://www.northern-consortium.org.uk/influencing/ournorth/local-authority-capacity/>

<sup>30</sup> Source: Analysis of the MHCLG affordable housing supply statistics, presented in Long, D. (2021) *The Northern Housing Monitor 2021*. Sunderland: Northern Housing Consortium. Available at: <http://www.northern-consortium.org.uk/northern-housing-monitor/>

<sup>31</sup> Homes England (2018) *Strategic Plan 2018/19 – 2022/23*. London: Homes England. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/752686/Homes\\_England\\_Strategic\\_Plan\\_AW\\_REV\\_150dpi\\_REV.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752686/Homes_England_Strategic_Plan_AW_REV_150dpi_REV.pdf)

<sup>32</sup> Homes England (2018) *Annual Report and Financial Statements 2017/18*. London: Homes England. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/727905/Annual\\_Report\\_and\\_Financial\\_Statements\\_2017\\_-\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727905/Annual_Report_and_Financial_Statements_2017_-_2018.pdf)

<sup>33</sup> Homes England (2021) *Annual Report and Financial Statements 2020/21*. London: Homes England. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1004648/Homes\\_England\\_Annual\\_Report\\_and\\_Financial\\_Statements\\_2020\\_21\\_web-optimised.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004648/Homes_England_Annual_Report_and_Financial_Statements_2020_21_web-optimised.pdf)

## **The opportunity: Rebuilding the capacity to deliver on net zero and levelling-up**

Local authorities in the North are ambitious. They tell us that increased capacity would play an important role in delivering on their ambitions:

- *"We have an ambitious City Living Strategy, promoting development in the city centre and inner areas of Preston, focusing on brownfield sites and under-used land... We know what needs to be done, but we need the resources to match our ambition and the tremendous potential that Preston has to become a really inclusive city."* Preston City Council.
- *"We work with house builders to understand which types of sites would appeal to them... These types of engagement activity have helped bring a greater confidence from the house builder in developing in Doncaster. If we had access to more capacity, we could do more of this type of engagement and unlock further housing growth".* Doncaster Metropolitan Borough Council.
- *"We will not address and solve the challenges of increasing housing supply, fire safety and zero carbon without considerable increased capacity and professional services."* Manchester City Council.

Those outside local government also recognise the importance of local government capacity:

✓ **Delivering On Net Zero.** The Energy Systems Catapult has noted the importance of local leadership in achieving net zero. They found that *"The state of homes and building, energy resources and networks, and levels of ambition are unique to each area. A single solution imposed across the country is likely to cost more and produce less desirable outcomes for people and businesses... Local areas can play a key role in enabling our low carbon energy systems of the future... to do this will require support from national government."*

✓ **Delivering On Levelling-up.** The Create Streets *Commission into Prosperity and Community Placemaking* concluded that despite councils being *"...critical for building and strengthening the kind of ecosystem of local institutions working to include a neighbourhood"* many local authorities *"have capacity and capability issues after a long period of budget reductions. They called for "urgent action to increase core revenue funding for left behind places, to support regeneration and to correct the disproportionate impacts of recent budget rounds."* – suggesting that Government guarantee 10 years of core revenue funding certainty for councils in left behind places<sup>34</sup>.

Places in need of levelling-up face challenges in generating income from council tax, due to higher proportions of lower value properties resulting in a smaller council tax base. Less buoyant markets in turn create additional demands on officer capacity to resolve complex sites and proactively engage with the private sector to attract and sustain investment. Competitive bidding processes can burn up staff time (as the National Infrastructure Commission has recently recognised<sup>35</sup>). Lack of capacity can also prevent councils from bidding, or from presenting the type of high-quality bids likely to succeed - creating a vicious cycle of under-investment.

<sup>34</sup> Create Streets Foundation (2021) *No Place Left Behind: The Commission into Prosperity and Community Placemaking*. London: Create Streets Foundation. Available at:

[https://www.createstreetsfoundation.org.uk/wp-content/uploads/2021/09/8560\\_PS\\_Create\\_No\\_Place\\_Left\\_Behind\\_FINAL.pdf](https://www.createstreetsfoundation.org.uk/wp-content/uploads/2021/09/8560_PS_Create_No_Place_Left_Behind_FINAL.pdf)

<sup>35</sup> National Infrastructure Commission (2021) *Fundamental shift in funding to local level needed to help level up English towns*. London: NIC. Available at: <https://nic.org.uk/news/fundamental-shift-in-funding-to-local-level-needed-to-help-level-up-english-towns-recommends-commission/>



## Our recommendations

1. Re-build capacity in local authorities by setting out a clear commitment to a real-terms increase in local government funding over the Spending Review period.

*Giving councils in the North the core capacity they need to deliver on agendas including net zero and levelling-up.*

2. Amend Homes England's strategic objectives to clearly focus the Agency's significant human and financial capacity on contributing to levelling-up and net zero.

*Homes England has over 1,200 staff with a range of specialist skills. The Agency's current strategic plan runs to 2022/23. The Agency's annual report notes that it is exploring options to support the levelling-up agenda through regeneration. We recommend that Government amend the Agency's objectives to include a) the delivery of net zero by 2050; and b) supporting local authorities to deliver on the Government's levelling-up agenda. We believe that this would enable the Agency's significant resources to be deployed more effectively in support of the Government's spending review objectives.*

### Policy commitments that would support this investment:

- Certainty over the Government's intentions regarding planning reform would help local authorities gear up for these changes, and avoid limited resources being expended on requirements which may shortly be superseded
- The forthcoming Levelling-Up White Paper should consider resourcing of local leadership, drawing on the recommendations of the Commission into Prosperity and Community Placemaking
- The Resources and Skills Strategy for Planning promised in the 2020 Planning White Paper should be brought forward, and should be closely aligned with the Levelling-up White Paper to ensure it reflects the additional needs of places in need of levelling-up.

## Delivering on net zero and levelling-up by making better use of brownfield land

### Recommendation:

Building on the success of the current Brownfield Housing Fund, the Chancellor should commit a further £500m of funding over the spending review period to establish new homes on brownfield sites.

We recommend that Government's investment is allocated directly to Combined Authorities where these exist.

### Spending Review priorities this recommendation delivers on:

- ✓ **Levelling-up:** tackling eyesore brownfield sites and enabling the development of 30-40,000 new homes for ownership and rent; creating jobs in remediation and home-building.
- ✓ **Net Zero:** building new energy-efficient homes on former brownfield sites, which are often well-located and served by existing infrastructure, reducing their environmental impact.
- ✓ **Ensuring strong and innovative public services:** making people's lives better by investing in their communities, making a visible difference and delivering high-quality new homes.

### The challenge

Brownfield land is a major challenge in the North – but it is also a huge opportunity.

Brownfield sites are typically ex-industrial sites that require additional intervention in order to ready them for new homes. This may involve clearance of derelict buildings, land works or remediating land to remove the legacy of previous uses (e.g. pollution or contamination). Because development in some parts of the North is more marginal, commercial developers are often unable to absorb these additional costs, hence the need for state support.

Analysis of the latest Northern brownfield registers shows a total of 5,158 sites across the North. These total 7,571 hectares and could generate 305,845 homes – slightly more than a city the size of Leeds. Table 3 below sets out the prevalence of brownfield sites across the North, and the potential costs of remediating them all.

**Table 3: Brownfield housing opportunity in the North**

	North East	North West	Yorkshire & Humber	Total North
Number of brownfield sites	754	2,469	1,945	5,168
Total area (hectares)	1265.2	3,285.7	3,020.5	7571.3
Total minimum housing capacity	36,295	152,519	117,031	305,845
Indicative cost of remediation <sup>36</sup>	£0.6bn	£1.6bn	£1.5bn	£3.8bn

<sup>36</sup> Remediation estimates utilise the HCA Land Remediation cost guidance and assume an average remediation cost of £500,000 per hectare (e.g. 36% of the highest figure cited in that guidance)

It should be noted that costs of remediation on some sites can be met by the private sector, so the indicative cost of remediation should not be taken to indicate a public sector funding requirement. Caution should also be taken with the 300,000 homes capacity figure. Whilst it is true that this figure represents c.6 years of housing supply across the North, the nature and location of the sites concerned mean that brownfield land could not be relied on solely to meet the North's diverse housing needs: remediation and land release will need to take place over a prolonged period.

### **The opportunity**

Government has been clear that it expects to see *"the development potential of brownfield land maximised"*. Since 2020, the Government's Brownfield Housing Fund has enabled ambitious Mayoral Combined Authorities and local areas to establish housing on brownfield sites across the country. £276m of the original £400m fund was allocated directly to Northern Combined Authorities<sup>37</sup>, enabling them to determine how investment is used locally, prioritising the housing needs of their local communities.

✓ ***Delivering On Net Zero.*** Brownfield sites are often centrally located, and/or benefit from existing infrastructure (e.g. road and utility connections). The environmental potential for reducing commuting and sustaining the embodied energy of existing public and private assets, presents greater financial and social benefits than alternative greenfield development.

✓ ***Delivering On Levelling-up.*** Brownfield development has important regenerative benefits: removing eyesore sites; providing visible evidence of investment and confidence; and changing the local housing mix.

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<sup>37</sup> Source: NHC analysis of allocations at <https://www.northern-consortium.org.uk/blog/brownfield-boost-for-the-norths-city-regions/>



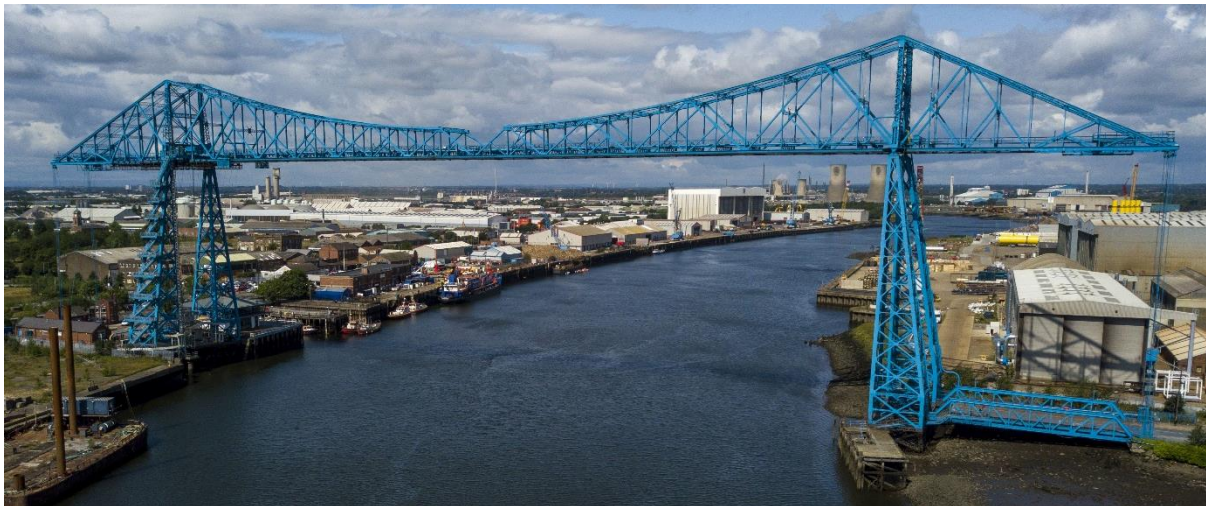
## **Brownfield case study – Middlehaven, Middlesbrough**

Middlehaven is a large former industrial site on the banks of the River Tees with the potential to bring transformational change to Middlesbrough and contribute to the Government's levelling-up agenda.

The area has been a long-term priority regeneration area for Middlesbrough Borough Council and the Tees Valley Combined Authority. Some development has taken place, including a limited number of residential dwellings in recent years. However, it is recognised that it is currently a low value area with no established market for residential on a wider scale and this will require pump-priming to bring confidence to the market.

A revised masterplan is about to be launched that will identify the sites and opportunities that will provide more detail around future delivery.

Middlesbrough Borough Council (MBC) has received £7.9m from the Brownfield Housing Fund (BHF) to regenerate 8ha of Middlehaven into a vibrant and high-density residential neighbourhood. The support from BHF will fund the high upfront costs including major infrastructure and utilities works.



MBC has also received both Future High Streets Fund and Towns Fund allocations in recent programmes and has plans to utilise some of this funding to support development, infrastructure and environmental improvements to help facilitate development.

Housing association Thirteen already has a stake in the Middlehaven and wider area: their headquarters is based there; they own and manage 40 apartments in the area; and they are just about to complete their second live/work development as part of the Boho digital and creative zone which will bring another 40 dwellings to the established scheme of 20 they developed in 2016.

As a key strategic partner to the Council, Thirteen want to be able to develop more homes for affordable rent and sale but are aware that there is likely to be a viability gap given site abnormalities/land constraints; required design codes; current under-developed housing market; and higher build costs associated with ensuring products are net zero carbon ready.

Middlehaven has potential to create a new housing market and urban township. The Brownfield Housing Fund is already being put to good use here. There is scope to accelerate the regeneration scheme, delivering 250 high-quality affordable homes, supporting jobs, training, and economic development to create a vibrant and sustainable community.

## Proposal

We recommend that Government build on the success of the existing Brownfield Housing Fund with a further £500m of funding in this spending review period. Based on the previous round, and Government cost guidance, we estimate that this funding would unlock the development of a further 30-40,000 homes, depending on the sites chosen.

We are proposing that the geographic coverage of the fund is extended to the whole of the North of England, with funds allocated to Combined Authorities where these exist at present. We expect Government will shortly set out the direction of travel for those parts of the North not currently covered by Mayoral/Combined Authority arrangements. In the absence of such arrangements, funds should be allocated directly to local housing/planning authorities.

We estimate the net benefit of a £500m investment in Brownfield Housing would be between £1.85bn and £2.75bn, based on the consumption benefits of property betterment and visual amenity enhancement<sup>38</sup>.

## Deliverability

This proposal replicates the delivery model used for the first round of the Fund, and extends it to new geographies. It therefore builds on a proven model.

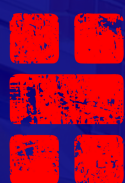
### Policy commitments that would support this investment:

- Our recommendations above on enhanced local capacity would support the development of brownfield opportunity sites, enabling these to be prioritised for private sector engagement and actively progressed to completion
- Government's response to consultation on the 2020 Planning White Paper consultation should be brought forward and must continue that White Paper's commitment to maximise the development potential of brownfield land
- The prospectus for the proposed Single Housing Infrastructure Fund should be published as soon as possible and must ensure equitable access to the Fund for all parts of the country
- Housing delivery on brownfield sites could be boosted if the Affordable Homes Programme moved away from narrow interpretations of additionality and instead considered increases in effective supply of housing<sup>39</sup>.

<sup>38</sup> Based on cautious and central valuations of acquisition, demolition and new build activity cited in CRESR (2019) *Literature Reviews of Regeneration Scheme Evaluations*, Available at: <https://s3.eu-west-2.amazonaws.com/files.events.housing.org.uk/NHF-Review-of-Regeneration-Literature.pdf?mtime=20190806112032>

<sup>39</sup> Measures of 'effective housing supply' have been used successfully by Government elsewhere, including in the New Homes Bonus, which rewards local authorities for boosting effective housing supply, including bringing empty homes back into use.





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