



# **SPENDING REVIEW 2021** **ON-THE-DAY BRIEFING**

**27TH OCTOBER 2021**

Welcome to the Northern Housing Consortium's Spending Review 2021 on-the-day briefing.

Below you will find the key announcements for housing in the North, followed by sections on each with commentary from our team.

Please do get in touch with the relevant team member if you have comments, views or questions.

### **Key announcements**

- £1.8bn for brownfield land, including a £300m locally-led fund for councils and combined authorities
- £4.8bn of new grant funding over the Spending Review period for local authorities
- £800m for Social Housing Decarbonisation, and £950m for Home Upgrade Grants – confirming last week's Heat and Buildings Strategy announcements.
- Reconfirmation of the £11.5bn Affordable Homes Programme previously announced
- Confirmation that the Residential Property Development Tax will be levied at a rate of 4%
- Announcement of £1.7bn of successful Levelling-Up Fund projects; £519m of which are in the North of England
- National Living Wage will rise to £9.50 an hour from April 2022 and the Universal Credit taper rate will be reduced from 63% to 55%
- £639m of resource funding each year to tackle rough sleeping and homelessness
- £65m of investment to digitise the planning system

## Introduction

On Wednesday 27<sup>th</sup> October, the Chancellor delivered the first multi-year spending review for six years, alongside an Autumn budget.

The NHC's [Spending Review representation](#) set out how housing in the North could work with the Chancellor to deliver on net zero and levelling-up, calling for him to:

- Confirm, accelerate and target a programme of green home upgrades
- Invest in local capacity to enable councils to deliver more and better homes
- Build on the success of the existing Brownfield Housing Fund, with a further round of locally-led funding.

We're pleased that the Chancellor has gone some way to addressing our priorities in the Spending Review.

The chancellor has recognised the potential of brownfield land to deliver new homes, and we're particularly pleased to see a further £300m allocated to locally-led brownfield projects. The existing locally-led Brownfield Housing Fund has made a real difference in the North, transforming eyesore brownfield sites to ready them for new homes, and it's good to see the Chancellor building on its success.

Local Government has secured a real-terms increase in funding, though with acute pressure on statutory services, this is unlikely to make a significant impact on housing and planning resourcing.

The Spending Review confirms plans announced in the Heat and Buildings Strategy to invest in green home upgrades. However, we are disappointed that the Chancellor has missed the opportunity to set out a long-term funding plan for housing decarbonisation, and kickstart the creation of good green jobs in the North. The 2019 Conservative manifesto promised £3.8bn for social housing decarbonisation. This Spending Review provides £800m of that, but there is no certainty beyond 2024/5. Plans for Home Upgrade Grants for private rented and owner-occupied homes are similarly short-term. The retrofit supply chain has experienced several boom-and-bust cycles, and we fear that suppliers will be wary of scaling up skills and capacity in the way we need, without longer-term signals from Government.

The NHC will continue to engage with Government on these priorities, and we will meet with officials in coming days to discuss housing decarbonisation and brownfield land. You can also hear directly from ministers and officials at next week's Northern Housing Summit – [NHC members can book their free place via MyNHC](#).

Please do get in touch with our team if you have views, comments or questions on today's announcement – you'll find the relevant team member's email address at the end of each section.



## Brownfield land and housing infrastructure

As part of what he described as a '£24bn multi-year housing settlement' the Chancellor announced an additional £1.8bn for housing supply. This had been trailed in the media earlier this week.

The £1.8bn announced today has two components:

- £1.5bn to 'regenerate underused land and deliver transport links and *community facilities*'
- £300m of grant funding to unlock smaller brownfield sites, which will be locally-led and distributed through local authorities and Mayoral Combined Authorities.

The Government estimate these investments will unlock up to 160,000 homes, bringing 1,500 hectares of brownfield land into use. No further detail is yet available on the profile or allocation of these funds.

For context, the latest [NHC Northern Housing Monitor](#) finds a total of 5,158 brownfield sites in the North, amounting to 7,571 hectares of land which could generate 305,845 homes.

The £300m for smaller brownfield sites appears to share characteristics with the [£400m Brownfield Housing Fund](#) announced at Budget 2020. This was allocated directly to Combined Authorities, with [£276m of the £400m fund being directed to Combined Authorities in the North](#). A [further £100m](#) was allocated by One Public Estate to local authorities outside CA areas for brownfield (£75m) and custom-build (£25m) sites.

### Infrastructure funding

The Chancellor claimed – and budget documentation also states – that this additional £1.8bn for housing supply takes the total amount announced for housing supply to £10bn since the start of this Parliament in 2019.

We believe that this £10bn is arrived at by combining today's investment with the £7.1bn multi-year settlement for the Home Building Fund which was announced at last year's Spending Review (this included some loan funding). The £10bn figure is significant as it is the same figure as previously pledged for a Single Housing Infrastructure Fund.

The Spending Review contained no reference to the £10bn Single Housing Infrastructure Fund; or on a potential replacement for the so-called '80/20 formula' that predecessor funds were subject to. Ministers had [indicated last year](#) that this would be clarified at the Spending Review.

## **NHC reaction:**

The [NHC's Spending Review Representation](#) called on the Chancellor to announce a further £500m round of the existing Brownfield Housing Fund, which we estimated would bring forward a further 30,000-40,000 homes on brownfield land in the North.

We therefore welcome the announcement of £300m of locally-led funding, which on the basis of the previous round, might bring forward around 24,000 homes. The allocation via local/combined authorities should ensure the fund responds to local priorities. It is less clear at this stage on what basis the further £1.5bn will be allocated.

The new Secretary of State is on-record as stating that making the most of previously developed land is now a government priority. The NHC will be engaging with officials at DLUHC in the days to come, to seek clarification on the operation of both elements of the brownfield funding announced today.

We welcome your comments and questions on this. Please contact [brian.robson@northern-consortium.org.uk](mailto:brian.robson@northern-consortium.org.uk)

## **Local government funding**

The Budget allocates councils with £4.8bn of new grant funding over the Spending Review period providing a multi-year settlement.

This means that core spending power for local authorities is estimated to increase by an average of 3% in real-terms each year over the SR21 period 2022/23 to 2024/25 – that is £1.6bn of new grant funding in each of the next three years. The £4.8bn includes an additional £200m for the Supporting Families Programme.

For services delivered by local government, council tax and business rates – which now determine almost 80% of local government revenues – are projected to rise faster than unallocated spending after 2021/22.

The Department for Levelling Up, Housing and Communities will set out full details of the council tax referendum principles and proposed approach to allocating grant funding through the Local Government Finance Settlement.

## **NHC reaction:**

During the pandemic, councils were at the forefront of responding to the crisis. As a result, local authorities have experienced a dramatic rise in costs. The government covered most – but not all – of these additional costs and most local authorities lost income during the 2020/21 year. As a result, local authorities have had to use their reserves and make in-year savings.

Prior to the Spending Review, the NHC 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 must have the capacity to level-up the economy of the North of England and fully play a part in delivering government priorities around economic recovery, net zero and public service reform.

Today's announcement will prop up core services such as vital adult social care and children's services. It is less clear how councils will build back services for housing, planning, infrastructure and place-making. Northern local authorities have been disproportionately impacted by reductions in spending since 2010. [Our evidence shows](#) that reductions in spending have disproportionately affected functions like housing and planning, which will be essential in delivering levelling-up and net zero. The average net spend on planning in Northern councils has fallen by 65% since 2010/11, compared to a reduction of 50% in the rest of England.

The NHC [submission to the Spending Review](#) called for a package that provides a sustained real-terms increase in local government funding which could enable local government to build back services like strategic housing and planning, reflecting the fact that these services exist to serve all in the community

[LGA analysis](#) estimates average increase in annual cost pressures facing councils of £2.6bn per year to maintain services at their current level of access and quality, meaning that the same services will cost around £7.8bn more to provide in three years' time.

Today's Budget allocation of £1.6bn in each of the next three years falls somewhat short of this projected cost pressure.

There is no cost provision mentioned for councils to cover Coronavirus-related costs or of council's role in leading the way to net zero by 2050. In addition, the Government's ambitions for the major overhaul of the planning system will require additional government spending.

We would welcome your comments and questions on this. Please contact: [Karen.Brown@northern-consortium.org.uk](mailto:Karen.Brown@northern-consortium.org.uk)

## **Energy efficiency/net zero**

Following the theme of trailing announcements long before Budget Day, the Chancellor's announcements did little to expand on the recent flurry of Net Zero commitments made through the recent Heat and Buildings, and Net Zero strategies.

Restating the Government's focus on tackling the threat of climate change, and correctly acknowledging that delivering the UK's 2050 net zero emissions target also carries the promise of 'significant wider economic and social benefits', a series of spending pledges were reaffirmed:

- £3.9bn for England and Wales to ensure buildings are warmer and cheaper to heat, made up of:
  - £1.425bn through the Public Sector Decarbonisation Scheme

- £950m for the Home Upgrade Grant scheme
- £800m for the Social Housing Decarbonisation Fund
- £450m for the Boiler Upgrade Scheme
- £338m for the Heat Network Transformation Programme

Treasury documents outline that a total of £4.4billion on core net zero spending assigned to the energy efficiency of buildings will be allocated throughout the Spending Review period: £1.3bn across 21/22, £0.7bn 22/23, £1.1bn 23-24, and £1.3bn in 24/25.

Significantly, the connection between achieving Net Zero and the need to create a new generation of green jobs has been made consistently throughout Treasury documents. Here, the Homes Upgrade Grant Scheme and Social Housing Decarbonisation Fund, alongside £1.4bn to help decarbonise the public sector estate, are cited as essential support to help increase supply chain capacity, support thousands of green jobs, reduce fuel poverty and ensure a more equitable transition to net zero.

Elsewhere, the creation of green jobs is directly cited as an example of levelling-up and the Budget and Spending Review announces investment to create green jobs across the UK's industrial heartlands, including:

- £160m investment in offshore wind power hubs to create and safeguard at least 2,500 jobs in Teesside, Humberside and the North-East, ultimately enabling the sector to support up to 60,000 jobs by 2030
- £5m for the Global Underwater Hub, supporting the growth of green technologies across the subsea sector in Aberdeen and the North and South of England
- £315m for the Industrial Energy Transformation Fund which will help firms cut their carbon emissions and reduce energy bills. This will support industrial clusters in Teesside, Humberside, and Merseyside amongst other areas.

#### **NHC reaction:**

As part of our Spending Review representation to the Treasury, the NHC emphasised that confirming, accelerating and targeting the full £3.8bn Social Housing Decarbonisation Fund pledged in the 2019 Conservative Party manifesto, was the best way to respond to the scale of the challenge of decarbonising the regions homes.

Ultimately, the offer of £800m released for the Social Housing Decarbonisation Fund over the Spending Review period as announced here is modest in comparison to the scale we estimate is needed to incentivise the market. The full release of the Social Housing Decarbonisation Fund, and the accompanying £2.5bn Home Upgrade Grant programme would have unlocked a further £2.1bn of contributions from landlords, creating a total investment of more than £8.4bn in energy efficiency nationally.

As further details emerge on allocation and spending waves, the NHC will be keen to see a greater role for Local Energy Hubs, soon to be Local Net Zero Hubs. National



competitive bidding rounds are resource-intensive for local authorities and can lead to unbalanced outcomes : just 14% of the Social Housing Decarbonisation Fund demonstrator round was allocated to the North of England. Allocating through Energy Hubs on the basis of the share of England's fuel poor households within each Hub area would not only ensure those most in need are supported first, but make best use of area-based knowledge and coordination, as well as send clear signals to local supply chains on the certainty they can enjoy.

Finally, whilst the focus on green job is creation is welcome, we hope to see over time the same enthusiasm and policy-focus on nurturing retrofit industries as has been shown to eye-catching heavy manufacturing. Decarbonising homes is labour-intensive and offers the opportunity to reskill labourers already working in roles such as plumbing, heating engineering, electricians, and plasterers and combining these existing or expanded roles with a new generation of retrofit designers, coordinators, implementors, and assessors.

The retrofit supply chain has been subject to several boom-and-bust cycles. The Spending Review sets out plans only to 2024/5. Without a longer-term commitment to retrofit funding, we fear that the private sector supply chain will be reluctant to invest in the skills and capacity needed.

This is a missed opportunity to delivery on net zero and levelling-up. [The NHC's work with IPPR North](#) outlined that found that an ambitious programme of green home upgrades – involving retrofit and the energy transition that will underpin renewable heating - 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.

We would welcome your comments and questions on this. Please contact: [Liam.Gregson@northern-consortium.org.uk](mailto:Liam.Gregson@northern-consortium.org.uk)

## **Affordable housing and building safety**

### **Affordable Homes Programme**

The Chancellor used the Spending Review to reconfirm what he described as the “largest cash investment of the decade” into new affordable homes. As previously announced, the details of this investment are:

- £11.5bn which will be made available for the creation of 180,000 new homes as part of the 2021-2026 Affordable Homes Programme
- 65% of that funding will be directed outside of London
- Currently £7.5bn of the £11.5bn will be made available over the Spending Review Period.



### **NHC reaction:**

The NHC welcomes investment in housing that will help resolve the affordability crisis and is reassured to see that of the 33 organisations who have become strategic partners in the delivery of the Affordable Homes Programme a third are NHC members which we will coordinate with to improve communities in the North.

The NHC is keen to see more on the government's aims to boost Modern Methods of Construction (MMC) in the sector, particularly those surrounding the MMC taskforce first mentioned in the Spring Budget and what support they will be able to give members.

Additionally, details on how the Affordable Homes Programme will support Strategic Partners to deliver on the MMC expectations set out in the Government's Capital Funding Guide (which states that Strategic Partners must ensure that 25% of their bid is MMC in chapter 9 section 3.5) would be invaluable to our efforts in spreading the awareness about the incentives that are given for MMC.

If the North is to rise to the challenges set by Government to deliver homes and reinvigorate supply as it has in the past, delivering on promised funding and an elaboration on exactly what support is available will be vital in the upcoming years as this Affordable Homes Programme is implemented.

### **Unsafe Cladding Removal**

The Chancellor has confirmed £5bn will be made available for the removal of unsafe cladding from the highest risk residential buildings. £3bn of this will be made available for the period of the Spending Review. These funds will be supported by revenue gained from the new Residential Property Developer Tax (see below).

### **NHC reaction:**

The NHC welcomes this initiative as the removal of unsafe cladding and ensuring safe homes for all is an absolute priority for all of our members.

### **Residential Property Developer Tax**

The Chancellor confirmed that the Residential Property Developer Tax first announced in February 2021 will be in place from April 2022.

- The tax will be on profits made by companies and organisations which generate £25 million or more in income at a rate of 4%
- This tax will directly support building safety initiatives run by government such as the removal of unsafe cladding
- The tax is expected to raise £200m in 2022-2023 which will incrementally rise to £250m by 2026/2027

We welcome your comments and questions on this. Please contact:

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## **Levelling-Up Fund allocations**

The Chancellor announced the first 105 places to receive allocations from the Levelling-Up Fund, with the three Northern regions taking a collective share of over £519m of the £1.7bn announced today for 27 projects:

- North East - £100m for 5 projects, including a Housing Innovation & Construction Skills Academy in Sunderland, and town centre regeneration for Yarm and Eaglescliffe;
- North West - £232m for 12 projects, including the continued regeneration of Liverpool docks and the Salford Rise project;
- Yorkshire & Humber - £187m for 10 projects, including regeneration of parts of Sheffield City Centre and Hull City Centre.

[A full listing of successful Levelling-Up Fund bids can be found via the Department for Levelling-Up, Housing and Communities website.](#)

The Chancellor reconfirmed the £2.6bn for the UK Shared Prosperity Fund (UKSPF) and announced that the Fund would rise to £1.5bn per year from 2024-25.

### **NHC reaction:**

As part of the process of leaving the EU, the UK Government committed to creating the Shared Prosperity Fund to reduce inequalities between communities, replacing (at least in part) the lost EU Structural Funds. This funding provides a unique opportunity to reconfigure this type of funding programme to support levelling-up across the UK.

The UKSPF should encourage innovative and localised solutions to tackling inequalities, but the £2.6bn Fund could fall short of the previous structural funding it is replacing. It should be distributed over a longer term, stable period to deliver the benefits to local economies and communities.

We welcome the allocation of £519m through the Levelling Up Fund; although housing was not a core theme of this first round, the Fund itself presents a real opportunity for regeneration. We look forward to the detail of the Levelling Up White Paper to see what this means for the North.

We would welcome your comments and questions on this. Please contact: [kate.maughan@northern-consortium.org.uk](mailto:kate.maughan@northern-consortium.org.uk)

## **Universal Credit and national living wage**

The Budget increased the National Living Wage to £9.50 an hour from April 2022 and takes further steps in making work pay for low income working households on Universal Credit by reducing the taper rate in Universal Credit from 63% to 55%, meaning Universal Credit claimants will be able to keep an additional 8p for every £1

of net income they earn as well as increasing work allowances in Universal Credit by £500 a year.

#### **NHC reaction:**

Low pay, insecure work and the fairness of the social security system are part of economic levelling-up for the country.

The Chancellor was expected to soften the blow of removing the £20 Universal Credit uplift by changing the taper rate, and he announced that the Universal Credit taper rate will be cut by 8% from no later than 1<sup>st</sup> December, bringing it down from 63% to 55%.

The taper rate had been criticised as reducing the incentive to work more hours. Reducing the taper rate so people keep more of what they earn will be seen by many as a welcome move, but many may not see it as a replacement for the £20 per week uplift in Universal Credit which will not be extended beyond the Autumn – a move criticised not just for the impact on individual households but on taking money out of local economies that need it the most. The [NHC supported calls](#), led by the Joseph Rowntree Foundation, to retain the uplift.

The new taper and the new increased living wage are welcome moves to support a more prosperous labour market and, crucially may make the difference between affordable housing being within reach or out of reach for many, but they do not help those who are unable to work, or are looking for work – these groups have lost the £20 per week uplift, but will not benefit from the taper changes.

We would welcome your comments and questions on this. Please contact: [Karen.Brown@northern-consortium.org.uk](mailto:Karen.Brown@northern-consortium.org.uk)

## **Homelessness and rough sleeping**

The Department for Levelling Up, Housing and Communities will receive an additional £639m of resource funding each year over the three-year Spending Review period to tackle rough sleeping and homelessness. The Chancellor announced that this is a cash increase of 85% compared to 2019-20 funding.

The funding aims to build on the success of the ‘Everyone In’ initiative that ran from the start of the pandemic: government figures show that the recorded number of people rough sleeping dropped from around 4,800 on any given night in 2017 to 2,700 in 2020.

The Spending Review announcements on rough sleeping include the continuation of funding for the Rough Sleeping Initiative which provides “locally-led tailored interventions” to move rough sleepers into secure accommodation and provides drug and alcohol treatment where necessary. The funding will also support the delivery of 6,000 homes under the Rough Sleeping Accommodation Programme to help people into longer-term accommodation. Overall funding will also support those experiencing, or at risk of experiencing, homelessness through the Homelessness Prevention Grant.



Ending rough sleeping is a [priority outcome for DLUHC](#), which were revised recently to reflect the Department's new brief to include UK governance and devolution policy. They aim to end rough sleeping through "more effective prevention and crisis intervention services and reduce homelessness by enabling local authorities to fully meet their statutory duties". The performance metrics to monitor this outcome not only includes the number of people sleeping rough each year, but also the number of families living in temporary accommodation.

#### **NHC reaction:**

The NHC welcomes the additional funding to address rough sleeping and homelessness to support people at crisis point. The multi-year funding will also enable local authorities to make longer-term plans. We do note however that while the Chancellor outlined the 85% increase in funding compared to 2019-20 levels, the £639m is down from the £700m committed in 2021-22 and £750m committed in 2020-21.

[The Northern Housing Monitor](#) showed that those owed a duty on homelessness rose in the North by 3.7% in 2020, compared with 0.4% across England. Households threatened with homelessness increased by 11% in the North in 2020.

We would recommend a stronger focus on homelessness prevention which would require further funding and strategising from Government if they are going to end rough sleeping and homelessness for good. This will be particularly important as we head into winter against a backdrop of rising living costs.

We would welcome your comments and questions on this. Please contact: [Anna.Seddon@northern-consortium.org.uk](mailto:Anna.Seddon@northern-consortium.org.uk)

## **Digital Planning**

The Budget provides an additional £65m investment to improve the planning regime, through a new digital system which will ensure more certainty and better outcomes for the environment, growth and quality of design.

#### **NHC reaction:**

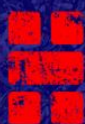
Digitisation of the planning system had been a key feature of the 'stalled' planning reforms. In response to the Planning White Paper, the NHC had confirmed the substantial resource implications of creating and then transitioning to a new system, and that transitional funding from central government would be required.

Many local planning authorities have made strides to digitisation already and we support the use of increased digitisation within the planning process, to simplify, speed up and increase engagement.

We welcome commitment to this new investment and this must be kept under review as new systems and processes will bring significant resource implications for skills and recruitment of new staff. Central funding will be required and new burden funding may be needed to take account of any long-term increased costs on councils as new datasets may need both creating as complete sets for the first time and then kept up to date.

We remain keen to see a comprehensive skills and resourcing strategy for planning, as was promised in the Summer 2020 Planning White Paper.

We would welcome your comments and questions on this. Please contact: [Karen.Brown@northern-consortium.org.uk](mailto:Karen.Brown@northern-consortium.org.uk)



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