NORTHERN HOUSING CONSORTIUM
VOICE OF THE NORTH

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The Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
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Dear Chancellor,

The Northern Housing Consortium is a not-for-profit membership organisation whose members own or manage 9 out of 10 socially rented homes in the North. Our members are councils, housing associations, ALMOs and combined authorities, who we bring together to develop insight, influence and solutions. We are the collective voice of housing in the North.

At this Budget, we are focusing our representation on:

1. Funding certainty for future affordable housing development
2. The need to ensure that private rental sector affordability is secure for the future (Local Housing Allowance)
3. Long-term funding commitments and efforts towards the decarbonisation of our housing stock
4. The effective implementation, monitoring and enforcement of compliance with a new Decent Homes Standard, including in the private rental sector
5. Reforming devolved funding streams to deliver against identified priorities

1. Affordable housing development

Affordable Homes Programme post-2026

The grants provided through Homes England's Affordable Homes Programme (AHP) play a critical role in increasing the viability of affordable housing developments and increasing new supply of social housing.

As of the end of March 2023, funding for over 36,000 new affordable homes in the North has been agreed through both Strategic Partnerships and 'Continuous Market Engagement' mechanisms within the 2021-2026 Affordable Homes Programme. In the year 2022/23, 39% of all AHP starts and 37% of completions took place in the North West, North East or Yorkshire & Humber, with the North West seeing the largest proportion of starts and completions of any single region outside of London.

Unfortunately, there is little certainty as to what grants for new affordable homes will be available following the end of the existing Programme. Many housing providers will now be developing their housebuilding pipeline for the years after 2026, but would be able to do more if government provided additional certainty as to what government assistance there will be.

Affordable housebuilding can contribute to increasing the UK and the North's levels of economic growth. Research by the Local Government Association concluded that "every £1 invested in a new social home generates £2.84 in the wider economy".[1] With higher interest rates and development costs severely impacting private housebuilding, the affordable housing sector has historically played a counter-cyclical role in development, helping to compensate for falls in private development with new affordable homes and mitigating the economic harm from falling private housebuilding activity. To fulfill this role effectively though, the sector will need to know what grant funding will be available after the end of the existing Affordable Homes Programme.

The Government should now provide certainty to English housing providers, and take action to alleviate the housing crisis, by **committing to a long-term programme of grant assistance to build new affordable homes beyond 2026**. This new programme, and associated grant rates, should be set at a level which increases affordable housing completions beyond their current levels – as committed to in the Levelling Up White Paper – and meet independently assessed affordable housing need in each local authority area.

The need for increased grant

In 2018, Professor Glen Bramley's independent assessment of affordable housing need identified a requirement of 18,815 affordable homes per year in the North, including 6,947 new social rent homes.[2] In 2022/23, the shortfall against the affordable homes figure was 4,966 homes or 26%. For the delivery of new social rent homes, this shortfall was 5,522 homes or 79%. In light of these shortfalls, and with approximately 400,000 households on local authority housing waiting lists, we need to build more affordable homes. Government should provide additional funds to eradicate the shortfall of new affordable homes and ensure that more households in need can benefit from the affordability, security and quality of an affordable rented home.

At the current average grant rate for all new affordable rented homes in the North (£48,581), eradicating the shortfall in affordable homes would cost an additional £241 million per year or £1.2 billion across a five-year Affordable Homes Programme.

At the average grant rate for new social rent homes (£65,488), it would cost an additional £360 million per year or £1.8 billion over a five-year Affordable Homes Programme to eradicate the shortfall in new social rent homes in the North**.**

There is also a strong case that **grant rates will need to be revisited** in the light of high construction price inflation since the beginning of the current Affordable Homes Programme, and so they reflect the costs of building to the Future Homes Standard. This should be done following consultation with the sector.

[1] Local Government Association, 'Delivery of council housing: Developing a stimulus package post-pandemic'
[2] Professor Glen Bramley, 'Housing supply requirements across Great Britain: for low income households and homeless people'

How the UK Government can help:

- Committing to a post-2026 Affordable Homes Programme that provides certainty to housing providers and a level of funding that can meet the independently assessed need for affordable housing.

- Consult with the housing sector on what changes to grant rates would be appropriate following high construction price inflation and the requirement to build to the Future Homes Standard.

2. Private rental sector affordability

At the 2023 Autumn Statement, the decision to uprate Local Housing Allowance rates so that they once again cover the 30th percentile of local market rates was welcome. This decision will mean that more private renters will receive the level of financial support they need, reduce the number of households facing eviction and ease some of the pressures on local authority finances related to temporary accommodation costs.

Unfortunately, the decision to only uplift LHA rates for 2024/25 means that they are set to remain frozen in cash terms beyond this. As private rents rise, the support available to those on low incomes will become increasingly inadequate and the issues previously raised by housing, homelessness and local government organisations will return. Any alleviation of affordability issues and increased security provided by last Autumn's decision will be short-lived.

Last year, local authorities in England spent £1.7 billion on temporary accommodation, a year-on-year increase of 9%, in large part due to increasing evictions from the private rental sector. This is placing immense pressure on already stretched local authority finances and will only increase if more households are evicted from their homes due to rent arrears in 2024. Ensuring that Local Housing Allowance genuinely covers the cost of private renting will mean that fewer people will need to be rehoused by their local authority at such great cost. The approach taken by the government, to increase and freeze rates only when affordability pressures reach crisis point, does not provide a genuine long-term solution. At this Spring Budget, the government can reduce the financial pressures facing local authorities from increasing temporary accommodation costs and provide long-term certainty that the social safety net will be there to help renters when needed.

How the UK Government can help:

- Alongside a programme of affordable housebuilding, Government should alleviate some of the pressures facing local authority finances and provide long-term certainty for private renters on low incomes by **permanently linking Local Housing Allowance rates to the 30th percentile of local market rents**. This would provide vital certainty and stability to households desperately in need.

3. Decarbonising our housing stock

With around a quarter of carbon emissions in the North coming from housing, there is no viable route to Net Zero that does not involve taking action to decarbonise our homes and making them more energy efficient. The North has a mountain to climb when it comes to improving the energy efficiency of our homes. Around half (44.2%) of all homes in the North currently achieve EPC Band C or above. Over 310,000 Northern homes - equivalent to almost every home in the city of Leeds - will require energy efficiency works each year for all homes to reach EPC C by 2035.

When focusing on the social housing sector the picture is better, with 65% of homes currently achieving EPC Band C. This does, nevertheless, still leave **over 440,000 homes to be retrofitted in the North to reach EPC C**, before attention turns to the task of fully decarbonising the social housing stock.

The Social Housing Decarbonisation Fund (SHDF) has been helpful in improving the energy efficiency of existing social homes, and the confirmation of £1.25 billion for the SHDF in December was warmly welcomed. This means that just less than two thirds of the £3.8bn initially promised in 2020 has now been confirmed. The funds, however, remain insufficient in scale and their inconsistent nature and competitive bidding model mean that they are not driving transformation as quickly as they could. Due to the lack of long-term, predictable funding streams, supply chains and skills providers are not able to scale up and housing providers cannot plan their own investments with confidence that government support will be there to co-fund projects. **Government should make it clear when future SHDF funds are to be made available for housing providers, so they can plan their own investments accordingly**. In the longer-term, government should make a multi-year funding commitment for domestic retrofit so supply chains can scale up effectively. We believe that nationally, across all housing tenures, an investment of **£6 billion per year would be of the minimum scale of investment required to achieve this.**

The issue of energy efficiency in the North is the worst within the private rental sector, with only 35.2% of Northern privately rented homes currently achieving EPC Band C. This is why last year's decision to abandon stronger Minimum Energy Efficiency Standards was so disappointing for the housing sector. Without stricter regulation, it is highly unlikely that we will see any significant improvement in this area, leaving approximately 819,000 privately rented homes in the North failing to achieve EPC C. This will mean increased carbon emissions, more expensive energy bills and poorer living conditions for residents.

Government should set out a plan for how it aims to address the issue of inefficient privately rented homes, including appropriate use of regulation. We put the estimated cost of getting all privately rented homes in the North to EPC C at approximately £5.4 billion. While it is to be expected that private landlords will have to self-fund required works, it is likely that further funding from government will be required to support landlords in this process and to accelerate progress.

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How the UK Government can help:

- **Set out a clear expenditure profile and timeline for future waves of the Social Housing Decarbonisation Fund.** Seek input from the Mayoral Combined Authorities (MCAs) to consider options for devolving future SHDF pots, to help support local decision making.

- Make a long-term commitment of **£6 billion per year across all housing tenures** for domestic retrofit. This would allow housing providers to plan their own investments with confidence and for supply chains to scale up to meet reliably increasing demand.

- Publish and consult on an updated strategy, accompanied with adequate levels of funding and appropriate regulation, to **improve the energy efficiency of homes in the private rental sector**, allowing improvements to move forward with certainty, at scale and at pace.

4. Improving housing decency

Decent Homes Standard

We also ask for additional funds to effectively improve housing quality in the North. We wholeheartedly support the Levelling Up White Paper's ambition to halve the number of rented homes that fail to meet the Decent Homes Standard, with the greatest progress being made in the worst performing areas. The decision to apply the Decent Homes Standard to the Private Rental Sector, recently confirmed during the passage of the Renters Reform Bill, is also something we strongly support.

However, by the time of the Spring Budget, we will be a quarter of the way towards the Levelling Up mission's 2030 target, and still not have a new Decent Homes Standard to measure performance against. **The government must make swift progress on developing the new Standard in partnership with the housing sector.**

We calculate the total cost of making all homes in the North compliant with the existing Decent Homes Standard to be £9.2 billion. This figure is £0.62 billion for the social rented sector and £3.03 billion for the private rental sector, making a total required investment of £3.65 billion for all rented accommodation in the North.

This figure does not consider any costs associated with a new Decent Homes Standard following the ongoing Decent Homes review. Any increased requirements in the new Decent Homes Standard will need to be accompanied with additional funding for landlords to support expanded home improvement programmes. The exact costs of this can only be finalised once the Standard is published, but the NHC will continue working with the Department for Levelling Up, Housing and Communities on any proposals.

Decent Homes Enforcement

While the introduction of a minimum standard of decency in the private rented sector will provide an easy-to-understand measure for landlords and local authorities, the success of these plans will be determined by the effectiveness of the associated inspection and enforcement regime.

Local authorities will need to have the capacity and expertise within their workforces to effectively monitor, assess and enforce the Decent Homes Standard in the private rental sector.

- It is critical to stress that spending on housing services in Northern local authorities has reduced by 54% since 2010, compared to 34% across England as a whole.

- Recent data from the Department for Levelling Up, Housing and Communities showed that the most common local authority enforcement team size is between two and five Full Time Equivalent (FTE) staff - with 26 local authorities currently having between zero and one FTE staff working on housing enforcement.

Alongside wider rental reforms, the application of the Decent Homes Standard to the private rental sector will represent a significant increase in demand on local authority enforcement teams, and many authorities will need to substantially increase their capacity in this area to effectively enforce the Standard.

How UK Government can help:

- The Government should **swiftly consult with the housing sector and establish a new Decent Homes Standard**, ensuring that any new requirements are twinned with **proportionate levels of financial assistance for landlords to support expanded home improvement programmes**. This will ensure that landlords have the financial capacity to drive housing quality improvement at pace once the new Standard enters force.

- **Provide additional funds to local authorities for the specific purpose of increasing capacity within their housing enforcement teams**, ensuring that they are able to rigorously apply the Decent Homes Standard to the private rental sector once the standard is finalised.

5. Reforming devolved housing funding

The progress made on English devolution in the last decade should be considered one of this government's achievements. Come April 2024, almost the entirety of the North will be covered by a combined authority of some form, with discussions ongoing to further fill gaps that do remain.

The devolution of some elements of housing funds to Mayoral Combined Authorities (MCAs), such as the Affordable Homes Programme and the Brownfield Housing Fund, are hugely welcome. These should allow for combined authorities and councils to deliver against locally identified priorities such as bringing previously developed land back into productive use, rejuvenating town centres and increasing the supply of new affordable housing.

Unfortunately, this devolution of funding is not without issues, which can limit the abilities of combined authorities to use their funds strategically over the medium to long-term. Funding streams often come with strict deadlines and short periods within which to spend money, which can limit strategic planning of how best to spend funds. **Reducing this time pressure by providing long-term funding commitments would allow for more effective planning of investment** and allow authorities to do more with the same levels of funding.

While the devolution of housing funding does allow for local and combined authorities to invest in their areas, funds are still subject to significant conditions as to how they can be spent and what outcomes are required. This is essentially a process of delegation rather than devolution. The principle behind devolution is that local areas are best placed to make informed decisions about what they need. In the spirit of this principle, **combined and local authorities should be granted greater authority over how they spend funds devolved to them.** Expansion of the Trailblazer deeper devolution deals to other northern combined authorities should be considered as a priority.

In addition, some value-for-money assessments are only permitted on an individual scheme or project basis, rather than over an entire funding programme. This is especially pertinent for funds such as the Brownfield Housing Fund devolved to Mayoral Combined Authorities. Under current arrangements, any scheme that cannot individually reach a Benefit-Cost Ratio (BCR) of 1.0 cannot be funded by the combined authority, regardless of its strategic case. Due to the nature of value-for-money assessments, a large component of the ‘benefits’ come in the form of ‘land value uplift’. This tends to be significantly greater in areas which already have higher land values and is thus usually lower in the North. Investment therefore can end up going to areas of higher land values, such as urban centres, while schemes in lower land value areas such as peripheral towns cannot be funded: **this runs counter to the levelling up agenda**. As an alternative, **if BCR requirements were set out across an entire funding programme**, schemes in areas of lower land value could be funded through an effective cross-subsidy by schemes in higher land value areas, as long as the BCR requirement of 1.0 was met across the entire programme.

How the UK Government can help:

- Continue to devolve housing-related funds to local and Mayoral Combined Authorities and move towards departmental-style funding settlements to MCAs who demonstrate capability and willingness to achieve this – expanding the number of Trailblazer deeper devolution deals across the North as a priority.

- Where this is not practical, government should look to provide long-term funding certainty in funding streams, and move away from competitive funding processes, so authorities can plan investments appropriately.

- Genuinely devolve spending decisions to local and combined authorities by granting greater flexibility as to how they spend funds. This would allow authorities to use funds to deliver against their locally identified priorities and to do more with existing levels of funding.

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- Allow authorities to make value-for-money assessments over an entire programme, rather than on an individual project basis. This would allow for a wider range of schemes to be funded, especially in areas of lower land value.

We believe that delivering against these asks would make a substantial difference for the housing sector, for communities and for residents across the North.

Yours sincerely,

T S Harrison

Tracy Harrison

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