

Written evidence submitted by the Riverside Group Ltd (LRB40)

Levelling Up and Regeneration Bill

1. Executive summary

- 1.1 This submission is made by The Riverside Group Ltd (TRGL), a not-for-profit private registered provider of social housing. For ease of reference, we refer to TRGL as Riverside throughout the rest of this document.
- 1.2 We welcome the opportunity to submit evidence to the Levelling-Up and Regeneration Bill committee. Our evidence focusses on the Infrastructure Levy and how it can be designed to optimise the delivery affordable homes and achieve the Government's Levelling-Up objectives.
- 1.3 Riverside makes the following headline recommendations in relation to the Bill:
 - **Infrastructure Levy:** Local Authorities must be required to set the Levy to optimise the delivery of the true level of affordable housing needed to address social and economic objectives, rather than just replicating past levels of delivery. This can be achieved by expanding the purpose of the Infrastructure Delivery Strategy, so that it sets out plans to deliver the new affordable homes set out in the Local Plan. We recommend the creation of an explicit link between the Levy Charging Schedule, the Infrastructure Delivery Strategy and the Local Plan.
 - **Homes England:** Homes England must align its strategy with the Government's Levelling-Up ambitions and its strategic objectives must reflect this. By including a requirement to reduce regional inequality within the Statutory Objects of Homes England, this will make the Government's housing accelerator an active force for delivering Levelling-Up.

2. The role of Housing in Levelling-Up

- 2.1 With housing stock spread across 176 Local Authorities, Riverside is a member of both Homes for the North (H4N) and the G15.
- 2.2 H4N is an alliance of 17 of the largest developing housing associations operating in the North of England which collectively own over 400,000 homes for one million people, and plans to build over 20,000 homes in the next three years. The G15 is the group of London's largest housing associations which builds a quarter of all London's new homes and owns or manages more than 650,000 homes.
- 2.3 Although the membership of both bodies varies geographically, all members share the same goal of solving the nation's housing crisis and improving

people's lives.

- 2.4 We welcome the Government's Levelling-Up objectives and its ambition to close the economic and social gap between the worst and best performing areas of the country. Whilst Levelling-Up might be a relatively new phrase for Riverside, the ideas behind it have been engrained in our DNA for years; 36% of our homes are located in the 10% most deprived areas of the country and 61% of our homes are located in the three Northern Regions.
- 2.5 Levelling-Up must start with identifying those who face structural disadvantage and improving opportunities for them in a sustained way. Housing has a central role to play in helping level up the country. Access to a decent, affordable home is the catalyst for successful economic growth and a critical component in realising the Government's ambitions for an inclusive economy across the whole country.
- 2.6 Original research commissioned by H4N has revealed that there is a geographical component to structural disadvantage, but it is complex and multi layered. The key deliverable for Levelling-Up is economic growth and the delivery of the right homes in the right places is crucial to retain talent and support the country's future workforce. However, without the right policy environment H4N research has shown that the gap with the rest of country is likely to widen.
- 2.7 Previous policy barriers have both acted as a brake to housing delivery and widened the Levelling-Up gap. These includes the 80:20 rule, which until recently, meant that 80% of Homes England investment in housing infrastructure was targeted on the areas of highest affordability pressure – almost all of which were outside the North. H4N research shows that only 12% of the £5.5bn Housing Infrastructure Fund had been allocated to the North at the end of March 2020, significantly lower than its share of English households of 28%.¹ Similarly, planning policies such as the "Standard Method" (which sets minimum housing requirements in the planning system) have also consistently under-estimated the number of homes needed in the North through its backward looking methodology, reinforcing the current Southern-biased pattern of housing growth and increasing the amount of housing in many rural areas.
- 2.8 H4N analysis shows that to fulfil the economic potential of the North and accommodate its future workforce, a further two million homes (net) will be needed in the region by 2050 – an average of 65,000 every year.² Recent data from DLUHC points towards an uplift in delivery of homes across the three Northern regions over the last ten years from an average 33,500 annually in the five years to 2016/17 to 56,700 annually in the five years from 2016/17 to 2020/21, although the global pandemic impacted the 2020/21 figures with a drop to 52,000. Despite this relatively strong performance these figures are all still well below the 65,000 annual housing requirement which

¹ North Housing Consulting Limited, The Spatial Distribution of the Housing Infrastructure Fund and its impact on the North: Post Budget Review March 2020, March 2020

² Cebr/Quod, [The Role of Housing in the Northern Powerhouse](#), July 2019.

our research suggests is required to achieve the North's economic ambitions to close the performance gap. Levelling-Up provides a golden opportunity to regain this momentum and getting the policy framework right is vital to realising this ambition.

3. How can the Infrastructure Levy deliver the right levels of affordable housing to truly deliver Levelling-Up?

- 3.1 As one of the flagship policies of the Bill, it is essential that the Infrastructure Levy is explicitly designed to support Levelling-Up objectives and help deliver more homes, particularly affordable homes, in the areas where they are needed to support economic growth. Whilst we understand the Levy's limitations are dependent on economic factors such as development values, which by definition are likely to be much lower in levelling-up areas (Category One and Two areas as defined by the Government for funding purposes), we still believe that the Levy can be designed in a way which optimises the delivery of affordable homes. We are confident this can be enabled through amendments to the Bill itself.
- 3.2 In June 2022, Homes for the North commissioned The University of Liverpool to undertake a research project, exploring the geographical variation in "affordable housing developer contributions" under the current Section 106 (S106) system and proposed Infrastructure Levy. Whilst this work has not been completed, we are able to share some early findings on the level of five-year affordable housing delivery under the current regime of S106 across the Department for Levelling-Up Housing and Communities three category areas of priority for Levelling-Up funding.
- 3.3 Table 1 is taken from this forthcoming research and reveals the affordable housing units with developer contributions granted planning permission per 10,000 households over the past five years. It shows a huge variation between the top and bottom priority categories, with Category Three authorities averaging 31 units compared to just nine in Category One authorities – the Local Authorities identified by the Government as being most in need of Levelling-Up. It would take 15 years for Category One authorities to grant the same number of units per household as Category Three permit in just five years.

Table 1. DLUHC Levelling Up Fund Index: Per 10,000 household affordable units with developer contributions granted planning permission by year.

Financial year	Category 1	Category 2	Category 3	Year total
2016-17	11.9	23.0	33.5	21.4
2017-18	9.5	24.2	32.4	20.5
2018-19	9.1	19.6	32.8	19.0
2019-20	7.2	19.0	29.5	17.1
2020-21	8.8	16.8	27.1	16.4
Category total	9.3	20.5	31.0	18.9

Source: DLUHC (2017-22) LAHS; Census 2021; DLUHC Levelling Up Fund Index

- 3.4 Putting this analysis into the context of the Infrastructure Levy, on average the Levy would need to deliver more than three times as many affordable homes as the old system in Category One authorities, if proportionally the number of affordable homes delivered was to close the performance gap between those areas most and least in need of Levelling-Up. The full research report will be shared with the Committee later this summer.
- 3.5 As worded, the Bill does little to encourage Local Authorities (or charging authorities) to consider how the Levy could be used to close this gap and encourage ambition in the provision of affordable housing to support growth plans. Schedule 11, 240G (2) of the Bill establishes the requirement for local planning authorities to ensure that the Levy is set at a level which has regard for the *“desirability of ensuring that the level of affordable housing which is funded by developers”* (and the level of funding provided) *“is maintained at a level which is equal to or exceeds that provided”* over a specified earlier period. We believe that this sets a very low bar for the provision of affordable housing under the Levy and will do little to foster the ambition needed if localities are to Level-Up. In essence this is likely to lead to a backward-looking scenario which entrenches the very historic performance that Levelling-Up is supposed to be tackling. If an increase of affordable housing is a key part of Levelling-Up, then the Bill must strengthen the protection of affordable housing.
- 3.6 **In order to support the delivery of the affordable housing needed to level up the country, we propose that the Bill should be amended in the following ways:**
- **The introduction of a robust requirement for charging authorities to set the Levy in such a way that it delivers the objectively assessed level of affordable housing which is required in the area (as identified in the Local Plan). Where this is not possible (for example because of viability issues), authorities should be required to work with Homes England (or the Greater London Authority (GLA) for London authorities) to put in**

place investment plans to address the gap, which should then form part of the Infrastructure Delivery Strategy. This would create an explicit link between the Levy Charging Schedule, the Infrastructure Delivery Strategy and the Local Plan.

- **In order to ensure that a robust affordable housing figure is established in the local plan (as part of the overall housing requirement) we would also propose that the planned review of the National Planning Policy Framework (NPPF) is brought forward to coincide with the passage of the Bill, and that as part of this review, the current ‘Standard Method’ is overhauled, with Local Authorities having the ultimate power to establish their housing (and affordable housing) requirements, albeit following a consistent methodology. Critically, this should require local authorities to align the level of housing identified through objective assessments so that it is sufficient to support economic-led strategies identified by Local Authorities or Local Enterprise Partnerships.**

3.7 There is a risk that without this additional detail and clarity, Local Authorities will not have the mandate to deliver the true amount of housing required to achieve social and economic objectives. Alignment with economic growth should not be viewed as a deviation or uplift; rather Local Authorities must be compelled to do so.

4. The Definition of Affordable Housing

4.1 The definition of affordable housing is important to the operation of the Levy and its ability to help deliver Government objectives. This currently sits in the NPPF and is weak. It has become a list of products where the ‘test’ of affordability is based on a notional discount of market value (for rent or sale) rather than a true comparison of income and housing costs.

4.2 **We propose that in due course, the definition of affordable housing in the NPPF is reviewed in consultation with sector bodies such as National Housing Federation and Chartered Institute of Housing, with a view to establishing a more precise definition which ensures that any housing delivered through the Infrastructure Levy is truly affordable to low-income households.**

5. The Use of the Infrastructure Levy

5.1 As an organisation that has a long history of working closely with Local Authorities to deliver affordable housing, we are all too aware of the conflicting priorities they face compounded by budgetary pressures. In order to achieve affordable housing targets, particularly in Levelling-Up areas where Levy receipts will be lower, it is essential that the funds raised by Infrastructure Levy are directed towards affordable housing and other essential housing infrastructure as a matter of priority.

5.2 Under the Bill, Local Authorities will be required to produce an Infrastructure Delivery Strategy to set out spending priorities. As an independently examined document, the Strategy will have significant status, and we

welcome this requirement for clear strategic thinking and transparency. However, as set out in Schedule 11 204Q of the Bill, there is no explicit reference to affordable housing (this is implicit in the definition of infrastructure), and given the significance of the Levy in delivering affordable housing, particularly given the explicit reference in 204(G), we believe there should be further clarity.

5.3 We propose that the purpose of the Infrastructure Delivery Strategy (set out in Schedule 11 204Q (3) of the Bill) should be expanded to include an explicit reference to affordable housing, adding the requirement for charging authorities to set out plans for the provision of affordable housing to meet requirements identified in the Local Plan.

5.4 In essence this would enable Local Authorities to establish an 'affordable housing first' policy, with Local Authorities considering how the Levy can be used to deliver affordable housing (potentially with additional funding provided by Homes England/GLA) before considering other types of infrastructure. This would reinforce the significance of the Levy in delivering affordable housing, rather than treating it as part of long-list of types of infrastructure.

5.5 It is important that this approach is also extended to any Infrastructure Levy funds that are handed over to other bodies (as permitted under 204(O)) including through local decision making under Neighbourhood Share type arrangements which operate under Community Infrastructure Levy. Whilst we support the further devolution of decision making to local communities, this must not be at the expense of the provision of vital affordable housing.

5.6 We therefore propose that the Infrastructure Levy regulations relating to the passing of funds to other bodies should ensure that Local Authorities have enough funds to meet their affordable housing requirements first before handing a proportion of residual monies over for local prioritisation. Of course, the Infrastructure Delivery Strategy should already have been the subject of consultation, and the Infrastructure Levy regulations must set out requirements for this to be undertaken in a rigorous way.

6. What role does Homes England play in delivering Levelling-Up?

6.1 As one of Homes England's strategic partners, Riverside is developing 1,530 new homes through an £80m grant under the Affordable Homes Programme.

6.2 The statutory objectives of Homes England focus on supply and quality, but currently do not include any reference to reducing regional or other geographical inequalities. As a result, the major funding streams overseen by Homes England are spatially-blind and have perpetuated geographical imbalance and inequality.

6.3 Previous policy barriers include the 80:20 rule which worked against the principles of Levelling-Up by skewing investment away from areas identified as most in need of Levelling-Up towards areas that have higher supplies of

affordable housing.

- 6.4 Whilst we welcome the withdrawal of the 80:20 rule, it serves as a key example of the importance of aligning Homes England's purpose with the Levelling-Up objectives. There is an absolute need to ensure there is a coherent, shared vision across all Government departments and agencies to ensure the policy framework and strategy which guides Homes England spending is designed to deliver Levelling-Up.
- 6.5 **We support Homes for the North and others in the call to address this within a clause in the Bill to update the Statutory Objects of Homes England to include the following:**
- **“To ensure that spending by Homes England is designed to deliver Levelling-Up”**
 - **“To reduce regional inequality by delivering provision of homes and economic activity”**
 - **“To report to Parliament annually accounting for success in reducing regional inequality**
- 6.6 **We would recommend these refreshed Objects should then be reflected in the next Homes England Corporate Plan and in the metrics that the success of investment is judged by.**

7. About Riverside

- 7.1 TRGL is the parent of one of the largest charitable housing association groups in the country. Following London-based One Housing joining the Group in December 2021, we now own and manage over 75,000 homes across 176 Local Authorities in England and Scotland.
- 7.2 Our housing stock has a wide geographical spread from inner-city London to Ayrshire, all areas which share a pressing need for more affordable housing.
- 7.3 Since 2018 we have developed a total of 2,316 affordable homes outside London, over half of which (57%) were provided through a Section 106 agreement associated with a new development.

Our ambition is to build over 15,000 new, high-quality homes over the next decade, the majority of which will be affordable. Many of these will be on brownfield sites in 'Levelling-Up areas' and the Infrastructure Levy will be critical to the delivery and viability of those schemes.

We hope this information is of assistance.

July 2022