

Written evidence submitted by Homes for the North (LRB43)

Levelling Up and Regeneration Bill Committee.

Executive Summary

- 1.1 Homes for the North is pleased to submit this representation to the Levelling Up & Regeneration Bill Committee. Homes for the North is an alliance of 17 of the largest developing housing associations in the North. The Alliance works with a range of organisations to make evidence-based policy recommendations to national government to deliver more and better homes in the North.
- 1.2 Homes for the North previously made a substantial [submission to the Spending Review 2021](#), making the case for housing to be placed at the heart of delivering Levelling Up. Our submission to the Committee seeks to build on this submission and make practical recommendations for how the Bill can be improved to deliver Levelling Up more effectively.
- 1.3 Homes for the North makes the following recommendations in relation to the Bill:
 - **Recommendation 1: Infrastructure Levy.** The Levy needs to be strengthened to avoid it reducing the number of affordable homes delivered through developer contributions. The proposed local Infrastructure Delivery Strategies should require councils to meet the need for new affordable homes as set out in Local Plans.

Separately, the Levy as proposed will not deliver Levelling Up because it continues to localise the spending of captured land value, so it bakes-in place-based success or disadvantage. As a result, provision should be made for Homes England to ensure that lower value areas are properly supported by other funding, rather than piling public investment into areas that already benefit from a localised Levy approach.

Research to follow: Homes for the North has commissioned Liverpool University to analyse the outputs of a Levy approach and quantify the gap between these outputs and Levelling Up. We will share this research with the Committee later this summer.

- **Recommendation 2: Homes England.** Levelling Up should be a strategic objective of Homes England and reflected in the metrics that the Agency's success is measured by. The founding Statutory Objects of Homes England focus on Supply and Quality, but notably not on Distribution i.e., where homes are built. As such, the housing delivery agency for England is spatially blind on the subject of Levelling Up. The Bill is a rare opportunity to fix this inconsistency by updating the Objects of Homes England to ensure it is an active force for delivering Levelling Up.

Research to follow: Homes for the North has commissioned research into the extent to which Homes England and other spending streams reflect Levelling Up priorities. We will share this research with the Committee later this summer.

- **Recommendation 3: Additionality.** Currently Homes England is unable to fund the replacement of homes, or any new homes on previously cleared residential sites, even where there is an exceptional case for doing so. Instead, Homes England will only fund tightly defined net additions to housing stock. The net additionality rule should be reformed to unlock the building of thousands of brownfield homes in the North, contributing to the renewal of towns identified as needing to Level Up.

Research to follow: Homes for the North has commissioned Savills to propose alternative guidance to additionality and map how this will result in funding and new homes being concentrated in areas that need to Level Up.

2. Recommendation 1: Infrastructure Levy

2.1 The introduction of a Levy to replace current methods of securing developer contributions through planning was a key part of the Planning White Paper. Homes for the North opposed the introduction of the Levy on the basis that the case for fundamental change had not been adequately made, with reform at this scale being potentially complex and disruptive. We also argued that if a Levy were to be introduced based on gross development value, then the geographical impact would be uneven and militate against the principle of Levelling Up.

Nonetheless, we accept that a Levy will be introduced and wish to make recommendations that will help it be as successful as possible. Our main interests in relation to the Levy are:

- **Quantity:** How will the Levy approach result in 'at least as many' affordable homes as are currently delivered through S106, which the Government has stated is its ambition?
- **Distribution:** S106 currently does not support Levelling Up, as it localises both land value capture and spending. Can a localised Levy approach be more successful in delivering Levelling Up by building more homes where they are needed, rather than where value exists to be captured?

2.2 As drafted in the Bill, the Levy approach risks delivering fewer affordable homes than currently and with a geography that works against Levelling Up. This should be of immediate concern in relation to a Bill named after Levelling Up. An intervention is therefore needed because the freedoms proposed for Local Authorities, to raise and spend developer contributions in different ways, do not include adequate protection to prevent Councils from turning their backs on building more affordable homes in favour of competing priorities.

2.3 The Bill establishes a broad framework for the Levy rather than setting out how it will work in detail. Nonetheless, it is the intention of the Government for the Levy to be based on gross development value at scheme completion, with levels and thresholds locally set. Reflecting on the content of the Bill, our view is that the sections on the Levy should be strengthened to ensure it takes its place within a wider funding framework that ensures and rebalances the provision of homes, providing them

where they are needed to support forward looking economic growth where this will help to Level Up the country by reducing regional inequality. This strengthening would need to meet both the quantity point (at least as many homes as currently) and the distribution point (in a way that supports Levelling Up).

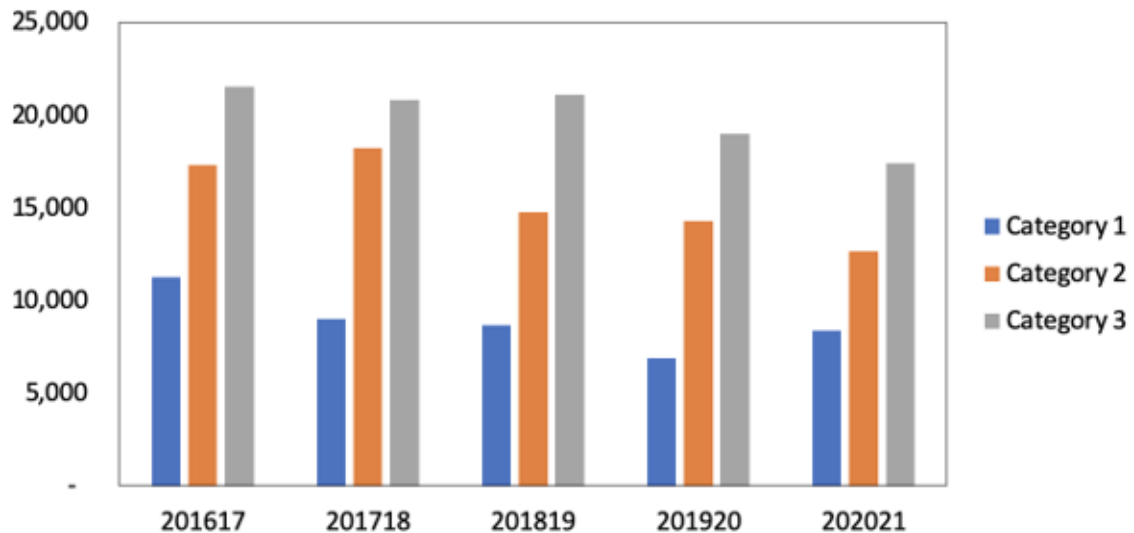
2.4 On this basis, we propose two amendments to the tabled Bill:

- Amendment one would:
 - Require local planning authorities (LPAs) to set the Levy at a level capable of delivering the greater of: the number of affordable homes delivered through developer contributions over a specified period of preceding years; or the level of objectively assessed need for affordable housing identified in the Local Plan.
 - If the above is not possible, the LPA should work with Homes England to put an investment plan in place to demonstrate how it will make up the shortfall between the affordable homes delivered through the Levy and those that are required by the Local Plan.

- Amendment two would:
 - Require local Infrastructure Delivery Strategies to set out the plans of the charging authority in relation to the provision, improvement, replacement, operation and maintenance of infrastructure in the authority's area. This should include the provision of affordable housing at a level set out in the local plan.

2.5 The following figure is an early extract from research being undertaken for Homes for the North by Liverpool University, into the potential impact of introducing the Levy on the quantity and distribution of affordable homes. With reference to the Levelling Up Priority Group Index used by government to allocate the Levelling Up Fund, it illustrates the extent to which delivery of affordable homes funded by developer contributions is concentrated in areas with the least need to Level Up. Further research currently underway will undertake a similar analysis based on modelling of the Infrastructure Levy and we will make this available to the Committee in Autumn.

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



Source: DLUHC (2017-22) LAHS; DLUHC Levelling Up Priority Groups

2.6 We acknowledge that the Levy should avoid making requirements of LPAs that they are unable to meet, regarding a mismatch between the locally assessed need for affordable homes and the amount of land value that can realistically be captured. This is why it is so important that the impact of the Levy is quantified, understood and balanced against other funding streams, in an assessment of the wider funding landscape to deliver Levelling Up. In short, if we know that the Levy will not deliver enough homes in the right places to Level Up, Homes England must lead interventions at a sufficient level to make Levelling Up happen.

2.7 Finally, we also recommend that Infrastructure Delivery Strategies should face into a revised NPPF that requires LPAs to demonstrate the link between their local assessment of housing need and their forward-looking ambitions for economic growth. This will help to prevent the common scenario of local authorities professing strident economic ambitions without planning for the homes needed to make them a reality. In turn, whilst we strongly support neighbourhoods securing a share of Levy proceeds, in the same way as they do from CIL, this must be properly sequenced so it does not diminish the pot available for providing new affordable homes.

3. Recommendation 2: Homes England should have a duty to help England Level Up

3.1 The statutory objectives of Homes England are legislated for in the Housing and Regeneration Act of 2008 and are to:

- Improve the supply and quality of housing in England.
- Secure the regeneration or development of land or infrastructure in England.
- Support in other ways the creation, regeneration or development of communities in England or their continued well-being.
- Contribute to the achievement of sustainable development and good design in England.

- 3.2 The objectives focus on supply and quality, but notably 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 this has exacerbated inequality. For example, the 80:20 guidance resulted in investment flowing to areas that placed focus on investment in areas with higher affordability pressures, and in general higher land values. Although the retraction of 80:20 guidance is welcome, the removal of this most egregious example of national funding fuelling regional inequality does not fix the fundamental problem: Homes England will not deliver Levelling Up by accident.
- 3.3 Levelling up will not happen whilst major funding streams like the Affordable Homes Programme and Housing Infrastructure Funding are spatially blind. Its Statutory Objects should be amended to help drive the right kind of spending, to the right areas, for the right outcomes, to reduce regional inequality and Level Up the country.
- 3.4 The Bill is a rare opportunity to address directly how Homes England distributes money and what outcomes it seeks to secure. We therefore propose that a new clause be added to 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 homes and stimulate related economic activity”
 - “To report to Parliament annually accounting for success in reducing regional inequality
- 3.5 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.

4. Recommendation 3: Update additionality rule for more brownfield homes

- 4.1 Currently Homes England is unable to fund the replacement of homes, or new homes on previously cleared residential sites, even where there is an exceptional case for doing so. Instead, Homes England will only fund tightly defined net additions to housing stock. The net additionality rule should be reformed to unlock the building of thousands of brownfield homes in the North, contributing to the renewal of towns identified as needing to Level Up. As it stands, the rule severely constrains the business case for brownfield development in Northern towns, holding back place renewal and the local civic pride that this supports.
- 4.2 The current Affordable Homes Programme 2021-26 (AHP) has a key role to play in enabling the Government to meet its target of delivering 300,000 new homes a year and to Level Up the country. But the focus of grant funding is on the delivery of additional affordable housing supply; Homes England guidance is clear that funding is for the supply of new build affordable housing.
- 4.3 This net additionality rule severely constrains business cases for development, particularly (but not exclusively) on low value sites across the North. This holds back

opportunities for estate regeneration, brownfield land development and tackling obsolete housing stock.

4.4 Homes for the North proposes the following changes to the net additional homes rule:

- First, to strengthen the role of Homes England by removing the requirement for net additional homes on strategic sites that evidence a contribution to the levelling up missions. This would support ambitious partners to deliver significantly more additional affordable homes than they would otherwise be able to.
- Second, to replace the metric of net additional homes with a broader set of measures for grant dependent schemes that cannot be self-funded via land value uplift (or equivalent) where there is a demonstrable contribution to the levelling up housing-related missions or other stated government programmes (such as carbon reduction and economic growth).

4.5 These recommendations could be enshrined in the Bill as part of the proposed new clause relating to the Statutory Objects of Homes England (see recommendation 2).

5. About Homes for the North

5.1 Homes for the North brings together providers of affordable housing across the three Northern regions to deliver policy solutions to build more and better homes to help Level Up the North.

5.2 Collectively, we add £2.5bn per year to the Northern economy, provide affordable homes for 1 million people and employ 17,500 people. Our members include a number of Strategic Partners of Homes England and we build more than 6,000 homes per year, including a mix of social, affordable and market housing.

5.3 Homes for the North members are anchor institutions and long-term investors in hundreds of communities across the North, with an important role to play in supporting inclusive growth. We are uniquely placed within our communities to achieve this through investment in improving existing homes, building new homes and providing training and employment for of local people.

5.4 We are also active in tackling the Cost of Living crisis, providing real support where it is most needed. Four in ten of our members' homes are in the 10% most deprived districts in England, with 75% located in the 20% most deprived. In 2019/20, members provided £1.66m in grants supporting 714 community groups, supported 1 in 14 households with money advice, 4,039 residents into employment, and facilitated 5,203 skills training courses across the North.

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