

# A New Framework for Housing in the North

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Report of the Commission  
for Housing in the North



# The Commissioners

## **Alan Ball**

Former Chair, Weaver Vale Housing Trust, and former Chairman of the BOSS Federation.

## **Clive Barnett**

Former Head of Housing Finance, Royal Bank of Scotland.

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Chair of the Property Ombudsman, President of the Local Government Association, Joint Chair of the Immigration Act 2014 Consultative Panel, Chair of the Rural Housing Policy Review, and Chair of Hanover Housing.

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Chief Executive of the Northern Housing Consortium, and former Chief Executive of the North East Regional Assembly and former Director of Bridging NewcastleGateshead, HMR.

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Chief Executive at Stockport Council, and former Deputy Chief Executive at the Homes and Communities Agency, former Deputy Chief Executive of Manchester City Council, former Director of Housing and Community Services at Manchester, and former Director of Housing and Operational Services at Sheffield Council.

## **John Craggs**

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## **Professor Duncan MacLennan CBE**

Professor of Strategic Urban Management and Finance, and Director of the Scottish Cities Knowledge Centre and the Centre for Housing Research at University of St Andrews.

## **Tom Miskell**

Former Chief Executive of Together Housing, NHC Chair and Chair of Accent.

## **Mike Palin**

Chief Executive of St Helens Council, and lead Chief Executive for the Liverpool City Region Combined Authority for Housing and Spatial Planning.

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Former board member of One North East, former Leader Newcastle City Council, spokesperson for the Liberal Democrats on Housing and Vice President of the Local Government Association.

## **Alison Thain OBE**

Former Group Chief Executive of Thirteen Group, Chair of CBI in the North East, council member of the North East Chamber of Commerce, and Vice President of Darlington Building Society.

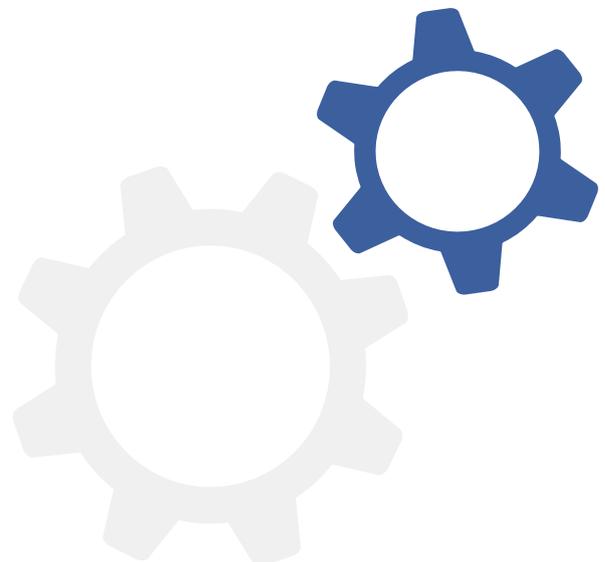
## **Philip Whitehead**

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# Chair's Foreword

**Around 18 months ago, I began to feel, more so than ever, that the housing crisis in the North of England was distinctly different to that facing the rest of the country. The latest batch of house price figures had just been released showing London and the South East continuing to spiral away out of reach, while those in parts of the North could have been from another country.**

At this time, I also had the opportunity to visit a number of schemes across different parts of the North. In some of these places the issues were around an urgent need for more housing, yet in others they were primarily around the quality of the existing private stock, the viability of sites or people being excluded through disadvantage.

I discussed the point with some of the NHC's members and this confirmed not only the range of diverse housing pressures across the North but also raised frustration at missing opportunities to do something about this. The emerging Devolution Deals and ideas behind the Northern Powerhouse were responding to similar concerns in other fields but had only scratched the surface on housing. The Consortium recognised that to understand the Northern crisis in depth and to identify practical solutions we needed to draw on as comprehensive a range of expertise and perspectives as possible – and so the NHC's Commission for Housing in the North was formed.

We took two simple questions as our starting point: "What is different about the housing requirements, problems and opportunities of the North?", and "What needs to be done differently in the North to address these?".

As the Commission began to shape its answers to these questions and took evidence from industry leaders to support this, we sought "coal face" feedback from our membership to test thinking and the validity of findings. I think that the scope and reach of this process has given a unique insight and helped make sure our recommendations cover the areas of greatest potential impact.

Clearly, we have had to take difficult decisions in reaching our priorities and recognise there are many other aspects to achieving our overall goals. I hope our report will stimulate discussion around this and I look forward to working with respondents in the future. The NHC is committed to offering support in this and to making sure that the work of the Commission is followed through to delivery. Throughout the report we have included case studies to illustrate innovative work across the North, and I hope you will find these useful.

One of the most striking aspects of this work for me has been the unfailing commitment and drive of all those involved to really make a difference in improving the housing opportunities of those living in the North. Without this, none of the recommendations would work and I would like to pass on my thanks to all those who have given their time, knowledge and invaluable support to this process.



**Tom Miskell**  
Chair, Northern Housing Consortium  
October 2016

# Executive Summary

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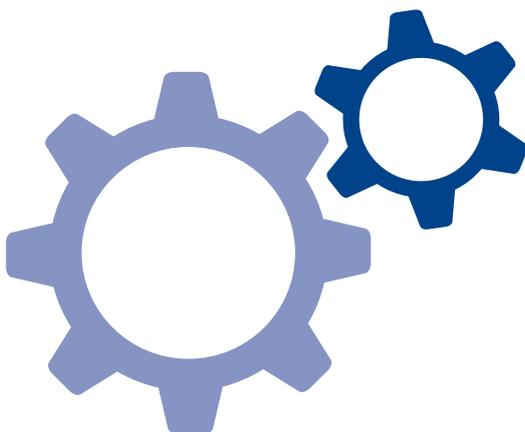
**Housing markets across the North are both different to those in other parts of the country and diverse. With vibrant urban centres, affordable new developments and areas of outstanding natural countryside, England's three Northern Regions hold some of the most attractive housing stock and best growth potential in the country.**

**As other markets continue to overheat, these factors are bringing with them sustainable investment interest and a realisation of the economic and social benefits that living and working in the North provides.**

Yet the North is still not building enough new homes in the right places and many people are now struggling to access the type of housing they really want. In particular there are concerns over the use and quality of existing stock – with some areas remaining unpopular and low value even when connected to places of economic prosperity.

Over the last 12 months, the NHC's Commission for Housing in the North, has heard evidence showing that the North of England can rise to these housing challenges and in doing so make a vital contribution to tackling disadvantage and balancing the economy. We know the potential is there - across the three Regions we have seen places with the drive, the supply of developable land, growing private investment interest and outstanding value for money to really deliver a difference.

So why isn't this happening at the pace and scale it so clearly could? The intent of the Northern Powerhouse and devolution deals have begun to answer these questions. These early approaches now need the assurance and leadership to go wider, further and faster. The Commission is calling for this to happen through a new way of doing business with a modernised framework for housing investment that has place, growth and reform at its heart.



Following are the Commission's key priorities to make this happen:

## Priority 1

**Northern markets are different and diverse. Responding to the opportunities they present needs local flexibility in the use of public investment**

The scale and diversity of housing opportunity and challenge is such that "one size fits all" policy and programmes are no longer fit for purpose.

The Commission would like to see local public-private sector partnerships incentivised to establish Housing Boards that would agree a series of bespoke housing outcomes with Government and be empowered to co-design the means to achieve these. In return for agreeing a clear set of objectives, outputs and desired outcomes stemming from an evidenced strategy, Housing Boards would be incentivised through greater fiscal autonomy and powers to enable and create better places.

We know that the development of such Housing Boards will not happen overnight and in the meanwhile would like to see much greater flexibility within and between programmes to deliver agreed local priorities. This would include new approaches to bringing challenging brownfield sites to market and measures to better support Rent to Buy.

## Priority 2

**Realising investment potential needs new partnerships, skills and capacity**

The Commission heard of the growing importance of having access to the right capacity and skills – especially in the public sector – to deliver growth in today's operating environment. There were seen to be risks that this had not kept pace with investment changes and demands as well as clear opportunities to better collaborate, learn and innovate.

The Commission would like to see the establishment of a Capacity Fund for Local Authorities to draw from where they can clearly show this will make a tangible difference to local housing supply. This would be complemented in

new ways across the North by drawing on the willingness to practically collaborate and to share best practice that has been so clearly shown during the work of the Commission.

## Priority 3

**The importance of revitalising places**

At a time of such immense housing pressure, it is incumbent on us all to make sure that our existing stock is used to maximum effect. With existing and pipeline policy and resources so focused on the need for new development, the importance of maintaining or making older housing fit has taken a back seat.

During the work of the Commission, it became clear that across the North there are areas where the most pressing concerns were not about a shortage of supply or affordability. They were around persistent low value, obsolete, empty or unfit stock, fuel poverty and about standards at the bottom end of the private-rented market. In some cases these lie adjacent to the core of strongly performing conurbations and physically highlight economic disconnect and divisions we need to resolve.

The Commission has welcomed the opening of discussion to tackle the economic disconnection of some communities and the work of Lord Heseltine on estate regeneration which recognises that markets and individuals cannot alone solve deep-seated housing problems. In the North, however, the success of the stock transfer process has meant that these issues are now concentrated in the private sector.

We would like to see the aims and objectives of Lord Heseltine's work expanded and resourced to explicitly cover all tenures and areas of currently low land value. This would enable the programme to better reflect Northern markets and would be the ideal opportunity to develop new models built around long-term, patient investment.

The Commission believe that a combination of these place-focused, practical changes will provide the incentive and reward needed to make a significant boost to housing supply in the North.

# Findings and Recommendations

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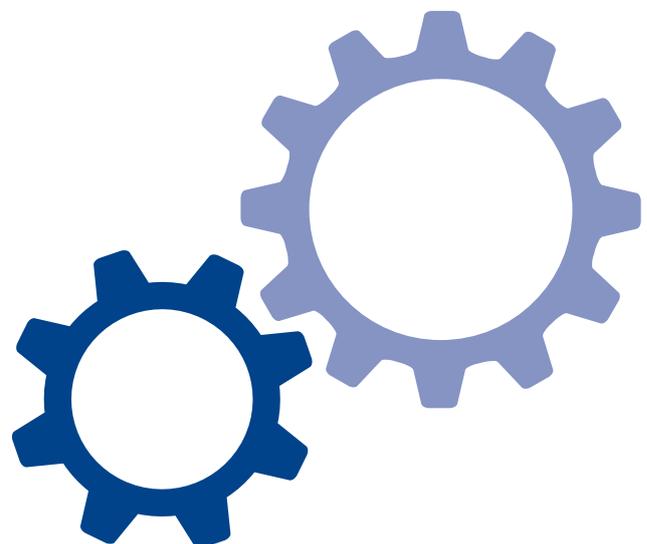
## Nationally Shared Objectives

The NHC's Commission for Housing in the North was established to consider the different opportunities and challenges facing the North in strengthening local housing supply. In doing so, it became clear from the very beginning that there were a number of nationally shared core objectives. These were headed by a primary aim of using housing investment and interventions to support a market economy that works for everyone; ensuring that housing supply is recognised as essential economic infrastructure, and looking to complement, not compete with, other parts of the UK to play a role in strengthening a more balanced economy.

These were seen as core components in delivering growth in development, helping families access the type of housing they aspired to and making sure the private rented sector plays a positive role in local housing markets.

To these ends, for example, the Commission linked with our counterparts in the London Housing Commission and the Local Government Association to share views and identify mutually beneficial proposals. We ensured that local expertise was balanced through broader perspectives to mitigate the risk of parochialism or narrow recommendations inadvertently undermining wider work.

The Commission also took an early decision to focus primarily on areas of policy that would specifically strengthen supply in the North. This meant that, whilst being alive to the impacts of national issues such as welfare reform or changes to Right to Buy, we recognised that others were working in these areas and would draw on their expertise as and when needed.



## Northern Distinction

It is clear that the North shares objectives with the rest of the country, but as clear as it is that there are shared points of similarity there are also broad areas of difference. Whilst the North is not as constrained by the same scale of overall shortfall in supply nor the depth of affordability gaps, few places have the strength of economy to reconnect weaker areas through the housing market alone.

Clearly, there are a set of positives and negatives to this – housing is comparatively affordable, (as illustrated in the map on page 9 which demonstrates an average lower quartile affordability ratio for the North of England (2015) of 5.58 compared to national England average of 7.02 and an average in London of 14.85), thus giving the choice and value for money that can help underpin growing economies. However, addressing poor quality in some areas needs market intervention.

This quickly provided the Commission with one of its early and consistent messages – that strengthening housing supply in the North supports positive, wider economic impacts. This point was summarised well by two of the Commissioners:

*“Housing is now the embodiment of the differences between the North and South. Improving the supply in the North presents a great opportunity to help address this imbalance.”*

**Lord Richard Best**

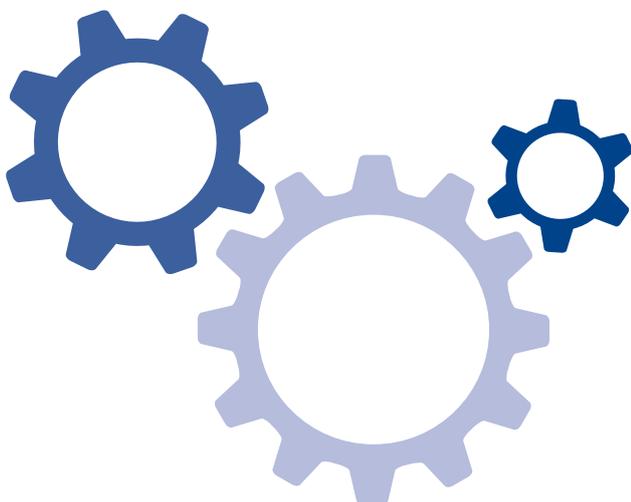
*“Where investment is delivering a strong housing offer in the North, this is making a vital contribution to local growth and well-being. Conversely, however, where the offer is wrong this is acting as a powerful economic break and drain on resources.”*

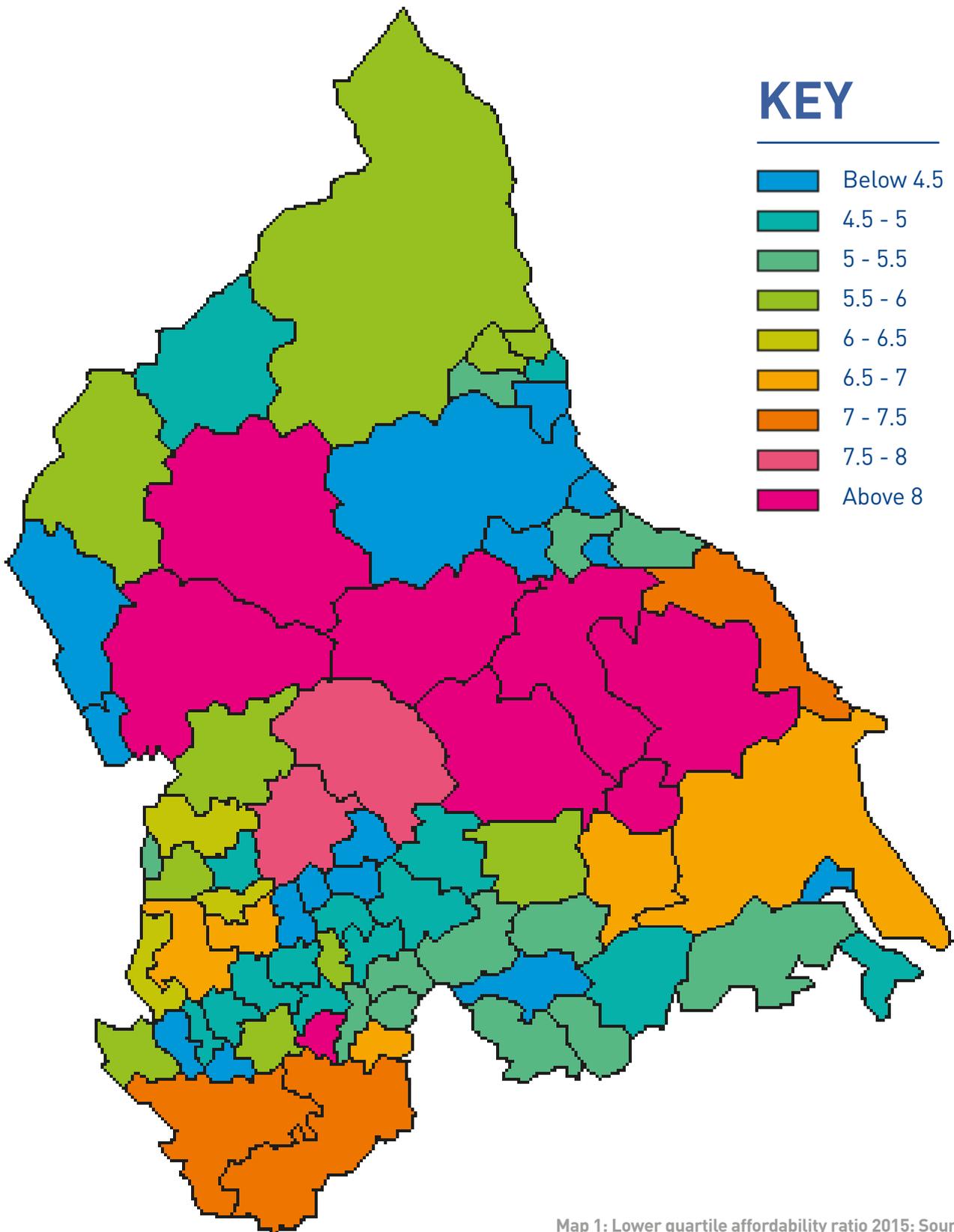
**Professor Duncan Maclennan**

A second area that was picked up very early in discussion (in particular with the Confederation of British Industry and business leaders), was around the need for a good range of housing across the diverse markets in the North, and on the importance of having a nuanced set of policies to make sure this happened.

This point is behind two of the core themes of the Commission’s work – that better place making needs to be the primary drive behind investment; and that doing this needs both growth and reform. A strong housing offer is a key component of growth and wider reform but how this plays out will be different in different places.

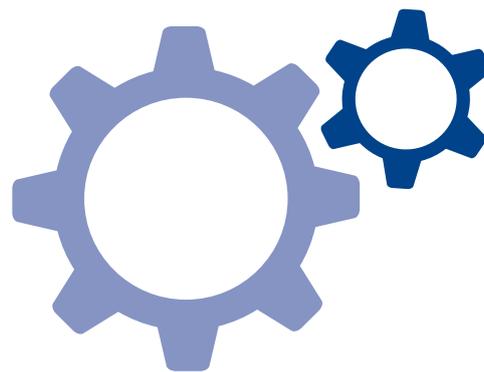
The Commission is calling for changes to give primacy to place and is keen to provide support to organisations so we can work together in new forms of collaboration to make this happen. Equally, this requires Government to provide the powers, flexibilities and resources in return for realising shared outcomes.





Map 1: Lower quartile affordability ratio 2015: Source Department for Communities and Local Government

(the ratio of lower quartile earnings to lower quartile house prices)



# The Commission's Main Findings

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**The Commission heard a great deal that was positive and gave cause for cautious optimism. Many of those giving evidence were upbeat about the delivery and potential for housing growth, with most places not yet seeing the debilitating impact of very high affordability problems and schemes with public investment delivering good “bang for the buck”. Help to Buy, for example is proving extremely popular and is delivering excellent value for money in Northern markets.**

Against this positive backdrop, however, a number of structural weaknesses and risks were also identified. The Commission found that there were three core areas that needed to be tackled to strengthen housing supply and impact in the North:

## Main Finding 1

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There needs to be a rapid and significant boost in the supply of new homes in the right places. The Commission has repeatedly heard that the North is in a strong position to accelerate the delivery of the new homes needed to meet household and economic growth. This included powerful evidence to show that areas of the North have a good supply of developable land, steadily growing demand, interest from institutional and international investors and a pro-development approach from local political leadership.

## Main Finding 2

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The nature of employment in the North has changed significantly in recent years, especially for younger workers. The means to access housing that helps people meet their aspirations, or ensure they have the opportunity to find homes that best fit with their needs, has to catch up and reflect today's economic reality. Too many are excluded from ownership, despite historically low interest rates, because of the difficulties of raising deposits, with few new products on the market to offer help.

The Commission has also found that access to different types and tenure of homes is now needed by many at different times in their lives. We have heard from a wide range of contributors that owner occupation is not necessarily always beneficial or the right tenure to meet people's changing housing needs. Some new products are emerging that recognise the importance of this greater flexibility, especially those providing Rent to Buy opportunities, but there is limited encouragement for their growth with public investment and approaches so nationally skewed toward ownership.

The challenges in developing widespread products which match prevailing employment or needs with housing choices has been one of the factors behind the rapid growth of private renting across all three Northern Regions – something many have raised significant concerns over.

## Main Finding 3

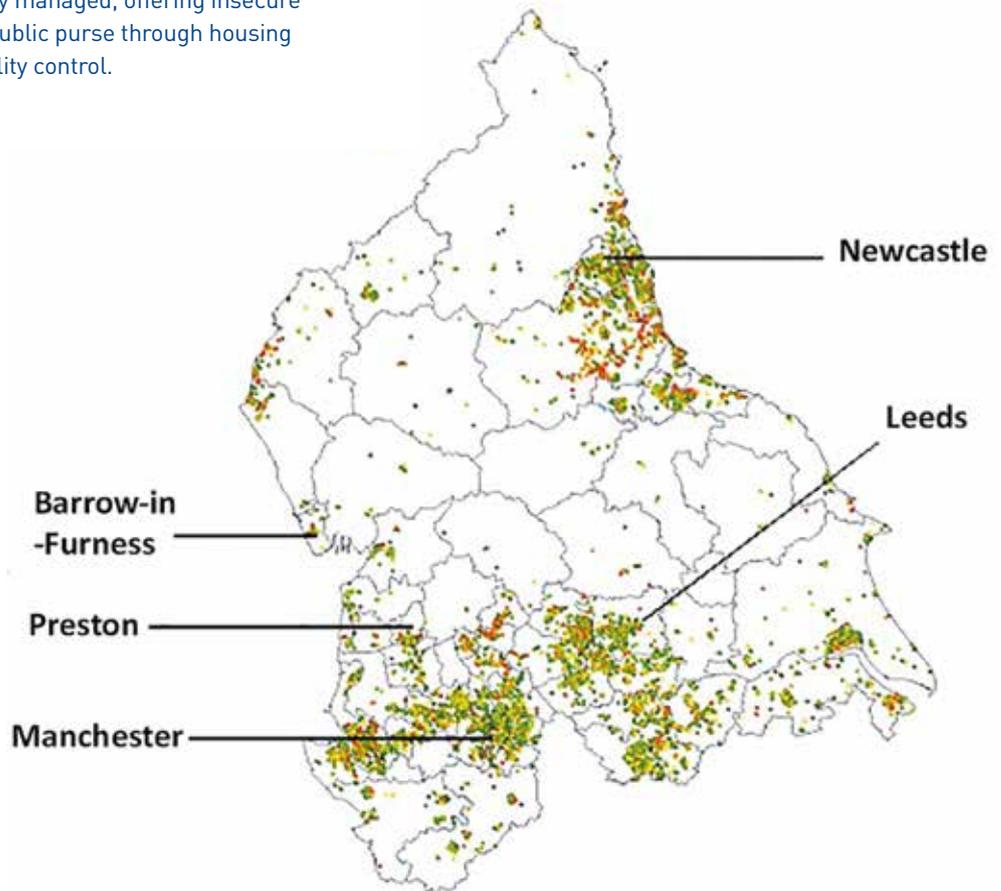
One of the major housing challenges facing the North is a post-industrial legacy of concentrations of poor-quality, pavement-terraced homes. Even today, with such massive demand for housing, these often have values significantly below £75,000 and are typified by unattractive environments, concentrations of poorly managed private renting, high turnover and empty homes. These issues run counter to the predominant concerns about new supply or affordability and add a further dimension to local strategies, approaches and tool kits needed to reconnect places to the economic mainstream.

There is a particular concern over value for money and the negative impact at the bottom end of the private rented sector market. Here there are too many properties that are in poor condition or poorly managed, offering insecure homes often paid for by the public purse through housing benefit, with very limited quality control.

The importance and impact of these issues varies geographically and again highlights the need for flexibility of approach and tools. The Commission also found that reduced resources and the practical urgency of bringing about new development has lessened the priority or ability to address concerns with existing homes.

The potential of the place-focused work started in this wider field by Lord Heseltine’s Regeneration Panel has been welcomed, especially the way that locally led proposals are encouraged. Resources and capacity, to develop the kind of cross-tenure or multi-disciplinary schemes are, however, extremely limited in many areas and there is concern over realising long-term or significant funding commitments.

Key	
Below £40,000	●
£40,000-£45,000	●
£45,000-£50,000	●
£50,000-£55,000	●
£55,000-£60,000	●
£60,000-£65,000	●
£65,000-£70,000	●
£70,000-£75,000	●



All sales below £75,000, September 2015 – August 2016

Heat map of homes costing less than £75,000 in the North

# The Commission's Key Recommendations

## Recommendation 1

### Local flexibility in the use of public investment

Northern markets are different and diverse and responding to the opportunities this presents needs greater local flexibility in the use of public investment.

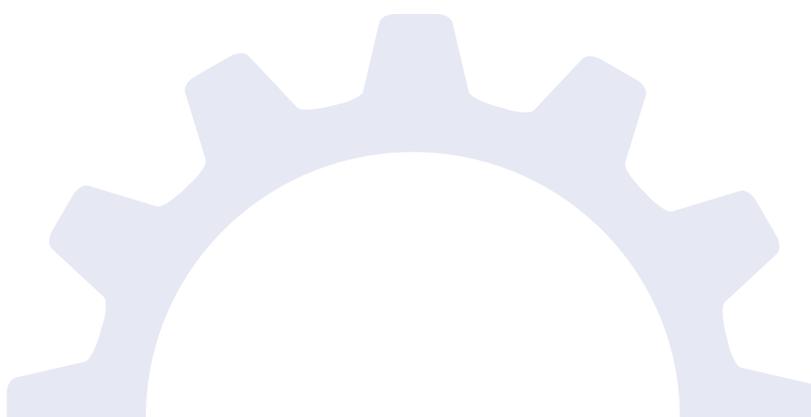
The Commission has heard evidence of the shared growth ambitions of both Government and localities being inadvertently held back because of a lack of flexibility around individual investment programmes. This is happening in a variety of ways. For example, locally important sites not being developed out, limited interest in bidding because the end product was not right for the local market or there simply being no funding available for schemes that would deliver what would work locally.

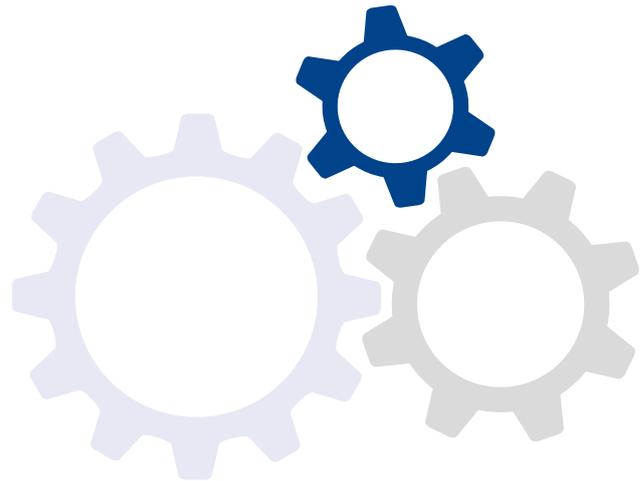
This situation has arisen because programmes are nationally determined with too fine a grain and this has led to more than 20 overlapping programmes, from Get Britain Building to Custom Build, from NewBuy to Shared Ownership. Whilst each individual scheme is laudable in addressing particular challenges, it can lead to places having to fit around programmes rather the more sensible approach of programmes fitting to places. Devolution has the potential to address this but has had limited impact to date simply because it does not cover the complexity of optimum local delivery.

The housing crisis means that a new way of doing business needs to be developed that is more efficient, more pragmatic and more flexible, whilst retaining assurance on performance management.

The Commission has considered the evidence of what has happened on the ground in recent years and heard views from a wide range of housing providers, developers, investors and local authorities on what is needed to step up delivery in the North. In response to this, the Commission would like to see local public-private sector partnerships establish Housing Boards to agree a series of housing outcomes with Government and to be empowered to co-design the means to achieve these.

We recognise that establishing such partnerships will not happen overnight but feel that there are steps Government could take now to support and encourage their development. Each Housing Board would need clear objectives and an agreed set of outcomes, have an evidenced strategy and be able to hold delivery partners to account.





## CASE STUDY

### Home Group - Flexi Rent

Home Group and the New Economics Foundation have developed a Flexi Rent product to step up the supply of quality homes in partnership with institutional investors. Rental income from units within, say a block of flats, can be flexed between sub-market and market rent subject to market conditions and customer income.

The model reduces volatility in financial returns that can make the sector unattractive to large investors and so hold back the significant potential this offers in stepping up new supply. Rent volatility can act as a risk which deters long-term private investment in the first place or demands a compensating premium which has made rental development less attractive than outright sale. To mitigate this, the Home Group product will define an agreed income across a whole development providing a range of rented homes, potentially as part of a Section 106 agreement with the local planning authority.

This income rises with an agreed inflation measure and is set at a level below the prevailing rental market rate to allow for some units to be let at sub-market levels. The investor is therefore buying the asset and a future income stream with some capacity to protect against falls in the market.

As units in the block become vacant they can be re-let at the level required to maintain the overall defined income for the block. So if the market falls, more units can be converted over time to higher rates or rents raised on sub-market lettings, and in a rising market, more affordable units can be provided.

Through aggregating and flexing a band of rents in this way, Home Group is able to flatten out market shifts over time and so provide the degree of return stability sought by large scale investors.

Home Group has had interest in this product from both local authorities and institutional investors, and is working to deliver the first Flexi Rent units in the near future.

## CASE STUDY

### Tees Valley Combined Authority

Devolution provides the platform for a game-changing approach to the transformation of place across the Tees Valley.

It provides the opportunity for Tees Valley to collectively and strategically maximise the use of land for economic development and housing. This will inject certainty, market confidence and pace to bring forward the revitalisation of the urban core and enable a much needed acceleration of housing delivery.

The powers for Mayoral Development Corporations, the establishment of a Land Commission, the devolution of housing financial transactional funding, the transport area action plan and the maximising of the cultural offer all combine to provide the platform for transformational change across Tees Valley in supporting ambitions for economic growth and place.

These ambitions include:

- The delivery of more than 20,000 new homes by 2026 and the regeneration of areas of low demand, poor quality and deprivation, strengthening the housing offer to match our economic growth and prosperity.
- The wider revitalisation of the urban core, town centres and brownfield sites - optimising the use of land across Tees Valley for economic development and housing.
- Establishing a significant investment fund through the flexible use of existing Government funding, private sector investment and local resources.
- Accelerating housing delivery to secure and create 50,000 plus construction jobs and lever in private sector investment in excess of £3bn for housing.



The Commission do not want to be prescriptive around local offers to and asks of Government – these will be down to different places to agree and to provide the necessary vision, strength of purpose and delivery assurances. We have heard, however, a strong case for presenting a clear set of ambitious goals to better incentivise the development of more entrepreneurial partnerships with freedom to innovate and manage risk.

These could include the following asks of Government:

- Greater devolution and agglomeration of programmes.
- The provision of “patient equity” investment where needed.
- The ability to retain and recycle more receipts including relaxing of rules around Right to Buy receipts.
- Discussion around raising or retaining local taxes such as stamp duty or planning fees.
- CPO powers, planning powers.

In return places could offer:

- A comprehensive and holistic housing strategy.
- An agreed set of enhanced outputs including housing growth.
- An agreed set of prioritised outcomes - these could range from growing the local tax base and tackling disadvantage through to improving affordability and raising standards in the private rented sector.
- To coordinate collaboration, skills sharing and development.

The Commission would like to see a new conversation between Government and places that spelt out the “size of the prize” to raise the ambition, scope and potential of local housing strategies delivered through earned autonomy.

In the shorter term, there are some immediate opportunities to deliver more homes, more quickly if existing and pipeline programmes could be flexed to better work around the opportunities and needs of place.

The current Shared Ownership and Affordable Housing Programme delivered by the Homes and Communities Agency is making £4.7 billion of capital grant available between 2016 and 2021 to deliver 135,000 homes for Help to Buy:Shared Ownership, 10,000 homes for Rent to Buy and 8,000 homes for specialised housing. Providing immediate flexibility in the distribution of this programme – alongside an urgent review of the definition and application of Starter Homes – would, in the eyes of the Commission, be a welcome signal of intent from Government that it recognises the steps needed to accelerate delivery and the need to put places at the heart of policy decisions.

One area that has come up time and again in this regard is the investment needed to bring brownfield land to market. The complexities of each site, its potential use and viability as well as the specifics of the local market make it difficult to manage as a single programme and we have heard how this is just not working in parts of the North. Addressing this has been cited as being perhaps the single most important immediate measure that could be taken to accelerate the delivery of new homes in the North.

The Commission would like to see the establishment of Local Land Funds which have the delivery of new homes as their core objective, with this given primacy to drive public investment in the best way possible for the site. This would require both greater flexibility within and across programmes, (for example, widening the scope of resources ring-fenced for Starter Homes), than is now the case and for a tailored approach on the expected nature and time of investment returns.

## Recommendation 2

### Realising investment potential needs new partnerships, skills and capacity

The Commission heard of the growing importance of having access to the right capacity and skills, especially in the public sector, to deliver growth in today's operating environment. There were seen to be risks that this had not kept pace with market changes and demands as well as clear opportunities that needed to be acted on to better collaborate, learn and innovate.

Private sector representatives were bullish around investment interest in the North and keen to see how the public sector could support this better by understanding their business needs. We heard how the growing institutional and international investment in housing risked being held back in the North at the public interface by a lack of pace and projects being outside the commercial scope or experience of some local authorities.

The Regeneration and Investment Organisation at UK Trade and Investment told the Commission that key factors for investors included:

- The importance of transport infrastructure.
- Domestic investors already involved.
- Quality of municipal leadership.
- Employment growth and population growth.
- Long-standing model of Public Private Partnership regeneration.
- Advice and support available.

These factors were key for all investment, but specifically for housing investment we heard that to realise investment at scale, investors are looking to the public sector to package deliverable schemes making sure that the bases, in particular robust development appraisals, clear planning and clean title to land, were properly covered and schemes effectively promoted to the market.

Public sector representatives had a degree of frustration at a lack of understanding amongst some investors on requirements around sharing risk and reward, long-term strategic objectives and local democratic accountability.

One Northern local authority identified the following challenges for the public sector.

*“Get the basics right: a joined-up long-term economic vision, a local plan. We need to lift our heads up and be strategic – it is a game-changing moment. We need to challenge ourselves - how do we deal with risk, how agile are we, do we understand what the private sector does and doesn't want?”*

Places were clearly at a competitive advantage where they had the skills and knowledge to bridge these issues but such capacity is currently limited.

Public sector representatives for local authorities also acknowledged that they need to reform the way they do business. Two powerful examples of this were around the kind of strategic leadership needed to support housing providers and developers into meeting common, place-focused objectives and the importance of making sure that the ambitions of local leaders were translated into practical “coal face” policy, especially around planning.

## CASE STUDY

### Greater Manchester Housing Providers

The Greater Manchester Housing Providers (GMHP) represent social landlords operating across the Greater Manchester Combined Authority (GMCA). The group has been developing and delivering interventions in relation to growth and reform in partnership with GMCA and recognises the increased contribution they can make to these twin agendas. To achieve this contribution the group committed:

- To explore new ways to maximise the leverage potential of the collective asset base to sustain and increase the supply of homes, recognising the independence of individual members, through increased efficiency through collaboration, to secure increases in the supply of homes for rent and affordable home ownership.
- To develop a mechanism for sharing risk and reward in contributing to Growth and Public Sector reform, for example the development of earn back/dividend models and structural changes to pooled budgets.
- To deliver homes which meet the needs and aspirations of a growing economy and population which is located in the right place, at the right time, and for the right price.
- To support growth and connect people to growth opportunities, thereby increasing economic activity, self-reliance and the household incomes of our most disadvantaged communities.
- To support neighbourhood and place based working to ensure investment and a high quality neighbourhood management in areas experiencing social, physical and economic stress.
- To drive up the quality of housing in Greater Manchester through reinvestment in the existing housing stock, the provision of high quality new build and collaborative interventions where necessary in the low value Private Rented Stock.

Specific actions being undertaken by the GM Housing Providers to support this shared objective include:

- Development of new financial models and delivery mechanisms and increasing investment capability to meet housing growth targets, needs and aspirations and understanding and improving the financial resilience of the sector.
- Identifying opportunities to fund infrastructure and gap finance needed for affordable housing provision including development of mechanisms to share risk and reward for GMHP's contributions to Growth and Public Sector Reform - taking account of the new levers available to GMCA as a result of devolution.

## CASE STUDY

### Wakefield MBC - Unlocking capacity through planning

Wakefield MBC had identified more than 4,000 properties with planning permission that were not yet built out. Further analysis showed that whilst a proportion of these sites were held by the volume builders, others were held by smaller businesses (or individuals). The local authority took the view that they could offer support to these smaller businesses to help unlock capacity. Working with these landowners as part of the local authority's commitment to boosting SME builders' capacity in Wakefield they were able to offer support to access financing options, understand Homes and Communities Agency programmes and promote the support and offer available from the local authority. Whilst this approach is at local authority level, the ability to scale up this model to work across a combined authority market is achievable and the impact on unlocking pipeline capacity would be considerable.

There was concern that sometimes scarce public resources were geared towards programme management with a greater capacity requirement now for practical project management to actually bring schemes to fruition.

In summary, few places now have the depth of skills and capacity to maximise local development potential, to draw on investment interest in ways that mutually benefit all parties or to develop inclusive strategies to meet housing demand, needs and ambitions. These gaps will vary from place to place but a common thread is that resource is needed to address the issue and that this is not currently available.

The Commission would like to see the establishment of a Capacity Fund for local authorities to draw from where they can clearly show this will make a tangible difference to local housing supply. This would be complemented in new ways across the North by drawing on the willingness to practically collaborate and to share best practice that has been so clearly shown during the work of the Commission.

## Recommendation 3

### The importance of revitalising places

At a time of such high housing pressure, it is incumbent on us all to make sure that our existing stock is used to maximum effect. With policy and resources so focused on the need for new development, the importance of maintaining or making fit older housing has taken something of a back seat.

Yet, during the work of the Commission, it became clear that across the North there are areas where the most pressing concerns were not about a shortage of supply or affordability. They were around persistent low value, obsolete, empty or unfit stock, fuel poverty and about standards at the bottom end of the private rented market.

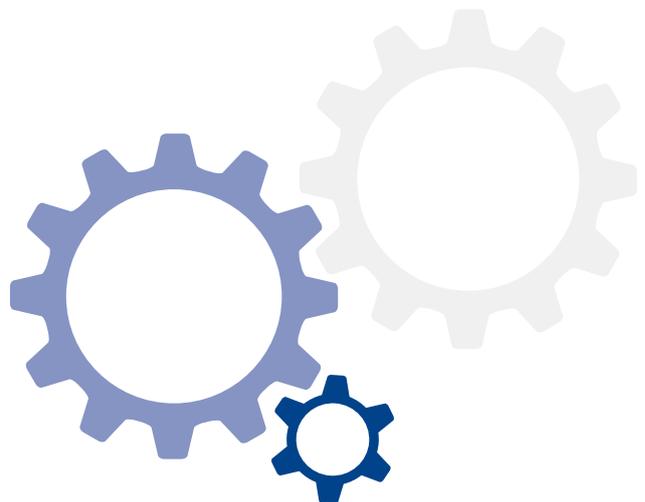
The successes of the stock transfer process has significantly increased the investment and standards of social housing across the North. The spatial concentrations of poor condition, poor environment and wider disadvantage are now to be found primarily in the private sector.

Some of the areas where these issues are most concentrated are now quite economically isolated needing transformative, structural support from a comprehensive industrial strategy. Yet similar markets can be found just a few miles from the centre of our all prosperous conurbations where prices for family homes fall well below £75,000 and in many ways are the physical embodiment of the disadvantage and disconnection felt by too many Northern communities.

For the North, this issue brings with it an important set of challenges and opportunities.

It is an opportunity to make best use of what we have and so mitigate pressures on scarce land and financial resources. It is an opportunity to enhance land value over the longer term and to restore market confidence. It is an opportunity to make better use of existing infrastructure and help tackle unsustainable commuting patterns. It is an opportunity to make sure that housing benefit does not continue to pay for sub-standard private renting. But most importantly it is an opportunity to tackle economic isolation and create places where people actively want to live and work.

It is also a significant challenge. Locally and nationally, both policy and resources give little priority or immediate reward to optimising the use of existing stock and raising standards. Underlying causes are not simple and not just physical, they are also economic and social needing multi-faceted, place-based and long-term solutions. This work calls for significant capacity and resources and drive to the most effective strategies and approaches. Unlike London and the South East, the short-to-medium-term land values are not there to trigger market-led solutions in many places.



## CASE STUDY

### PlaceFirst

PlaceFirst is a leading residential developer and landlord specialising in high quality, aspirational homes aimed at working families who are finding it increasingly difficult to access home ownership. PlaceFirst designs, builds and manages a growing portfolio of private rental communities across the North of England and their transparent tenure policy ensures PlaceFirst residents can genuinely call a rented house a home. They work at scale, transforming tough, inner-urban neighbourhoods through thoughtful, fit-for-purpose housing and a genuine commitment to placemaking that can add value not only to PlaceFirst residents, but the wider community within which they are working.

PlaceFirst projects include more than 150 homes in Woodnook, Accrington; 100 homes in the West End of Morecambe; 76 homes in Hartlepool, and more than 200 homes in Toxteth. They have an ambition to deliver 1,000 homes by 2020 and are seeking new development opportunities across the North of England.

The measures needed to bring about change will differ from area to area. Some will need environmental and home maintenance improvements, some will need to concentrate on raising management standards in the private rented sector, others will have to tackle empty homes whilst some may require remodelling through clearance and new build. The issue does not need a prescriptive list of new measures – the necessary powers are largely in place already – it needs to be better understood in the context of today's economy, prioritised and resourced.

The Commission has welcomed the discussion led by the Prime Minister on the changes needed to tackle the economic disconnection of some communities recognising that markets and individuals cannot alone solve deep-seated economic and housing problems and that where markets are dysfunctional, intervention is needed. We welcome the government's commitment to the estate regeneration programme as an example of positive intervention but we are also keen to see the aims and objectives of the estate regeneration programme widened out to explicitly cover all tenures and to ensure that areas of currently low land value are not excluded. This needs to be accompanied by a significant increase in resources to support a new generation of vanguard place-making schemes to develop approaches and prove cost benefits.

## CASE STUDY

### Blackpool Council

Blackpool Council work with a distinct, probably unique, housing market. At the densely populated urban core around 50% of the properties are privately rented, dominated by guest houses and Houses in Multiple Occupation (HMOs). The customer base in the private rented sector includes a vulnerable and transient population with around 80% of people living in the private rented sector reliant on housing benefit, and “market” rents consequently set around LHA levels.

The Council have instigated a range of measures to positively intervene in this vulnerable market to bring greater balance and capitalise on opportunities to drive economic growth through the following measures:

- The Council has set up a devco (funded by loans from the Public Works Loan Board at low rates agreed through the Lancashire Growth Deal) to purchase failing HMOs/guest houses and undertake refurbishment work with the aim of improving quality and reducing density.
- Through this, any future lettings will be on the basis of longer term tenancies and high quality management and support to increase stability and counteract transience.

Whilst this work is yielding positive responses, the Council recognise they may need to go further to influence key drivers in the market – including housing stock, in-migration driving demand and financial returns currently available to HMO owners.

As part of their consideration of a potential devolution deal for Lancashire, Blackpool Council have been exploring how housing benefit could be localised to reflect the need to intervene in this dysfunctional market. One idea under consideration would be to set a Blackpool specific Local Housing Allowance (LHA) rate which could be linked to standards, offering lower payments to landlords of small/low quality flats and higher payments for larger/better quality homes. This could nudge marginal landlords into considering whether the financial yield is sufficient for their needs and turn the current perverse incentive to produce as many small flats at the lowest quality possible into a financial incentive to offer better quality accommodation. It could encourage landlords to engage in discussion with the Council and the devco to reshape housing stock and attract a different customer base.

Whilst the detail of this approach would be worked out as part of any successful devolution deal, it is a clear example of how localised tools can be utilised to respond to specific housing market challenges.

# Conclusion

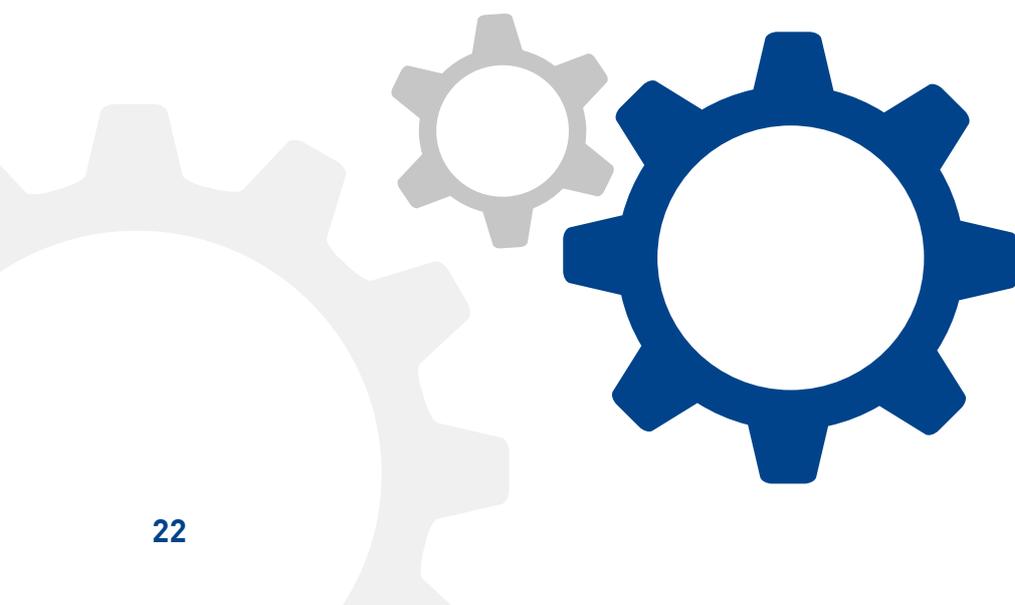
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**These three recommendations do not sit in isolation – they are interlinked and mutually reinforcing which, brought in together, would provide a tremendous boost to delivery.**

One example that we heard of around land assembly illustrates this point well: we heard from private investors that they are looking for large scale, appraised sites with assurance of strong local leadership. The development of such packages would be greatly enhanced through long-term, flexible public investment support to underpin viability, access to the right set of skills to bring the site forward and the wider market confidence that would stem from enhancements to adjacent existing stock.

The Commission heard compelling evidence that the key to strengthening local markets through these kinds of measures and attracting development investment at scale was strong civic leadership with a convincing local economic narrative. This economic leadership role was seen as essential in raising the quality of place, which in turn will drive further long-term investment. National housing policy can and should play a stronger role in incentivising this through explicit opportunities to enhance local autonomy.

Achieving the step change we all want to see in delivering growth, raising quality and improving access to the homes people want does not need a raft of new powers or regulation. Primarily it needs a new way of doing business that can draw on the early lessons of devolution and reform underpinned by longer term approaches to investment returns.



# Next Steps

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**In answering the two questions we set ourselves at the start of this Commission – what is different about Northern housing markets and what needs to be done differently to use the opportunities and meet the challenges this presents – we have been able to draw on an extraordinary range of expertise through a number of new and established networks. These have included Local Authorities, Housing Associations, developers, investors, politicians, academics, urban and rural areas, trade bodies and many others.**

This expertise has been invaluable in developing and testing our Report from as broad a spectrum as possible. It has helped shape and prioritise our recommendations to what we believe to be of the greatest practical benefit. It has also meant that we have been in a unique position to see what has been happening on the ground – high quality new developments, effective cross sector partnerships, innovative new products, different ways of tackling entrenched challenges – often unreported or in isolation and just getting on with delivery.

The Commission are acutely aware that sharing best practice on what works now is an essential element of tackling the housing crisis in the North. This best practice has been hard won with resource intensive development and few venues or incentives for progressing products or approaches at scale. The Commission is keen to continue to work through the membership of the NHC and to maintain some of the networks established in preparing this Report to help address this.

We do not want this Report to solely be a lobbying document with a limited shelf life. We are keen to maintain the engagement and participation of so many with a shared interest in finding solutions to the long-standing issues facing housing in the North. Using the cross sector membership of the NHC together with the expertise of the Commissioners, we will continue to use the focus provided by this work to bring people and organisations together to support delivery of the opportunities highlighted by this Report. To support this over the coming year, the NHC have committed to analysing and feeding back on the delivery and impact of the Report's recommendations.

Success will not just be measured by immediate Government support. It will be through practitioners using and developing the ideas outlined in the report, through strong locally determined strategies that recognise the importance of housing on people's lives and the local economy and through strong local leadership empowered and resourced to meet the housing opportunities that exist across the North.

# About the Commission

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**The Commission for Housing in the North was launched in August 2015 with a series of start-up meetings held with registered housing providers and local government representatives across the North of England. Commissioners were recruited to ensure the Commission had a wide range of skills and expertise covering all aspects of the housing sector.**

# Northern Housing Consortium

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**The Northern Housing Consortium (NHC) acted as the secretariat for the Commission. The NHC is a membership body providing services to its members (housing providers and local government) across the North of England.**

Special thanks to Charlotte Harrison and Pete Bailey.

The NHC seeks to ensure the needs and aspirations of housing in the North are well understood by government and other stakeholders and brings together NHC members to share emerging best practice and innovation in delivery.

Throughout the lifetime of the Commission, the NHC managed the collation of expert evidence to the Commissioners and sought regular opportunities to engage with NHC members to ensure the thinking of the Commission was informed by practical insight. Through the work of the NHC over 100 engagement interactions took place and NHC members have been very supportive of the work of the Commission.



# Evidence

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**The Commission has held an open call for written evidence and in addition to the open call, specific oral evidence sessions were held with Commissioners.**

Expert evidence was received from:

- UK Trade and Industry (RIO team)
- Grainger
- JJ La Salle
- Leeds City Council
- CBI
- Manchester City Council/Greater Manchester Combined Authority
- Centre For Cities
- Housing the Powerhouse Campaign
- QSH
- Leeds City Region
- University of Newcastle
- Sir Bob Kerslake
- RICS
- De Montford University
- Affinity Sutton
- Canopy Housing
- Crisis
- Empty Homes Agency
- Home Housing Group
- Peel Group
- Inclusion Housing
- Bradford Council
- North Tyneside Council

# Acknowledgments

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**The Commissioners would like to thank the NHC members for their contributions to and support of the work of the Commission.**

Particular thanks should go to the following organisations who hosted engagement roundtables on our behalf:

- **Thirteen Housing Group**
- **WDH**
- **Northwards Housing**
- **Plus Dane**
- **Torus Housing Group**
- **Incommunities Housing Group**
- **South Lakes Housing**
- **Yorkshire Housing Group**

