MAKING LEVELLING UP WORK, WHERE IT MATTERS MOST

A submission to the 2021 CSR from Homes for the North

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ABOUT HOMES FOR THE NORTH

Homes for the North is an alliance of 17 housing associations who want to deliver more homes across the North of England. Nine of our members are Homes England Strategic Partners responsible for investing £1.6bn of the Affordable Homes Programme.

Collectively we already provide around 450,000 homes for almost one million people.

Homes for the North works with a range of organisations to help raise public awareness of housing policy challenges and solutions. We commission research and share our expertise and best practice to inform policy makers regionally and nationally on creating the conditions for more and better homes, extending home ownership in the North and making the North of England a more attractive place for businesses to invest.

We would like to thank our consultant team:

Public First
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EXECUTIVE SUMMARY

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Alongside securing Britain's post-Covid recovery, the UK Government is embarking on the ambitious tasks of drastically reducing carbon emissions by 2050, whilst also rebalancing the UK economy – the Net Zero and Levelling Up agendas.

Through Levelling Up, the Government aims to unleash "the productive power of every corner of the country" to "build prosperity and strengthen and level up every part of the country". The scale of the challenge must not be underestimated. On current trends, the North's working age population is set to fall by 2% by 2041, while the rest of England's rises by 5%.[1] At the moment, the workforce is effectively moving south. This is why housing is so vital to the future of the North's economy. The locations in which workforce growth occurs will be determined by where jobs are found, but also the availability of housing. In short, Levelling Up will only be achieved with housing at the core of its agenda.

Homes for the North, through this submission to the Comprehensive Spending Review (CSR), offers this report as a contribution to the debate about how to make Levelling Up work.

This report is supported by **three key areas of research:**

- Extensive opinion research that included six focus groups and a nationally-representative poll to understand what the public wants from Levelling Up;
- A Levelling Up Place Index which demonstrates the areas of England with the greatest need and opportunity, thereby informing future decisions on the allocation of funding for place renewal, homes and related infrastructure;
- A comprehensive evidence review looking at how spending on the decarbonisation of homes can secure the greatest benefits across societal, environmental and economic measures.

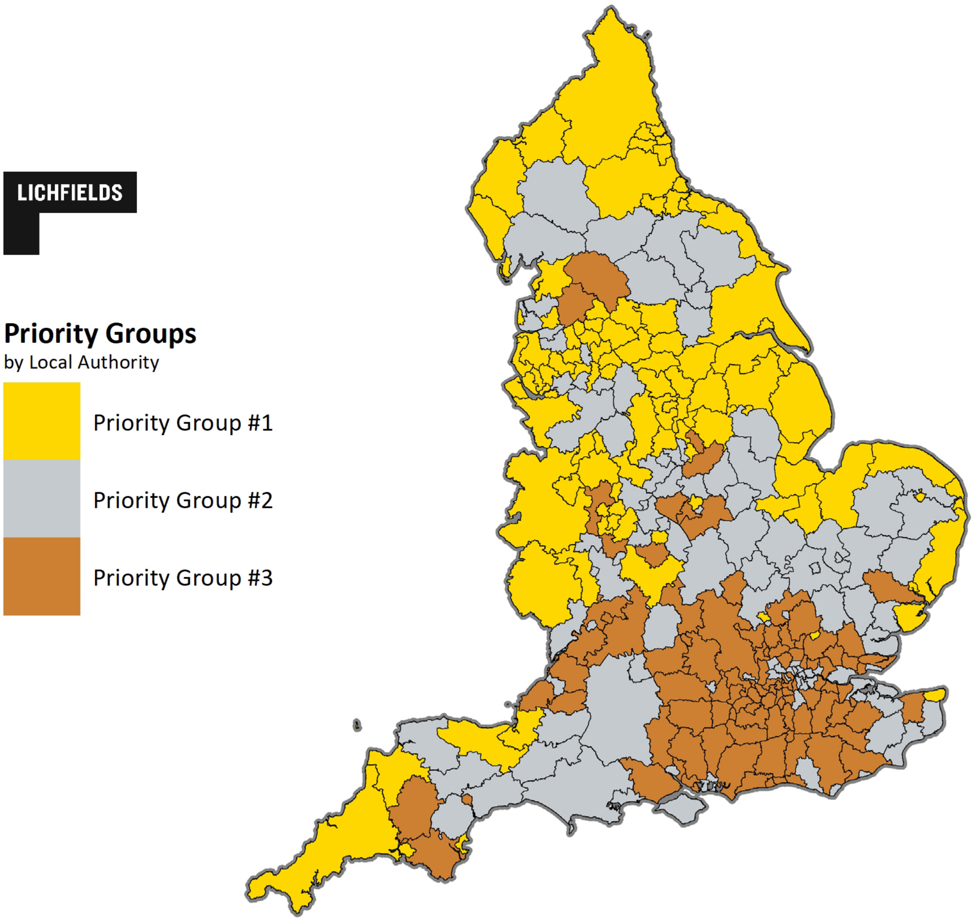
Overall, the research shows that Levelling Up is not well understood by the public, even though it is supported. ***Spending on housing will make it real, and show it is working****. We recommend the Government adopts a new strategic framework for spending on homes, place renewal and related infrastructure along the lines of our* ***Levelling Up Place Index****. Doing so will deliver more homes, more home-owners, economic growth, renewal of brownfield land and reductions in inequality – whilst ensuring the best possible value for the taxpayer.*

1 Homes for the North, The Role of Housing in the Northern Powerhouse (July 2019). Available here: http://www.homesforthenorth.co.uk/wp-content/uploads/2019/08/Homes-for-the-North-Transport-Research-Report-2019_web.pdf

IN PARTICULAR, THE OPINION RESEARCH FOUND THAT:

- **There is overwhelming support for the arguments underpinning Levelling Up**, with people sure there has been underinvestment in areas outside London for years.
- **However, most people have not heard of Levelling Up.** There is also real scepticism about whether as a country we can afford it, whether it will ever happen, and whether it will make a difference.
- The public is clear that funding needs to be directed to those most in need – for example to areas of **high unemployment and poverty – and that it is the North of England where the economic gap with the South East is greatest.**
- There is a desire for Levelling Up to produce **tangible, visible results** – such as reversing the decline of their town centres and to give people from all walks of life a greater chance of living in the areas they had grown up, by providing more affordable housing.
- Both of these things – **high streets and homes** – were seen as having an intrinsic role in shaping the nature of their towns, helping to foster local identity and a sense of community.
- Leading on from this, people had a clear preference for **homes to be replaced and renovated rather than new ones constructed**; for them, restoring disused homes was a way of preserving the heritage and cultural identity of towns, as well as preventing waste.
- **Overall, there is significant support for more affordable homes such as social housing.** 48% of the public said there was not enough affordable homes such as social housing (7% saying too many). This was a marked contrast with new homes being built, which only 31% said there were too few (21% saying too many).

LEVELLING UP PLACE INDEX:



Our Levelling Up Place Index:

- Provides **a strategic guide for where to focus Government funding** to deliver:
    - more homes
    - more home owners
    - economic growth
    - renewal of brownfield land, and;
    - reductions in inequality.
- By incorporating a total of 17 indicators across five themes including economic growth and recovery, inequality and housing delivery, such a framework would **ensure spending has the greatest social, environmental and economic impact.**
- The Levelling Up Place Index is no different in principle to the Levelling Up Fund approach, but the metrics are different and it is intended to be applied consistently across place and housing funding.
- The Index could be utilised in a number of different ways, such as providing the framing of a new **Levelling Up Housing Infrastructure Fund and replacing the 80:20 rule that Government has already pledged to revise.**

COMPREHENSIVE EVIDENCE REVIEW

Our comprehensive evidence review identified a clear overlap between the areas of opportunity for decarbonisation, and social and economic improvement:

- **The Net Zero 2050 target is a *national* target.** It doesn't matter whether emissions are reduced from homes in the North or the South – as far as the UK's environmental ambitions are concerned, reduced emissions are good wherever you secure them from.
- However, when emissions from homes are reduced by improving thermal efficiency, this can provide **social and economic** benefits too. By keeping people warm and reducing issues like damp you can improve their health, by improving insulation you save them money on their energy bills. Moreover, this investment can generate employment, reduce economic inactivity, develop the skills base, and support the growth of innovative green industries.
- Overall, **the North has high deprivation** relative to the rest of England, especially in terms of health and income levels.
- Of the ten local authorities with the biggest potential improvements in **energy efficiency, five are in the North of England.**
- Of the 33 most deprived local authority areas in England, 21 **are in the North**.
- It is therefore abundantly clear that, by **focusing the majority of the Social Housing Decarbonisation Fund on the North,** the Government will be able to address the objectives of both the Net Zero and Levelling Up agendas at the same time.

ON THE BASIS OF THIS RESEARCH,
WE MAKE THE FOLLOWING RECOMMENDATIONS:

1 Make housing funding a key part of the Levelling Up agenda in order to make it real to voters. With a desire to see visible change and value for money, investment in affordable housing will not only make Levelling Up work where it matters most, but will help meet the UK's climate change ambitions too. The fact that Levelling Up and Housing have been brought together within the same department is a clear indication the two are being aligned in Government policy-making.

2 Adopt a new strategic framework for distributing Levelling Up funding based on need and opportunity. By doing so, the Government can ensure spending has the greatest social, environmental and economic impact, with the framework able to be utilised in a number of different ways, including:

- as a **Strategic Framework for Homes England** spending decisions;
- as an effective replacement for the **'80:20 rule' (which the Government has committed to revising);**
- **the framing of a new Levelling Up Housing Infrastructure Fund;**
- to coordinate and get the most return from **place-based capital investment** in towns and communities that are the intended focus of the Levelling Up agenda;
- as a Levelling Up sense check on funding to **decarbonise homes**, showing where investment will give the best social and economic return.

3 Use social housing decarbonisation to achieve Levelling Up, post-Covid recovery and environmental objectives.

- **Allow funding to follow opportunity and need.** Decarbonisation's most obvious benefit is its contribution to the UK's climate change objectives, but it can also generate economic growth and address health and income inequality. For example, it can precipitate the emergence of high-skilled, high-tech industries in parts of the country which have relatively few of them. These impacts will be the largest in the most deprived areas of the country, which is why there is a strong case for ensuring funding follows social and economic opportunity, prioritising areas with a better return on investment – as identified in our Levelling Up Place Index.
- **Ensure that decarbonisation funding is generous, sustained, and long-term.** Front-loading of the Social Housing Decarbonisation Fund has many benefits, including economies of scale, supply chain development, and overcoming delivery timescale challenges. The social housing sector has resources and will be able to deploy with confidence once the funding outlook is clarified on a multi-year basis.
- **Maintain the 'fabric first' approach in the sequencing of investment.** Low-carbon heating systems may increase heating costs, deterring households and scheme promoters from installing them until energy efficiency has been improved through measures like insulation. Therefore, we recommend the continuation of 'fabric first, worst first' approach, as per wave one of the SHDF.

OPINION RESEARCH:
IN DETAIL

OPINION RESEARCH: IN DETAIL

Public First undertook six focus groups across the North, Midlands and South East as well as a 1,250 nationally-representative poll.

By speaking with people in Barnsley, Blyth, Bolton and Warrington, insight could be gained into what voters in the North wanted and expected from the Levelling Up agenda. Participants in Long Eaton provided the view from the Midlands, while it was also important to test how the arguments for more investment outside of the South East are being received there, which were tested with participants in St Albans.

The focus groups informed the questions that went into a 1,250 nationally-representative poll to gain the views of the whole country on the Levelling Up agenda, what role housing might play in achieving it, as well as testing views on related issues such as decarbonisation.

Full details are in Appendix 1.

Most people have not heard of Levelling Up – especially working-class voters

Only 43% of respondents said they had heard of Levelling Up, with 57% saying they had not (or didn't know if they had). Among working-class respondents, only 34% knew what Levelling Up was, while 66% did not. There can often be a 'prompting effect' in polling that can lead to levels of understanding being overstated, which is why conversations in focus groups can be so valuable. Here, we found the lack of familiarity with the term "Levelling Up" was even more pronounced in focus groups, with only around one in three participants being sure they knew what it was.

> ***I think I've heard of it. I think Boris has said it at a press conference. I think he said about it in the context of giving more funds to the North of England. I think that's it, but I might be way off there.***
>
> Courier in his late 20s, Barnsley

Scepticism about whether we can afford it

Significantly, there is real scepticism about whether as a country we can afford to spend public money to re-balance the economy. 41% of respondents agreed with the statement, "given how much the UK has spent dealing with Covid, the Government should wait until the national debt is lower before going ahead with the Levelling Up agenda" (27% disagreed and 9% don't know).

There is uncertainty about whether Levelling Up will ever happen, or make a difference – or if it is actually desirable

In focus groups some participants raised doubts that the Government would follow-through on promises to reduce the North-South divide.

> ***It's good as a term but if they do it is another matter.***
>
> Cleaner in her mid 30s, Bolton

> ***It's always an idea, it's always being said, but no-one ever seems to come through with anything.***
>
> Mechanic in his late 20s, Blyth

> ***I'm a bit worried they'd waste all the money [when spending on Levelling Up]. That's what governments always do anyway.***
>
> Bank manager in his late 50s, St Albans

People also aren't sure when they expect to see Levelling Up make a difference in less affluent parts of the UK. A quarter expect results within a year to five years, 24% between five and ten years; another quarter don't know, and 26% say they never expect to see a change. Further to this, when asked if Levelling Up will work in its attempts to reduce the economic gap between London/South East and the rest of the UK, just 20% said they thought it would work. 45% responded it would not, with 35% saying they did not know.

In focus groups there was also the sentiment expressed that Levelling Up was not actually desirable, with fears of unintended economic consequences; greater investment might lead to higher wages but higher prices too, affecting the cost of living. Others also worried that the intention behind Levelling Up was to make the rest of the country more like London, which they equated with being more densely populated and a faster pace of life.

> ***Not every city will be London. Not every city wants to be London.***
>
> Warehouse worker in his early 30s, Bolton

> ***We have nice parks, nice bars, so I'd be quite happy to leave things as they are because I can afford the costs of things as they are. If they did start building things up, investing more – maybe if they invested more in businesses and you would have more employment – but then if you invested in bigger businesses, wouldn't house prices go up as well?***
>
> Musician in his early 50s, Bolton

Instinctive understanding of the underlying case

However, there is overwhelming support for the arguments underpinning Levelling Up. 61% agreed with the view: "there has been underinvestment in areas outside London for years, and more money should be spent to correct this – even if it means investing in regions with lower prospects of economic growth". Only 21% supported an alternative view, that "public money should be spent where there is the best return on investment, even if that means continuing investment in more affluent regions like the South East" (18% couldn't choose between those two statements).

The South is doing better than us. Lifestyle, standard of living, wages. Same on house prices. We're way behind.

Retail assistant in her late 40s, Barnsley

For me there should be more investment in the Northern Powerhouse. It seems to be an unfair advantage on those in the South that the infrastructure is focused there rather than other areas.

Project manager in the construction industry in her late 30s, St Albans

Once the concept was made clear in the poll questions – that Levelling Up was about reducing the economic gap between the South East and the rest of the UK – there was strong support for the idea. 66% said they supported the Levelling Up agenda, with just 3% opposed (22% not sure either way, 9% don't know). In the focus groups, the idea that the South East was favoured for investment over other parts of the country rang true with participants.

The further away you live from London, the more they don't know you're here. Out of sight, out of mind. You've got London and you've got the rest of the UK. They're the shepherd, we're the sheep. We just don't get that money thrown at us.

Supermarket delivery driver in his early 40s, Warrington

Blyth has been talked about getting attached to the metro for years. If we had as much investment as they do down South, you could easily put that metro system along Blyth and connect us a little bit more with everyone else.

Mechanic in his late 20s, Blyth

Levelling Up should benefit those in most need – especially areas of unemployment and poverty

In deciding which parts of the country should receive Levelling Up funding, areas of high unemployment were considered the most important (net support 80%), along with areas where there is the most poverty (net support 78%).

Areas where education and skills levels are lowest (75%) and where people's health is worst (74%) were also considered very important.

The North has the strongest claim on Levelling Up funding

People think the North has the greatest economic gap with London and the South East. While respondents were likely to rate their own regions as having the biggest gap with the South, and a fifth were unable to choose, overall people stated the North East (24%) and North West (11%) were most in need of help. By comparison, other regions were chosen by just 3% to 6% of respondents.

This was true in the South East, where 26% of poll respondents thought the North East had the biggest economic gap with the South, with other regions being chosen by just 2% to 9% of people. This sentiment was reflected in the focus group in St Albans.

The investment in the North is necessary. Will it have a detrimental impact on St Albans? I don't think so. There will always be people who will want to live within striking distance of London.

Recruitment consultant in his early 60s, St Albans

The question of what to spend Levelling Up funding on was hard to answer

In focus groups, it was difficult to find consensus among participants about the best way of spending Levelling Up funding. Views varied widely, from cutting business rates to improving transport, new leisure attractions to building up flood defences. These replies were mostly when participants were really pressed to answer the question about what they think would close the economic gap between the South and the rest of the UK. Mostly they were not sure what would make a difference; how to fix big economic problems is not something they give a great deal of thought to.

I think they should spend it on more businesses, more job opportunities. It obviously depends on how much they're going to give us. If they give us a bit of everything, they can't go far wrong.

Retail assistant in her late 40s, Barnsley

First thing I'd do is free parking. Throw money at businesses and entertainment places. Theatres, something big. We've got a theme park called Gulliver's World but it needs doing up and money thrown at it.

Supermarket delivery driver in his early 30s, Warrington

Two clear priorities: improving high streets and more affordable housing

It was when the discussion about Levelling Up funding focused on the places people lived that the question was easier to answer. By thinking about the problems affecting their local areas, and what would make the biggest difference in their daily lives, participants engaged with the issue at length and with great interest. Participants thought their towns had a real sense of community, but the town centres were places they avoided or at best had seen better days. Their high streets were beset with problems around boarded up shops, addiction and homelessness.

All the shops are shutting. Now I have to go further afield - Wigan, St Helen's, Liverpool, Manchester to get certain things.

Nursery worker in her early 30s, Warrington

[Blyth] used to be a really, really busy little town, but it's not so much now, it's quite quiet. There's hardly any shops or anything here any more. We used to have a big market. They did a big refurb but it took too long, the traders moved elsewhere.

Shop assistant in her 40s, Blyth

Where I live it's really friendly. I can't say the same for the town centre, it's totally different. It's not nice... I work in the town centre. How blunt do you want me to be? It's full of druggies in the town centre.

Retail assistant in her late 40s, Barnsley

We used to have two cinemas, now we've got none. We used to have a market place, we don't have that anymore. No decent shops to go to – you can't buy your clothes in Long Eaton. You can get your nails done, you can buy your vape juice and go to some charity shops, but that's about your limit.

Production manager in her 40s, Long Eaton

Table 1: Thinking about the village, town or city in which you live, what do you like least about living there, if anything? Please select up to five

	Total
The high street is in decline	32%
Housing is too expensive	22%
It is expensive to live here	19%
There isn't much to do	18%
There aren't many jobs available	18%
N/A There is nothing I don't like about living there	16%
It's isn't well connected by transport	14%
There isn't much of a sense of community	14%
Not enough nice restaurants, cafes, pubs and bars	13%
It isn't very safe	13%
It isn't very attractive	12%
I don't know many people here	10%
It is hard to access healthcare locally	10%
The people aren't very friendly	8%
There aren't many nice parks and green spaces	6%
Don't know	4%
Other (Please Specify)	3%

This was reflected in the poll. When asked to choose from a list of 16 things they liked least about where they lived, the most common answer was that the high street was in decline (32%).

When the question was posed the other way round and people were asked what they like most about living in their village, town or city, the most popular response was that there are nice parks and green spaces (39%) and that it is safe where they live (34%). Just 7% said there is a thriving high street (in the North it was even lower at 5%) while only 12% said that housing was affordable.

After the state of the high street, housing being too expensive (22%) and the cost of living in the area (19%) was what respondents liked least about where they lived. These issues burst into life in the focus groups.

Housing seen as crucial for fostering local identity and a sense of community

It was clear from the focus group discussions that participants view housing as having an intrinsic role in shaping the nature of their neighbourhoods and communities. They didn't put it across in those terms, but it was beyond doubt that they saw a strong connection between the availability of affordable housing and the future of their towns – especially in terms of people being able to carry on living in the places they have grown up.

A lot of people do have a real affinity with where they've grown up, and [they] do want to stay there. If too many people start to leave, then all of a sudden the fabric of communities starts to fall away. Then you almost get this sort of inner-city mentality.

Training assistant in his late 20s, Barnsley

> ***There isn't a lot of affordable houses… You're never going to get somebody being particularly proud of an area if they're just passing through, are you? People are going to be a lot more invested in it, proud of the local area, if that's where they've grown up and lived all their life. But I wouldn't want to be a first-time buyer round here, not with the how high the prices are.***
>
> Transport manager in his 40s, Long Eaton

> ***I know people who have moved away because it's cheaper. For young people you just can't afford it. It's not that the houses aren't there, it's that you can't afford to live in them.***
>
> Bookie in his early 20s, Warrington

This sentiment was mirrored in the poll. When asked what would most help foster local identity and a sense of community in the area where they live, the most popular response (39%) was "making it easier for local people to carry on living in the area". 40% agree with the view that "too many people who grew up in my local area have to move away in order to be able to find a home of their own" (18% disagree and 14% don't know).

Housing of fundamental importance to people's wellbeing

An overwhelming 70% of poll respondents said it was important they, their family and close friends are able to own their own home, as opposed to renting (6% said it was unimportant, 5% don't know). This was reflected in the focus group discussions, with participants expressing strongly-held views that, for themselves and people close to them, owning their own home was something they very much aspired to. In fact, it was of paramount importance for their quality of life and long-term security.

> ***It's two things for me. One, [owning your own home] gives you more opportunity. You can look anywhere and buy where you can afford. The second thing is, and I'm not in a rush, but I would like to have my own home as an asset. So that if anything happens to me, I've got something to pass down to my children.***
>
> Joiner in his early 30s, social housing tenant, Barnsley

Unfairness of paying rent

The importance of home ownership was keenly felt among those who do not own their own homes and who spend a significant proportion of their income on rent. Some participants said rents can be twice as much as mortgages, making saving impossible unless people own their homes.

> ***How am I meant to get a deposit of like 20 grand, 30 grand? I just don't see it happening, ever. It's annoying because the mortgage a month is about half of what I'm paying in rent. It just doesn't make any sense to me. I've got the pay slips, but I just can't get the deposit and how am I meant to get the deposit? At the moment, you're working, pay day comes and you pay your rent, you pay your bills and there's not a lot left over.***
>
> Warehouse worker in his early 30s, Bolton

People like me are going to struggle. I'm a single household so I struggle. If there's two full time working in the household we could get it together but I pay the full rent, the full bills, the full council tax – everything. So there's nothing left over. It's very, very hard.

Waitress in her mid-30s, Bolton

Every part of the country supports providing more homes outside the South East

49% of the public agree with the statement, "we are building too many homes in the South and should build more in other parts of the UK", with just 10% disagreeing (17% don't know).

Net support for this proposition in the South East (41%) is on a par with that of the North (40%).

In the North itself, more people want new homes than do not

When asked to think about their region, by a margin of roughly 2:1 people think there are not enough new homes being built, rather than too many. For example, in the North East 38% say too few, 21% too many and 27% the right amount (14% don't know).

When asked to think about their local area, this gap narrows – but there is still more support for new homes than not. To continue with the example of the North East, 30% said there were too few homes, 25% too many and 34% the right amount.

The difference between the two perhaps reflects the tension between the need for more homes and the impact that development can have on local communities; the conversation that often plays out when there is a planning application for new houses – how will local schools and GP surgeries cope, will roads become more congested, and so on. This sentiment was captured by one participant in St Albans:

I'm all for new builds and housing but I just don't want it near me. I feel slightly ashamed of that but there we are. It's all very well building the houses but where's the infrastructure to support it?

Recruitment consultant in his early 60s who had recently moved into a new build, St Albans

Overall, there is significant support for more affordable homes such as social housing

When asked whether they have too many, the right amount or too few of eight different types of housing, 48% of the public said there was not enough affordable homes such as social housing (7% saying too many, 29% the right amount, 16% don't know).

This was a marked contrast with new homes being built, which only 31% said there were too few (21% too many, 33% saying there was the right amount, 12% don't know).

We probably need more housing association [housing]. I don't think people can probably afford, right now, to buy new-builds. I know there's been the stamp duty… you know, where you don't pay stamp duty. But a lot of people I know, right now, can't afford to buy a home. So we need housing association or council housing, something along those lines.

Retail assistant in her late 40s, Barnsley

The council sold off a lot of the council houses a long time ago, a lot of them now are privately owned and there's not a lot of actual council houses left in Blyth. We used to have lovely estates but they're all private now. It's hard on the young ones, it's so hard for them to get a mortgage these days.

Shop assistant in her 40s, Blyth

Renovating homes is seen as a way of preserving the heritage of towns and preventing waste

When discussing the issue of bringing disused homes back into use, a number of interesting themes emerged. Across the board there was instinctive support for the idea, feelings that were generated for different but complementary reasons – preserving heritage and protecting the environment.

I would opt for renovation really because when you build a new estate... it doesn't have any history behind it. When I think about what it was like when we were growing up, you think of particular streets and what the houses looked like. You want to preserve that. It's part of the cultural identity for people. New-builds, they're often quite clinical. You could be anywhere in the country.

Training assistant in his late 20s, Barnsley

Number one, when you're building new houses, you're losing greenery. Old factories and warehouses. Old pubs, whatever. Convert them. It's recycling.

Supermarket delivery driver in his early 40s, Warrington

I completely agree with, you know, just repair the houses that are already there. They're perfectly good houses, they just maybe need a bit of looking after. Why build new ones when you've got one there going to waste?

Shop assistant in his late 20s, Blyth

They should invest in the houses that are run down instead of knocking them down and building new ones. They should invest in what's already there.

Sewing machinist in his early 40s, Bolton

In the poll, when asked about what housing people wanted in their local area, just 17% said building new homes would be their top priority. 33% said improving poor quality housing, while 32% said they wanted to see disused homes back into use.

Inherent logic in prioritising insulation first

When asked about measures to make homes more environmentally friendly, focus group participants had a strong preference for insulating homes before installing new boilers. The logic of preventing heat escaping before changing boilers was persuasive.

What's the point of having a new boiler if all the heating that you've just spent your money on goes flying away through the walls? What's the point? If you've got your house

insulated, it doesn't matter what boiler you've got, it's keeping the heat in. Insulation, it saves carbon and it saves money on the heating.

Telecoms engineer in her 40s, Long Eaton

Wouldn't you do the insulation because that would help with being more efficient? Wouldn't that be better? If the insulation was better, you wouldn't use your boiler so much.

Waitress in her mid 30s, Bolton

They need to start thinking about insulation and getting houses warm before they think about boilers. Boilers are expensive and insulation is cheap. That's what they need to think about before new boilers.

Sewing machinist in his early 40s, Bolton

Support for insulating homes was reflected in the poll. When asked what measures the Government should prioritise to make all homes more environmentally friendly to help tackle climate change, 51% chose insulating people's homes to retain heat. Also popular was installing solar panels on people's roofs (49%), as was replacing people's boilers with ones that emit fewer greenhouse gases (48%).

The majority of people who own their home have probably already spent money putting insulation in. But landlords might not have put that cost in, they don't want to fork out. So where people rent, they're not insulated very well.

Industrial cleaner in his mid-20s, Blyth

LEVELLING UP PLACE INDEX: IN DETAIL

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The purpose of the Levelling Up Place Index

The purpose of developing the Levelling Up Place Index is to provide a strategic guide for where to spend money to deliver more homes, more home owners, economic growth, renewal of brownfield land and reductions in inequality. It reflects need but is tilted at opportunity and return on investment to ensure the best value for the taxpayer.

A potential shortcoming of the current approach to allocating funding is the narrow focus adopted by traditional economic appraisal tools, notwithstanding recent updates to the HM Treasury's Green Book (which Homes for the North have commented on in detail[1]). These appraisal tools have led to the majority of funding going towards more affluent local authorities in the south of England.

This includes the following issues, which generally make it more difficult to demonstrate the benefit of funding schemes for much of northern England relative to the south:

- The previous use of the 80:20 rule which is anti-Levelling Up and works against the Government's intentions. As Homes for the North has highlighted previously, 80:20 is thwarting the North's ability to reach its economic potential and is structurally opposed to the levelling-up agenda.[2] (We recognise the Government has committed to revising the 80:20 rule).
- A lack of evidence regarding market failures. The Government's Appraisal Guidance[3] acknowledges that evidence on market failures is lacking and more work is needed to address this;
- A focus on land value uplift as a key appraisal metric, which skews funding towards higher value areas but fails to reflect the true additionality of development; and
- A failure to capture the potentially transformative economic and social effects of targeted housing delivery in particular locations as a result of an appraisal system which considers housing schemes on an individual basis.

1 Cebr for Homes for the North, Operationalising the Levelling Up agenda in housing appraisal, (July 2021) Available here http://www.homesforthenorth.co.uk/wp-content/uploads/2021/07/H4N-Operationalising-the-GB-final.pdf

2 Homes for the North, Levelling Up the Green Book – Stage 1 (March 2020). Available here http://www.homesforthenorth.co.uk/wp-content/uploads/2020/07/H4N-Levelling-up-the-Green-Book-Stage-1-Full-report.pdf

3 Department for Communities and Local Government (December 2016): The DCLG Appraisal Guide

Another issue that influences the allocation of funding relates to how the performance of Homes England is measured. Homes England is tasked with accelerating housing delivery. This creates a risk that investment in deliverable sites is prioritised, rather than focussing on unlocking more challenging locations by addressing genuine market failures. Whilst the latter approach may yield fewer homes in the short term, it potentially delivers far greater levels of additionality.

Addressing these issues will be central to ensuring the Government delivers on its Levelling Up agenda in a way that is inclusive to the whole of England whilst maximising return on investment, supporting those in need and underpinning economic recovery in areas of lower resilience. Indeed, it is the more challenging sites that are exactly the ones which are the most visible, the biggest opportunity to deliver Levelling Up, and identified in the opinion research as being a high priority for the public to take action on.

Our approach, set out below, has been to explore a broader range of metrics in order to consider not just which areas are most in need of investment, but also those presenting the biggest opportunity in terms of return on investment and fewest barriers to delivery.

These metrics are brought together into a **'Levelling Up Place Index'** that aims to demonstrate the areas of highest potential, thereby informing and influencing future decisions on the allocation of funding.

Existing System of Funding Allocation

It has recently become apparent that HM Treasury is seeking for Homes England to apply a strict definition of additionality to the Affordable Homes Programme.

Homes England allocates funds under an 80:20 rule, of which 80% of resources available from programmes will, on average over the next 5 years, be directed at areas of 'highest affordability pressure'. The remaining 20% will be provided to local authorities not identified as having 'high affordability pressure'.

This method has long been criticised as its results appear skewed towards areas in London and the South East of the country over local authorities in northern England and the Midlands. The Government has committed to replacing 80:20, stating it will be:

> *establishing a new principle for future funding from the £7.1 billion National Home Building Fund that better reflects our commitment to levelling up and our ambition to deliver 300,000 new homes each year by the mid-2020s. We want funding to be distributed across England, and not just concentrated in London and the South East.*[4]

In October 2018,[5] MHCLG released the geographical targeting areas for five housing programmes, equating to £5.5bn in funds. Unsurprisingly, the methodology used to calculate these grants tends to favour areas in the South and South East of the country over areas in the North of England and the Midlands with lower affordability pressures, as shown in Figure 1.

4 MHCLG press release, Plan to regenerate England's cities with new homes (December 2020), available at https://www.gov.uk/government/news/plan-to-regenerate-england-s-cities-with-new-homes

5 MHCLG, (2018); Geographical target across 5 housing programmes

Figure 2: Geographical Targeting Across 5 Housing Programmes

MHCLG
Geographical Targeting Across five Housing Programme Funds 30th October 2018

Ratio of median house price to median gross annual (where available) workplace-based earnings by local authority district, England, 2017

Table 5C: https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian

Table

2.71 (housing affordability ratio)

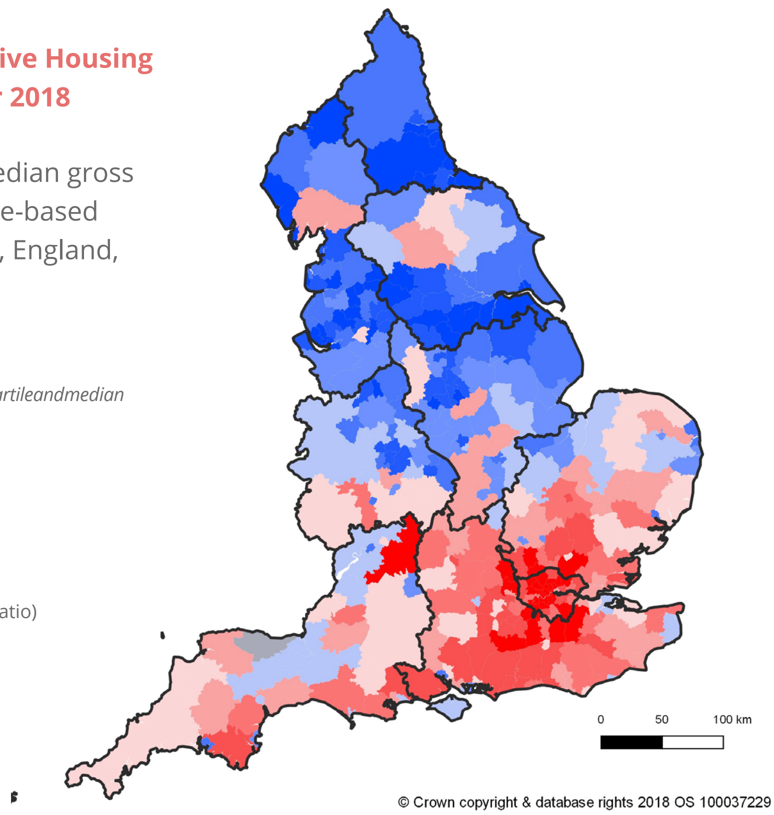
20% Funding available

8.88 (median housing affordability ratio)

80% Funding available

40.69 (housing affordability ratio)

No housing affordability ratio data



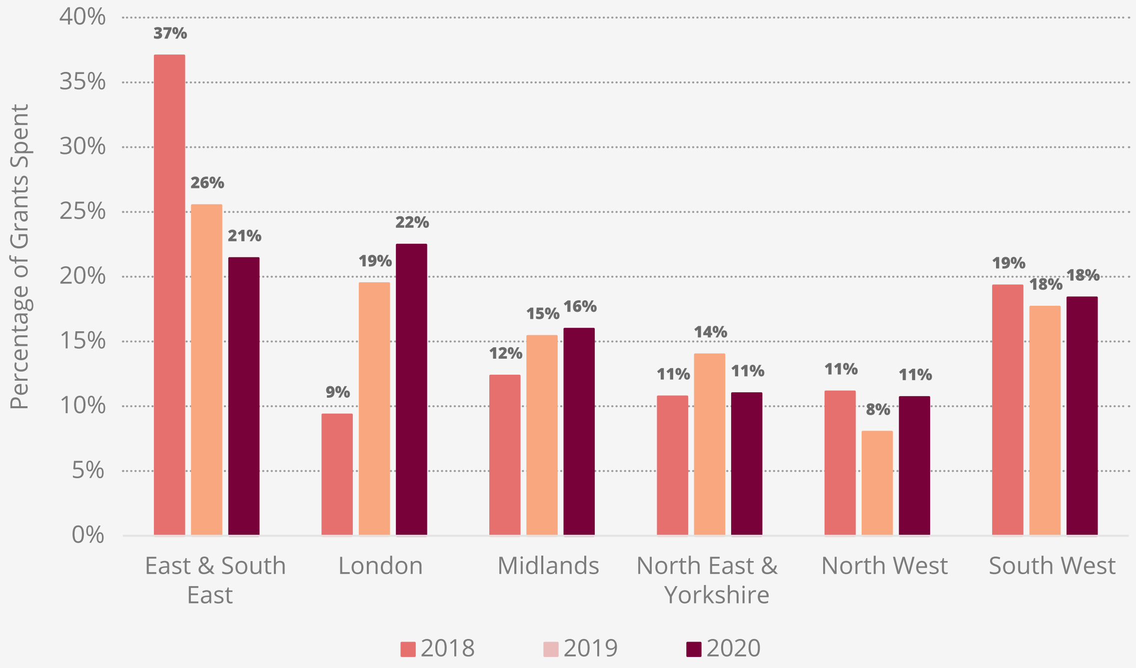
Source: MHCLG, 2018

As a consequence, most of northern England and the (north) Midlands are only eligible to compete for 20% of the £5.5bn housing funding programmes, equivalent to £1.1bn. The result of this is just 17.8% of housing funding across the UK being allocated to the North, and within this only 11.8%[6] of the Housing Infrastructure Fund Forward Fund.[7] This is despite the North comprising 28% of the population.

6 Metro Dynamics report for Homes for the North, Maximising Housing Impact on Renewal and Levelling Up (December 2020). Available here http://www.homesforthenorth.co.uk/wp-content/uploads/2021/02/H4N-and-Metro-Dynamics-Final-Report.pdf

7 Homes for the North, Levelling Up the Green Book – Stage 1 (March 2020). Available here http://www.homesforthenorth.co.uk/wp-content/uploads/2020/07/H4N-Levelling-up-the-Green-Book-Stage-1-Full-report.pdf

Figure 3: Homes England grant spending transactions by region



Source: Lichfields analysis/Homes England (2021)

The Government has committed to revising this rule. Speaking at the Dispatch Box on 16 December 2020, the then Secretary of State, Rt Hon Robert Jenrick MP, set out further steps to increase housing delivery following the Covid-19 pandemic, stating:

> ... We intend to revise the current "80:20" rule which guides how much Government housing infrastructure funding is available in all parts of the country, so that it is at the service of the most ambitious local authorities and those who want to tackle unaffordability. This will establish a new principle that helps to better support our levelling up and home-building objectives.[8]

Nonetheless, it is quite clear the 80:20 funding regime has actually exacerbated disparities by funnelling investment away from the most deprived parts of the country, and towards comparatively affluent southern districts and Greater London in particular, where housing is least affordable.

Addressing the 80:20 rule, which is anti-Levelling Up and directly working against Government intentions, is crucial to ensuring that the Government delivers on its Levelling Up agenda.

Methodology - Selecting Appropriate Indicators

By broadening the measures used to assess which local authorities should be prioritised for public investment in housing, funding can be directed in a manner which supports the

8 HC debate (16 December 2020), Vol. 686, Col. 30WS. Available at https://hansard.parliament.uk/commons/2020-12-16/debates/20121617000011/Housing

Government's Levelling Up agenda.

The Levelling Up Place Index is intentionally a strategic layer to be applied to Green Book guidance, intended to deliver the political priority of Levelling Up.

Accordingly, a range of indicators were selected to provide measures of both opportunity and need:

- **Opportunity:** local authorities that are (generally) planning for higher levels of housing growth, in areas with scope to boost home ownership, have existing latent development capacity and potentially offer high value for money.

- **Need:** local authorities which face economic and regeneration challenges, whose residents experience poor socio-economic outcomes and have an acute need for improved housing choice and delivery.

In line with this approach, a total of **17 indicators** across **five themes** have been identified as detailed in **Appendix 2**.

Consolidation and ranking

These indicators were brought together for all local authorities in England.[9] In principle the Levelling Up Place Index is no different to the Levelling Up Fund approach, but the metrics are different and it is intended to be applied consistently across place and housing funding.

In the case of newly-formed local authorities not yet present in the data, averages of the constituent previous authorities have been adopted. Authorities were then ranked from 1 – 308 on each individual indicator, with the authority ranked 1st representing the biggest opportunity and/or most acute need. The average of these ranks has then been taken to give each authority an overall Index value, enabling an overall ranking to be applied. Based on this final ranking, authorities were put into three groups of relative priority, with 1 being the highest priority, and 3 being the lowest priority.

We have brought together the data under five main topic areas, or themes, which helps to provide a broader and more nuanced basis upon which to measure the benefits of future investment. These have also been identified to chime with key Government interests so that social housing provision in northern England can be demonstrated as being an indispensable part of delivering its Levelling Up agenda. These themes are as follows:

1. New housing delivery;
2. Home ownership;
3. Need for economic recovery and growth;
4. Regenerating urban land; and
5. Supporting Social Mobility, providing opportunity and reducing inequality.

The data sources have been selected based on their relevancy; the fact that they can be readily accessed at local authority level on a consistent basis; and that they are generally up to date. The 'point in time' data for the closest year available to 2021 has been selected and used in

9 Excludes the Isles of Scilly due to data limitations

the analysis. The outputs are in the form of a simple priority system to aid understanding and interpretation of the model and to add to its credibility.

The findings are summarised for each metric below.

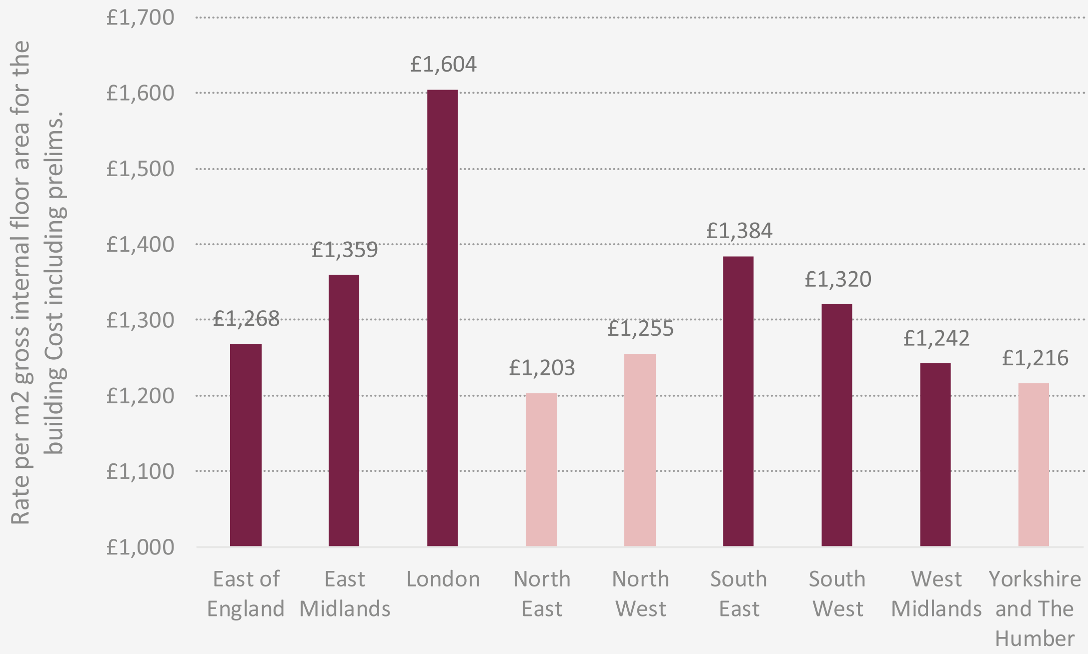
Theme 1: New Housing Delivery

Clearly, the delivery of new homes is a key Government objective that is driving forward its planning agenda. This theme therefore recognises those districts which are, theoretically, best placed to help deliver higher levels of housing in the face of the national crisis in the sector.

The following five indicators were chosen to achieve this, on the following basis:

- **'Housing Construction Costs'** and **'Land Value Estimates'** were chosen on the basis that they are able to demonstrate that where these rates are lower, there is the potential for Homes England (and wider public expenditure) to achieve better value for money regarding the number of homes that can be delivered per £1m invested. As can be seen in Figure 3, based on the latest 2020 BCIS data, the average build cost per sqm currently ranges from a low of £1,203 in the North East of England, all the way up to £1,604 in Greater London.

Figure 4: Average Housing Construction Costs 2020



Source: BCIS Comprehensive building price book – major works 2020 (37th edition). Pricing information is based on 2nd quarter 2019

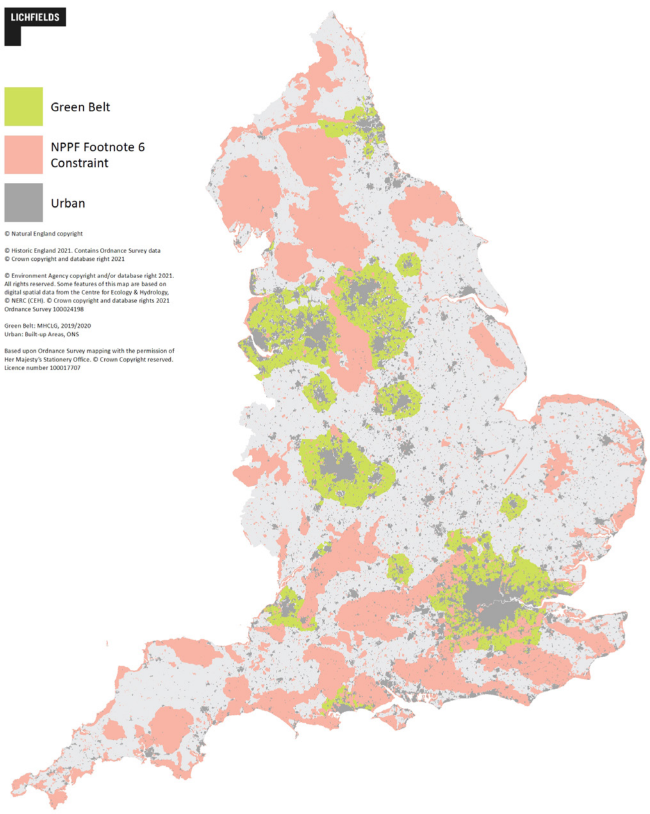
The remaining three indicators analyse those districts which have demonstrated a willingness and ability to deliver higher levels of housing to support the Government's 300,000 annual housing target.

- **'Housing Requirements above the Standard Method'** identifies which districts have gone above and beyond the minimum local housing need as identified by the Government's Standard Methodology [SM2] (2021).

- **'Net additional dwellings'** models the level of net additional dwellings that has been recorded by MHCLG over the past 3 years (2017/18-2019/20).
- **'Policy Constraints to housing delivery'** relates to the ability of local authorities across England to physically accommodate additional housing land in the first place. We have mapped the extent of land currently designated as Green Belt in planning policy terms, as well as a range of statutory environmental dpa landscape designations that are afforded a very high level of protection from development. These are collectively referred to as 'footnote 7' constraints after the footnote in MHCLG's National Planning Policy Framework [NPPF] which summarises these protected areas. This is mapped for England in Figure 4 below.

It demonstrates that a majority of authorities, particularly across southern England and surrounding the major conurbations, are significantly constrained. Both Green Belt policy designations and the presence of these NPPF footnote 7 constraints have the potential to significantly constrain development.

Figure 5: Green Belt and 'Footnote 7' designations



Source: MHCLG 2019/20 / Lichfields' research

Theme 2: Home Ownership

The second key theme of the Levelling Up Place Index analyses home ownership patterns across each local authority area using Census data. Boosting home ownership remains a long-standing policy objective of the Government.

Identifying areas with particularly low levels could help identify priorities for investment that would help turn this around, for which the following indicators were used:

- **'Average Levels of Home Ownership':** Percent Owned Outright / Owned with a mortgage or loan / Shared Ownership;
- **Changing levels of Home Ownership:** Change in the proportion of homes owned with a mortgage or loan / shared ownership between 1991 and 2011

Theme 3: Need for economic recovery and growth

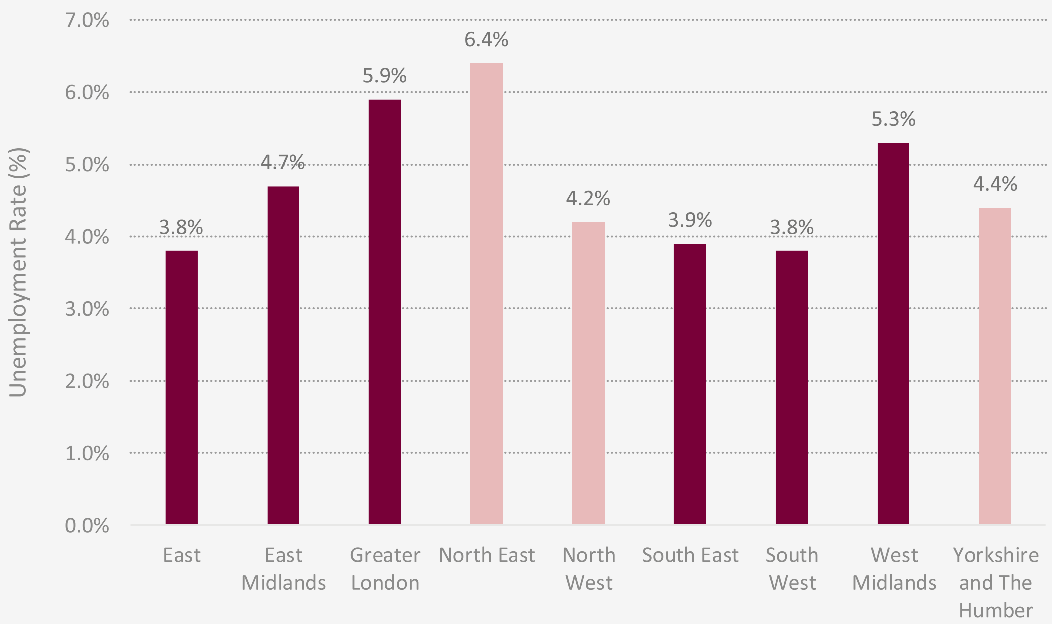
The third theme focuses on identifying those areas most at risk from a drop off in trade and loss of jobs as a result of the pandemic. This seeks to make the case that there is a greater need for investment in more vulnerable locations to mitigate the economic fallout from the worst recession in over 300 years.

The indicators selected to identify this were:

- **'Productivity':** Natural log of GVA per capita, per hour worked;
- **'Unemployment':** estimates of the unemployment rate in the 16+ population;
- **'Skills':** proportion of the 16-64 population without NVQs or other formal qualifications:
- **'Economic Inactivity':** Estimates of economic activity rate in the 16+population

The first three indicators are aligned with the metrics adopted in the Indicator 1: Need for economic recovery in the Levelling Up Fund Prioritisation on Place Methodology Note (2021).

Figure 6: Model-based estimates of unemployment, by region (Jan-Dec 2020)



Source: NOMIS (2021)

Theme 4: Regenerating Urban Land

The Government has a clear policy objective to minimise the release of greenfield land, and land benefitting from a Green Belt policy designation in particular. This aligns with the Government's Levelling Up agenda which focuses on the need for remediation and repurposing of vacant and brownfield sites.

The following indicators were used:

- **'Amount of brownfield land available for development':** we analysed those districts which had a strong supply of brownfield land available for development. This also aligns with other funding processes such as the Towns Fund which are promoting the repurposing and reuse of urban sites for certain forms of development.
- **'Dwellings vacancy rate' and 'Commercial vacancy rate':** we also analysed two indicators that have informed the Levelling Up Fund, namely the dwellings vacancy rate (based on MHCLG Council Tax Base for 2020) and Commercial Vacancy rates (using publicly available data from Whythawk and Sqwyre.com).

Theme 5: Supporting Social Mobility, providing opportunity and reducing inequality

The final theme seeks to address ongoing concerns regarding the scale and distribution of the economic recovery following the Covid-19 pandemic, with concerns that many places will be hit hard once Government interventions finally come to an end later in 2021.

The following indicators were selected:

- **'Current levels of deprivation':** We reviewed those locations with disproportionately high proportions of output areas suffering from severe deprivation, which could benefit from higher levels of investment to enable social mobility and address challenges relating to, for example, health and housing.
- **'Change in deprivation over time':** The IMD provides a measurement of layered disadvantage at small area level which can produce an environment where social mobility is limited. The use of this indicator identifies locations which will benefit most from co-ordinated interventions to tie in family support with employment and skills provision, housing choice and improvements in the current housing stock.
- **'Households in Fuel Poverty':** we have chosen this indicator to illustrate how grant investment in low-income areas can achieve national policy objectives. This focused investment will improve local job opportunities, health and housing standards. A key outcome will also be the reduction of energy costs which also improves the environment for children to study and enables local income to be recycled to improve the local economy.

Levelling Up Place Index Results

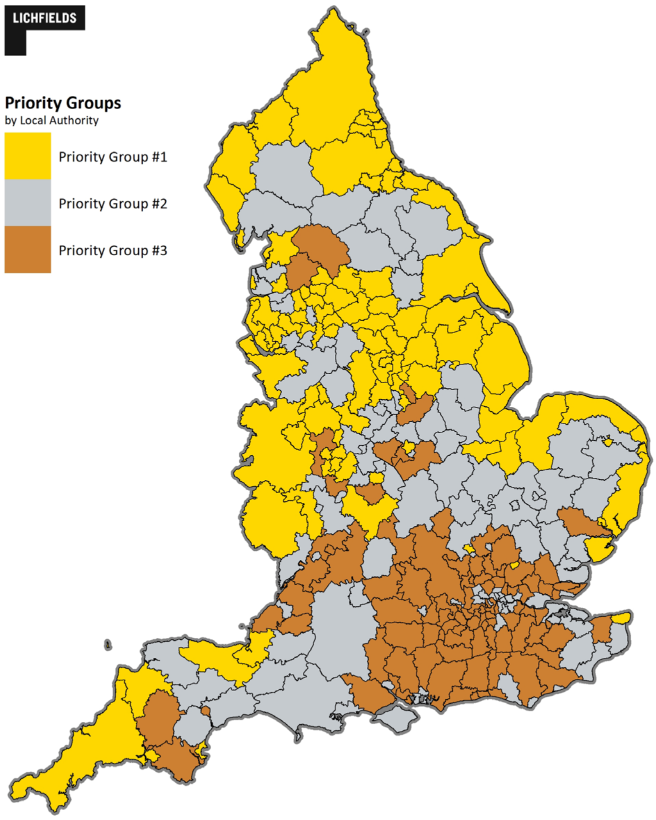
The metrics identified above have been brought together into the Levelling Up Place Index which ranks performance within each metric, with all of the data having been brought together to create one overall score per local authority.

The outputs have been mapped using GIS to highlight geographic trends (see below). This can be used to understand where the impact of investment would be greatest when considered in a more rounded way, using a broader package of metrics than simple additionality.[10]

10 Excludes the Isles of Scilly due to data limitations

Figure 1 (repeated): Lichfields Levelling Up Place Index - mapped results

Source: Lichfields analysis



At first glance, this seems to show a clear narrative of Priority Groups clustering in many of the more deprived metropolitan, rural and coastal districts of northern England and the West Midlands, with those sites in southern England generally limited to the more peripheral coastal districts and less affluent former industrial towns. Table 2 sets this out in detail by summarising the proportion of local authorities in each region falling within each of the priority groups. It is clear that the highest shares in Group 1 are the North East, Yorkshire and the Humber, and the North West.

Priority Group 1 includes many coastal areas and much of the North and Yorkshire, outside of affluent rural areas and Cumbria (which has a lower ranking, in part due to low delivery rates and comparatively high environmental constraints).

Table 2: Priority groups by region (share of local authorities)

Region	Group 1	Group 2	Group 3
NORTHERN ENGLAND			
North East	100.0%	0.0%	0.0%
North West	69.2%	28.2%	2.6%
Yorkshire and The Humber	66.7%	28.6%	4.8%
MIDLANDS			
East Midlands	45.7%	40.0%	14.3%
West Midlands	53.3%	36.7%	10%
SOUTHERN ENGLAND			
East of England	24.4%	40.0%	35.6%
London	0.0%	42.4%	57.6%
South East	1.6%	23.4%	75.0%
South West	20.7%	44.8%	34.5%

Source: Lichfields analysis

All of the authorities in the North East are within Priority Group 1, reflecting a combination of relatively low construction costs, low land values, high levels of deprivation, availability of previously-development land, generally planning for higher housing growth and with fewer policy constraints.

Priority Group 1 also includes much of Yorkshire (66.7%) and the North West (69.2%); as well as relatively high representation from the East and West Midlands (45.7% and 53.3% respectively).

By contrast, Priority Group 3 includes 57.6% of London and 75.0% of South East authorities. In these areas, the scale of economic need and deprivation is (generally) much lower, whilst there are greater incidences of policy and other constraints to development, as well as higher land and construction costs which could impact the value for money of public investment.

Table 3 presents the 103 authorities in Priority Group 1 in ascending order. Overall, these results broadly align with what might be expected when considering economic and housing need, being predominantly areas with high overall levels of deprivation and low economic growth.

There are some outliers from this description however, notably Stratford on Avon (#95) and Cheshire West and Chester (#102). This is predominantly due to the incorporation of the opportunity indicators, with both of these areas having very high levels of housing delivery in the recent past.

Table 3 Levelling Up Place Index: Priority Group 1 Authorities

1	Kingston upon Hull, City of	27	Wigan	53	Shropshire	79	Coventry
2	Sunderland	28	North Lincolnshire	54	Tendring	80	Rossendale
3	Northumberland	29	Manchester	55	Boston	81	East Riding of Yorkshire
4	Doncaster	30	Bolton	56	Norwich	82	Stafford
5	Middlesbrough	31	Preston	57	King's Lynn and West Norfolk	83	Newark and Sherwood
6	Bradford	32	Bassetlaw	58	Wirral	84	Sefton
7	County Durham	33	Sandwell	59	Torbay	85	Copeland
8	Liverpool	34	North East Lincolnshire	60	West Lindsey	86	Cornwall
9	Dudley	35	Oldham	61	Leeds	87	Luton
10	Hartlepool	36	Telford and Wrekin	62	Pendle	88	Herefordshire, County of
11	Gateshead	37	St. Helens	63	Torridge	89	Sedgemoor
12	Blackburn with Darwen	38	Mansfield	64	Halton	90	Lancaster
13	Redcar and Cleveland	39	Sheffield	65	Fenland	91	Ipswich
14	Stoke-on-Trent	40	Salford	66	Scarborough	92	Harlow
15	Wolverhampton	41	North Tyneside	67	Plymouth	93	South Holland
16	South Tyneside	42	Rotherham	68	Peterborough	94	West Lancashire
17	Barnsley	43	East Lindsey	69	Allerdale	95	Stratford-on-Avon
18	Newcastle upon Tyne	44	Burnley	70	Chesterfield	96	Amber Valley
19	Stockton-on-Tees	45	Darlington	71	Leicester	97	Derbyshire Dales
20	Wakefield	46	East Staffordshire	72	East Suffolk	98	Somerset West and Taunton
21	Birmingham	47	Nottingham	73	Barrow-in-Furness	99	North Norfolk
22	Knowsley	48	Great Yarmouth	74	North East Derbyshire	100	Cannock Chase
23	Blackpool	49	Lincoln	75	Tameside	101	Newcastle-under-Lyme
24	Rochdale	50	Bolsover	76	Carlisle	102	Cheshire West and Chester
25	Walsall	51	Calderdale	77	Thanet	103	Ashfield
26	Kirklees	52	Hyndburn	78	Malvern Hills		

Source: Lichfields

USING THE SOCIAL HOUSING DECARBONISATION FUND TO LEVEL UP WHILE MEETING NET ZERO: IN DETAIL

USING THE SOCIAL HOUSING DECARBONISATION FUND TO LEVEL UP WHILE MEETING NET ZERO: IN DETAIL

The case for ensuring decarbonisation funding follows need and opportunity

The first wave of the £3.8bn Social Housing Decarbonisation Fund is focusing on fabric first, worst first, lowest regret. As such, some houses in the North will benefit from decarbonisation. However, there is a strong case for ensuring funding follows social and economic opportunity, prioritising areas with a better return on investment – as identified in our Levelling Up Place Index.

The Net Zero 2050 target is a national target. It doesn't matter whether emissions are reduced from homes in the North or the South – as far as the UK's environmental ambitions are concerned, reduced emissions are good wherever you secure them from.

However, when emissions from homes are reduced by improving thermal efficiency, this can provide social and economic benefits too. By keeping people warm and reducing issues like damp you can improve their health, by improving insulation you save them money on their energy bills. Moreover, this investment can generate employment, reduce economic inactivity, develop the skills base, and support the growth of innovative green industries.

Overall, the North has high deprivation relative to the rest of England, especially in terms of health and income levels, which suggest that measures to reduce household energy bills would be disproportionately likely to benefit Northern areas.

In terms of health, the picture is even more stark. Whilst poor health may be driven by a variety of factors (such as diet, access to green spaces and working conditions), the link between housing decarbonisation measures and mental and physical health is clear.

Of the ten local authorities with the biggest potential improvements in energy efficiency, five are in the North of England.

Examining the data by local authority reinforces this picture. Of the 33 most deprived local authority areas in England, 21 are in the North.

It is therefore abundantly clear that, by focusing the Social Housing Decarbonisation Fund on the North, the Government will be able to meet the objectives of both the Net Zero and Levelling Up agendas at the same time.

Key evidence for benefits of housing decarbonisation

- Research from IPPR Northern Powerhomes report estimates that an ambitious programme of investment in Northern housing could create 77,000 direct and 111,000 indirect jobs, generating an additional £3.85bn GVA in the North (£5.61bn across the UK).
- Research by the Energy Bill Revolution found that making low-income households highly energy efficient would result in average energy bill savings of £245 per annum for these households.
- A report published by the UK Green Building Council compared the performance of properties before and after retrofit and found that the resulting reductions in CO2 emissions were significant.
- A 2014 report published by NICE found that energy efficiency measures can improve respiratory outcomes for asthma sufferers, improve mental well-being, and may reduce absences from school for asthmatic children. Other studies found evidence for a range of positive mental and physical health impacts from improved energy efficiency.

Energy Performance Certificate data

Of the ten local authorities with the biggest potential improvements in energy efficiency, five are in the North of England and none are in the bottom ten with the least potential for improvement. (Table 4).

Table 4: 10 local authorities with largest and smallest gaps between current and potential average EPC ratings, all housing

Rank	Local authority	Region	Avg. gap	Rank	Local authority	Region	Avg. gap
1	Isles of Scilly	South West	29.8	309	Lambeth	London	9.4
2	Eden	North West	21.6	310	H'smith and Fulham	London	9.2
3	Ryedale	Yorks and Humber	20.6	311	Wandsworth	London	8.9
4	Pendle	North West	20.2	312	Camden	London	8.5
5	East Lindsey	East Midlands	19.8	313	Westminster	London	8.4
6	West Devon	South West	19.8	314	Hackney	London	7.9
7	Torridge	South West	19.8	315	Southwark	London	7.8
8	Burnley	North West	19.6	316	Islington	London	7.7
9	Richmondshire	Yorks and Humber	19.5	317	City of London	London	5.4
10	Staffs Moorlands	West Midlands	19.3	318	Tower Hamlets	London	5.3

Deprivation in the North

Figure 8 shows lower layer super output areas (LSOAs) by region and IMD 2019 decile, where the first decile (1) includes the 10% most deprived areas in England and vice-versa.

For the purposes of socio-economic problems that might be addressed through housing decarbonisation, the representation of the most deprived areas is key. Areas which are in the 10% most deprived nationally are very over-represented in the North, at over 20% of all LSOAs. In this regard the North contrasts sharply even with the Midlands, where only 12.5% fall into this category. The least deprived areas tend to be concentrated in the 'Rest of South' region.

Figure 8: LSOAs by IMD decile, by region (2019)

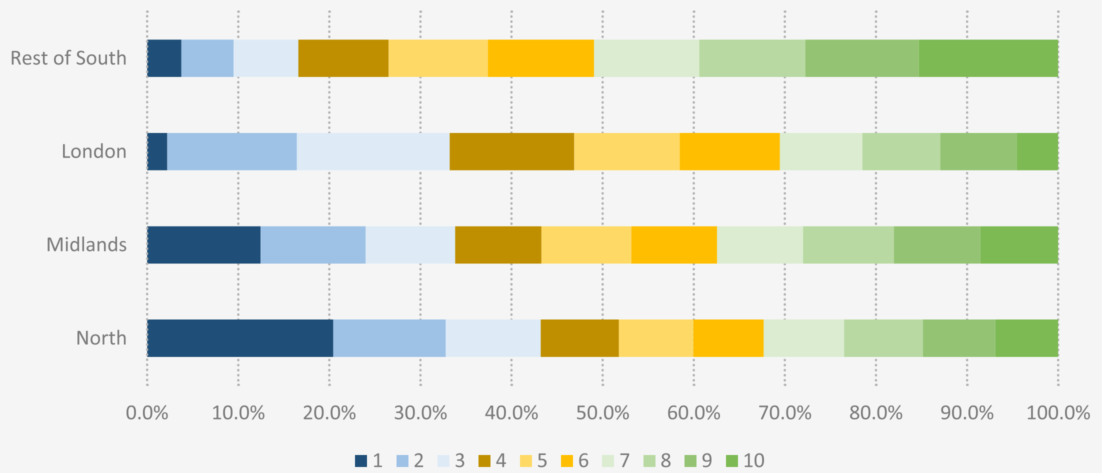


Figure 9 shows LSOAs by region and Income decile of the IMD, which measures the proportion of the population experiencing low income-related deprivation. Almost 20% of all LSOAs in the North fall into the first decile and the lowest income deprivation (highest income) areas tend to be concentrated in the 'Rest of South' region.

Figure 9: LSOAs by Income decile, by region (2019)

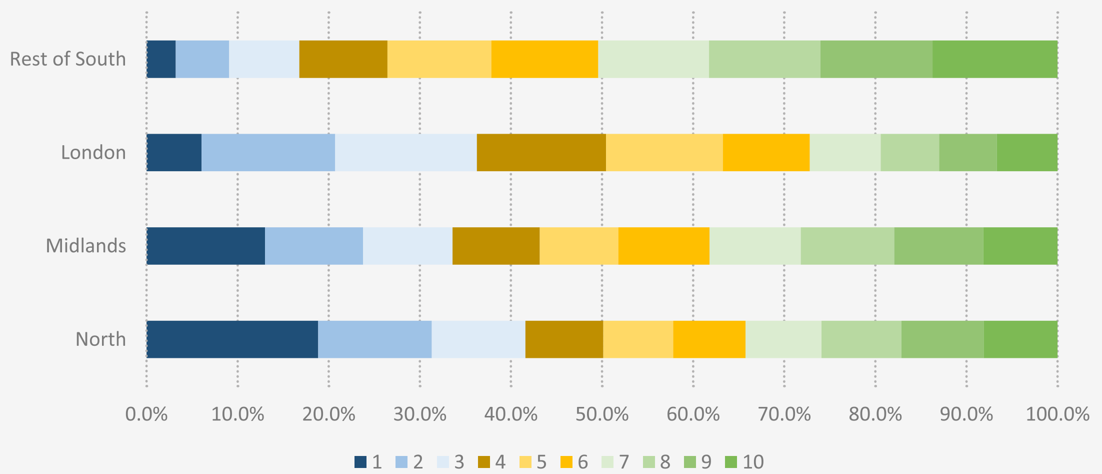
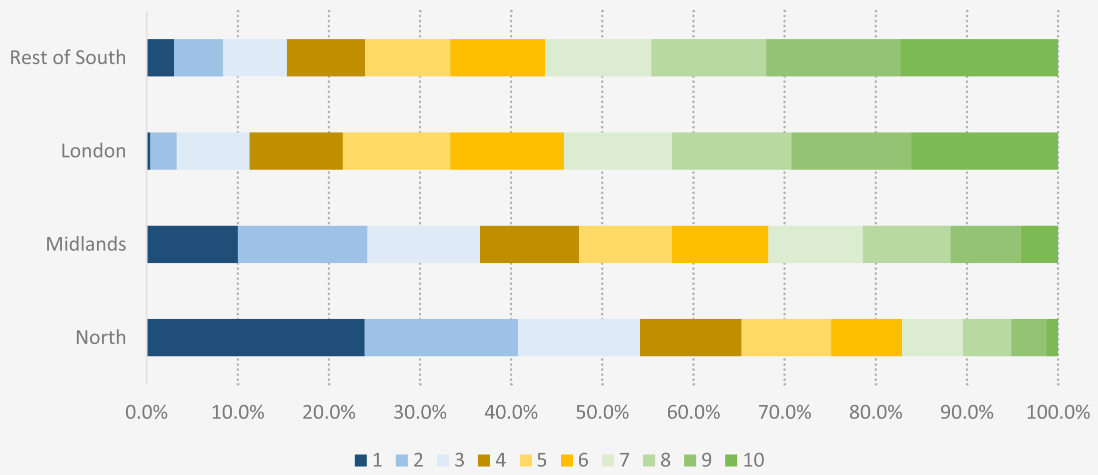


Figure 10 shows LSOAs by region and Health Deprivation and Disability decile of the IMD, which measures the risk of premature death and the impairment of quality of life through poor physical or mental health.

In the North, 24% of all LSOAs fall into the most-deprived first decile. Even in the Midlands, only 10% of LSOAs fall in the first decile. London and the rest of the South perform better still, with very few households in the most deprived deciles, and lots in the least deprived.

In the 'Rest of South', 66.7% of LSOAs are in the lower five deciles (the 50% least deprived in England). For the North this is just 24.9%.

Figure 10: LSOAs by Health Deprivation and Disability decile, by region (2019)



Overall, the North has high deprivation relative to the rest of England. This deprivation is reflected in the Income domain, which suggests that measures to reduce household energy bills would be disproportionately likely to benefit Northern areas.

In the Health Deprivation and Disability domain, the picture is even more stark. Whilst poor health may be driven by a variety of factors (such as diet, access to green spaces and working conditions), the link between housing decarbonisation measures and mental and physical health is clear.

Examining the data by local authority reinforces this picture. Table 5 shows the 25 most deprived local authorities (those with the highest proportions of LSOAs in deciles 1-3, the most deprived 30%) for IMD overall, income, and health.

14, 12, and 21 local authorities respectively of the top 25 are in the North.

Table 5: Top 25 local authorities by percentage of LSOAs in most deprived 30%, all domains, income domain, and health domain (Northern local authorities in bold)

	All domains		Income domain		Health domain	
	Local authority	% of LSOAs	Local authority	% of LSOAs	Local authority	% of LSOAs
1	Barking and Dagenham	82.7%	Barking and Dagenham	75.5%	**Blackpool**	**100.0%**
2	Hackney	80.6%	Sandwell	74.7%	**Barrow-in-Furness**	**95.9%**
3	**Blackpool**	**75.5%**	Hackney	69.4%	**Knowsley**	**93.9%**
4	**Manchester**	**74.5%**	**South Tyneside**	**68.6%**	**Manchester**	**90.8%**
5	Sandwell	74.2%	**Knowsley**	**68.4%**	**Liverpool**	**86.2%**
6	Newham	72.6%	Tower Hamlets	67.4%	**Hyndburn**	**84.6%**
7	**Liverpool**	**72.5%**	**Manchester**	**66.7%**	Stoke-on-Trent	83.6%
8	Nottingham	69.8%	**Liverpool**	**66.1%**	Nottingham	81.9%
9	**Knowsley**	**69.4%**	Wolverhampton	65.8%	**Burnley**	**81.7%**
10	Birmingham	67.0%	**Hartlepool**	**65.5%**	**St. Helens**	**81.5%**
11	**Burnley**	**65.0%**	**Middlesbrough**	**64.0%**	**Middlesbrough**	**79.1%**
12	**Middlesbrough**	**64.0%**	**Blackburn with Darwen**	**63.7%**	**South Tyneside**	**77.5%**
13	**Kingston upon Hull, City of**	**63.9%**	Islington	63.4%	**Blackburn with Darwen**	**76.9%**
14	**Blackburn with Darwen**	**63.7%**	**Blackpool**	**62.8%**	**Salford**	**76.7%**
15	**Hyndburn**	**63.5%**	Birmingham	62.3%	Sandwell	75.8%
16	**Rochdale**	**61.9%**	Nottingham	62.1%	**Rochdale**	**75.4%**
17	**South Tyneside**	**61.8%**	Newham	61.0%	**Barnsley**	**74.8%**
18	Stoke-on-Trent	61.6%	Leicester	60.9%	**Sunderland**	**74.1%**
19	**Bradford**	**61.3%**	**Sunderland**	**59.5%**	Chesterfield	73.9%
20	**Hartlepool**	**60.3%**	Walsall	58.7%	**Tameside**	**73.0%**
21	Wolverhampton	60.1%	Hastings	58.5%	**Hartlepool**	**72.4%**
22	Tower Hamlets	59.7%	**Burnley**	**58.3%**	**Halton**	**72.2%**
23	Walsall	58.7%	**Kingston upon Hull, City of**	**57.8%**	**Gateshead**	**71.4%**
24	Hastings	58.5%	Stoke-on-Trent	56.6%	**County Durham**	**70.1%**
25	**Salford**	**57.3%**	**Halton**	**55.7%**	**Rotherham**	**70.1%**

Given the potential for investment in social housing decarbonisation to deliver economic, social, and environmental improvements, we now look at where these challenges intersect with one another.

Table 6: Local authorities with high degree of socio-economic challenges (Northern authorities in bold, ordered by LSOAs in most deprived 30% according to IMD, including rank within English local authorities)

Local authority	Region	EPC ratings, all properties				EPC ratings, social rental				LSOAs in most-deprived 30%						Economic inactivity, 16-64		GVA per hour worked	
		Current		Gap		Current		Gap		Overall		Income		Health					
Blackpool	**North West**	**57.7**	**8**	**18.4**	**21**	**67.7**	**147**	**9.4**	**236**	**75.5%**	**3**	**62.8%**	**14**	**100.0%**	**1**	**75.8%**	**48**	**£27.10**	**42**
Middlesbrough	**North East**	**64.2**	**203**	**15.5**	**127**	**69.7**	**270**	**9.7**	**218**	**64.0%**	**12**	**64.0%**	**11**	**79.1%**	**11**	**69.4%**	**1**	**£29.30**	**99**
Kingston upon Hull	**Yorks & Humber**	**63.3**	**151**	**15.0**	**152**	**66.3**	**67**	**12.8**	**69**	**63.9%**	**13**	**57.8%**	**23**	**66.9%**	**33**	**77.5%**	**81**	**£28.90**	**80**
Blackburn with Darwen	**North West**	**61.5**	**63**	**17.2**	**45**	**70.2**	**292**	**8.8**	**266**	**63.7%**	**14**	**63.7%**	**12**	**76.9%**	**13**	**72.4%**	**8**	**£27.26**	**49**
Hyndburn	**North West**	**58.9**	**16**	**19.1**	**13**	**69.2**	**239**	**10.0**	**199**	**63.5%**	**15**	**51.9%**	**34**	**84.6%**	**6**	**74.2%**	**26**	**£28.54**	**74**
Rochdale	**North West**	**64.1**	**194**	**15.8**	**112**	**70.1**	**288**	**8.8**	**264**	**61.9%**	**16**	**54.5%**	**27**	**75.4%**	**16**	**72.8%**	**14**	**£27.85**	**57**
South Tyneside	**North East**	**65.2**	**245**	**13.6**	**229**	**67.3**	**120**	**12.1**	**96**	**61.8%**	**17**	**68.6%**	**4**	**77.5%**	**12**	**72.2%**	**7**	**£26.41**	**29**
Stoke-on-Trent	West Midlands	62.1	84	16.9	50	66.2	59	12.5	81	61.6%	18	56.6%	24	83.6%	7	77.9%	89	£28.96	82
Bradford	**Yorks & Humber**	**59.5**	**22**	**18.1**	**24**	**67.9**	**161**	**8.9**	**254**	**61.3%**	**19**	**54.2%**	**28**	**61.3%**	**40**	**75.0%**	**37**	**£27.61**	**55**
Hartlepool	**North East**	**63.8**	**177**	**15.0**	**158**	**69.3**	**240**	**9.3**	**237**	**60.3%**	**20**	**65.5%**	**10**	**72.4%**	**21**	**72.9%**	**15**	**£28.31**	**70**
Wolverhampton	West Midlands	62.1	81	16.1	85	67.9	162	10.0	197	60.1%	21	65.8%	9	67.1%	32	76.4%	57	£27.86	58
Walsall	West Midlands	62.7	124	15.8	111	66.0	56	13.2	55	58.7%	23	58.7%	20	61.1%	41	76.8%	67	£25.92	23
Oldham	**North West**	**62.6**	**114**	**16.7**	**59**	**69.4**	**248**	**8.2**	**294**	**54.6%**	**30**	**52.5%**	**30**	**60.3%**	**43**	**74.8%**	**32**	**£27.97**	**62**
Barnsley	**Yorks & Humber**	**64.2**	**207**	**15.7**	**117**	**66.7**	**78**	**12.6**	**79**	**54.4%**	**32**	**51.0%**	**38**	**74.8%**	**17**	**73.0%**	**17**	**£26.38**	**27**
Mansfield	East Midlands	63.4	153	16.0	99	68.7	217	10.4	175	53.7%	34	52.2%	32	68.7%	29	75.4%	45	£24.55	8
Bolton	**North West**	**63.1**	**143**	**15.8**	**106**	**68.9**	**227**	**9.7**	**214**	**53.7%**	**35**	**52.0%**	**33**	**55.4%**	**55**	**73.4%**	**19**	**£28.84**	**78**
Great Yarmouth	East of England	60.8	42	17.3	43	70.2	293	8.6	276	52.5%	38	47.5%	50	55.7%	52	72.6%	13	£29.02	89
East Lindsey	East Midlands	57.6	7	19.8	5	65.3	28	13.4	45	51.9%	40	43.2%	61	53.1%	60	76.1%	52	£25.97	24
North East Lincolnshire	**Yorks & Humber**	**61.4**	**57**	**16.6**	**62**	**67.8**	**158**	**9.7**	**219**	**50.0%**	**47**	**50.9%**	**39**	**47.2%**	**69**	**76.3%**	**55**	**£27.20**	**46**
County Durham	**North East**	**64.0**	**192**	**16.0**	**94**	**66.9**	**92**	**13.1**	**58**	**48.8%**	**49**	**51.5%**	**36**	**70.1%**	**24**	**77.0%**	**70**	**£28.96**	**82**
Torbay	South West	61.0	45	15.3	137	68.6	208	9.8	205	47.2%	53	49.4%	43	50.6%	62	76.6%	63	£24.39	6
Redcar and Cleveland	**North East**	**62.5**	**108**	**16.7**	**57**	**68.2**	**180**	**12.2**	**88**	**44.3%**	**62**	**48.9%**	**46**	**69.3%**	**26**	**72.5%**	**11**	**£26.54**	**32**
Thanet	South East	62.6	113	14.2	199	69.7	269	10.7	150	44.0%	64	47.6%	49	44.0%	77	74.9%	34	£25.60	16
Wirral	**North West**	**61.3**	**55**	**16.6**	**64**	**67.2**	**108**	**12.6**	**76**	**43.2%**	**66**	**42.7%**	**64**	**65.5%**	**36**	**73.9%**	**22**	**£28.98**	**86**
Tendring	East of England	60.2	32	17.6	31	68.8	222	9.1	246	42.7%	69	41.6%	70	64.0%	38	73.9%	22	£26.39	28
Kirklees	**Yorks & Humber**	**62.1**	**80**	**16.1**	**82**	**69.6**	**261**	**9.4**	**233**	**42.5%**	**70**	**40.9%**	**72**	**33.6%**	**94**	**74.8%**	**32**	**£26.73**	**37**
Calderdale	**Yorks & Humber**	**59.4**	**20**	**17.6**	**30**	**68.2**	**178**	**8.9**	**259**	**40.6%**	**78**	**39.8%**	**80**	**35.9%**	**89**	**76.4%**	**57**	**£29.09**	**91**
Dudley	West Midlands	61.6	66	16.4	71	64.9	22	12.8	70	38.8%	85	42.3%	66	36.3%	88	76.4%	57	£26.60	33
Sefton	**North West**	**60.7**	**41**	**16.7**	**61**	**68.0**	**168**	**10.0**	**194**	**38.6%**	**86**	**36.0%**	**91**	**58.2%**	**46**	**77.5%**	**81**	**£29.24**	**95**
Fenland	East of England	62.7	117	16.4	72	69.2	237	10.1	190	38.2%	87	32.7%	105	56.4%	50	74.7%	31	£27.29	51
Scarborough	**Yorks & Humber**	**59.8**	**29**	**16.5**	**68**	**67.5**	**135**	**10.5**	**170**	**38.0%**	**89**	**35.2%**	**95**	**47.9%**	**68**	**76.5%**	**60**	**£25.15**	**12**
Bassetlaw	East Midlands	61.4	59	17.2	44	66.1	58	13.0	62	37.1%	95	30.0%	112	47.1%	70	77.6%	84	£24.36	5
Bury	**North West**	**61.7**	**70**	**16.4**	**70**	**68.2**	**179**	**9.6**	**225**	**35.8%**	**100**	**35.8%**	**92**	**38.3%**	**85**	**78.3%**	**95**	**£27.58**	**53**

Data was assembled for all 318 English local authorities and ranked. This was then used to produce a 'shortlist' of authorities[11] which are in the top 100 for:

- Percentage of LSOAs in the three most deprived deciles of the overall IMD.
- Economic inactivity among 16-64-year-olds.
- Low productivity (measured by GVA per hour)

21 of the 33 local authorities meeting these criteria are in the North of England, as shown in Table 6 above.

Table 7: Local authorities with intersection of socio-economic challenges and poor-quality social housing (Northern authorities in bold, ordered by LSOAs in most deprived 30% according to IMD, including rank within English local authorities)

Local authority	Region	EPC ratings, all properties				EPC ratings, social rental			
		Current		Gap		Current		Gap	
Kingston upon Hull	**Yorks & Humber**	**63.3**	**151**	**15.0**	**152**	**66.3**	**67**	**12.8**	**69**
South Tyneside	**North East**	**65.2**	**245**	**13.6**	**229**	**67.3**	**120**	**12.1**	**96**
Stoke-on-Trent	West Midlands	62.1	84	16.9	50	66.2	59	12.5	81
Walsall	West Midlands	62.7	124	15.8	111	66.0	56	13.2	55
Barnsley	**Yorks & Humber**	**64.2**	**207**	**15.7**	**117**	**66.7**	**78**	**12.6**	**79**
East Lindsey	East Midlands	57.6	7	19.8	5	65.3	28	13.4	45
County Durham	**North East**	**64.0**	**192**	**16.0**	**94**	**66.9**	**92**	**13.1**	**58**
Redcar and Cleveland	**North East**	**62.5**	**108**	**16.7**	**57**	**68.2**	**180**	**12.2**	**88**
Wirral	**North West**	**61.3**	**55**	**16.6**	**64**	**67.2**	**108**	**12.6**	**76**
Dudley	West Midlands	61.6	66	16.4	71	64.9	22	12.8	70
Bassetlaw	East Midlands	61.4	59	17.2	44	66.1	58	13.0	62

Table 7 provides a list of local authorities where investment in social housing decarbonisation could provide very high returns in terms of economic, social, and environmental policy objectives.

Housing associations' decarbonisation aspirations

Whilst upgrades to heating systems and boilers can deliver well on purely environmental goals, there is something of a conflict with social and economic objectives which are core to Levelling Up. Gas remains straightforward and, most importantly, cheap relative to electricity.

Therefore, decarbonisation programmes which focus on transitioning away from gas first – particularly where residents affected are on relatively low incomes (as is likely to be the case in social housing) risk increasing issues of fuel poverty and accompanying impacts such as ill health.

In their response to the Housing, Communities and Local Government Committee's 2021 inquiry into local Government and the path to Net zero, the Northern Housing Consortium argued that:

- The social housing sector is ambitious in its aims to improve energy efficiency and

11 For which all data is available

decarbonise heat, and local Government is well placed to deliver on this.

- Government needs to provide long-term certainty on financing and policy for stock-owning local authorities and the wider social housing sector to enable them to meet their goals.
- The scale of the work required in the North requires levels of funding that pose a challenge for local authorities. The NHC recommends that the Government brings forward and front-loads the Social Housing Decarbonisation Fund. This would help to develop retrofit supply chains and deliver cost savings at scale.

The NHC also recommends that a long-term Government commitment should be established to:

- Support the development of a 'neighbourhood approach' to the delivery of fabric-first home retrofits, which the NHC supports wherever possible.
- Ensure that local authorities are equipped with the resources they need to make a large contribution to the Government's Net Zero and Levelling Up agendas. Capital investment is not sufficient alone. Officer capacity and sustained revenue funding is key to the success of retrofit programmes too – the NHC point to their recent research showing that Northern local authorities have experienced large comparative reductions in housing and planning capacity since 2010.

ON THE BASIS OF THIS RESEARCH,
WE MAKE THE FOLLOWING RECOMMENDATIONS:

1 Make housing funding a key part of the Levelling Up agenda in order to make it real to voters. With a desire to see visible change and value for money, investment in affordable housing will not only make Levelling Up work where it matters most, but will help meet the UK's climate change ambitions too. The fact that Levelling Up and Housing have been brought together within the same department is a clear indication the two are being aligned in Government policy-making.

2 Adopt a new strategic framework for distributing Levelling Up funding based on need and opportunity. By doing so, the Government can ensure spending has the greatest social, environmental and economic impact, with the framework able to be utilised in a number of different ways, including:

- as a **Strategic Framework for Homes England** spending decisions;
- as an effective replacement for the **'80:20 rule' (which the Government has committed to revising);**
- **the framing of a new Levelling Up Housing Infrastructure Fund;**
- to coordinate and get the most return from **place-based capital investment** in towns and communities that are the intended focus of the Levelling Up agenda;
- as a Levelling Up sense check on funding to **decarbonise homes**, showing where investment will give the best social and economic return.

3 Use social housing decarbonisation to achieve Levelling Up, post-Covid recovery and environmental objectives.

- **Allow funding to follow opportunity and need.** Decarbonisation's most obvious benefit is its contribution to the UK's climate change objectives, but it can also generate economic growth and address health and income inequality. For example, it can precipitate the emergence of high-skilled, high-tech industries in parts of the country which have relatively few of them. These impacts will be the largest in the most deprived areas of the country, which is why there is a strong case for ensuring funding follows social and economic opportunity, prioritising areas with a better return on investment – as identified in our Levelling Up Place Index.
- **Ensure that decarbonisation funding is generous, sustained, and long-term.** Front-loading of the Social Housing Decarbonisation Fund has many benefits, including economies of scale, supply chain development, and overcoming delivery timescale challenges. The social housing sector has resources and will be able to deploy with confidence once the funding outlook is clarified on a multi-year basis.
- **Maintain the 'fabric first' approach in the sequencing of investment.** Low-carbon heating systems may increase heating costs, deterring households and scheme promoters from installing them until energy efficiency has been improved through measures like insulation. Therefore, we recommend the continuation of 'fabric first, worst first' approach, as per wave one of the SHDF.

APPENDIX

APPENDIX 1:
Methodology for opinion research

Public First conducted six focus groups and a nationally-representative opinion poll for Homes for the North, to test the views of the public on Levelling Up.

The **focus groups** had the following compositions, held online for 75 minutes per session.

Group 1: Barnsley. Working-class background, all currently employed, aged 20-50, mixed gender, two participants living in social housing, even split of Conservative and Labour voters.

Group 2: Warrington: Working-class background, all currently employed, aged 20-50, mixed gender, two participants living in social housing, even split of Conservative and Labour voters.

Group 3: Blyth. Working-class background, all currently employed, aged 20-50, mixed gender, two participants living in social housing, even split of Conservative and Labour voters.

Group 4: Long Eaton. Working-class background, all currently employed, aged 30-60, mixed gender, 4:2 split of Conservative and Labour voters (where the Conservative voters are from 2017 or 2019, but before this had not voted Conservative).

Group 5: St Albans. Middle-class background, all currently employed, aged 35-65, mixed gender, all homeowners, a 4:2 split of Conservative and Lib Dem voters (where the Conservative voters are long-term voters).

Group 6: Bolton. Working-class background, all housing association residents, aged 20-50, mixed gender, even split of Conservative and Labour voters.

The **opinion poll** had 1,000 respondents from across the UK with an additional 250 sample from the North of England. The results were weighted to reflect the UK as a whole; the additional sample was to improve the credibility of the crossbreak analysis for the North. The poll was carried out between 23rd August and 27th August 2021.

APPENDIX 2:

Metrics for Levelling Up Place Index

Theme	Indicator	Unit of Measurement	Data Source
1) New Housing Delivery	**Housing Construction Costs** **OPPORTUNITY**	Average Build Cost per Unit £ (incl. 15% Externals and Regional Adjustment). Pricing information is based on 2nd quarter 2019	BCIS Comprehensive building price book – major works 2020 (37th edition) *Note: this information is available at regional level only.*
	Land Value Estimates **OPPORTUNITY**	£/ha Residential land	VOA Land Value Estimates for Policy Appraisal 2019
	Housing Requirements above the Standard Method **OPPORTUNITY**	Local Plan adopted housing requirement vs. current 2021 Standard Method Local Housing Need	Standard Method 2021 revised to take into account April 2021 Median workplace affordability ratio and CLG 2014-based SNHP 2021-31 (2016) by Lichfields. Adopted Local Plan Housing requirement – relevant adopted LPA Local Plan.
	Net additional dwellings **OPPORTUNITY**	3-year average annual dwelling completions	MHCLG (2021): Table 122 - Net additional dwellings by local authority district, England, 2001-02 to 2019-20
	Policy Constraints to housing delivery **OPPORTUNITY**	% of land covered by Green Belt / Footnote 7 constraints	MHCLG constraints mapping
2) Home Ownership	**Average Levels of Home Ownership** **OPPORTUNITY**	Percent Owned Outright / Owned with a mortgage or loan / Shared Ownership	ONS 2011 Census: KS402EW - Tenure
	Changing levels of Home Ownership **OPPORTUNITY**	Change in the proportion of homes owned with a mortgage or loan / shared ownership between 1991 and 2011	ONS 2011 Census: KS402EW – Tenure, and other 1991 / 2001 Censuses

Theme	Indicator	Unit of Measurement	Data Source
3) Need for economic recovery and growth	**Productivity** ***(Levelling Up Fund Indicator)*** **NEED**	Natural log of GVA per capita, per hour worked	ONS Sub-regional Productivity February 2020 release: Table A3: Nominal (smoothed) GVA (B) per hour worked (£); Local Authority District, 2004 - 2018
	Unemployment ***(Levelling Up Fund indicator)*** **NEED & OPPORTUNITY**	Estimates of unemployment rate in the 16+population	ONS model-based estimates of unemployment rates, Jan 2020-Dec 2020
	Skills ***(Levelling Up Fund Indicator)*** **NEED**	Proportion of the 16-64 population without NVQs or other formal qualifications	ONS Annual Population Survey, Qualifications, Jan 2020-Dec 2020
	Economic Inactivity **NEED & OPPORTUNITY**	Estimates of economic activity rate in the 16+population	ONS Annual Population Survey, Employment and Unemployment, Jan 2020-Dec 2020
4) Regenerating Urban land	**Amount of brownfield land available for development** **OPPORTUNITY**	Hectares of available brownfield land / % of total land cover	National brownfield land database 2020 Supplemented by National Land Use Database 2014.
	Dwellings vacancy rate ***(Levelling Up Fund Indicator)*** **NEED**	Proportion of dwellings chargeable for Council Tax that are classed as long-term empty (empty for more than 6 months)	MHCLG Local Authority Council Tax base England 2020 Revised (released 1st March 2021)
	Commercial vacancy rate ***(Levelling Up Fund Indicator)*** **NEED**	Proportion of retail, industrial, office and leisure units that are vacant	Publicly available commercial location data from Whythawk and Sqwyre.com (July 2020). Where LAs did not share their vacancy rate data, CoStar data has been used as an alternative.
5) Supporting Social Mobility, providing opportunity and reducing inequality	**Current Levels of Deprivation** **NEED**	**IMD** Rank of average rank **Health and Disability** Rank of average rank **Income** Rank of average rank	MHCLG English Indices of Deprivation 2019 (2019)
	Change in Deprivation over time **NEED**	IMD - Proportion of LSOAs in most deprived 10% nationally	MHCLG English Indices of Deprivation 2019 / 2015
	Achieving Zero Carbon and Reducing Energy Bills for Low Income Households **NEED**	Proportion of Households in Fuel Poverty, 2019	Department for Business, Energy and Industry Strategy (2021) Sub Regional Fuel Poverty England

To find out more or to get in touch
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www.homesforthenorth.co.uk