

COMMITTEE: SOCIAL INCLUSION SCRUTINY

DATE: 3RD FEBRUARY 2005

SUBJECT: HOUSING INVESTMENT IN THE REGIONS -
CONSULTATION PAPERS

REPORT BY: HEAD OF HOUSING (STRATEGY AND PRIVATE
SECTOR)

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IMPLICATIONS:

LEGAL	COMMUNITY SAFETY
EQUALITIES	ENVIRONMENT
FINANCIAL	CONSULTATIONS
STAFFING	OTHER

WARDS AFFECTED: ALL

PURPOSE

1. To report on 2 Consultation Papers recently issued by the Office of the Deputy Prime Minister ("ODPM") and the Government Office for the East of England ("GO East") regarding proposals for future investment in housing in the regions.

RECOMMENDATION(S)

2. The Scrutiny Committee is invited to comment on the Consultation Papers.

BACKGROUND

3. The Government's Sustainable Communities Plan established Regional Housing Boards in February 2003. The Plan also established the Single

Housing Investment Programme, also known as the single housing “pot” for capital resources.

4. The Boards were given responsibility for the effective coordinating of a range of housing activities within the Region, including the production of regional housing strategies, making recommendations on allocations of funding, overseeing the implementation of Government policy and ensuring housing issues were weaved into other big issues such as sustainability and economic regeneration.
5. Keith Hill (Minister of State for Housing and Planning) wrote in June 2004 to the Regional Housing Boards re-affirming that the common objectives of Government and the Boards are “a more strategic approach to investment, which will help lead towards better balanced housing markets, decent homes for those in the social sector, (as well as vulnerable in the private sector), and sustainable communities for all.”

Changes To The Funding System For Affordable Housing

6. The single pot combines the former Approved Development Programme (“ADP”), through which Housing Association development is funded, and the former Local Authority Housing Investment Programme (i.e. Basic Credit Approvals). However it does not include funding from the Homelessness Directorate; Major Repairs Allowance; Supporting People grant or funding for Disabled Facilities Grants.
7. The allocation to Local Authorities (“LAs”) from the former Housing Investment programme (now subsumed within the “Single Pot”) is currently ring fenced at 70% of the former allocation. From 2006/7, this allocation will be at the discretion of the Regional Housing Board (“RHB”).
8. The RHB has the responsibility for directing the strategic allocation of the “Single Pot” and improving the match between affordable housing supply and demand in the Region.
9. Capital Allocations from the “Single Pot” are subject to Ministerial approval. However, there will be Ministerial guidance in making those decisions by the RHB.
10. 2 Consultation Papers have been issued, the first by the ODPM seeking views on the regional split of funds for housing investment by local authorities through Regional Housing Pots, and a second consultation paper issued by the Go East on how to allocate funding from the Single Regional Housing Pot in the East of England for the period 2006-08.

REPORT

OFFICE OF THE DEPUTY PRIME MINISTER - HOUSING INVESTMENT IN THE REGIONS

Executive Summary

- The Sustainable Communities Plan introduced new arrangements for allocation for mainstream funding to support housing investment by local authorities and housing associations. Under the new arrangements allocations are increasingly being directed to address strategic regional priorities based on advice from RHBs
- This consultation paper sets out, and seek views, on proposals how the total funds agreed in the 2004 Spending Review (£2.6 and £2.9 billions respectively) should be divided between Regions.
- The proposals are:-
 - that Regional totals should be determined on formula basis using an index of housing need,
 - to create a new simpler index of need to replace the existing index which is linked to housing targets and the ODPM's strategic priorities of the increased provision of affordable housing; meeting decent homes targets (in both the public and private sectors) and tackling disadvantage through the regeneration of areas suffering from multiple deprivation,
 - in relation to defining affordable housing 4 measures would be used:-
 - numbers in temporary accommodation,
 - overcrowded households,
 - ratio of lower quartile house prices to lower quartile earnings, and
 - expected additional development rates in the growth areas,
 - in regards to decent homes, the index will measure the level of investment identified from stock option appraisals, and in relation to other public sector properties and the private sector to continue to rely on the English House Condition Survey of 2001,

- in respect of regeneration and tackling deprivation the index would be based on the 15% of sub-local authority areas – the Super Output Areas – with the highest levels of deprivation,
- in terms of cost comparisons to reflect different new house and repair costs across the country it is proposed to dispense with the Total Cost Indicator Model former used by the Housing Corporation and replace it with a common pricing base to be know as the Tender Price Index for Social Housing,
- to apply weighting to each element to reflect their priority; the consultation paper shows how these weighting would be applied in relation to indicative spending levels for 2007/8:-
 - Affordable Housing £2050 million (of which £250 million would be in the growth areas),
 - Decent Homes (Councils) £250 millions,
 - Decent Homes (RSLs) £35 millions,
 - Decent Homes (Private) £250 millions, and
 - Regeneration £325 millions.

11. The paper also outlines indicative allocations for 2007/08 using the new Index of Need (but using existing data).
12. The effect of the allocation for the East of England, assuming that the indicative allocations are applied shows a 52% increase between 2005/6 and 2007/8

	2005/6	2006/7	2007/8
East of England	£167m	£190m	£255m

- Specifically views are invited on:
 - the inclusion of a measure linked to areas where the ratio of house prices to earnings is highest,
 - the inclusion of a measure reflecting the increased level of affordable housing to be provided in designated growth areas,
 - using the actual funding amounts for supporting provision of decent council housing agreed in Option Appraisals; the regional shares in the current index are based on notional

figures which reflect average renovations reflect for different dwelling types,

- amending the basis of the measure on private sector stock condition to be based on the decent homes definition rather than the previous poor condition basis,
- the inclusion of a measure reflecting the commitments up to the decent standard, and
- delivering the targeting of some of the resources to areas with high levels of multiple deprivation through a specific element of the index; the current arrangements, which involve a complex adjustment to the whole index, are opaque and poorly understood.

13. Broadly the views on the proposals contained within the consultation paper are supportive. A detailed response to the consultation paper is being prepared and will be available at the meeting.

GOVERNMENT OFFICE FOR THE EAST OF ENGLAND

HOUSING INVESTMENT IN THE EAST OF ENGLAND

Executive Summary

14. The RHB is in the process of developing recommendations for an investment plan that will be submitted to ODPM in May 2005. The investment plan will determine the pattern of funding allocations from the Single Regional Housing Pot ("SRHP") for 2006-08.
15. The current Regional housing Strategy ("RHS") for 2003-06 is being updated and will set out the scale of the Region's housing needs and its key priorities. These priorities will guide the RHB in making its investment recommendations for the period 2006-08. This consultation paper seeks the views on how the housing capital funding from the SRHP should be allocated in the East of England for the two financial years 2006-07 and 2007-08.
16. To help the RHB determine the pattern of funding allocations from the SRHP for 2006-08, a sub-group of the Regional Housing Forum has been formed, led by GO-East with representatives from the Countryside Agency, Housing Corporation, the Regional Assembly and the nine housing sub-regions.

17. This Sub-Group has developed allocation options that are presented in three stages.

Stage One – Tackling Specific Housing Issues :

- This stage considers if there are any specific housing schemes that should be funded because they will have a significant impact on the overall housing agenda and achieving sustainable communities.

Stage Two – Allocation to Local Authorities:

- **Option 1.** This option emphasises the broad continuity of funding to LAs. It continues the nominal allocation to LAs that was made in 2004-06 as a total sum, but distributes it to individual LAs according to the new Needs Index being developed by ODPM.
- **Option 2.** This option seeks to maximise the funds available for RSLs – and therefore new affordable housing – by allocating to LAs only what is necessary to enable them to meet the Decent Homes targets for 2010 in their own and the private sector stock (subject to historical levels of funding not being exceeded).
- **Option 3.** This option is a combination of Options 1 and 2, which views Option 2 as the ideal longer term proposition, but recognises the need for a degree of continuity through a transition period.

Stage Three – The Targeting of the Remaining SRHP to Sub Regions through the Housing Corporation's New Investment Programme:

- The geographic targeting of resources via the Housing Corporation based upon sub-regional and regional priorities,
18. The RHB are seeking comments on the options and methodology presented in this document, specifically seeking views in relation to:-
- whether the SRHP funding used to support housing schemes should be aimed at tackling specific housing issues,
 - if so what types of innovative schemes do you think should be funded
 - whether it is appropriate to maintain the current (04-06) level of total allocations to LAs even if this reduces the number of new affordable units that could theoretically be funded by the SRHP,

- whether the ODPMs Needs Index (whose final form is still unknown) is an appropriate basis for distributing funding to LAs in the East of England,
 - whether a steep reduction in funds is going to LAs appropriate in some cases, given that it could release funds to help meet the Region's pressing need for new affordable housing,
 - what do you consider are the effects of limiting funds to LAs only to the amounts required to deliver the DH standard (directly or via the Options Appraisals process),
 - does Option 3 reflect the need for a degree of funding continuity, and
 - whether the form of the transition arrangements proposed in Option 3 is fair and reasonable? If not what alternative arrangements might be preferable?
19. The consultation period in relation to this paper concludes in mid March and the Council's response is currently being prepared.

LEGAL IMPLICATIONS

20. There are no direct legal implications to this report and this has been agreed with the relevant solicitor in Legal Services on 28 January 2005.

BACKGROUND PAPERS

21. ODPM – Consultation Paper – Housing Investment in the Regions – December 2004
22. GO East – Housing Investment in the East of England – January 2005
Copies of the Consultation Papers are in the Members Rooms