

HOUSING INVESTMENT IN THE REGIONS

REGIONAL HOUSING POT 2008-11

ARRIVING AT PROPOSALS FOR PROVISIONAL REGIONAL ALLOCATIONS

Introduction

1. Provisional regional allocations drawn from the Regional Housing Pot 2008-11 were arrived at by means of a formula made up of indicators reflecting relative need for the three programmes that the Regional Housing Pot supports : the National Affordable Housing Programme; Local Authority Decent Homes; and Private Sector Decent Homes, Regeneration and Mixed Communities.
2. This paper follows on from the consultation paper on the indicators that make up the formula issued by Communities and Local Government in November 2006 ("Housing Investment in the Regions"). This paper describes the indicators used to make up the formula and how they were combined within the formula. It draws on responses to the consultation exercise. These are summarised, together with the Government's response, in a paper which is now available on the Communities and Local Government website.
3. A Racial Equality Impact Assessment of the formula is in preparation and will be circulated separately.

The indicators

4. Eight indicators were used to arrive at the formula. The indicators are grouped under general headings reflecting broad policy priorities supported by funding drawn from the Regional Housing Pot. These headings are reflected in the headings used in the outline below. Each indicator also reflects relative need for funding to be directed at a specific policy priority. These are identified within the description of the each indicator.

Affordable housing needs

5. Five indicators have been used to reflect different elements of overall affordable housing need :
 - **homeless households in temporary accommodation** – this indicator reflects need for social housing as a result of homelessness. It uses annual data (as at 31 March 2006) drawn from P1E returns for levels of homeless households in temporary accommodation in each Region.

- **Overcrowded, sharing and concealed households** – this indicator also reflects need for social housing, but to alleviate overcrowded, sharing or concealed households rather than those who are statutorily homeless. It combines data for overcrowding (“basic” overcrowding only, not “severe”; and based on the bedroom standard), concealed families and shared households drawn from the Survey of English Housing for 2003-06. The data for concealed and sharing households was adjusted to reflect preferences for some households.
- **Ratio of lower quartile house prices to lower quartile earnings** – this is a key measure of housing affordability. The indicator reflects the number of local authorities in each region where the ratio of lower quartile house prices to lower quartile earnings is greater than 7.
- **Regeneration** – this indicator reflects the linkage between regeneration projects and new supply of affordable housing. It is based on relative levels of areas of multiple deprivation between the regions.
- **Additional affordable housing in the Growth Areas** – this indicator reflects the intention that some (but not all) of the affordable housing built in the Growth Areas should be used to meet need for affordable housing in London. This indicator does not form a direct part of the formula. It has been used to underpin the establishment of the Growth Support (Affordable Housing) Fund which will be made available to bids made to the Housing Corporation for funding for affordable housing to be built in the Growth Areas and Regions adjoining London where there is a guarantee that a certain proportion of the resulting affordable housing will be made available to London boroughs through the Pan-London Choice and Mobility Scheme.

Local Authority Decent homes

6. One indicator, the **Local Authority Stock Condition Index (LASCI)** was used to provide a measure of the need for local authorities to achieve the decent homes standard in their own stock. This is a composite indicator drawn from historic spend, data from the Options Appraisal process and a needs based measure. This approach to the make up of the indicator reflects the intention that local authorities may be able to use some of the related funding to tackle housing improvements that fall outside the scope of the Options Appraisal process.

Private Sector Decent homes, regeneration and mixed communities

7. Four indicators were considered for use to reflect relative funding needs for decent homes activity in the private sector, regeneration projects and the mixed communities programme. Three were used:

- **Housing Association Repairs and Re-improvement (HARR)** – this is used as indicate the need to fund repairs to the relatively small amount of RSL stock which was built before 1989 and which is eligible for major repairs funding up to the decent homes standard. It is based on historic data for repairs and re-improvements to RSL stock.
- **Private Sector Stock Condition Index (PSSCI)** – this indicator reflects need to spend on improvements to private sector stock. The indicator draws on data from the 2003 English Housing Condition Survey.
- **Regeneration** – this indicator reflects relative need to spend on regeneration activities. It uses relative levels of multiple deprivation across the regions.
- **Mixed communities** – we also explored options for an indicator to reflect the need to spend on projects to support the Government’s commitment to establish and maintain mixed communities. However, as highlighted by some respondents to the consultation exercise on possible indicators, the regeneration indicator generally proved to give a reasonably good match to areas where work of this type is most needed. We have, therefore, used the regeneration indicator as a proxy both for regeneration and mixed communities need. We expect that projects funded under this work stream will cover both regeneration and mixed community outcomes.

Combining the indicators into a formula

8. Weightings were given to each indicator in line with the Government’s priorities. These are expressed in the form of the levels of funding made available to support the programmes covered by the Regional Housing Pot (see the Table on page 1 of the covering letter to this paper).
9. The indicators were grouped under the headings for the three programmes funded through the Regional Housing Pot (as set out in paragraphs 5-7 above) and weightings reflecting the funding provided through the CSR07 for these three main programmes were applied.
10. Where more than one indicator was grouped within a particular programme, weightings were given to each indicator within the grouping to reflect Ministerial priorities.

11. The weightings are summarised in the table below :

Broad policy priority	1.Weightings ¹	Specific policy priority	2.Weightings within (1)	Indicator	3.Weightings within (2)
Affordable housing	79/81/83%	Social rented	72.5%	Households in TA	50%
				Overcrowding, sharing and concealed*	50%
		Intermediate	22.5%	Affordability	100%
		Regeneration	5%	Regeneration	100%
LA decent homes	10/9/8%	LA decent homes	100%	LASCI	100%
Private sector decent homes, regeneration and mixed communities	11/10/9%	Private sector decent homes, regeneration and mixed communities	100%	HARR	1%
				PISSCI	49.5%
				Regeneration and mixed communities	49.5%

* Basic overcrowding = 60%; sharing & concealed households = 40%. Additionally, concealed households data weighted by 0.5 and sharing households data weighted by 0.6 to reflect preferences of some households.

12. **Cost compensation** was applied to reflect the cost of carrying out work on the existing stock or providing additional affordable housing across the country. Two types of cost compensation factors were applied to different parts of the formula depending on whether the works were associated with new build paid for by social housing landlords, or re-habilitation works. Adjustments for new build costs were applied to the homeless households, overcrowding, and regeneration indicators. Adjustments for re-habilitation works were applied to the housing association and private sector indicators. No cost adjustments were made for housing affordability, additional affordable housing in the Growth Areas or the Local Authority Stock Condition Indicator measure (because this was based on actual spend).

13. The resulting allocations were then adjusted

- To ensure that no region receives less than a 5% cash year on year increase in overall allocation using 2007-08 actuals as a starting point; and
- To establish the Growth Support (Affordable Housing) Fund which will be made available to bidders from adjoining Regions and Growth Areas who are prepared to make some of the resulting affordable housing built outside London available to London boroughs through the Pan-London Choice and Mobility Scheme.

¹ These weightings vary from year to year to reflect variations in the CSR07 settlement in each year.