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Ken Livingstone
Mayor of London

Chief Executives
Regional Assemblies

HOUSING INVESTMENT IN THE REGIONS: SPENDING PRIORITIES 2008-11

1. As you are aware, in November last year my Department issued a consultation paper on the indicators used to arrive at a regional split of funds for housing investment by local authorities and registered social landlords through the Regional Housing Pot (RHP). I am very grateful for your responses to that consultation. All the consultation responses are being carefully considered by my officials as they work to develop the formula for a regional split of the RHP further. Final decisions can only be made once the outcome of the Comprehensive Spending Review is known.
2. This letter initiates the next stage in the process of arriving at RHP allocations, as set out in the November consultation by seeking your advice on housing spending priorities in their area. We will use this advice as a key input to the provisional RHP allocations on which we will consult following the Comprehensive Spending Review settlement. It will also be used to inform discussions around CSR07 and as an input to the Housing Corporation's initial work on the National Affordable Housing Programme for 2008-11.

Funding

3. As you will appreciate, in advance of CSR07, it is not possible to say how much funding will be made available under the RHP or to identify the balance between the various policies it supports. We would, therefore, be grateful if you could provide an assessment of the relative priorities for your Region of different categories of housing spend covered by the RHP in the form of percentages. A pro forma is attached to this letter setting out the format in which we would like you to do this.
4. As a minimum, your assessment should cover the following broad categories :
 - a. Spend on new supply of affordable housing (broken down between different types of affordable housing, including Open Market HomeBuy; size of unit; and sub-regions).
 - b. Commitments, established through the option appraisal process, to expenditure to achieve the decent homes standard within social rented

housing owned by local authorities.

- c. Levels of expenditure on private sector housing (broken down between decent homes activity and neighbourhood regeneration), including an indication of whether support for leaseholders in hardship is a priority in your region.
- d. Spend on activity designed to promote mixed communities across all three pots.
- e. Housing related expenditure falling within the RHP but not covered by any of the categories listed above.

5. You will wish to note that final RHP allocations may not reflect all these categories in a linear way, but your advice on the split between these priorities will be important in assisting us to decide on the relative weightings to be given to related indicators within the formula used to arrive at a regional split for the RHP.

Policy context

6. Again, national priorities for housing will only finalised once the CSR07 outcome is known. However, some commitments are already in place and you will wish to bear these in mind as you prepare your assessment of spending priorities for your Region.

7. We have identified four key priority areas which our housing policies aim to deliver:

- a wide choice of housing, both affordable and market, to meet the needs of all sectors of the community, including a particular focus on the supply of social rented housing
- improvements in the affordability of market housing (both owner occupied and rented) by means of a better balance between the supply of and demand for housing
- an increase in the condition of housing in all sectors to the decent homes standard, coupled with regeneration of the most deprived areas especially through the Housing Market Renewal Pathfinders, but also through funding provided as part of the Regional Housing Pot
- the creation and maintenance of sustainable, inclusive and mixed communities in all areas – both urban and rural.

8. The Government has stressed the importance of its affordable housing programmes in the delivery of these objectives. It has said in responding to the Barker report in December 2005 that as part of the 2007 Comprehensive Spending Review it would set out “ambitious plans for increasing social housing supply”, building on its target of 30,000 social rented home to be delivered in 2007/8. More recently, in her speech welcoming John Hills’ report on his review of social housing processes, Ruth Kelly said “In the Comprehensive Spending Review, more social homes is my number one priority. It is the bedrock which must underlie our whole approach”.

9. Alongside this, in December 2006, the report of the Shared Equity Task Force set out the Government's ambitions for expanding the provision of low cost home ownership by both subsidised and market provision.
10. Improving the quality of the social housing stock was an early Government priority and in 2001 the target was set to make all social housing decent. We have made considerable progress in delivering decent homes but some of the more difficult stock still needs to be tackled. Some of the improvement is being delivered through transformational projects, particularly the Housing Market Renewal pathfinders, that are a mixture of demolition/re-provision/refurbishment and additional market or intermediate housing, supporting the creation of mixed communities. Such schemes are leveraging in additional investment through maximising the use of existing assets which create opportunities to increase supply as well as improve homes. It is a priority to explore opportunities for applying the mixed communities approach more widely across deprived areas and also embedding the principles of mixed communities in all areas.
11. As part of our work to achieve these outcomes, we have set ourselves some key targets which I would expect your advice to reflect :
 - An ambition to increase housing supply to 200,000 annually by 2016
 - To reduce the December 2004 level of households in temporary accommodation by half by 2010
 - By 2010 to ensure that no 16 or 17 year olds are placed in B&B accommodation as temporary accommodation under the homelessness legislation except in an emergency.
 - To help 120,000 people into home ownership between 2005 and 2010.
 - Specific measures to help those working in key public services to find homes close to where those services are most needed.
 - We have already set ourselves the target of delivering 30,000 affordable homes in 2007-08 and we expect more challenging targets for affordable housing and its delivery to emerge during the Spending review process.
 - To still ensure that all social housing is made decent but recognising that in some areas this will extend beyond 2010. For the private sector, we still have in place the target to increase the numbers of vulnerable households in decent, private sector homes.

Evidence and analysis

12. Your advice will need to be grounded in a robustly evidenced assessment of need in your Region. Evidence should cover all housing in your area (both private and public sector). It should reflect future demographic needs and encompass all stakeholders.
13. In carrying out this work you may wish to draw on existing work, particularly that carried out in support of Regional Funding Allocations and existing strategies – especially the RHS, RSS and RES. In developing your understanding of the needs of

your Region, we would expect you to work closely with key stakeholders, including the Government Offices, local authorities and, particularly, sub-regional groupings of local authorities based on housing market areas.

14. Where appropriate, you may also wish to draw on links with other work streams, particularly those focussed on prevention of homelessness and the supporting people programme.
15. These, and other programmes, have identified some key categories of those in housing need : rural communities, Gypsies and Travellers, people with drug problems, people with alcohol problems, people with mental health problems, people with learning disabilities, people at risk of domestic violence, those exiting prostitution, vulnerable people living in poor housing conditions in private sector housing; ex-offenders; refugees; and ex-Service personnel .
16. This not meant to be an exhaustive list, but you will wish to consider the needs of these groups in your analysis and the resulting advice on spending priorities. At the same time, you will wish to note that, following CSR07, we will be giving you an opportunity to revise the priority groups for HomeBuy originally identified by the Regional Housing Boards. You may wish to incorporate initial thinking in this area in the advice you provide as part of this exercise.

BME groups

17. A Racial Equality Impact Assessment is being prepared for the formula to be used to arrive at RHP allocations. To assist in this, we would be grateful if you could provide an assessment of the relative impact of your advice on BME groups. Space is provided in the attached pro forma.

Strategic Sites

18. For the 2006-8 NAHP allocations round, the Housing Corporation sought advice from Regional Housing Boards on a small number of strategic sites suitable for longer term funding, with starts over five years, rather than 2 years. We are therefore again seeking advice on which sites should be eligible for funding for starts over the period 2008 - 13 on which we expect a limited proportion of available funding. Strategic sites will be considered for strategic investment funding arrangements, such as overage or equity investment. These arrangements are relevant to large, multi-purpose developments, where early and long-term commitments can unlock site potential.

Next steps

19. As I have mentioned, your advice will be used to help inform provisional decisions on RHP allocations, early priorities for the National Affordable Housing Programme and our input to CSR07. To be effective in these exercises, your responses are needed by **28 June 2007** at the latest. All queries about this exercise and final returns should

be sent to Nazma Begum, Communities and Local Government, Zone 2/H2, Eland House, Bressenden Place, London SW1 5DU (email nazma.begum@communities.gsi.gov.uk).

A handwritten signature in black ink, appearing to read 'Yvette Cooper', with a stylized, cursive script.

YVETTE COOPER

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Table 1: Overall priorities

All entries for this table should be expressed as % of **overall resources available**

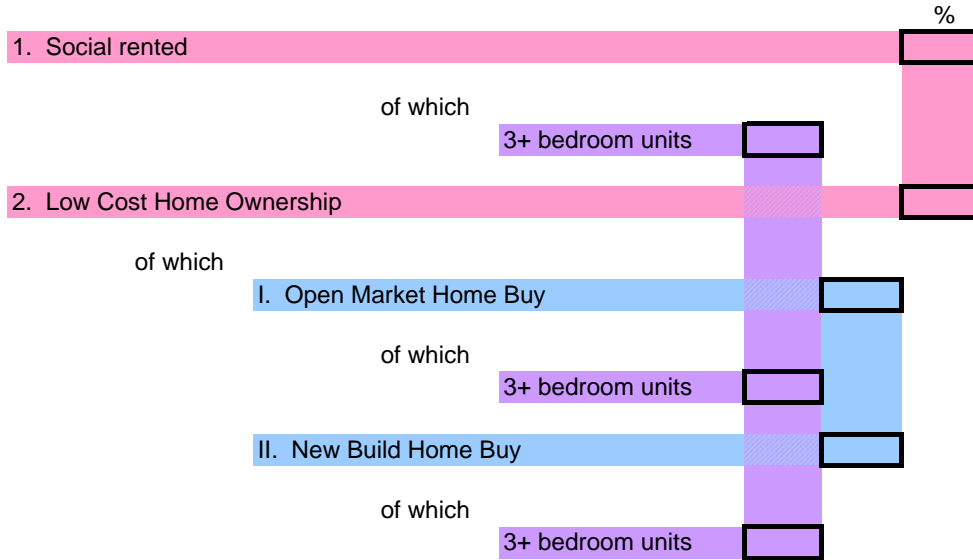
	%
a. New supply of affordable housing	<input type="text"/>
(see Table 2 for breakdown by type, size and location)	
b. Decent homes activity on LA housing stock	<input type="text"/>
c. Private sector decent homes and regeneration activity	<input type="text"/>
of which	
i. Share for decent homes activity	<input type="text"/>
ii. Share for regeneration activity	<input type="text"/>
d. Mixed communities	<input type="text"/>
(we appreciate that there may be overlaps between entries under d. and entries under c.ii. If it is not possible to distinguish between these two please simply group expenditure under one heading only)	
e. Housing related expenditure not covered under any of the above	<input type="text"/>

Please provide details of activities covered under e. above

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Table 2: Affordable housing

All entries for this table should be expressed as % of **completed units**



3. Location - proportion of affordable housing by sub-region

(please enter the name of the sub-region and corresponding % share using as many boxes as needed)

Sub-region	%
<input type="text"/>	<input type="text"/>
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4. Strategic sites - please set out below any strategic sites identified at present