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Andrew Wells
Director of New Homes and Sustainable Development Directorate
Department for Communities and Local Government
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Dear Andrew

Regional Housing Pot 2008-11: Advice on the division of our overall allocation between the three work streams funded from the Regional Housing Pot (affordable housing, local authority decent homes, and private sector decent homes and regeneration)

In response to your letter of 16th October, the East Midlands Regional Assembly Regional Housing Group's advice is set out below. Much of this draws upon the Region's previous advice submitted to your Department within the East Midlands Regional Housing Investment Strategy 2008-11.

Comments on the overall proposals and formula.

We are dismayed that our regional allocation, whilst an increase on 2007-8, is one of the smallest England-wide. We question the allocations on two counts.

Firstly, annual outputs for individual regions are not easily reconciled with regional allocations. For example, Yorkshire & Humber has a significantly higher allocation than the East Midlands (£559m compared to £437m) but is only required to produce the same annual average outputs as ourselves. Whilst we do not wish to question the allocation to any other individual region it is not possible to illustrate this without an example. We are aware that some of this difference will be explained by higher unit costs and programme differences in some regions. Nonetheless the figures appear anomalous and

difficult to reconcile with what we know about the need for new housing in the region.

Secondly, we are unable to see how the approach used to determine the allocations has taken account of projected growth. This is a major factor for the East Midlands as we have been prepared to accept our share of new housing growth and have done so co-operatively.

Growth in the East Midlands comes not just from the South East. We also experience net migration flows in from every other surrounding region, as shown in the map enclosed (New Average Migration 2001-2005 between the East Midlands HMAs and English Regions). It is, therefore, disappointing that this has not been taken into account – particularly so given that the minimum targets set out in your letter would still only deliver one-third of the social rented units proposed annually in the draft RSS.

Naturally, we note the creation of the £200m per annum “Growth Support (Affordable Housing) Fund” which offers the potential to bid for additional funding to LAs within Growth Areas and Growth Points. However, the constraints placed upon this fund mean that it may be unlikely to be widely bid for other than in the southern-most parts of our region. It is, therefore, still only a limited response to additional growth.

Failing to give due weight to Growth appears to us to be perverse and unlikely to grow housing supply in the way that is needed. We question, therefore, how the allocations proposed are going to address the need for meeting future demand in growing areas and would welcome a response from your Department.

Our overall approach

We estimate that delivering an average of 1,800 social rented units and 800 LCHO units per annum, as set out in the minimum average annual output levels for this region in your letter, will cost a minimum of £100m in 2008/9.

We have used this figure, and what we know about likely costs for Local Authority Decent Homes as the basis for budget headings for each of the work streams. For 2009/10 and 2010/11 we have applied the 73% budget share (agreed for New Affordable Housing stream during our consultation for the Regional Housing Investment Strategy) to the increased amounts available over and above the £100m baseline each year. This gives a broad indicative split as follows:

	2008/9	2009/10	2010/11
Local Authority Decent Homes	£20,000,000	£20,000,000	£20,000,000
Private Sector Decent Homes & Regeneration	£18,000,000	£19,890,000	£22,320,000
New Affordable Housing (excl. G&T)	£100,000,000	£105,110,000	£111,680,000
Total	£138,000,000	£145,000,000	£154,000,000

The funding set out in your letter of 16th October (and, therefore, the split above) does not include provision for gypsies and travellers. As per your letter, we anticipate that additional funding will be made available for this.

Each section is dealt with in further detail below.

Affordable Housing

The proposed minimum average annual targets in your letter (1800 social rented units; 800 LCHO) are a 70/30% split by volume between the two categories. The region's previous advice submitted within East Midlands Regional Housing Investment Strategy 2008-11 (para. 56) set a benchmark for investment in LCHO of 20% of the affordable homes budget, to deliver a balanced programme and help meet the region's agreed policy objectives. This was expected to deliver about 39% LCHO by volume (assuming present levels of funding as at 2007/8 which broadly delivers a 60/40% split. This is a challenging shift in delivery.

Initial Housing Corporation modelling indicates that a baseline of £100m in 2008/9 is needed to deliver average outputs of 1800 social rented units and 800 LCHO. The region will be able to achieve the total outputs if taken over the whole of the three years. Outputs (and, therefore, funding) will have to be at higher levels in the following 2 years as Housing Corporation gears up output. It will not be possible to meet the minimum targets in 08/09 given the need to increase outputs from our present starting point. The indicative draft delivery profile below shows that rented home outputs rise steeply in both 2009/10 and again in 2010/11 to enable the overall three year target to be met.

These figures assume that the challenging efficiency savings envisaged by the Housing Corporation are met in full without slack and assume the affordable housing provider market reacts in accordance with these numbers.

The proposed figures give the following **indicative draft delivery profile**:

Year 1: Rent 1266 LCHO 820

Year 2: Rent 1963 LCHO 840

Year 3: Rent 2173 LCHO 752

Total: Rent 5402 LCHO 2412

Annual average: Rent 1801 LCHO 804

Included within this work stream is an expectation that mainstream affordable housing funding will also contribute to market renewal,, as set out in para. 25 of our Regional Housing Investment Strategy for 2008-11 (June 07):

“our approach to market renewal will be developed in the direction of support for the creation of mixed and sustainable communities and decent neighbourhoods through housing market projects delivered through mainstream affordable housing funding but continuing to use the

market renewal policy framework which the region has developed (appendix 3). Future market renewal projects will require strong alignment between economic and social aims and investments in the built environment including Decent Homes work. Links with Local Area Agreements will be important, and future projects will require effective leadership and commitment from Local Authorities and their communities. The Regional Assembly will be especially looking to encourage sub-regional work”.

Other Detailed advice: Regional priorities for affordable housing.

Extensive consultation was undertaken to inform the draft Regional Housing Investment Strategy for 2008-11, which was submitted to Government in June 2007. Unless the minimum affordable housing targets now proposed necessitate a change, we do not propose any changes to the detailed advice already submitted. These are repeated below for reference.

Levels of Homes with 3 or More Bedrooms

The Region’s advice on levels of homes with 3 or more bedrooms is contained within its existing advice on sub-regional/HMA priorities and BME housing needs. There is no change to this existing advice.

Supported Housing

The Region’s existing advice is unchanged: in order to ensure that individual needs are met via supported housing, a share of the affordable housing share would be invested in supported housing schemes and we would expect to see greater coherence between capital and current expenditures in this area. For further detail see the East Midlands Regional Housing Investment Strategy 2008-11 paras 66-71

Rural Affordable Housing

The Regional Assembly has already proposed a spread of funding between settlements of different sizes, with some uplift in Village and Market Towns floor targets. We await further dialogue with CLG to discuss the regional implications of the commitment in the Housing Green Paper to set a national target for rural affordable housing over the CSR07 period.

Meeting BME housing needs

Meeting BME needs and the needs of families should be a theme running through all provision and points to keeping a flexible approach at local level on the type and size of affordable housing to be delivered. For further detail see the East Midlands Regional Housing Investment Strategy 2008-11 para. 77.

Gypsies and Travellers

The Regional Assembly has not yet been advised about provision for gypsies and travellers for 2008-11 but expects to channel additional funding made available through the Regional Housing Pot, as at present.

Broad Geographical Location

At this time, the Regional Housing Group is not minded to depart from its existing advice submitted as part of the East Midlands Regional Housing Investment Strategy 2008-11. However, the Group will receive regular reports from the Housing Corporation to help keep this under review.

Local Authority Decent Homes

Our previous advice to your Department (Regional Housing Investment Strategy 2008-11 produced June 2007) was that £22,192,000 was likely to be required for this work stream, effectively holding the figure allocated during 2007/8.

It is reasonable to expect that this figure should have reduced as some Authorities reach the end of their programmes, and should continue to reduce as 2010 approaches. We have, therefore, been working with all Local Authorities retaining ownership and management of their housing stock to confirm the funding required to support Decent Homes Programmes within their own stock

This has produced a revised estimate of **£20m per annum** for this work stream during 2008/9, based upon responses from the majority of stock-owning Authorities. We will continue to keep this figure under review for subsequent years.

Private Sector Decent Homes, Regeneration and Mixed Communities

In 2008/9 the balance of £18m will be available to support this work stream. In 2009/10 and 2010/11, it is expected that an increased share will be available, reflecting the on-going need for support.

Interventions supported under this work stream should also contribute to the achievement of affordable warmth and independent living targets.

The RHG has previously signalled its intention to support delivery via interventions based upon **loans schemes and equity release** but there has been little take-up within the Region. The RHG will undertake work during 2008-9 to undertake such feasibility work as may be required, including consultation with those who have established similar schemes in the West Midlands and Yorkshire & the Humber. To that end, the RHG will allocate a small proportion of the total available for this work stream (around £700,000 or 0.5% of the total RHP per year) to support research such as this and/or to develop sub-regional capacity.

Yours sincerely



Cllr Gary Porter
Vice Chair, Regional Housing Group

Cc Gillian Merron MP