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Anthony Mayer  
Greater London Authority

Chief Executives  
Regional Assemblies

**HOUSING INVESTMENT IN THE REGIONS: REGIONAL HOUSING POT 2008-11  
- PROPOSALS FOR REGIONAL ALLOCATIONS**

**This letter sets out proposed regional allocations drawn from the Regional Housing Pot for 2008-11 and seeks comments on the proposals. It also asks for advice on the division of each Regions' 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) and, in more detail, on regional priorities for affordable housing.**

1. As you will be aware, the Department's Comprehensive Spending Review (CSR07) settlement has recently been announced. This means that I am in a position to set out what this means for the Regional Housing Pot over the three year CSR07 period and to seek comments and further advice.

***Regional Housing Pot funding 2008-11***

2. Nationally, the levels of funding that have been made provisionally<sup>1</sup> available for the Regional Housing Pot over the years 2008-11 are summarised in the table below:

£m	2008-09	2009-10	2010-11
<b>Totals</b>	3,138	3,413	3,728

Table 1 – Total Regional Housing Pot funding

3. These levels represent very significant increases on funding for previous years – increases of 16/25/34% in comparison with 2007-08 levels. They represent a very real opportunity to tackle the challenges generated by changes in the housing markets right across England.

<sup>1</sup> As you will know, all funding for future years is provisional until that year in order to allow for possible reductions to reflect contingencies.

- Communities and Local Government has committed to some challenging targets for outputs centring on the National Affordable Housing Programme. The Housing Green Paper published in July of this year, committed us to delivering 70,000 additional affordable homes annually by 2010-11 of which 45,000 are to be social rented units. We are also aiming to provide at least 25,000 new shared ownership and shared equity homes a year by 2010-11. These targets and the funding to support them underline the priority that Ministers attach to helping the increasing numbers of households across all regions who are unable to access housing suitable to their needs.

#### **Regional allocations 2008-11**

- Our proposals for the distribution of the Regional Housing Pot across the regions are set out in Table 2 below:

£m	2008-09	2009-10	2010-11
<b>North East</b>	88	95	100
<b>Yorkshire &amp; Humber</b>	173	188	198
<b>East Midlands</b>	138	145	154
<b>East of England</b>	233	265	292
<b>London</b>	1,205	1,303	1,462
<b>South East</b>	407	458	507
<b>South West</b>	235	264	290
<b>West Midlands</b>	206	228	245
<b>North West</b>	254	267	280
<b>Growth Support</b>	200	200	200
<b>ENGLAND</b>	<b>3,138</b>	<b>3,413</b>	<b>3,728</b>

Table 2 – proposed Regional Housing Pot regional distribution

- The distribution has been calculated using a needs based approach drawing on the indicators on which we consulted last year [and moderated by Ministers' wish to ensure all Regions receive a cash year on year increase of 5% on 2007-08 actuals]. The paper attached to this letter sets out details of the methodology and the indicators used to assess need.

#### **Your comments on the methodology we have used would be very welcome.**

- Alongside the proposals set out in the table above, Ministers propose to set up a "Growth Support (Affordable Housing) Fund" totalling £200/200/200m which will be made available through the National Affordable Housing Programme for bids drawn from the regions adjoining London and local authorities falling within the Growth Areas or Growth Points. Bids will only be accepted if they meet the condition that the relevant local authorities have agreed to allow a proportion (at least 30%) of the resulting affordable housing available to London boroughs through the Pan-London Choice and Mobility Scheme. In the event that suitable bids are not forthcoming, the remaining funding will be added to the London part of the National Affordable Housing Programme. The Fund will be centrally administered by the Housing Corporation.

8. As far as possible, our proposals also pick up on the priorities you identified in June of this year in response to Yvette Cooper's request for advice before the CSR07 outcome was known. However, the nature of the CSR07 settlement has not made it possible to simply scale up your advice.
9. This letter does not set out proposals for the split for each region between the three priorities (affordable housing; local authority decent homes and private sector decent homes and regeneration) funded from the Regional Housing Pot. Ministers are keen that, as far as possible, that should be a matter for regional discretion.

**This letter, therefore, formally seeks your further advice on the split between these work streams in your region.**

### **Affordable housing**

#### *Minimum outputs*

10. In considering your proposals for the funding split, Ministers will want to ensure that the affordable housing outputs to which they have committed themselves in the Housing Green Paper will be achieved. With this in mind we have prepared a draft distribution of the outputs sought across the Regions expressed in average annual outputs across the CSR07 period. This is set out in Table 3 below. **Ministers view these output figures as minimum levels for each region.**

Units	Average annual outputs for 2008-11	
	Social	LCHO
<b>North East</b>	700	400
<b>Yorkshire &amp; Humber</b>	1,900	700
<b>East Midlands</b>	1,800	800
<b>East of England</b>	4,700	3,200
<b>London</b>	9,300	4,700
<b>South East</b>	6,300	4,600
<b>South West</b>	4,300	1,900
<b>West Midlands</b>	2,400	1,200
<b>North West</b>	2,300	1,000
<b>TOTAL</b>	<b>33,700</b>	<b>18,500</b>

Table 3 – Minimum levels of affordable housing outputs for each region. Note: LCHO figures exclude demand led RTA and Social HomeBuy

11. Each regions' proposals for a funding split will have to be based on sufficient funding for affordable housing to deliver at least the levels of affordable housing set out in the table above. The levels in the table incorporate some assumptions about the levels of efficiency to be achieved in each region. The Housing Corporation will be seeking to ensure challenging efficiency savings in each region through its bidding round.

#### *Detailed advice*

12. As you know, the Housing Corporation's bidding process for the National Affordable Housing Programme is already in progress. The prospectus which underpins this process reflects the advice you provided in June. But **we would welcome your further advice in the light of these proposals both on the balance between social rented and intermediate housing in your region, levels of homes with 3 or more bedrooms, levels of other specialist products (for instance supported housing) and broad geographical location.**
13. As part of the bidding process, we would also be grateful if you could review recommendations for other first time buyers for priority access to low cost home ownership assistance, alongside the Government's priority groups.

#### *Rural affordable housing*

14. You will already be aware of the commitment in the Housing Green Paper to set a **national target for rural affordable housing** over the CSR07 period. Members of my team will be contacting your officials over the next few weeks to discuss levels for this target.

#### *Gypsies and travellers*

15. The funding set out in this letter does not include provision for **gypsies and travellers**. Arrangements are being finalised, but it is anticipated that the additional funding to be made available will be channelled through the Regional Housing Pot. You will be contacted with details in the next few weeks.

#### **Decent homes, regeneration and mixed communities**

16. In arriving at a view on the distribution of Regional Housing Pot funding between the three work streams, you will wish to bear in mind commitments entered into under Options Appraisals agreements in arriving at levels of funding for **local authority decent homes** activities.
17. For the **private sector decent homes, regeneration and mixed communities** element of the pot I expect regions to continue to give priority to those most in need and to co-ordinate funding streams, both public and private, including the Warm Front programme and measures delivered by the energy suppliers under the Energy Efficiency Commitment to maximise outputs. Mixed communities remain a Ministerial priority we would expect funding priorities to take account of possible initiatives to promote mixed community outcomes.
18. Within the freedoms and flexibilities available to local authorities to determine their priorities Ministers expect that packages of assistance made available to individual homeowners should have the objective of ensuring that resources can be used more efficiently and effectively to help more people with reduced reliance on funding from public resources. Since 1991 the average price of a vulnerable person's home has more than doubled from £60,000 to £155,000 in 2005. Ministers would, therefore, expect local authorities to make full use of the powers available to them under the Regulatory Reform (Housing Assistance)

(England and Wales) Order 2002 (the RRO) to offer loan or equity release packages. Further advice is set out in ODPM Circular 05/2003.

19. Any loans scheme receiving public funding should have the long-term objective of becoming self-financing. Schemes would not necessarily operate within a single government office geographical region but should build on existing good practice, and have regional or sub-regional coverage such as the Kickstart programme in the West Midlands where groups of local authorities are working in partnership to maximise the available resources and their impact. We expect such approaches to be replicated in every region to accelerate the transition from grants to loans. Suggested delivery models can be found in the CLG report *Loan finance to improve housing conditions for vulnerable owner occupiers*.

### **Next steps**

20. It is important that we receive your views on the proposed allocations in this paper in time to influence the Housing Corporation's bidding round for the National Affordable Housing and to give you sufficient time to form views on allocations from the Regional Housing Pot to individual local authorities for decent homes and regeneration activities. With this in mind, I would be grateful for responses by **2 November 2007**. Responses received after that deadline may be too late to be reflected in the Housing Corporation's assessment of bids and our announcement of final provisional allocations. Responses should be sent to Nazma Begum, Communities and Local Government, Zone 2/G1, Eland House, Bressenden Place, London SW1 5DU (email: [nazma.begum@communities.gsi.gov.uk](mailto:nazma.begum@communities.gsi.gov.uk)).
21. As in the past, once the regional distribution is finalised, my team will be in touch with you to seek your recommendations for allocations to individual local authorities to support **decent homes** activities in both the public and private sectors together with **regeneration (including mixed communities)** programmes.

**Andrew Wells**