

# West Midlands Regional Assembly

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Mr Andrew Wells  
Director of New Homes and Sustainable Development Directorate  
FAO: Nazma Begum,  
Communities and Local Government,  
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London  
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2 Nov 2007

Dear Mr Wells

## **Housing Investment in the Regions; Regional Housing Pot 2008-2011**

Thank you for your letter of 16 October 2007 in which you present the Minister's intentions for the Regional Housing Pot (RHP) and seek the advice of the Regional Assemblies. You have asked for a response by 2 November. Whilst we appreciate the difficulties of synchronising your decision making on this with the Housing Corporation bids round, it is appropriate for us to point out the very inadequate time scale this leaves in which to conduct adequate inclusive discussion on what is a substantial shift in emphasis on the use of the RHP in this Region from that recommended to Ministers in June this year.

The Regional Housing Executive welcomes the increase in the size of the Regional Housing Pot and acknowledges the above national level increase afforded to the West Midlands. We fully acknowledge the Government's ambition for economic growth which we share and the increase in the RHP is a welcome help in achieving this goal. The acknowledgement by Government of the West Midlands Region's affordability problems and its need for more affordable housing is a positive response to our pressing housing requirements.

Although our initial response has been to welcome the increase in resources, this has had to be muted necessarily as a consequence of having to bow to the minimum delivery targets you have set the Housing Corporation and their development partners which will result in major reductions in the Local Authority side of the programme. The Regional Housing Executive (RHE) has met and considered your proposals, and in the light of clear messages from the GOWM and Housing Corporation as to the likely adverse consequences for the Region if Ministers intentions are not met in full, the RHE has acceded to your requirement that the minimum affordable housing delivery set out in your letter be funded. A diagram (Figure 1) is attached which shows how the revised advice on the allocation of the Regional Housing Pot 2008-2011 is structured.

We are not being churlish when we have to draw your attention to the real imbalance that your requirements will precipitate to the detriment of many, including the more vulnerable in our communities. I realise this is not what you want to hear, but I must leave you in no doubt about several very serious reservations which I would be obliged if you would take note of, and if possible address in a positive manner.

These issues are,

- The very negative effect on the Local Authority Housing Capital Programmes and the communities they serve, both rural and urban,
- The effective removal of the flexibilities Local Authorities needed in order to address the multiple problems they face, with especially dire implications for rural authorities and potential problems for local authorities with CLG commitments of funding to ALMOs.
- The impact this approach can be predicted to have on the preparation of urban sites for redevelopment for affordable and market housing,
- The negative effect on the pace and drive towards Urban Renaissance that the reduction in the local authorities' programme will cause, particularly if coupled with direct funding cuts for market renewal Pathfinders,
- The accumulation of serious problems in other areas of housing need,
- The consequences for vulnerable people felt in increase demands on Social Services, Supporting People and Health budgets,
- The risk that the NAHP will not be able to deliver the scale of programme envisaged in three years and,
- The risks to future Sub Regional Working.

In the light of the imbalanced effect your requirements will have in their overall impact we ask you to reconsider the high level split between the NAHP and the capital intended for Local Authorities. This would enable all partners in the West Midlands Region to work constructively and positively towards our shared goals of meeting the need for more affordable housing, addressing the needs of vulnerable people in the existing housing stock and facilitating the growth we aspire to deliver.

### Effect on the Local Authority Housing Capital Programmes.

The fact of the matter is that the increase in the RHP for the Region does not cover the increase in affordable homes target you have set. Having worked this through with the Housing Corporation the estimate is that the 3600 homes per year will require £467.16 M<sup>1</sup> over the three years. This would leave £211.84 M for the Local Authority Programme over three years. In order to deliver the full 3600 affordable homes per year the split of the RHP will need to be 69% for the National Affordable Housing Programme (NAHP) and 31% for the Local Authorities. The position over the previous two years has been 48% NAHP and 52% LA.s. In actual allocations the Local Authorities side has to be reduced by £83M over three years compared to the level they were at in 2006/07 and 2007/2008.

Many local authorities are concerned that this low level of funding removes the flexibilities they need in order to address the multiple problems they face and respond to newly emerging issues.

Please note the Decent Homes (local authority) programme is maintained in accordance with the business plans agreed with GOWM.

In line with your clear steer to promote equity loan (RRO) private sector improvements the Kickstart model will be taken further. Together with local authorities, Government Office and other partners we will attempt to maximise both the number of authorities involved and the extent of the business turnover so the maximum private sector leverage can be obtained. This success has been anticipated and the revised funding split to release resources for the NAHP in the West Midlands reflects this. Although we do anticipate being able to realise some reduction in the level of funding required for private sector renewal as a result of the anticipated future success of Kickstart, we must stress that equity release loans are not a panacea for all the private sector. Continued capital support for local authorities will be required to assist some vulnerable households, both owner-occupiers and those in the private rented sector where asset values are not high. There remains disquiet that all our private sector improvement 'eggs' have been forced into 'one basket'.

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<sup>1</sup> Please see Table 1 attached

In terms of real consequences there are several other areas of programme activity which will suffer. Of widespread concern in the urban areas is the impact this approach can be predicted to have on the preparation of urban sites for redevelopment. The process of clearance, demolition, site treatment and assembly as well as CPO action are all threatened and at the very best slowed down. This may have adverse consequences for the commitment of the NAHP in priority areas.

The places where the negative effect of the reduction in the local authorities' programme will be felt are such places as,

- Peripheral estate renewal, especially in the Black Country, Coventry, Stoke and Birmingham,
- Pathfinder renewal, both in Stoke / Newcastle under Lyme and Urban Living in Sandwell / Birmingham,
- the wider Black Country urban renaissance strategy currently with Government for confirmation of the RSS Phase 1 revision,
- the Black Country & Telford 'evolve' programme of market intervention,
- the similar East Birmingham / North Solihull programme of market intervention, both of which are particularly promoted in the Regional Housing Strategy (2005).

Whilst an increase in affordable housing is welcome, if it can be delivered, the imbalance of funding we now face could undermine the ability of the major urban areas to deliver the sites, not just for affordable housing but for the full range of tenures the RSS and its Phase 2 revision envisages in the Preferred Option about to be submitted to you.

The problems associated with delivering affordable housing in rural areas are not easily overcome and neither the Local Authorities, nor the RSLs, will be helped by simply setting targets. You will be aware this is a complex area that is not susceptible to simplistic solutions. The challenge is made harder for all involved when the unit grant rate is under such pressure from the associated efficiency savings the Housing Corporation has to find.

As for rural local authorities, the reduction in scale in the consequent capital funding available, may leave some woefully short, effectively removing their capacity to exercise discretion in responding to the housing needs they face.

The reduced level of Local Authority housing funding is expected to accumulate problems in other areas of housing need and wellbeing over the next three years. This leads one to suspect you will then have to respond by a countervailing shift of funding down the line. This imbalanced swing of emphasis is very unhelpful in terms

of good governance and local authority relationships with RSLs, developers, and communities. Such a rebalancing will be essential but it would be preferable if you avoided this eventuality altogether by allowing a more balanced programme for 2008-2011.

The lower level of funds for local authorities to effect change in the major urban areas is bound to slow down rates of change and postpone progress on Urban Renaissance. It is likely that the ability of local authorities to act strategically in terms of developing new initiatives, in understanding and managing housing markets and in continuing to support small or single unit developments by RSLs without NAHP funding, but meeting a specific local need will all be undermined. This runs counter to the Regional Spatial Strategy and is unhelpful in furthering the achievement of the Regional Economic Strategy which needs a good housing stock and housing environment to attract and retain investment.

### Risks for the NAHP

An increase in the affordable housing programme is in and of itself welcome and the priority given to this is necessary. The RHE has noted the minimum nature of the targets for affordable housing and has heeded the advice of GOWM and the Housing Corporation that it is really not open to the Assembly to deviate from these.

In order to manage the increased scale of programme we have agreed with the Housing Corporation that the programme should be increased in progressive stages over the three years whilst not prejudicing the lower levels of local authority capital spend. The levels of resources which have been indicated to come to the region over the three year period will present some challenges to the delivery of the affordable housing programme. In order to ensure delivery of the minimum levels of completed homes in the region, it will require some significant investment in the first year of the programme to allow developer providers to commence schemes which will be able to deliver completions in years 2 and 3 of the programme.

The annual levels of funding indicated to come from CLG show that NAHP investment in years 2 and 3 will be greater than that invested in year 1 of the programme, in other words the opposite of the spending profile required to ensure the delivery of the minimum outputs.

For the reasons mentioned above and the usual development timescales there is real doubt voiced by the RHE and local authority advisors as to whether your average targets can be met in the short run, even given the staged approach. It is for this and the other reasons given in this letter that we seek a renegotiation of the split of the RHP between the NAHP and the Local Authorities, notwithstanding the RHE agreeing to the minimum affordable housing targets, albeit somewhat under duress.

Given the weight of funding now intended for the RSLs and other development partners with access to Social Housing Grant, and given the absence of funds for site assembly, CLG and the Housing Corporation are asked to facilitate a greater role for development partners using their funds to bring forward difficult and brownfield sites for development. The Regional Allocations Strategy submission in June 2007 identified a number of strategic sites which it is anticipated should require investment over the next five years. It is considered that this list will now need to be reviewed given the constraints on local authority funding which would have facilitated land assembly in the three year period but may not now be possible as originally planned.

### Risks to Sub Regional Working

The autocratic approach of Government to this process may achieve the affordable housing targets but at the cost of seriously undermining the voluntary basis of local authorities working together in Sub Regional Housing Market Area Partnerships. Local authorities worked together in their Sub Regional Housing Market Area Partnerships to assist the Regional Assembly in preparing its advice to Ministers in June this year. This approach to joint Local Authority working is something CLG have welcomed in the West Midlands and it is clear from several policy and consultative documents you have published over recent months that you wish to see this approach developed and strengthened.

The manner of your prescription that the RHP must be used to deliver a minimum affordable housing programme to the detriment of the local authority programme may well undermine the positive motivation for further sub regional working. It is feared the outcome of this process will hinder the development of future sub regional working on housing if programme areas such as works to existing stock and help for vulnerable people in their own homes is not maintained at a satisfactory level.

### Consequences for Other Sectors

We referred above to the cumulative negative consequences of limited funding being provided for other housing activity, other than increasing the supply of affordable housing. RHE members pointed out the way in which the consequences for vulnerable people will be felt in increased demands on Social Services, Supporting People and Health budgets. Please consider this further before committing the RHP so that a rebalancing of priorities can be agreed to minimise the additional burden on other sectors' budgets.

In Conclusion,

The RHE wish to convey their very serious and strongly felt disquiet at the lack of real discretion involved in this process, the consequences this approach will have for both Local Housing Authority delivery and for the development of sub regional housing market area working between Local Authorities and Regional bodies.

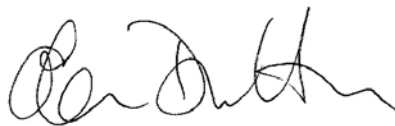
The Regional Housing Strategy (2005) sought to address the West Midlands Region's housing problems in a balanced manner, certainly focussing upon the lack of affordable housing but also trying to prepare the ground (literally) for the Urban Renaissance of the major urban areas.

We would like to discuss with you the potential for agreeing a rebalanced use of the RHP with an acceptance that the NAHP is too demanding, without the West Midlands Region suffering punitive financial consequences in either side of the RHP programme. Either that, or in the unlikely event you can find more funds add these to the local authority side of the capital expenditure.

We regret having to write to you in this manner but the position we feel placed in warrants your careful reconsideration. We wish to discuss these matters with you and senior CLG colleagues as soon as possible. Please contact the Director of Policy, Rose Poulter on 0121 678 1024 so that the necessary arrangements can be made.

Some tables accompany this letter and the June pro forma is resubmitted accordingly.

Yours sincerely,



Olwen Dutton  
Chief Executive  
West Midlands Regional Assembly



Cllr John Lines  
Chairman  
West Midlands Regional Housing  
Executive

<b><u>Table 1 Government New Build Affordable Programme for the West Midlands</u></b>			
Annual Govt Target			
3600 homes made up of	<b>@ £M Grant per unit<sup>2</sup></b>	<b>£M per yr Social Housing Grant</b>	<b>3 yr Social Housing Grant requirement £M</b>
2200 general family	0.05	110.0	
200 supported housing <sup>3</sup>	0.09	18.0	
1200 LCHO	0.022	27.72	
<b>Total</b>		<b>155.72</b>	<b>467.16M</b>

<sup>2</sup> Using rates estimated by the Housing Corporation.

<sup>3</sup> Agreed with the Housing Corporation.

