

LONDON HOUSING BOARD

FUNDING SUBMISSION TO MINISTERS

Introduction

1. The establishment of the London Housing Board has provided an exciting opportunity for key statutory organisations in London to have a real say in how to tackle the serious housing problems in the capital. The Board is functioning well and has developed an excellent working relationship with a wider group of key stakeholders through the Housing Forum for London. There is strong support for the London Housing Strategy from the Board and the Forum.
2. The Board is recommending a balanced set of funding proposals, which include several new funding schemes with innovative approaches, for example making better use of local authority and other public sector assets with low or no subsidy, as well as ensuring that existing programmes continue to deliver decent homes and create more affordable homes, including homes for key workers,
3. The London Housing Strategy 2003 provides the basis for the Board's funding proposals. The Board has taken account ODPM Ministers' guidance on national priorities and targets for housing set out in Tony McNulty's letter of 7 February 2003 to chairs of Regional Housing Boards.
4. The funding proposals also link with the funding streams of other key Government programmes in London, notably the European Structural Funds, Neighbourhood Renewal Unit and London Development Agency programmes.
5. In this submission the Board makes recommendations about the allocation of funding for 2004/5 and 2005/6 from the new single regional capital pot. In the autumn the Board will start to look at London's longer-term housing needs. The Board has invited the Prime Minister's Strategy Unit, which has recently completed an analysis of the long-term issues facing London, to assist it in considering the longer-term strategy.

Available resource

6. The Communities Plan announced that £4.7bn is being provided for housing investment in the three regions in the south east, i.e. London, South East and East, distributed over the three years from 2003/4 as follows:

2003/4 (based on existing funding arrangements, i.e. HIP and ADP)-	£1,573m
2004/5 (single regional capital pots)	- £1,558m
2005/6 (single regional capital pots)	- £1,605m

7. Ministers will decide the distribution of this funding between the three regions for 2004/5 and 2005/6 in the light of Regional Housing Strategies and advice from the three Regional Housing Boards. On the basis of the current allocation of HIP and ADP between the three regions, it is estimated that London's share would be in the

order of £1,078m in 2004/5 and £1,110m in 2005/6. The Board has used these 'indicative' figures for planning purposes.

9. ODPM have advised the Board that the local authority component of the single regional pot (i.e. HIP) for London is £292m for 2004/5 and £303.5m for 2005/6.

10. The discretionary element of the single regional housing pot in 2004/5 and 2005/6 is limited by the Communities Plan requirement that to avoid excessive fluctuations in funding, 70% of the local authority component of the single regional pot (i.e. what was formerly known as HIP) should be allocated to local authorities by the existing formulaic measure of need.

11. Subtracting the HIP element from the indicative totals provides an estimated ADP component for London of £786m for 2004/5 and £806.5m for 2005/6. The Housing Corporation has authority to meet existing commitments and to pre-allocate up to 80% of ADP in 2004/5 and 70% in 2005/6. Taking these constraints into account, the Board has estimated that the 'discretionary' element will be in the order of £250m in each year.

£m

	2003/4 (actual)	2004/5 (estimated)	2005/6 (estimated)
HIP	270	292	303.5
ADP (including Challenge Fund)	743	786	806.5
Single regional capital pot		1,078	1,110

Key Funding Issues

12. The scale and complexity of London's housing problems inevitably mean there are competing priorities for investment. The Board believes that the key funding issues are how to ensure:

- funding for new supply is directed to social rented accommodation to assist those in the greatest housing need and to help achieve the homelessness targets;
- a proportion of investment goes to key worker housing, bearing in mind the Communities Plan commitment for at least £1bn for key worker in London, South East and East;
- funding is best targeted to meet the decent homes target;
- housing investment plays a role in regeneration schemes that receive their primary funding through other sources, for example for housing elements of NDC schemes in London;
- promotion of cross-borough working and effective targeting of housing investment through a sub-regional approach.

Proposed funding allocation

13. Following in-depth consideration of the national and London Housing Strategy targets and priorities and the key funding issues set out above, the Board recommends funding for London for 2004/5 and 2005/6 from the single regional housing pot as follows:

- £11m is top sliced from the discretionary element in each of 2004/5 and 2005/6 for private sector renewal
- In line with the Communities Plan, 70% of the local authority component of the single regional pot for 2004/05 (£202m) and 2005/06 (£210m) allocated to boroughs on formulaic (GNI) basis.
- £43.5m in 2004/05 and £45m in 2005/06 for local schemes that can deliver new supply and schemes that make use of local authority assets to delivery affordable housing and to provide housing for key public sector workers;
- £43.5m in 2004/05 and £45m in 2005/06 for local authority regeneration schemes that have been through a robust business planning process and contribute to the creation of sustainable communities, decent homes, better places and improve liveability.
- £778m in 2004/05 and £799m in 2005/06 for ADP schemes split as now with 85% for new supply and 15% for regeneration schemes with net addition to supply.
- £108m in 2004/05 and £111m in 2005/06 of ADP provide key workers housing.

Summary table

14. The following table summarises the Board's funding recommendations, where possible showing outputs from the proposed investment.

	2004/5 £m	2004/5 units*	2005/6 £m	2005/6 units*
Private sector renewal	11		11	
Needs based allocation to local authorities	202	x	210	x
Local schemes delivering new supply	43.5	450	45	460
Local authority regeneration schemes	43.5	x	45	x
ADP new supply	778	8600	799	8830
of which key worker housing	108	2000	111	2050

Total	1,078	9050	1,110	9290
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* Units of new supply of affordable housing

x These funding schemes will deliver some new supply but difficult to quantify how much

Private sector renewal

15. The Communities Plan provides for £30m nationally to be targeted from the single regional housing pots in each of 2004/5 and 2005/6 to private sector renewal.. The Board believes that London's "share" of the £30m (£5.5m in 2004/5 and 2005/6) is unlikely to make much impact on the needs of low income/vulnerable householders/tenants in London and recommends that this should be matched by another £5.5m from the London single regional pot to provide £11m in each of the two years. The £11m in each year would be top sliced from the discretionary element in each of 2004/5 and 2005/6 for private sector renewal in proportion to the current HIP/ADP split.

16. Of the £11m in each year, £1m should be allocated to pan-London initiatives including expanding and rolling out to all London boroughs the Houseproud housing investment trust. The remaining £10m to be allocated to the five London sub-regions to support schemes in line with criteria that would be agreed by the London Housing Board. The criteria would include:

- fit with wider national, regional and sub-regional objectives;
- cross-borough support;
- demonstrate partnership approach and lever in private sector resources;
- represent good practice that could be replicated in other sub-regions.

Local authority allocations

17. On behalf of the Board, GOL, in conjunction with the ALG, has collected information from all London boroughs on the implications for their housing programmes of a 30% reduction in their HIP allocations. This asked for implications for achieving the Decent Homes target, for schemes to produce new supply and for regeneration schemes. 11 boroughs said that they would still be able to meet the Decent Homes target by 2010 but later than planned. Four boroughs reported that they would not be able meet the Decent Homes target. GOL is undertaking intensive work with the four boroughs and three other boroughs who may be at risk in not achieving the Decent Homes target to gain a more detailed understanding of the position in each of the boroughs and what might be required to help them reach achieve the target. The outcome of this work should be available by end August. It is therefore proposed that a proportion of the new funding stream for local authority regeneration schemes should be held back to assist boroughs that may need a small amount of additional funding to help them achieve the Decent Homes target.

18. Against this background, the Board recommends that each London borough receives a 70% HIP allocation on a GNI needs based formula. Individual allocations for each London borough are shown at Annex A. The impact varies between boroughs.

Funding stream for local schemes for new supply of affordable housing

19. The Board proposes that half of the discretionary element of the Local Authority component should be directed to a new funding stream that would enable local authorities to come forward with innovative schemes that add to the supply of

affordable housing, including key worker housing. This will include schemes that make better use of local authority and other public sector assets in order to stretch public subsidy further. The Board recommends that £43.5m in 2004/5 and £45m in 2005/6 should be allocated to this funding stream.

20. Bids for funding from this stream would be submitted to the Housing Corporation to the same timetable as for the ADP but against specific criteria developed by the Board. The bids would be considered by the five Sub-Regional Housing Partnerships in London who would make recommendations to the Board. The Board will make decisions on the bids. The Housing Corporation would handle the administration of the funding.

Funding stream for local authority regeneration schemes

21. The Board proposes that the other half of the discretionary element of the Local Authority component - that £43.5m in 2004/5 and £45m in 2005/6 - should help fund local authority regeneration schemes that contribute to the creation of sustainable communities, decent homes, and improved liveability. A proportion of this funding may be put aside each year to help meet identified needs following the work that GOL is undertaking with a number of local authorities at risk of not meeting the Decent Homes target – see paragraph 16.

22. The Board would decide on the allocation of funding from this stream against criteria that would be developed but which in addition to this the general criteria of net gain via replacement and new housing, may also include

- Robust business planning , including options appraisal, carried out
- Maximum use made of opportunities for cross subsidy from outright sale and market renting;
- Scheme is deliverable and timetable realistic.
- Support of tenants/residents
- Creates mixed (sustainable) communities

23. Funding would be allocated to local authorities by way of supplementary credit approvals. Taken together, funding for regeneration schemes through HIP, through ADP and this proposed new funding stream will provide more resources for regeneration projects than current delivered through housing investment.

Housing Corporation component

24. The Board recommends that £778m in 2004/05 and £799m in 2005/06 should be directed to the Housing Corporation to deliver new supply and regeneration schemes where there is net housing gain in the same proportion as currently in the ADP, ie 85% new supply/15% regeneration. This will deliver approximately 8,600 units of new supply in 2004/5 and 8,800 units in 2005/6. This together with supply from the proposed new funding stream for innovative local schemes for new supply (see paragraph 18), section 106 schemes without grant ,and from other sources should enable us to meet the target in the London Housing Strategy of 10,000 new affordable homes each year.

25. In line with the objective in the London Housing Strategy for a 70%/30% split between social rented and low cost home ownership, this investment would provide 5323 social rented units in 2004/5 and 5480 units in 2005/6. When new supply of Temporary Social Housing units (about 600 in each year) are taken into account, this exceeds the current output of social rented units which is about 5,500 including Temporary Social Housing units.

26. The Housing Corporation will allocate this investment, including pre-allocations in line with the objectives and priorities in the London Housing Strategy. Further details including breakdown showing amounts that will be directed to new supply both for rent and low cost home ownership, pre-allocations, provision of special housing needs and modern methods of construction are shown at Annex B.

27. The Board is very keen to develop the cross-regional mobility agenda and proposes that £15-20m from the London ADP allocation be used to invest in housing in the East and South East. In the East where costs may be some 50% cheaper, the fund might provide for London boroughs to share nominations with the host Local Authority. This would mean the resource effectively doubled the output. In the South East, where costs are generally comparable, this might mean resources going to help unlock strategic developments or major opportunities that would have insufficient funding given current resource levels. The cost of London buying such nominations should not be greater than if it bought them in London.

Key workers

28. The allocation directed to the Housing Corporation will produce £108m of key worker housing in 2004/5 and £111m in 2005/6. This will give approximately 2000 and 2050 units respectively. In line with the London Housing Strategy, while acknowledging the priority groups on which the Government is focussing key worker housing assistance, i.e. health service staff, teachers and police officers, the Board believes there is a strong case to extend assistance to other key public sector workers including social workers, local authority planners and probation officers, to ensure the delivery of quality public services within sustainable communities. The Board wishes to give sub-regional housing partnerships a key role in identifying key worker housing needs.

Thames Gateway

29. The London Housing Board has been discussing with the ODPM Thames Gateway Strategic Executive the investment from the £446m announced in the Communities Plan for the Thames Gateway that might be directed to housing in the London part of the gateway. The Deputy Prime Minister's statement on 30 July 2003 "Making it happen – Delivering sustainable communities" announced funding of projects in the Thames Gateway, including four housing projects in the London part of the Gateway that will receive £10m in 2003/4 and £27m in 2004/5 –2005/6 producing 460 new affordable homes. There will further allocations for affordable housing schemes in London, including key worker homes, from the £446m.

10% more

30. Having achieved and exceeded current provision of new social rented units with the 'indicative' allocation, the Board believes that any additional funding for London should be split pro-rata between the ADP and the two new funding streams proposed for local schemes for new supply and for local authority regeneration schemes and. the ADP element of this additional amount would provide £79m in 2004/5 producing some 840 affordable homes of which around 190 would be for key workers (based on the 70/30% split between social rented and shared ownership housing in the London Housing Strategy). In 2005/6 this would provide an additional £82m producing a further 850 homes of which 193 would be for key workers. However, the Board would recommend directing a greater proportion of this additional funding to key worker housing.

31. The additional amount going to the two new funding streams would be £29m in 2004/5 and £30m in 2005/6 that would be split equally between the two. This would boost funding for local authority schemes providing more for regeneration schemes and decent homes, and new supply, some of which would include key worker housing.

10% less

32. If the London allocation was to be reduced by 10% the Board believes that this should be applied pro-rata across the funding streams. This would be quite damaging as it would result in fewer social rented units being produced than now and more London boroughs being unable to meet the Decent Homes target.