

LONDON HOUSING BOARD

LONDON REGIONAL HOUSING POT 2006-8: FUNDING RECOMMENDATIONS

Introduction

1. The London Housing Board is pleased to make recommendations about the allocation of housing investment for 2006-8 from the London Regional Housing Pot.
2. The London Housing Strategy 2005-16 provides the basis for the Board's funding recommendations. The Board is making a balanced set of proposals that are designed to increase the supply of affordable homes in London and deliver decent homes while also meeting some of the broader objectives in the Strategy. This includes a number of innovative approaches that resonate with themes in the ODPM 5 year Strategy 'Homes for All' and the Strategy Unit London Study report.
3. The Board's proposals are:

LONDON HOUSING POT 2006-08 £2,279m

<p>MORE AFFORDABLE HOMES</p> <p>£1,734 76%</p> <p>Social rented £1,331 77%</p> <p>New social rented £1,218</p> <p>Social rented - supported housing £60</p> <p>Social rented - extensions/deconversions to larger units £20</p> <p>Social rented - leased empty homes £30</p> <p>Gypsies & travellers sites £3</p> <p>Intermediate £403 23%</p> <p>Key Worker living £403</p>	<p>SUSTAINABLE COMMUNITIES £545 24%</p> <p>Local Authority decent homes £420</p> <p>Private sector decent homes £30</p> <p>RSL decent homes/adaptations £15</p> <p>Estate/Area Renewal schemes £60</p> <p>Temporary to permanent initiatives £20</p>
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4. The outputs from the Board's funding recommendations are summarised at Annex A.

Available resource

5. London has an allocation of £2.279m; £1,104.7m in 2006/7 and £1,174.6m in 2007/8.

6. The Board has received guidance from Ministers that requires:

- Additional funding (ie over and above that allocated to London in 2004-6) to be allocated to provision of new social rented units;
- A minimum of £403m to be allocated to the Key Worker Living Scheme
- Funding to support delivery of local authority decent homes as agreed or is being agreed through the Options Appraisal process

7. Guidance from Ministers also asks Regional Housing Boards' proposals to make provision for decent homes for private sector housing occupied by vulnerable households and for increasing provision for Gypsies and Travellers (new sites and refurbishment of existing sites).

London Housing Strategy 2005-16

8. The London Housing Strategy has two key themes – increasing the number of homes in the capital, and building sustainable communities.

9. The evidence base for the Strategy has been developed by the GLA and is fully consistent with the Mayor's London Plan. It recognises that London has a successful economy which makes a significant contribution to the rest of the UK. This success is attracting people into the capital, driving up demand for housing. However, supply of new housing has not kept pace with demand, in particular for affordable housing. Market housing affordability problems are now acute particularly for those on low to moderate incomes, and lack of new supply combined with falling availability in social lettings mean there is a severe shortage of social rented housing for households in need. Levels of overcrowding and numbers of households living in temporary accommodation have been steadily increasing in recent years.

10. The strategy sets out an overall vision to meet these challenges under eleven key aims, each to be delivered through a range of means by stakeholders and set out in a delivery plan

London Housing Strategy themes and aims

Increasing the number of homes

- *Increasing new supply*
- *Delivering more affordable housing*
- *Meeting the need for supported housing*
- *Ensuring new housing is of high quality*
- *Reducing the number of empty homes*

Building sustainable communities

- *Improving the quality of existing homes*
- *Preventing homelessness and reducing repeat homelessness*
- *Tackling overcrowding*
- *Empowering tenants and residents*
- *Creating mixed communities*
- *Improving housing management*

11. We set out below the Board's investment recommendations against these aims, showing where investment from the London Regional Housing Pot can help deliver the London Housing Strategy as well as national housing priorities.

INCREASING THE NUMBER OF HOMES

Delivering more affordable housing

12. The aim of the London Housing Strategy is to increase the output of new affordable housing, especially social rented housing, to reduce the backlog of housing need and make progress towards meeting new need for all Londoners.

13. The London Plan has set a strategic target that 50% of new homes from all sources each year should be affordable. Within that target the London Plan has set an objective that 70% of this should be social and 30% intermediate. Based on the London Plan target for overall supply of at least 23,000 additional homes each year, this would imply at least 11,500 new affordable homes each year from all sources of which 8,050 should be social rented and 3,450 intermediate. Clearly, this is a challenging target, requiring a significant increase particularly in social rented house building over current levels.

14. The Mayor has stated that these affordable housing targets will be kept under review in relation to a range of considerations. These include output achieved, availability of public subsidy and updated assessments of housing need and demand. The first review of the London Plan is expected during 2006/07. Additionally, Government has set a target to increase the supply of new social housing by 50% - an extra 10,000 social rented homes per year nationally by 2008 - to deliver the homelessness strategy *Sustainable Communities: settled communities; changing lives*.

Social rented housing

15. The Board looked at the option of putting all available funding to social rented into the provision of new social rented units, but decided that it wanted to make a modest provision to meet broader objectives identified in the draft London Housing Strategy, including initiatives such as estate/area renewal and 'Temporary to Permanent' schemes, that are also consistent with national policy objectives.

16. The Board therefore recommends that £1,218m be allocated to provision of new social rented units over the two years 2006-8; this will support the provision of some 13,000 social rented units, housing about 52,000 people. Taking into account completions from earlier ADP bidding rounds and provision from non ADP sources, eg s106 schemes, we estimate there will be about 7,400 social rented completions in 2006/7, 7,900 in 2007/8 and 7,000 in 2008/9.

17. The Board recommends that 35% of the Housing Corporation allocations for social rented housing in 2006-08 should be for 3 bedroom or larger homes. This is designed to achieve a balance between achieving an increase in the supply of social rented homes, and moving towards meeting the identified need for larger homes to help relieve overcrowding.

18. The Housing Corporation is committed to making efficiency gains in the procurement of new social housing supply both through improvements to the allocation of investment and through improvements to procurement, including promoting the use of supply chain partnering in the RSL sector. This will build on the savings already achieved across the Corporation's Investment programme nationally for 2004-2006, where an 8% saving in grant in real terms was achieved by a variety of means, including the introduction of the partnering pilot

19. The Board recommends that if following completion of the LA Option Appraisals and bidding rounds for other funding streams recommended in this submission there is an under-allocation for these areas of funding, the balance should be transferred to the provision of general needs social rented housing.

Supply of other social housing

Supported housing

20. Evidence of where accommodation-based services are located across London and how they relate to local needs is only just beginning to emerge. As from 1 April 2005, each Borough has put a local Supporting People strategy in place to identify the needs of their residents and the priorities for their area. Analysis of these strategies to give a London-wide picture of need is under way. Additionally, on-going reviews of current services will be completed by Boroughs by March 2006, and analysis of this information should provide a good idea of where services are located in relation to need, and where there are local gaps in services. Therefore, the Board believes that it will not be appropriate to set particular targets for new or remodeled supported housing until 2006.

21. Against this background the Board recommends that £30m be earmarked for supported housing for each of 2006/7 and 2007/8. This is based on the average of the provision in the ADP for Supported Housing over the last 10 years. However, should well supported bids with clear evidence of need come forward in excess of the amount we have suggested should be earmarked, we will consider recommending to Ministers that funding should be switched from the general needs rented programme into supported housing.

22. The London Housing Board and the London Supporting People Forum are working together to identify criteria, which all bids for capital investment for remodelling or new supply of supported housing should meet. This will include ensuring that provision of new supported accommodation meets a demonstrable need and is supported by revenue funding.

Gypsies and travelers

23. Guidance from Ministers includes a requirement for provision for gypsies and travellers to be included in Regional Housing (and Spatial) Strategies and RHB funding recommendations.

24. A statutory requirement to include gypsies and travellers within local authorities' housing needs assessments was introduced in the Housing Act 2004, along with a requirement to include gypsies and travellers in housing strategies. However, local authorities will not be in an advanced position on these assessments in time to feed into the Regional Housing Strategies. This being the case, ODPM have suggested that Regional Housing Boards use the Caravan Count as a starting point to make provision in the Region for 2006/7 and 2007/8.

25. ODPM estimate that nationally there is a shortfall of at least 4,500 pitches and that by 2008 some 450 additional pitches will need to be provided at a cost of around £40m. This accommodation, which will count as affordable housing, should generally be provided by RSLs through the ADP. This is a new role for RSLs

26. The Caravan Count at July 2004 shows that London has a relatively small number of gypsy caravans, ie 847, some 5.5% of the national total. This seems to point to a quite limited requirement for additional provision in London for 2006/7 and 2007/8. The Board's crude estimate is that London might need an additional 20 pitches. The Board is therefore recommending that £3m for gypsies and travellers, for new site provision and for site refurbishment.

Empty properties brought back into use

27. There were 99,000 empty homes in London in April 2004. Although this is the lowest number since the 1970s and there has been a consistent decline since the early 1990s, the decline has leveled out over the past 3 years.

28. The aim of the London Housing Strategy is to reduce the number of empty homes, especially those private sector homes that have been vacant for more than 6 months. The Strategy has set a target to reduce those private sector homes which have been empty for more than 6 months to at most 1% of the total private sector stock by 2016. That would be equivalent to a reduction to 23,600 long-term empty private homes based on the current stock.

29. The Strategy sets out a number of means for pursuing this aim and target that may not require funding from the RHP. These include:

- Encouraging local authorities to make full use of the statutory powers available, including use of Empty Dwelling Management Orders and Compulsory Purchase Orders
- Providing owners of empty properties with information and advice about rental opportunities, including the potential for income generation

30. However, the Board believes that provision of some funding would help to encourage London boroughs and RSLs to bring empty properties into use. The Board therefore recommends that £30m be made available in 2006-8 for RSLs and local authorities to lease empty homes.

31. The Board proposes that the funding made available to RSLs should be for the provision of properties leased for up to 25 years for social rented housing, through the acquisition of empty properties that are then managed by RSLs. Provision of £15m for this purpose would bring back some 300 homes into use.

32. The Board recommends that £15m be made available for local authorities to take out leases to bring back empty homes into use. It proposes that the London sub-regional partnerships of local authorities be invited to bid for funding for sub-regional empty homes schemes. This provides an opportunity for the sub-regions, should they wish to do so, to bid for continuation of various sub-regional empty homes schemes that are currently being funded from the London Housing Board's discretionary funding stream for Private Sector Renewal Schemes for 2004-6. The Board would consider the effectiveness of such schemes and consider future funding against any bids for new schemes that may emerge. It is difficult to estimate outputs in advance of receiving proposals for schemes but we anticipate that at least 200 empty homes could be brought back into use from this funding.

Extensions/ deconversions to larger units

33. Extending existing homes can often provide a better value solution than building new homes from scratch. The Board believes that there is potential for both LAs and RSLs to extend or de-convert existing social rented homes to provide larger units, while also providing value for money and meeting the needs of tenants. This approach can also:

- tackle overcrowding of households in existing council stock,
- provide homes for larger families in temporary accommodation,
- help prevent homeless applications, and
- it is also expected that these larger homes could be delivered quicker than conventional new build housing schemes

34. The Board therefore recommends that £20m be provided for extensions/ deconversions, of which £10m would be for RSLs over the two years and £10m for Local Authorities in 2007/8 which would enable boroughs time to put bids together. This would be used to fund extensions which create a minimum of 2 additional bedrooms and result in a 4 bedroom or larger property being produced. Deconversions should produce a minimum of a four bedroom property. It is estimated that 400 four bedroom or larger properties will be delivered with this funding.

Intermediate housing

35. Ministers have indicated that a minimum of £403m should be allocated for the Key Worker Living Programme in London for 2006-8. This together with completions still coming through from the 2004-6 Key Worker Living Programme, from other ADP funded intermediate programmes, the EP London Wide Initiative and s106 schemes, will result in the provision of 6,300 new intermediate homes in London in 2006/7 and 7,500 in 2007/8. This is a substantial programme.

36. The Board would like to see a switch in future regional housing pot investment away from intermediate housing programmes and into social rented housing to bring the ratio

closer to the 70:30 London Plan strategic objective and to contribute to the Government target on social rented homes. The Board therefore recommends that no funding from the London RHP for 2006-8 should be allocated to intermediate housing other than £403m which Ministers have indicated should be allocated for Key Worker Living. However, the impact of this will not become apparent until after 2007/8 when the non-Key Worker Living LCHO programme starts to tail off.

	2004/05	2005/06	2006/07	2007/08
Social rented (new build)	5062	6018	7434	7869
Intermediate (new build)	2766	3128	6338	7477
TOTAL AFFORDABLE (new build)	7828	9146	13772	15346
% Social rented	64.7	65.8	54.0	51.3

37. For purposes of estimating outputs we have assumed a similar split of products for the Key Worker Living Programme for 2006-8 as for the 2004-6 programme. However, the Board would like to be consulted on the shape and arrangements for delivery of the Key Worker Living Programme for 2006-8. We would like to comment on eligibility but our most pressing concern is to ensure that there will not be any switch of resources from new build into open market homebuy as this will only further add to demand for housing in London.

Location of affordable housing

38. The Board believes that investment in new affordable housing across London should support the aims of the London Housing Strategy to maximise the numbers of new affordable homes and at the same time to contribute to communities where people want to live and work, seeking to achieve a better balance of tenures across London and at the neighbourhood level. Maximising the numbers of new affordable homes will mean investing in areas which have the capacity to deliver.

39. The London Housing Board therefore recommends that the spatial distribution of new social and intermediate housing meets housing need, subject to the overarching aim of creating more mixed and sustainable neighbourhoods and balancing the mix of tenures across the capital. To achieve this will mean getting the best possible balance between:

- investment to help support delivery of borough LDF/ UDP targets for affordable housing, which should be based on an assessment of all housing needs in an area, and a realistic assessment of supply taking account of the most robust available estimates of housing capacity;
- supporting affordable housing development within the London ends of the Thames Gateway and London-Stansted-Cambridge-Peterborough Corridor growth areas
- supporting affordable housing development in the Opportunity Areas and Areas for Intensification set out in the London Plan, which have the capacity to deliver significant numbers of new homes, including affordable homes.

40. In line with this, the London Housing Board will test out a new approach to Housing Corporation allocations, seeking to consider existing concentrations of social and affordable housing, and other measures of sustainability such as levels of income deprivation and economic activity, in those neighbourhoods immediately surrounding proposed new social housing developments. The Board will model the impact of using neighbourhood level data from the census and the Indices of Multiple Deprivation to avoid placing new social rented housing in those neighbourhoods which already have high levels of social housing or high levels of deprivation, with a view to introducing this or a similar approach as a factor in allocation decisions beyond 2008.

41. Through its bidding guidance the Housing Corporation will also ensure its sustainability toolkit is applied. All RSLs must use this toolkit to assess each proposed housing development to avoid adding to existing high concentrations of social housing and of deprivation in neighbourhoods. Measures of sustainability will be used in evaluating all housing investment proposals.

BUILDING SUSTAINABLE COMMUNITIES

Local authority decent homes

42. Regional Housing Boards have received guidance from Ministers on the need to support LAs in achieving the decent homes target for their own stock. All London boroughs with housing stock are required to complete an options appraisal setting out how they will ensure that their own stock meets the decent homes standard by 2010, for sign off by Government Office for London by July 2005. The Board's recommendations need to provide for the amounts of RHP funding agreed in signed-off options appraisals, or estimates where sign off has not taken place.

43. ODPM has indicated that LAs can expect to receive no more than the amounts allocated for 2005/6 that were implicitly directed to the delivery of decent homes. The total allocation to London Boroughs (not including allocations for LA regeneration schemes and private sector renewal) in 2005/6 was £210m. The Board is therefore recommending that a maximum amount of £210m should be made available for LA decent homes in London in each of the two years 2005/6 and 2006/7.

Private sector decent homes

44. The Board's is required to make recommendations to reflect the decent homes target for private sector housing occupied by vulnerable households where the target is to increase to 70% the numbers of such households living in decent homes by 2010.

45. The London Housing Strategy Evidence Base shows that 35% of private sector dwellings in London, 789,000, fail to meet the decent homes standard and that private sector housing accounts for some 72% of all non-decent homes in London . It is estimated that in London there are almost 210,000 vulnerable households living in non-decent homes in the private sector, which is 53% of vulnerable households

46. However, better information is needed on the number and location of non-decent private homes, particularly those occupied by vulnerable households. The London sub-regional housing partnerships are commissioning research to model in some detail the condition of private sector housing across their sub-regions, including information on vulnerable households.

47. For 2004-6, the Government ring-fenced part of the Regional Housing Pot that should be allocated to local authorities for private sector renewal. The amounts for London were £5.5m in each of 2004/5 and 2005/6. The London Housing Board recommended, and Ministers agreed, that this should be doubled to £22m over the two years and that this should bid allocated to sub-regional and pan-London schemes. While these schemes have been a little slow to get off the ground, LAs are working well together on the sub-regional approach and would like this approach to be continued for 2006-8.

48. The Board recommends that funding for private sector decent homes be increased to £15m in each of 2006/7 and 2007/8. This should be clearly targeted at achieving decent homes for vulnerable people with the bulk of the funding used to:

- help release equity for owner occupiers through wider access to programmes like Houseproud
- lever in funding from other sources, including from energy suppliers
- encourage landlords in the private rented sector to improve their properties

49. The Board further recommends that it invites the London sub-regional housing partnerships to come forward with proposals for sub-regional and pan-London schemes that meet these criteria at which time it will be able to firm up on outputs. However, based on the average unit cost for schemes being funded in 2004-6, an allocation of £30m in 2006-8 could lead to some 30,000 private sector homes occupied by vulnerable people being made decent.

Estate/area renewal

50. The estate renewal approach is also supported in the Strategy Unit London Project report and in the ODPM 5 year plan 'Homes for All'.

51. Estate/area renewal schemes can provide a good solution to tackling non-decent homes where major refurbishment or replacement of stock is needed. Such schemes can provide high quality homes in an improved environment, and can offer the potential to increase the total number of homes and more mixed and sustainable communities in addition to meeting local housing needs. An increasing number of authorities are undertaking estate renewal initiatives that lever in additional resources to meet the decent homes standard. These are often linked to transfers of stock to housing associations and to redevelopment at higher densities that can create mixed developments that utilise the land values tied up in social housing stock. Such schemes should see no loss in overall social housing.

52. The London Housing Board would like to accelerate and extend these schemes. It therefore recommends that £60m be allocated for estate/area renewal schemes. As such schemes are long in development due to their complexity and need to obtain buy in from tenants, it is likely that only schemes that are reasonably well worked up would be in a position to access this funding. And given that estate renewal schemes vary considerably in size and funding solution it would be extremely difficult at this stage to estimate outputs that might be achieved.

Temporary to permanent initiatives

53. ODPM has provided support to a number of London boroughs and RSLs seeking to develop a range of temporary to permanent housing initiatives to capture the revenue flow from housing benefit as a long term social housing asset. The Department is currently carrying out an assessment of various approaches to converting temporary accommodation to permanent accommodation for value for money and their contribution to broader policy objectives such as reducing disincentives for tenants to work.

54. The Board wishes to support the development of innovative schemes which provide settled housing solutions for households in temporary accommodation. The Board recommends that £20m be allocated for 'trial' schemes that require some capital investment. However, the Board will want to be assured that any schemes that it supports offer value for money and contribute to wider policy objectives. In this respect, the Board will wish to consider carefully the outcome of the ODPM's assessment of various schemes. Should the assessment turn out to be unfavourable the Board recommends that the £20m be reallocated to provision of new social rented housing.

55. It is difficult to estimate outputs that could be generated from this funding. However, based on the Newham Local Space model, an input of £20m would deliver around 800 permanent social homes at full decent homes standard.

Works to RSL stock

56. Larger housing associations are able to invest their own resources, eg from recycled capital receipts or surpluses, to bring their homes up to a decent standard by 2010 and to provide any adaptations needed by tenants to maintain independent living. However, small RSLs may not be able to find the resources for such works and may need funding.

57. The Housing Corporation has for a number of years run a small programme for such works. The Board recommends that £15m is provided for this purpose in 2006-8 which should enable improvements to be made to 1,000 properties. This is about half the size of the current programme and the Board wishes to signal that funding for such schemes should be further reduced in future years. This will enable smaller RSLs to look for alternative ways of funding such improvements.

58. This Board recommends that funding should be directed at schemes where, without such funding, the property will become uninhabitable due to disrepair. In addition, priority should be given to schemes which house vulnerable client groups or elderly people, or for works which will enable tenants to remain in their own homes (adaptations).

Conclusion

59. The Board commends these recommendations to Ministers. We believe they provide a balanced set of proposals that provides a substantial programme of social rented housing, while also making a contribution to meeting the broader objectives in the London Housing Strategy, all of which are fully consistent with Government housing priorities.

London Housing Board
June 2005

ANNEX A: SUMMARY OUTPUTS

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Social rented completions (units)							
Social rented programme	3,989	4,958	6140	6300	5800	4450	800
Supported housing	0	0	0	50	200	150	0
Empty properties brought into use (TSH)	363	350	330	330	0	0	
Gypsies & travellers pitches	0	0	10	10	0	0	0
Estimated S106 & properties funded from LA own resources	710	710	954	1179	988	825	710
Total social	5062	6018	7434	7869	6988	5425	1510
Extensions /deconversions creating larger units ¹	0	0	200	200	0	0	0
Intermediate completions (units)							
Key Worker Living	192	632	2500	3650	3000	1680	0
Other ADP funded intermediate programmes	1864	1786	2600	1900	270	0	0
EP London wide initiative	0	0	424	816	484	201	0
Estimated S106 & properties funded from LA own resources	710	710	814	911	829	760	710
GLA group homes for first time buyers	0	0	0	200	200	0	0
Total intermediate	2766	3128	6338	7477	4783	2641	710
Total affordable	7828	9146	13772	15346	11771	8066	2220
Non - new build Intermediate							
Key Worker Living - Homebuy ²	1457	2095	2000	1500			
Other ADP funded intermediate programmes - Homebuy	776	500					
Total non-new build Intermediate	2233	2595	2000	1500			

¹ Includes net loss from deconversions

² On basis of current 60/40 split new build/open market