

Secretary of State for Communities and Local Government
Communities and Local Government
Zone 2/G1
Eland House
Bressenden Place
London
SW1 5DU

2 November 2007

Dear Secretary of State,

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

Thank you for the opportunity to respond to Andrew Wells' letter dated 16 October. This letter sets out the response of the South East Regional Housing Board.

The Board has set itself the enormous challenge of ensuring that everyone in the South East has access to a decent home. Our recommendations submitted in June were designed to deliver a balanced and ambitious programme. The evidence base underpinning that advice has been tested and found to be sound. We had also had the benefit of the results of a region-wide consultation that doubled the level of engagement previously achieved.

While we welcome the priority given by you to housing, and in particular affordable housing, the level of funding proposed for South East England (£407m, £458m and £507m respectively for the next three financial years) will not allow us to deliver on the priorities that we have identified for the region. It will not even deliver the minimum output targets of 6,300 homes for social rent and 4,600 for Low Cost Home Ownership (LCHO) set out in your letter of 16 October.

The scale of the challenge to deliver affordable housing in the region is well understood. It is therefore difficult to understand the basis on which we receive a bare minimum increase of only 5% in the level of funding, in comparison with other regions that are to receive an increase of between 15 and 22%.

It is simply not credible to suggest that the funding proposed for 2008/09 (£407m) can achieve the increase being sought when in 2006/07 a programme of £406m could only deliver 80% of that output.

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The Board strongly urges you to review as a matter of great urgency the basis on which the funding has been distributed between the regions.

The Regional Housing Board Objectives

We remain committed to increasing the delivery of affordable housing in the region. We do not believe that your proposals adequately reflect the scale and scope of that challenge and our objectives of:

- enabling the right tenure, type and size of affordable housing to be delivered, including larger, family sized homes where they are required;
- delivering improvements in the quality and energy efficiency of new and existing homes;
- maximising the potential of existing mechanisms to deliver new affordable homes, while introducing new techniques that address barriers to delivery.

These objectives are aligned with the policy framework set out in the draft South East Plan and the Regional Economic Strategy. Delivering these objectives is required in order to ensure the region maintains its current level of economic performance, let alone realising the potential to increase it. The scale of the affordability crisis in the region is such that our residents are more dependent on the availability of affordable housing than in many other regions.

Affordable Housing

Our over-riding priority for the region remains getting the right type and tenure of affordable housing to meet locally identified needs and ensure balanced and sustainable communities.

For us this means delivering a higher proportion of social rented than LCHO homes. Our evidence base for this view has been endorsed through the Examination in Public of the draft South East Plan. Such a balance will require a higher level of public sector investment if it is to be delivered. The current over emphasis on delivering headline numbers of housing completions cannot be seen as a solution to the problem of affordability.

Modelling work undertaken by the Housing Corporation shows that in order to achieve your output target of 6,300 social rented homes we require an additional £25m of public sector investment. Even then, once allowance is made for the investment made in the Open Market Homebuy programme, the funding would be insufficient to deliver your output target for LCHO homes. Our estimate is that the shortfall in funding to deliver the LCHO figure is some £31m.

In order for us to deliver your output targets we therefore require an additional £56m over the next three years.

However this does not paint a complete picture of the shortfall in funding. Your output target for the total number of affordable homes (10,900 per annum) lies between the draft South East Plan target (10,115) and the recommendation of the Panel that conducted the Examination in Public (11,200).

Focussing on social rented homes alone, the output target is below the identified need for the region to the tune of nearly 1,000 homes per annum. The imbalance in the tenure split within your output targets can only be addressed with further investment over and above the additional £56m already identified.

We will continue to work closely with local authorities and stakeholders to ensure that the need for public investment is only used where delivery of affordable housing without grant cannot be achieved. However, the economics of delivering affordable housing in our region are such that the opportunities will be limited.

Realising the Board's objectives of achieving higher quality and more sustainable homes cannot be achieved without a higher level of public sector investment. We look to the Government to match our commitment in this respect by accepting that the higher initial cost is justified in terms of whole life costs and by providing the Board with the additional funds required to deliver this objective.

Growth Support Fund

We support, in principle, the proposal for a Growth Support Fund on the basis that this provides the potential for additional funding for affordable housing in the South East, particularly in Growth Areas and Growth Points. The requirement for bids to the fund to provide for at least 30% of the affordable housing provided to meet needs arising in London appears to introduce a new policy dimension to the role of the Growth Areas and New Growth Points that has not previously existed. We would welcome clarification of how the scheme will operate and the opportunity to discuss with your officials how best to ensure that our region benefits from the opportunities the fund offers.

New Delivery Mechanisms

Our work has highlighted the need to implement innovative approaches that address barriers to the delivery of affordable housing. Our submission in June identified two proposals that we view as being important steps in removing these barriers.

The Brownfield Land Acquisition Company (BLAC) is a delivery vehicle approved by the former DTi through which the public sector brings forward to the market difficult brownfield sites. Our proposed investment in BLAC will fund the remediation of brownfield land that has the potential to deliver 650 affordable homes.

The Regional Infrastructure Fund is a forward-funding mechanism that enables the public sector to facilitate the delivery of infrastructure that unlocks delivery of housing and economic growth.

It is identified in the Treasury's Sub National Review as one of a number of new mechanisms that are required in order to remove barriers to delivery. This support comes on the back of work taken forward by this region in partnership with the South West.

Both proposals offer the opportunity to realise 'quick wins' in terms of increasing the delivery of affordable housing. The Regional Infrastructure Fund is seen as being critical to unlocking the current impasse in housing delivery in the area affected by the Thames Basin Heaths; an issue that we know causes Ministers considerable concern.

Both proposals demonstrate the importance of the public sector adopting innovative approaches in order to remove barriers to delivery. Both are designed to operate on the basis that the investment is recycled and reinvested. Both are a fundamental part of our overall package of proposals.

Decent Homes

We believe that the promises made to local authority tenants during the option appraisal process should be honoured. Any reduction in the funding previously identified would mean that local authorities would not be able to meet their decent homes target.

We wrote to you previously setting out the principles of our approach to investment in private sector decent homes. This set out our proposal to move away from a system of grants towards loan and equity release schemes capable of becoming self-financing. We were greatly encouraged by your support in principle for our approach. We have since put in place a robust process through which local authorities could bid for funding. The response shows encouraging signs that funding streams can be harnessed more effectively and efficiencies achieved through increased cross-boundary cooperation. It has created a momentum that we believe should be supported in the way set out in our June submission.

Given the positive impact of these programmes on individuals' health and quality of life and the wider benefits of reducing fuel poverty and CO₂ emissions, we remain committed to them and do not believe it is appropriate that they should be curtailed.

Other Priorities

Our submission in June confirmed our advice that local authorities continue to define eligibility for priority access for first time buyers to reflect local needs and circumstances. We now confirm our previous advice that eligibility should be available to households with an income of up to £60,000.

Our advice on rural affordable housing was clearly set out in our June submission with a recommendation that sufficient funding be made available to deliver 500 affordable homes per year, with a similar provision for larger rural areas.

We look forward to receiving details of separate funding for provision of Gypsy and Traveller accommodation and welcome the decision to retain this as a funding stream distinct from affordable housing.

Regional Allocations Methodology

The proposed changes to the methodology used to distribute the national funding pot give us considerable cause for concern. The reduction in the threshold for affordability (the ratio of lower quartile house prices to lower quartile earnings) from 8 to 7 serves to dilute the focus on tackling the most extreme affordability problems.

We are also extremely disappointed that the indicator relating to homeless households in temporary accommodation has been changed to use annual data rather than the average for the past three years.

This has the perverse effect of rewarding areas which continue to report relatively high levels of temporary accommodation usage and in effect penalises the South East for good progress made towards the Government target of a 50% reduction in the number of such households.

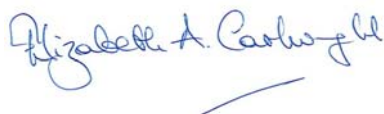
In conclusion, we had believed that we had a shared understanding between the region and Government as to the importance of ensuring that we provide an adequate supply of the right type and tenure of affordable housing.

Our submission to you in June set out our funding priorities for the next three years. They drew upon arguably the most comprehensive evidence base ever assembled at the regional level. It recognised the scale of the challenge facing the region but it did not shirk from the task in hand; such is the commitment of this region to meeting the needs of our residents. Our submission must be viewed in its entirety and not as a series of discrete packages. To change the balance of our investment priorities would, we believe, fundamentally put at risk our ability to deliver our objectives.

We are deeply concerned by the apparent lack of regard given to our original submission. We are also deeply concerned at the apparent lack of commitment on the part of Government to provide the additional investment in affordable housing that has been shown to be required in order to meet our identified needs.

We strongly urge you to consider increasing the level of funding available to the region and to revising the minimum output targets to reflect our original advice. I am sure you share my concern about the need to remove the uncertainty that currently exists over our ability to deliver the region's needs. I would therefore be grateful for your urgent consideration of the issues set out in this response.

Yours sincerely,



Councillor Elizabeth Cartwright
Chairman, South East Regional Housing Board

c.c. Jonathan Shaw MP
Nazma Begum, CLG