

**Regional Funding Allocation  
South East England**

**Regional Housing**

**1 Introduction**

- 1.1 Through the Regional Funding Allocation process all regions have been asked to articulate their priorities in transport, housing and economic development to enhance regional input into Government policy development in advance of the next budget. This discussion paper is one of three papers commissioned for the South East Regional Funding Allocations process. The paper sets out the initial thinking of the region's housing priorities. It builds on the work of the Regional Housing Board, in particular, the South East's Regional Housing Strategy.

**2 The Current Position**

- 2.1 The South East's latest Regional Housing Strategy was published in June 2005. It provides an analysis of the housing needs and problems across the region and sets out an action plan for addressing the agreed priorities, including recommendations for allocation of resources for housing investment through the regional housing pot.
- 2.2 The investment proposals cover the two years 2006-07 and 2007-08, in line with the period for which regional funding totals have been agreed. However, the priorities and principles set out in the strategy are intended to apply in future years to reflect alignment with the emerging South East Plan.
- 2.3 The strategy identifies three key aims, which are to:
- Build more affordable homes
  - Bring decent housing within reach of people on lower incomes
  - Improve the quality of new housing and of existing stock
- 2.4 These objectives align with ODPM's housing Public Service Agreements:
- PSA 5 – to achieve a better balance between housing and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt and the sustainability of existing towns and cities
  - PSA 7: By 2010, bring all social housing into a decent condition with most of this improvement taking place in deprived areas, and for

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vulnerable households in the private sector, including families with children, increase the proportion who live in homes that are in decent condition to 70%.

- 2.5 They also support the target to halve the numbers of homeless households living in temporary accommodation by 2010
- 2.6 Within the three aims, the greatest focus, generally and in the investment plan, is on increasing the supply of affordable housing, and of social rented housing in particular. This reflects:
- the significant demands for social rented housing in many parts of the region; and
  - the high price, relative to earnings, of first time buyer housing.
- 2.7 A total of £805 million is available for allocation through the regional housing pot over the two years 2006/07 and 2007/08. This represents an increase of £81million (11 per cent) on the total for the previous two years.
- 2.8 The strategy acknowledges that it will not be possible to resolve all the region's housing needs with the resources currently available and that substantial additional resources are necessary in order to meet the need for affordable housing and to make good the existing stock.
- 2.9 The recommendations from the region were for the funding for 2006-08 to be allocated as follows:

	Investment planned	RHS planned output
Social rented	£471 m	Around 9,000 units
Intermediate	£262 m	Around 11,000 units
Social sector decent homes	£22 m	
Private sector decent homes	£40 m	5,700 units (average cost per unit of £7,000)
Gypsies and travellers	£10 m	
TOTAL	£805 m	

- 2.10 These recommendations involve a significant shift towards provision of affordable housing – the allocation of around £730 million (91 % of the total) to this in 2006/07 and 2007/08 compares with £582 million (80%) of the funding for the two previous years.
- 2.11 This reflects both the need assessment underpinning the Regional Housing Strategy and the guidance from ODPM on national priorities and objectives. In particular, the level of funding for intermediate units is a

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direct consequence of Government policy which requires a specific level of investment in the Key Worker Living Programme. Just over 7,000 of the 11,000 units planned for intermediate housing fall within this Programme. Without this requirement the region would have been looking for a greater share of social rented in the affordable housing provision.

2.12 The Funding to help local authorities meet the social sector decent homes target is to be provided at levels in line with the outcomes of local authority options appraisal process.

2.13 In terms of private sector renewal, lack of consistent data has prompted the Board to commission research in order to better inform future investment decisions. In the meantime for 2006-08 funding has been allocated to those authorities with the highest number of unfit properties in the private sector, targeted at vulnerable households and households with children.

2.14 The Regional Housing Strategy also includes proposals on:

- the distribution of affordable housing provision across the region – around/up to 20% to the designated growth areas; 50% to local authority areas identified as high priority areas; 30% to other areas
- the number of affordable homes to be provided in small rural settlements
- focussing housing development on brownfield land
- a sub-regional housing market approach to meeting housing need, including shared nominations procedures and full and effective use of both large and strategic sites.
- a density of at least 40 dwellings per hectare (although exceptions will be made where appropriate and based on evidence)
- requiring new affordable housing to meet the ecohomes very good rating

### **3 Looking to the future**

3.1 The size of the problem, the level of resources available and the lead time for development mean that provision of additional affordable housing will be the focus for the bulk of regional housing pot resources for the foreseeable future.

3.2 There are, however, uncertainties on a number of significant issues that will impact on housing investment decisions:

- the scale of future housing development, and the proportion of this which is to be affordable, that is agreed in the South East Plan – the region's spatial strategy.

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- any future targets set by ODPM, particularly for key worker and other home ownership programmes and decent homes in the private sector occupied by vulnerable households.
  - the outcome of the research on the scale of the problem of vulnerable households in non-decent private sector homes and the strategies for tackling this. The current level of funding for this partly reflects the lack of robust data on the scale and location of need; the Board originally anticipated that the level of funding for private sector renewal would need to be increased in the future.
- 3.3 The current Regional Housing Strategy is intended to inform funding decisions beyond 2008. The basic presumption, assuming no significant changes in ODPM requirements, is that the existing split of funding between programmes should simply be rolled forward.
- 3.4 However, the situation is different in the case of funding of delivery of decent council homes where the funding is being provided to help tackle the renovation backlog that must be addressed to meet the target that all council housing should be decent by 2010. The requirement for regional housing pot funding will, therefore, fall as homes are made decent or transferred to housing associations. The funding to maintain the stock in decent condition beyond 2010 is provided through the Major Repairs Allowance (MRA), which is allocated on formulaic basis via the Housing Revenue Account subsidy system.
- 3.5 This will potentially release £11m per year from 2011-12, assuming that the 2010 target is met and there is no enhancement of the standard. There may, however, be circumstances where regional housing pot funding could be needed for this work where local needs are not properly reflected in the MRA or where, linked to making better use of existing assets, significant estate remodelling/development is needed.
- 3.6 The options for use of this funding are to increase the programme on decent homes work in the private sector or to provide additional social rented accommodation. For the purposes of this exercise the £11m been added to the private sector decent homes funding but this will need to be revisited in the light of the outcome of the research currently being undertaken on private sector housing need and strategies.
- 3.7 On the basis of the above the region's recommendations for housing investment in the period up to 2016, based on the indicative totals provided, are as follows:

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	Affordable housing		Decent homes		Total
	Rented (1)	LCHO	Council	Private	
2006-07	229	125	11	20	384
2007-08	252	137	11	20	421
2008-09	257	140	11	21	429
2009-10	262	143	11	21	438
2010-11	268	146	11	21	447
2011-12	273	149	-	32	456
2012-13	278	153	-	33	465
2013-14	284	156	-	34	474
2014-15	289	159	-	35	484
2015-16	295	162	-	36	493

(1) includes funding of Gypsies and Travellers provision

- 3.8 The balance of affordable housing between rental and home ownership reflects, to a significant extent, the ODPM requirement for a minimum level of funding of provision for key workers. The region would hope this constraint can be removed in future years so that the funding can be used to respond to the specific needs of the regions – without the current constraint we, would at present, be looking, given the needs across the region, for a greater share of the funding to go to social rented housing.
- 3.9 There are key messages within the Regional Housing Strategy on both the importance of using the funding for affordable housing as efficiently and effectively as possible and the promotion of innovation and good practice. This reflects the fact that the Regional Housing Strategy has identified the need for a significant increase on the current level of provision of affordable housing – this is also reflected in the current draft South East Plan where the percentage of affordable housing proposed is well above what is currently being delivered.
- 3.10 There are several strands to the work on making best use of the available resources which are already being taken forward, eg strengthening the regional evidence base; supporting better use S106 and housing delivery; RSL preferred partners
- 3.11 There are a number of further issues which the region wants to explore on how housing capital funds might be best used to deliver housing objectives in a coherent and sustainable way. In particular, work needs to be done to assess the scope for using housing funds to address issues, eg transport links, which are preventing housing developments from going ahead with this funding being repaid as the development progresses or with a higher proportion of affordable housing being delivered subsequent repayment of these funds.

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- 3.12 An example of this approach was the financing of improvements to M20/J10 and newM20/J10A, overseen by Ashford DC, which were necessary before 3 developments of 400, 1200 and 750 houses could proceed. There are already discussions going on between DfT and ODPM about the same issue in relation to strategic developments in Thames Gateway along the A2.
- 3.13 Similarly, there would be scope to increase housing to bring forward affordable housing schemes if funding became available because of, for example, delays in priority roads schemes.
- 3.14 Pursuing flexibilities of this sort is unlikely to be straightforward (eg because of timing uncertainties) and any 'repayment' will need to be guaranteed.
- 3.15 It will be important, that the funds can be clearly seen to be supporting more effective provision of increased housing, and affordable housing in particular. This will be essential in demonstrating the government's commitment to delivering housing growth in the region and maintaining confidence amongst developers and RSLs. This will be a major factor in the debate over the next 18 months on the South East Plan – the region's new spatial strategy.
- 3.16 Flexibilities of this sort would impact on affordable housing outputs which could have implications for national targets (eg on households helped into homeownership, halving use of temporary accommodation for homeless households).
- 3.17 Some other areas which the region is looking to take forward are:
- establishment of a sub-regional framework, reflecting housing market areas for future investment decisions
  - exploring the potential for making better use of the existing stock to meet the need for affordable housing: eg using grants to bring empty properties back into use; financial incentives to existing social sector tenants to move (out of the sector or to smaller accommodation),
  - consideration of the scope for using funds for land assembly/purchase to facilitate development
  - ensuring more effective links with supporting people capital investment with revenue funding.
- 3.18 Substantial amounts of affordable housing are provided through the planning system, funding made available through the Private Finance Initiative and English Partnerships First Time Buyers initiative. Co-ordination across the activities is essential and, as with the Regional Housing Pot funding, maximising the outputs from these other routes is a key issue for the region.

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- 3.19 Links also need to be made with infrastructure funding processes not covered by this exercise, eg health services and schools, but which are essential for delivery of significant concentrations of housing development.

### **4 10% change in funding**

- 4.1 A 10% increase would be directed to provision of affordable housing in line with the Regional Housing Strategy priority. This would support a very useful increase in the number of units provided. It would be particularly helpful in allowing us to pursue some of the innovation referred to above which has the potential to lead to long-term improvements in value for money and outcomes.
- 4.2 Any decrease in funding of housing investment would, given that funding for decent homes work is already at minimum levels, also have to be in funding of affordable housing provision. This would have a major implications in the region – it would impact on the government’s housing growth agenda; overall housing numbers could be affected because of problems in funding the affordable element of housing developments, the potential for exploring innovative uses of capital funds would be significantly reduced in the short-term because of the level of funding committed to schemes already started or being worked up.

### **5 Conclusion**

- 5.1 Within the resources currently available it is not possible to resolve all the region’s housing needs. The key priorities for the housing board are to build more affordable homes, bring decent housing within reach of people on lower incomes and improve the quality of new housing and existing stock. Over 90% of the allocation is focussed on affordable housing and the funding of decent homes is at minimum levels.
- 5.2 The issue of affordable housing and the need for all housing tenures generally in the South East has strong linkages with both the Regional Economic Strategy (the need to support sustainable prosperity and the need to ensure that there is sufficient affordable housing to meet the needs of the regions economy) and the Regional Transport Strategy (where transport is a key factor for the delivery of a sustainable community). These are linkages which will be explored through the Regional Funding Allocation Process. The Regional Funding Allocation process is also a catalyst to begin exploring how housing capital funds might best be used to deliver housing objectives in a coherent and sustainable way, and how outputs can be maximised through different patterns of investment.