

**WEST MIDLANDS  
REGIONAL HOUSING BOARD**

**STRATEGY FOR ALLOCATING  
THE  
REGIONAL HOUSING POT  
FOR  
2006-08**

**30<sup>th</sup> June 2005**

## Executive Summary

The approach to allocation of resources to local authorities and registered social landlords (RSLs) and other delivery agents for the period 2006/08 is significantly different to the formulaic way it has been done in the past. This allocation strategy should not be considered in isolation, but rather alongside the Regional Housing Strategy (RHS) for which it provides the first stage of implementation. It takes account of responses to both the RHS draft strategy and the allocations draft strategy.

The Regional Allocation Strategy clearly targets large amounts of Single Regional Housing Pot (RHP) funding to the key priorities, both thematic and geographic, in line with the RHS and Office of the Deputy Prime Minister's (ODPM) policy. Local housing authorities will need to consider the use of other resources available to them for the funding of other areas of activity.

### Overview of proposed housing allocations

The Regional Housing Board has particularly recognised that:

1. Funding is required to meet the local authority Decent Homes standard across the region where stock retention is the agreed option, and £63m has been put aside for LAs for this purpose over the 2 year period
2. Funding is required to help achieve the Decent Homes standard for vulnerable people living in private sector properties across the region. It has allocated £23m in 2006/07 for this purpose and £30m for 2007/08 when it is hoped more information will be available on the extent of the problem across the region.
3. Funding is required, primarily in the Central and North Housing Market areas, to assist actions to address the low demand issues and to a lesser extent, the worst private sector stock conditions and the particular needs of coalfield communities. Funding of £87m is allocated in 2006/07 for renewal and growth activity and £ 93m in 2007/08, when more evidence of need and availability of other resources is available. The Approved Development Programme(ADP) will also give priority to the two pathfinder areas and the two areas of market restructuring.
4. There is a need for more funding for affordable housing particularly in the South and, to a lesser extent, the West Housing Market areas than has traditionally been provided. The funding needs to take into account the fewer opportunities to provide additional affordable housing through, for example, s106 agreements in certain rural areas. It is recognised that as a result of stock transfers there is less of a stock condition problem in rural areas than there has been in the past. Funding via HIP and ADP have therefore been rebalanced to better meet the needs of these areas. In rural areas there needs to be a move from HIP to ADP and in MUAs there needs to be funding to reflect the relatively poor housing stock.
5. A further £6m has been put aside so that no local authority receives less than 40% in 2006/07 and 30% in 2007/08 than the amount it received in HIP in 2005/06, to ensure that essential activities can continue, for example, contributions to Disabled Facilities Grant
6. There is a need to address the low level of funding for Supporting People schemes. 10% of ADP (£20m) is earmarked for this purpose over the 2 year period.

The Regional Housing Board has taken the following factors into account when putting together this allocations strategy:

- Affordable housing allocated on a Housing Market Area (HMA) basis is in line with the Shared Evidence Base and the Regional Spatial Strategy, taking into account;
  - the balance between the need for social housing and low cost home ownership in each HMA
  - the needs arising from Housing Market Renewal Area (HMRA) Pathfinder and housing structuring
  - high levels of families in temporary accommodation, where existing stock cannot be utilised better
  - supporting people, either new provision or remodelling and particularly taking into account the needs of areas of low demand/restucturing, and the need to address the under provision of recent years, but only where revenue funding is available
  - the possible demand for assistance for gypsy and travellers site provision
- The amount put aside for local authority Decent Homes is in line with the figure agreed/estimated in Option Appraisal exercises (If the actual figure when all Option Appraisals have been completed by July differs from this figure, any surplus will be provided for renewal and growth, particularly in the HMRA Pathfinders and areas of market restructuring, through HIP or ADP).
- Resources for Decent Homes occupied by vulnerable people in the private sector will be allocated for 2006/07 on the basis of the amount local authorities targeted on this category in 2004/05. It is anticipated that better data and LA strategies will allow a more precise targeting of resources for 07/08.
- Renewal and growth – based on estimates of HIP funding required to support the major areas of housing low demand and market restructuring, mainly to be targeted in the Major Urban Areas ( MUA's). A lesser amount is included to address the areas most in need of private sector renewal outside the major low demand areas and to address the particular problems of ex coalfield areas.
- For 2006/7 whilst account has been taken of the need for funds for housing market restructuring activity, this need has been estimated in the absence of prospectuses for those areas.
- For 2007/8 further resource has been provided for restructuring authorities which will be allocated once prospectuses have been produced, when evidence of need and the availability of other resources is available
- The board recognises the potential housing problems in Coventry and Nuneaton and Bedworth and will encourage these local authorities to work together to research the nature of the problems in these areas
- A small amount is put aside to support research that will support future allocation and regional housing strategies.

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## **Aims and Purpose of the Regional Allocations Strategy**

- 1.1 A growing evidence base has allowed the identification and analysis of a wide range of housing issues across the West Midlands, which are reflected in the Regional Housing Strategy. The primary motor for change in the region is investment and other activities by the private sector within the commercial market, and these will be a key factor in how housing issues can be addressed. The role of the public sector is to complement, supplement and generally influence this through interventions in the market. Public control, policies and investment can thus be aimed at securing the greatest benefit in addressing the housing issues. The Regional Housing Strategy (RHS), published at the same time as this document, is creating a framework for setting clear directions and priorities for action to address these housing issues over the next 15-20 years. In summary the core aims of this RHS are: -
- to create mixed, balanced and inclusive communities,
  - to assist in the delivery of the WMRSS policies of Urban and Rural renaissance,
  - to influence the future development of new housing provision to facilitate and enhance the economic development of the Region,
  - to address the variety of needs across a range of specific sectors of housing circumstances
  - to work towards the success of the two ODPM sponsored Housing Market Renewal Area Pathfinders in Birmingham /Sandwell and North Staffordshire/Stoke and the Regionally identified housing restructuring areas of East Birmingham /North Solihull and North Black Country/ South Telford,
  - to see that Government's Decent Homes standards are met in the municipal, social sectors, and for those in vulnerable circumstances in the private sector
  - to achieve social and other affordable housing, and
  - and has sustainable access to minimise environmental resource consumption and traffic and improve the quality of the environment
- 1.2 Against the backdrop of the RHS, this Regional Allocations Strategy (RAS) seeks to provide clear guidance and accountability for public investment from the Regional Housing Pot (RHP) during the next investment programme period of 2006-08. In so doing, it reflects as far as practicable the priorities set by the RHS, taking full account also of the plans, capacities, opportunities and other factors that already strongly determine the environment for investment during this period. It also seeks to indicate the direction of travel of future likely investment so that partners, in particular HMA partners, RSLs, and other delivery partners can be considering investment for the medium and longer term
- 1.1 There is another key factor which needs to be acknowledged by stakeholders. The currency of the RHS is various types of housing need, and how best to address them.

For the RAS, the issue is the need for housing investment from the RHP, not the need for housing itself. This distinction must be drawn because many needs can be better addressed – certainly more cost-effectively – by the use of other sources of investment, and/or by policy measures and activities other than investment. For example, in private sector renewal, loans might be appropriate rather than grants. There can therefore be no simple or automatic presumption that any particular housing need automatically translates into a need for investment from the RHP.

- 1.2 Consequently, the Strategy must be seen as a means of rationing limited resources to best effect – i.e. in line with the objectives and priorities set out in the RHS. This also identifies two further consequences: a premium is put on the use of policy and other non-investment measures; and it implies the need to take maximum advantage of all potential non-RHP resources for investment in housing.
- 1.3 Investment from the RHP can only be made on the basis of evidence. This should ideally cover: evidence of the housing need to be addressed, evidence of what outcomes are therefore required from investment, evidence that resources are needed from the RHP to achieve the outcomes, and evidence that arrangements are in place to ensure that the investment and outcomes can be delivered. This expectation will be passed on to those making investment decisions on the use of RHP funding for individual projects. In terms of the broad allocations covered by this paper, the nature of the evidence may be less specific, and surrogate evidence may have to be used; however, the principle will still apply that decisions are evidence-based.
- 1.4 In drafting the strategy, the RHB has sought to strike the most appropriate balance of investment between competing uses across the region, taking into account all appropriate factors, and seeking the best value for money in terms of outcome from the investment. With this goes the responsibility of transparency for, and accountability to, the stakeholders across the region, and this document is being published accordingly.
- 1.5 The pattern of allocations set out in this strategy is not directed at specific projects but at geographical areas and investment themes which reflect the broad factors of strategic planning output set out in the RHS. RHP allocations are therefore set out as target levels of resource for investment in particular housing market areas. Subsequently, those managing and receiving the allocations will be charged with translating them into investment in housing projects which deliver the intended outcomes in line with the strategy, and the RHS underlying it.

## **Background**

### **The Regional Housing Pot (RHP)**

- 2.1 An innovation introduced by the Government's Sustainable Communities Plan of February 2003 was the creation of 2-year investment programmes to replace the traditional one-year funding cycle and to link into the Government's cycle of spending reviews. This strategy has been drafted in the middle of the first, 2004/06, programme.
- 2.2 The capital resources provided to the West Midlands in the form of the RHP for 2006/08 amount to £378.9 million, split between the two years as follows:

2006/07 £185.559m

2007/08 £193.373m

This represents a 2% increase on the 2005-06 allocation for 2006/07 and 6.5% for 2007/08 programme. In addition, the current more strategic approach to planning and delivering the programme should ensure that the value of the outputs from investment can exceed those of the present programme.

### **Ministerial guidance**

- 3.1 In providing the RHP resources, Ministers set out broad expectations with regard to how these should be used. The overriding expectation on the RHB from Government and regional stakeholders alike is that it will adopt a significantly more strategic approach in allocating funding for 2006/08 from the RHP than was possible in the circumstances of preparing the 2004/06 programme. Specifically, this more strategic approach must be underpinned by the revised RHS, and this has been a primary aim in the West Midlands.
- 3.2 A further overarching expectation in guidance from Ministers is that strategic allocations should seek to maximise the contribution which housing makes to the creation and maintenance of sustainable communities within the resources available.
- 3.3 More specific strategic guidance has been provided to regional housing boards with regard to the outcomes to be achieved through their use of investment resources made available in the RHP:
- Satisfactory progress towards local authorities' achievement in 2010 of the Decent Homes standard for their stock must be achieved.
  - Similar progress towards the 2010 decent homes target must also be achieved for housing in the private sector which is occupied by vulnerable people.
  - Increase in the level of output of additional social rented housing. Nationally, increase in the RHP needs to be used on additional social housing to turn round the growth in homeless households in temporary accommodation. However, it is recognised that local authorities must be able to demonstrate they are effectively utilising other sources, e.g. empty homes, lettings policies etc, rather than relying exclusively on increased public investment.

- Investment from the RHP must be used to help address imbalance in the region's housing markets reflecting evidence of how they are operating and support the activities aimed at Housing Market Renewal Pathfinders.
- Allocations of funding must take full account of geographic priorities.
- Investment should be used to enhance community cohesion. It must therefore take account of the needs of households from black and minority ethnic (BME) communities. Gypsies and travellers are mentioned specifically as a group which will need specific consideration, addressing a history of being generally sidelined in past strategies for housing.
- A target for new rural housing is no longer set by the Government, but RHBs are instead required to put forward proposals for dealing with rural housing needs.
- Investment in supported housing must take full account of strategies throughout the region for the future use of revenue funding from Supporting People budgets.

### **Experience in 2004-06**

- 4.1 The West Midlands' Allocations Strategy for the 2004/06 investment programme embodied an essentially conservative approach, with stress on a high degree of continuity with the past. This reflected partly the value attributed to continuity for continuing delivery of on-going investment programmes, but also the lack of a robust, evidence-based regional housing strategy to support a more radical departure.
- 4.2 The two principal funding streams for investment of the RHP are: (1) social housing grant (SHG) into new affordable housing via the Housing Corporation's Approved Development Programme (ADP) and capital allocations for local authorities managed by the Government Office for the West Midlands. The RHP was created through merging these two streams.
- 4.3 The 2003 RHS provided only broad objectives for investing the ADP, and no real basis for detailed geographical or thematic targeting or prioritisation. Similarly, HIP resources were distributed between local housing authorities primarily on the basis of a formula, as in the past, with a small part being allocated on competitive bidding.
- 4.4 One area in which the RHP was used more radically was in the funding of research for the future. This has proved to be a sound investment, since its results are now forming the foundation for the revised RHS, and hence for this allocations strategy.
- 4.5 The quantitative distribution of RHP resources in the 2004/06 allocations strategy is set out in Appendix 1.

### **The Regional Housing Strategy**

- 5.1 The current RHS is being extended to the same time horizon as the Regional Spatial Strategy (RSS). More significantly, it is becoming much more radical in its aspiration to develop a new approach to intervention in housing markets to bring about a renaissance in the region. This confidence is built upon the new base of evidence on housing issues which has emerged since the first strategy was produced in 2003.
- 5.2 Most pertinently for the Allocations Strategy, the new RHS goes much further than its forerunner in informing the decisions by those responsible for investment

decisions. It indicates the scale of the region's various needs for housing investment, and much more clearly the objectives to be pursued in using investment resources. It also sets out the geographical and thematic priorities for using scarce resources to address these objectives. Reference is made throughout this document to relevant provisions in the RHS, as the basis for allocations in this strategy.

The RHS can be accessed on the Internet at the West Midlands Regional Assembly website at [www.wmra.gov.uk](http://www.wmra.gov.uk).

### **Consultation**

- 6.1 Consultation on the issues to be dealt with in the RHS has provided considerable input to the formulation of the Allocations Strategy. Specifically, there was consultation under the heading of "funding" which was aimed directly at informing the decision making regarding allocations. Consultation on the drafts of both strategies was conducted in parallel to ensure sufficient synergy between how individual issues are handled in the two processes.
- 6.2 Separate consultation exercises were held on the methodological options available for drawing up the Allocations Strategy, and then the draft RAS. Feedback from consultees has been very valuable in forming the final RAS.
- 6.3 Responses were received from a relatively small number of consultees. These were broadly supportive of the RHB's direction in moving towards a more strategic use of resources. Some responses suggested a degree of nervousness regarding the possibility of a large and swift deviation from funding patterns of the past, and this has been taken into account in providing a "safety net" for LA funding. Respondee also queried whether sufficient priority had been given to HMRA pathfinders and areas of restructuring, and the overall resources available to the Western HMA. This document and the final allocations shown at Appendix 2 take these comments into account.

### **Key factors**

#### ***Decent Homes - Local Authority***

- 7.1 The funding guarantee to all local authorities which was made in the ODPM Sustainable Communities Plan for the first 2 years has now gone. In its place, however, is a commitment to ensure appropriate funding is made to them to meet the Decent Homes standard. This level of funding thus establishes a baseline for HIP funding to LAs individually and in aggregate. The aggregate figure for the public sector stock for 2006/8 is expected to be of the order of £63 million, i.e. nearly 34% of the RHP. This therefore represents the first definitive allocation from the SRHP.

#### ***Decent Homes - Private Sector Vulnerable Households***

- 7.2 Ministers have tasked local authorities to achieve decency standards in 70% of private sector stock occupied by vulnerable households by 2010.

The RHB therefore targets resources to local authorities through the HIP route to enable them to meet this priority. For 2006/07, the estimate of the level of funding is based on spending on this work in 2004/5. Further work is needed to obtain an

updated baseline and research will be undertaken in 2005/6 so that funding for 2007/8 can be better targeted. A total of £30m is earmarked for this targeted funding.

- 7.3 No direct allocation is being made, via the Housing Corporation, to fund works to RSL stock to meet the decent homes standard, since RSLs are required to make sufficient investment available from their own resources. Should the need arise exceptionally among very small RSLs, this would only be on a very minor level, and the Housing Corporation would, if justifiable evidence were available of there being no alternative, consider making provision from the ADP.

### ***Affordable Housing***

- 7.4 The need for additional affordable housing in the region emerged as a key issue throughout the region to be addressed through the RHS. Research for the RHS, reflecting the overall growth in housing provided through the Regional Spatial Strategy, pointed to the need for 58,796 net additional affordable dwellings over the period 2006 to 2021. The research shows the need for the 2006-08 period as 13,464 dwellings.
- 7.5 Various factors will determine how much subsidy from RHP investment will be required to facilitate the match of affordability with need. However, an important feature of the RHS and Allocations Strategy is an acknowledged imperative of achieving significant improvement in the cost of procurement for affordable housing.
- 7.6 The successful delivery of affordable housing in the region funded through the ADP depends upon building up a pipeline of schemes which will be able to be delivered in the region across a number of years. Currently, the pipeline has been built up by the Housing Corporation in collaboration with RSL partners and local authority stakeholders. The Housing Corporation will continue to undertake commissioning of the pipeline to reflect the priorities which are identified in the RHS and as directed by the RHB and Government ministers.
- 7.7 Preliminary analysis of the pipeline of affordable housing schemes coming forward for inclusion in the Housing Corporation's programme suggests it might be possible to see the average unit grant cost fall to, say, £35,000 for which investment would be sought from the RHP. The actual figure to be used must, however, reflect the mix of different product types emerging from the targeting of investment in section 10 below. Equally, average procurement cost to the RHP can be reduced further if maximum opportunities are taken to provide non-RHP subsidy from planning gain through s106 agreements and from other sources of capital funding.
- 7.8 Even if average grant costs for new affordable housing fell as low as £30,000, the total cost of meeting the region's estimated need during 2006-08 would be £403.92 million – i.e. well in excess of the total RHP. This has two obvious consequences: firstly it is necessary to recognise that local authorities and their partner stakeholders must take measures to facilitate production of new affordable housing without recourse to the RHP, and/or to reduce grant costs further; secondly, to plan strategically to predict and deal with the consequences of not satisfying the need. In both of these respects, it will be necessary for the RHS to be referred to for guidance, but exclusive reliance on the use of the RHP to deliver the strategy is not an acceptable option.

- 7.9 The pipeline of schemes referred to above also throws a perspective on the capacity to deliver the volumes of affordable housing required during 2006-08. The logic of this reflects the timescale for preparing investment schemes: those to be started during 2006-08 would normally be expected to already be in preparation, and hence identifiable. The current volume of the known pipeline is around 2000 units of affordable housing. A proportion of these may not be ready to be delivered in the 2006/08 programme, highlighting the need for enablers within the HMA s to be working closely with the Housing Corporation to build up a strategic pipeline for future delivery, and deliver on the vision set out in the RSS, Regional Economic Strategy (RES) and RHS. The RHB has agreed that if a HMA is unable to bring forward sufficient good quality schemes in 06/08, resources can be transferred to another HMA on the condition that it is returned in subsequent years.

### ***Priority Areas***

- 7.10 The evidence base, combined with national and regional policy initiatives, has created a relatively clear picture of areas in which the housing situation requires particular attention and action to deal with specific problems and challenges. These are identified in the RHS as priority areas for action. These actions include public investment, and hence a demand on the RHP. However, there is not a direct correlation between the need for action and the demand on the RHP or its individual funding streams.
- 7.11 The RHB has recognised its priorities between the HIP route and ADP must to a great extent be complementary to each other in order to achieve the goals set in the RHS. Achieving the decent homes standard in local authority stock and meeting the need for vulnerable households in the private sector is clearly within the remit of local authorities and will be reflected by the Board through allocations of HIP. The creation of new and additional social and low cost housing can be reflected through allocations in the ADP. The need to meet the demand for renewal and growth as a significant element in the pursuit of Urban Renaissance can in part be met by investment through both HIP and ADP.
- 7.12 The RHB is proposing that local authorities which are intending to develop the agenda for renewal and growth, centred on the MUAs, should receive additional funding. Part of this HIP in 2006/07 will be for early actions to enable new brownfield sites to be made available for redevelopment from 2007/08 and beyond. This will allow advance commissioning of redevelopment of these sites to take place and where appropriate ADP can be targeted to these sites. These include the two national Housing Market Renewal Pathfinder of North Staffs [RENEW] and Birmingham/Sandwell [Urban Living], the two regional areas of market restructuring of Black Country/Telford and East Birmingham/North Solihull and ex coalfield areas. A further part of the funding will be for targeting on areas with particular problems with unfitness in private sector stock.
- 7.13 For 2006/7 whilst account has been taken of the need for funds for housing market restructuring activity, including the HMRA Pathfinders, it is felt that the amount of funding local authorities have indicated they need has been estimated in the absence of prospectuses for those areas. For 2007/8 £25m has been provided for restructuring authorities which will be allocated once prospectuses have been produced, when evidence of need and the availability of other resources is available

- 7.14 It is considered that in terms of resources from other bodies, eg EP, the balance between the need for land remediation is likely to be for need in the N Black Country/Telford area.

## The Strategy

### Split between funding streams

- 8.1 The only element of the RHP which is predetermined is effectively that for meeting the LA Decent Homes standard, to be invested through the HIP funding route. The remainder is therefore entirely subject to discretionary judgement on the basis of relative value for money.
- 8.2 Given the importance attached to increasing the supply of affordable housing in the region, this represents a suitable starting point and benchmark for considering further allocations. Since the need for additional affordable housing is far in excess of the likely investment available from the RHP, every allocation of £30-40,000 funding that is not invested through the ADP is one fewer affordable home. This does not, of course, mean that the RHP should not be invested otherwise; but it does provide a ready measure to evaluate other forms of expenditure in terms of the opportunity costs of the choice. Additionally, this focuses attention on the need to ensure (a) that there is clarity on what value will be derived from each allocation of RHP resources, and (b) that this is greater than the alternative use for additional affordable housing.
- 8.3 On this basis, the RHB has considered the options and delivery capacity for investing to meet various investment themes, and has decided to allocate funding between the different funding streams as indicated in the table below. The considerations and proposals under the various themes are set out in the following sections.
- 8.4 A small part of the RHP is to be reserved to fund a continuation of the funding of research for future review and development of the RHS, from which substantial advantage was gained in the 2004/06 programme. However, the residual need for research should be substantially less, and therefore a sum of £0.5 million has been allocated for this purpose.

**Table 1: Allocations to Funding Streams**

	HIP funding to LAs	ADP funding to RSL schemes	Research on housing issues	Total
2006-07	87	98.31	0.25	185.56
2007-08	93	100.12	0.25	193.37
Total	180	198.43	0.5	378.93

### Allocating HIP resources to local authorities

- 9.1 Unless rules change, the allocations to local authorities will be in the form of approval to borrow. Since local authorities intending to remain debt free are unlikely to use a borrowing approval, this raises questions over the efficacy of the HIP funding route for achieving strategic ends in their areas. Allocating credit approvals to debt-free local authorities therefore carries the risk (in principle) that some of the RHP resources could go unused, and the intended outcomes would not be achieved. The RHB has questioned the merits of giving an allocation to debt-free local authorities

on the grounds that the resource could be used more certainly and effectively to support the achievement of other objectives in the region.

- 9.2 On balance it has been decided that funding should not be denied debt free authorities as it is clear that use can be made of this approval to borrow in many cases. The RHB secretariat needs to know if they are not intending to make use of any allocation made so that resources can be allocated elsewhere.

### ***Decent Homes***

- 9.3 The responsibility for meeting the Decent Homes standard in their own stock lies in the first instance with the local authorities themselves; however, use of the RHP to support this is justified as being in pursuit of a national and regional strategic objective. In line with Ministerial requirements, £63 million has been allocated to the HIP funding stream to meet the expected level of need for investment by local authorities in their own stock to meet the Decent Homes standard. The actual amount of funding can clearly only be finalised when the results of the appraisals have been signed off, after the deadline for prior options appraisals in July and may result in adjustments to the proposed level of funding for renewal and growth work.

The level of investment needed to meet the Decent Homes standard for vulnerable people in the private sector stock is less easy to determine. Most local authorities do not have the results of proper surveys, and are therefore not in a position to demonstrate the value and deliverability of any HIP allocations for this purpose. Some of the money available for research in 2005/06 will be used to assist in obtaining reliable data elsewhere. Data on the level spending on this work in 2004/5 has been collected from local authorities. The allocation of around £23m in 2006/7 will be allocated where local authorities have been able to demonstrate to us that they are already targeting resources on private needs homes occupied by vulnerable people. £30m is earmarked for targeted funding for 2007/8 based on the outcomes of the research.

### ***Housing Market Renewal & Growth***

- 9.4 After Decent Homes work for both local authority stock and Private Sector homes occupied by vulnerable people, the next key priority for the region funded via HIP is addressing renewal and growth activities centred on the MUAs. Dealing with this area of work will have a telling impact on urban renaissance. Specific areas for funding are the two national Housing Market Renewal Pathfinders of North Staffs (Renew)] and Birmingham/Sandwell (Urban Living) and the two regional areas of market restructuring of North Black Country /Telford and East Birmingham/North Solihull. The RHB asked that details of funding needs for these four groups be provided to inform allocations. Plans are still at an early stage, for 2006/07 £24m is allocated for this work and for 2007/08 £25m is held pending further detail of need and resources being available. For this second year, consideration will be given to this funding being allocated to a lead authority in a partnership of authorities Funding of £6m is also provided to other local authorities with a particular problem with levels of unfitness in private sector dwellings. Ex coalfield areas will also receive, in total, funding of £3m to address their long standing renewal and growth needs.

***SafetyNet***

- 9.5 As the 2006 -08 allocation moves from being previously based on Needs Indices to being based on priorities emerging from the RHS, local authorities may experience changes in their funding. A safety net of 40% of the 05/06 allocation in the first year and 30% in the second year will reduce any adverse effects from this change in funding mechanism.

**Thematic Targeting of ADP resources**

- 10.1 The general prioritisation for investment of RHP resources through the ADP is set out in the RHS. It is important to note, however, that the allocations strategy relates to the investment over a short period 2006/08, and therefore that the priorities it will need to address must equally be for that period. In other words, the short-term priorities in implementing the RHS are not necessarily exactly the same as priorities for longer-term action. Where there is deviation, it is because of restrictions on capacity to use the investment and deliver the desired outcomes. Nevertheless the priority areas for funding for 2006/08 should be a general steer for early work to develop schemes for the 2008/10 programme.

***Rural Housing***

- 10.2 The evidence base for the RHS has identified that the rural renaissance of the region, particularly in the South and west HMAs is of a complex nature. This will require further strategic work by local authorities and other regional stakeholders to ensure that future interventions are moving in the direction of the aims and objectives of the RHS. The amount of public investment available will be unlikely to meet the demand for the foreseeable future. It is therefore important for other interventions including the use of planning powers, alternative sources of capital funding, and partnership with private sector developers to maximise opportunities for development in these areas.

The use of existing homes which can be acquired for social rent or low cost home ownership will be encouraged where there is a need. Care will need to be exercised that such interventions do not adversely effect house prices in those housing markets.

With the movement of stock in the Shire counties there will be a move of resources from HIP to ADP in rural areas, this also reflects the greater need for affordable housing in these areas and is partly a result of RSS policies which will reduce the availability of mechanisms such as s106 to increase the supply. Increasingly, we would see this provision being targeted at market towns.

In terms of addressing the objective of rural renaissance, the ADP's role will be essentially investment in provision of additional affordable housing to meet local needs. If this can be through schemes which also contribute to regeneration, housing support and community cohesion, these are additional benefits.

***Homelessness and Local Need***

- 10.3 ADP investment will not be in schemes providing exclusively for homeless families or individuals. Schemes aimed at accommodating local needs will, in increasing the supply for this need, and if targeted on the basis of sound evidence of the range of needs, provide at the same time housing suitable for all those becoming homeless.

However, before additional homes will be provided through the ADP, local authorities will need to demonstrate that they are utilising existing stock effectively in their areas to meet the demand from homeless households.

### ***Needs among BME Communities***

- 10.4 The research carried out for the RHS has highlighted the requirement for BME communities to have wider access to pathways of choice within the region. There is also evidence of considerable need in the region for housing designed to meet the specific needs of some members of BME communities. The former may be provided by the existing market mechanisms influenced by housing enablers, while the latter may require public investment. Experience in recent years has revealed a limited capacity among enablers and deliverer to bring forward schemes which are purposefully directed at addressing identified needs within these communities.
- 10.5 For the 2006/08 bidding round, where bidding organisations are operating within geographic areas with significant BME communities, the RHB, through the Housing Corporation will expect to see them bring forward initiatives to work with and through BME led RSLs, where this is an appropriate means of ensuring that they reflect and support the communities they work in and meet their need, as well as providing a wider access to choices in housing.
- 10.6 Local authorities have a clear role to play in ensuring that there are local strategies in place to identify and address the needs of BME communities in their localities and to work with public and private sector providers to create pathways of choice which are integrated into mainstream provision. Priority for funding will be given to those bids which can clearly demonstrate that they can meet the needs of diverse communities and have a clear linkage to local and regional strategic frameworks.

### ***Gypsies and Travellers***

- 10.7 ADP funding has not been used before to provide sites for caravans. In planning for its use during 2006-08, there is consequently considerable uncertainty regarding the mechanism, costs, and capacity to plan and deliver new sites. A cautious approach is therefore required regarding the scale of allocation to this theme.
- 10.8 The RHB will be prepared to support new sites and refurbishments where suitable evidence of need is supplied and an amount of £4m over two years which will not be ringfenced is proposed to be made available.

### ***Supported Housing***

- 10.9 In terms of allocating resources, it is felt that there is also a need to consider additional priority due to the need to recover the position on new provision which has seen a strong decline in the past few years as a consequence of uncertainties regarding revenue funding under the Supporting People regime.
- 10.10 Despite this, a prudent approach to levels of allocation for 2006-08 is still advisable, since the uncertainty over SP funding continues. In response to this, the allocation to supported housing is being set at 10% of the programme. This amount will not be ringfenced, and assumes suitable schemes will be forthcoming from commissioning bodies. If this approach proves successful, then additional targeting of resources for future funding can be considered. As noted above, the importance of creating a delivery pipeline applies particularly to this theme, and the RHB welcomes the offer

of the Regional Implementation Group (RIG) to make recommendations to the HC on priority schemes for investment.

- 10.11 The priority needs to be addressed are older people, young vulnerable people, and people with mental health problems including drugs and alcohol; the ADP can be used to remodel schemes to meet existing or alternative needs.

### **Geographical targeting of ADP Investment**

- 11.1 The strategy for development of affordable housing is based on the extensive research for the RHS. The resulting proposed targeting of investment by geographical area is set out in the summary below. The overall balance in each HMA between social and other affordable housing is consistent with the results of the research for the RHS. The HMAs have been divided into further smaller sub areas for the basis of ADP allocations. This is based on a pragmatic approach, to provide a clearer geographical basis for constructing the 2006/08 investment programme and to assist in the targeting and prioritising of investment decisions. It is hoped that future allocation strategies will reflect a strategy for each HMA developed by HMA partners.
- 11.2 The overall aim is, within the levels of need identified in the research, to provide an increase in affordable housing particularly in the South and West HMAs, taking into account the additional need for funding identified in those areas. The overall level of HIP available to those HMAs is less as a result.

### **Affordable housing investment priorities: summary**

#### **Introduction**

- 12.1 Where RHP investment decisions for affordable housing through the ADP occur, it is proposed that this should be monitored alongside private sector house building activity to ensure that the re-balancing of markets in the conurbation is achieved and absorbs some of the pressure on importing markets in the South and West of the region.
- 12.2 It should be noted that although this section details areas of investment priority, it should not be assumed that funding from the RHP will automatically follow. Where social rented or low cost home ownership (LCHO) options are shown to be required, then delivery mechanisms other than the public funding route will need to be considered by local authorities and delivery organisations. This could include for example, delivery through the planning system or a mixture of public and private funding solutions.
- 12.3 The products which are delivered through the use of public funding can be divided into three main categories: social rent, intermediate market housing and low cost home ownership options. It should be noted that the LCHO options are currently the subject of ODPM consultation and from April 2006 may deliver different products from those funded in the current ADP programme.

- 12.4 ADP may also be targeted on areas of significant housing regeneration, when the other criteria for funding are also met.

### **Central HMA**

- 12.5 There is a need to focus on three investment areas in the Central HMA: an East-Central and West-Central Corridor and a North Central area.

#### North Central

- 12.6 With the exception of Cannock and South Staffordshire, this zone is influenced by migration trends with the adjacent East Midlands region. However, the future of this zone is inextricably linked to the economic fortunes of the conurbation and, in particular, Birmingham.
- 12.7 Although the evidence base indicates that a high percentage (60%) of affordable housing need in this area could be delivered as shared ownership to bridge the affordability gap for low income households, this would need to be delivered in a way that guaranteed access to affordable housing for local needs.
- 12.8 Given the migration pressures in this part of the HMA, intermediate housing should be delivered in a sensitive way that can respond to households on lower incomes requiring assistance into owner-occupation. The strategy in this part of the Region should be to deliver sustainable social housing provision meeting local need and to restrict the expansion of owner-occupation that attracts households out of the conurbation.

#### East-Central Corridor

- 12.9 As deprivation levels continue to be high in the MUAs and BME household growth is above the regional average, there will continue to be a need for social and intermediate housing to cater for low-income households emerging within this zone.
- 12.10 Given the established commuting and migration patterns between the conurbation and the commuter belt affordable market housing is required to take pressure off these destination areas. Emphasis should therefore be placed on developing pathways of choice and investment in LCHO and other intermediate tenures within the designated renewal areas within the conurbation. The East Birmingham-North Solihull market restructuring area should be supported, in particular building on best practice and experience of intermediate housing provision for BME communities in this zone.
- 12.11 Birmingham has a unique role within the region and it should continue to be supported in restructuring its housing markets through the Urban Living HMRA, and the East Birmingham- North Solihull market restructuring area. This activity should be seen in the context of re-structuring of suburban housing markets affected by economic change (eg: Longbridge and the south-west of Birmingham).

#### West-Central Corridor

- 12.12 Areas that have relatively low levels of homelessness, affordability problems and lack diversity require private sector investment to be stimulated to provide increased pathways of choice to households that would seek to migrate out of these authorities.

In the Black Country the market restructure area should be supported in its efforts to diversify tenures.

- 12.13 This should include consideration of investment in affordable housing to support displaced households within the market restructure area. When factoring in demolitions there is continued demand for social housing within the Black Country and if plans for growth are adopted then there will be a need to establish more provision to replace defective and obsolete stock although at proportions lower than currently prevailing.
- 12.14 Outside the conurbation Telford registers the highest homelessness ranking and affordable needs. The projected expansion of Telford's household population supports sustained social housing investment. The migration linkages between Telford and Wolverhampton indicate that Telford has the largest net gain in population from Wolverhampton. Proposals to re-balance the stock and diversity tenures within the Black Country study and the south Telford/Black Country market restructure area should be encouraged.

### **North HMA**

- 12.15 In the North HMA outside the Renew HMRA there are two priorities for investment: Market Towns and support for social housing in East Staffordshire (Burton) where the impact of HMRA is weakest.
- 12.16 The importance of the Renew HMRA is recognised by the RHS within the North HMA. The costs of intervention have risen as house prices rises have obvious implications for CPOs and private sector interventions at the bottom of the market. In the short-term this may have implications for the displacement effects of households in the private sector affected by clearance. Whilst the prospectus envisages a decline in social housing and a replacement rate that is below the current levels of clearance there may be a requirement for some low cost affordable market housing, and a requirement for some social rented homes to allow clearance and decanting to take place.
- 12.17 Outside the HMRA, Market Towns should be emphasised especially in Staffordshire Moorlands where the provision of social housing is low compared to the sub-regional average. There is evidence to support some investment in social housing in Burton due to the market pressures from adjacent regions and the limited impact of the HMRA on this part of the sub-region.

### **South HMA**

- 12.18 Intra-regional migration from the conurbation has the biggest impact on the South HMA. With high rates of owner occupation the South is attractive to commuters and economically active households. A very low proportion of the South's housing stock is social housing and as a consequence the HMA has problems in meeting homelessness acceptances and few pathways of choice for those aspiring to LCHO.
- 12.19 There is a need, therefore for some additional investment in social and LCHO housing to assist local households in need. Warwick and Stratford stand out as areas with the highest affordable housing needs and should be the focal point for social

housing investment in the short-term where the planning system is unable to deliver successful outcomes.

- 12.20 To a lesser extent, Redditch and Worcester are also areas where housing stress has been indicated in the evidence base, although there are greater levels of social housing available in Redditch to deal with homelessness.
- 12.21 For making allocation purposes, local authority areas in this housing market have been grouped into investment areas as follows:
- South West (Malvern, Worcester, Wychavon, Wyre Forest)
  - Commuter South (Bromsgrove, Redditch)
  - South East (Stratford, Warwick)

### **West HMA**

- 12.22 Investment from the ADP should focus on other large settlements and the Region's market towns, where there is likely to be greater access to service provision, transport hubs and access to employment and education opportunities.
- 12.23 Investment should also be made in small rural settlements which are adjacent to other large settlements and market towns, or are within their hinterlands. Proposed schemes for these settlements would need to demonstrate that they are sustainable in the way that schemes are when based in other large settlements and market towns in relation to access to services.
- 12.24 The provision for affordable housing in settlements with populations below 3000 is perhaps amongst the most difficult to deliver. The needs identified to meet the demand for homes in these settlements is likely to be a parochial and very localised need. The provision of new social and low cost home ownership housing must demonstrate how it can meet local housing need or assist in the restructuring of rural economies
- 12.25 For making allocation purposes, LAs in this housing market have been grouped into investment areas as follows :
- Southern Rural (Hereford, Bridgnorth, South Shropshire)
  - Northern Rural (North Shropshire, Oswestry, Shrewsbury)

### **Delivery: monitoring and management**

- 13.1 Monitoring of progress will be in two parts: that for HIP; and that for ADP. For HIP, local authorities will be asked to complete profiles of target spending at the beginning of the year and then updates throughout the year to show progress. This will be dovetailed with monitoring of the RHS itself

### **Next steps**

- 14.1 The Regional Allocations Strategy was submitted to Ministers for approval at the end of June 2005, accompanied by the new Regional Housing Strategy. It is intended that detailed HIP allocations to local authorities will be issued in December 2005. The Housing Corporation intends to initiate a bidding round for ADP schemes to support this RAS although it will wish to work with RSLs and others before then to ensure that appropriate schemes are forthcoming. It hopes to move further towards this commissioning approach in future rounds.

4.1 **Appendices**

## Appendix 1

**West Midlands Housing Resources 2004/5 and 2005/6**

<b>WM Regional Housing Pot</b>		<b>2004/5</b>	<b>2005/6</b>	<b>2004-06</b>
		<b>000s</b>	<b>000s</b>	<b>000s</b>
<b>ADP Funding</b>				
	Commitments from previous year's schemes	41,400	25,400	66,800
	Commitments – pre-allocations and Forward Pool	34,900	12,900	47,800
	New funding	11,800	51,620	63,420
	<b>Total ADP</b>	<b>88,100</b>	<b>89,920</b>	<b>178,020</b>
<b>HIP resources</b>				
	Ministerial commitment 70% by GNI to all LAs	61,880	63,560	125,440
	Allocation to all LAs 70% by GNI of discretionary PSR funds	13,200	12,341	25,541
	LA Decent Homes safeguard	2,063	2,119	4,182
	PSR Safeguard for PSR priority areas (8 in all)	5,549	5,099	10,648
	Protection to Coalfield areas to LAs falling below 95% by GNI and to any LA below 90%	108	191	299
	Low Demand Feasibility Studies	2,000	3,320	5,320
	PSR Kick Start funds	3,500	3,500	7,000
**	Resources for feasibility studies, research etc. (match ADP funding)	1,000	1,750	2,750
	<b>Total HIP</b>	<b>89,300</b>	<b>91,880</b>	<b>181,180</b>
<b>West Midlands Regional Housing Pot</b>		<b>177,400</b>	<b>181,800</b>	<b>359,200</b>

## Appendix 2

**West Midlands Housing Resources 2006/8**

<b>WM Regional Housing Pot</b>		<b>2006/7</b>	<b>2007/8</b>	<b>Total</b>
		<b>£ 000s</b>	<b>£ 000s</b>	<b>2006-08</b>
				<b>£000s</b>
<b>ADP Funding</b>				
	Commitments from previous year's schemes	26,570	3,466	30,036
	Commitments – pre-allocations and Forward Pool	44,230	38,200	90,000
	New funding	27,510	58,454	85,964
	<b>Total ADP</b>	<b>98,310</b>	<b>100,120</b>	<b>198,430</b>
<b>HIP resources</b>				
	Decent Homes –local authority, option appraisal amounts	32,000	31,000	63000
	Decent Homes – PS vulnerable, based on previous and projected work	23,000	30,000	53000
	Renewal and Growth for MUAs, coalfield areas and particular unfitness problems	28,000	30,000	58000
	Safety net of 40% 06/07 and 30% 07/08	4,000	2,000	6000
	<b>Total HIP</b>	<b>87,000</b>	<b>93,000</b>	<b>180,000</b>
	Research	<b>250</b>	<b>250</b>	<b>500</b>
<b>West Midlands Regional Housing Pot</b>		<b>185,560</b>	<b>193,370</b>	<b>378,930</b>

**Appendix 3:**  
**Table to illustrate breakdown of ADP by funding and output.**

	ADP Funding (£m)		Outputs		
	2004/06	2006/08 (Projected)	2004/06 (units)	2006/08 (Projected units)	2006/08 projected outputs as % of 2004/06
<b>North</b>	7.5 (4.5% of total ADP 04/06)	9.9 (5.0% of total ADP 06/08)	245 (5.5% of total units 04/06)	312 (5.5% of total projected units)	127.3%
<b>Central</b>	116.7 (69.3%)	109.2 (55.0%)	2667 (64.4%)	2852 (50.0%)	106.9%
<b>South</b>	31.5 (18.7%)	61.3 (30.84%)	922 (22.5%)	2007 (35.2%)	217.7%
<b>West</b>	12.5 (7.4%)	18.3 (9.2%)	303 (7.5%)	533 (9.3%)	175.9%
<b>Total</b>	<b>168.2 (100%)</b>	<b>198.6 (100%)</b>	<b>4137 (100%)</b>	<b>5704 (100%)</b>	<b>137.9%</b>

## Appendix 4:

**Table to show HIP/ADP split for 2004/06 and 2006/08 periods**

	<b>2004/06</b>			<b>2006/08</b>		
	<b>HIP</b>	<b>ADP</b>	<b>Total</b>	<b>HIP</b>	<b>ADP</b>	<b>Total</b>
<b>North</b>	18.5	7.5	26.0	17.7	9.9	27.6
<b>Central</b>	138.0	116.7	254.7	140.8	109.2	250.0
<b>South</b>	13.7	31.5	45.2	4.8	61.3	66.1
<b>West</b>	10.0	12.5	22.5	4.3	18.3	22.6
<b>Total</b>	<b>180.2</b>	<b>178.2 (Includes £10m currently unallocated)</b>	<b>358.4 (Includes £10m unallocated)</b>	<b>180.1 (Includes £12.4m in reserve.)</b>	<b>198.6</b>	<b>378.69 (Includes £12.4m in reserve)</b>

Note – all figures in £m.