

STRATEGIC HOUSING CAPITAL PROGRAMME 2008/09

PORTFOLIO RESPONSIBILITY: ENVIRONMENT AND STRATEGIC HOUSING AND SOCIAL CARE ADULTS AND HEALTH

CABINET

10 JULY 2008

Wards Affected

County-wide

Purpose

1. To seek approval for the allocation of the Strategic Housing Capital Programme, which incorporates the Affordable Housing Development Programme and the Private Sector Housing Programme for 2008/09, and to inform Cabinet of external funding contributions, including National Affordable Housing Programme and Specified Capital Grant contributions.

Key Decision

This is a Key Decision because it is likely to result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000. It was included in the Forward Plan.

Recommendation(s)

THAT

- (a) the Strategic Housing capital programme be approved for 2008/09 as detailed in Table 2 of the report.

Reasons

2. The development of affordable housing is a Corporate priority and Local Area Agreement Priority for Herefordshire. The approval of the Capital Programme outlined in this report should enable the provision of a range of additional affordable housing throughout the County to meet local housing needs and promote independence.
3. The approval of the Capital budgets for Private Sector Renewal will assist vulnerable people to remain living independently in their own homes through the provision of a range of grants and minor adaptation services which provide for decent homes, improved security, safety and accessibility.
4. The approval of Capital funding to support the provision of Disabled Facilities Grants will enable the provision of improved access to the home and access within the home for people with disabilities.

Considerations

5. In October 2007, government announced Housing Investment Allocations to the regions within England totalling £10.2 billion for the three years 2008/09 to 2010/11. The funding forms the Regional Housing Pot in each region and supports the following activities:
- Development of affordable housing by Registered Social Landlords (RSL's) and approved partners through the National Affordable Housing Programme (NAHP) administered by the Housing Corporation;
 - Funding to Local Authorities to support regeneration through renewal and other grants aimed at providing decent homes in the private sector and in promoting independence;
 - Local authority investment in meeting the Decent Homes standard for Council-owned stock;
 - Funding of Kickstart Programme aimed towards providing loans as a form of financial assistance to help homeowners access decent homes.
6. The West Midlands share of this allocation amounted to £679m over the three years funding period, split as follows:

2007/08	2008/09	2009/20	2010/11
£m	£m	£m	£m
174	206	228	245

7. Whilst the government's announcement on the 'Regional Housing Pot' for the West Midlands increased the size of the overall amount allocated to the region, it also set out extremely challenging targets for the number of affordable homes the Housing Corporation was expected to achieve through the NAHP (3,600 affordable homes per annum). As a result of the government's shift of funding and increased expectations around affordable housing, the West Midlands Regional Housing Executive limited the capital allocation to local authorities for decent homes, Kickstart and regeneration activity to £211m over the three years, to be split as follows:
- 2008/09 £72m
 - 2009/10 £74m
 - 2010/11 £65m

The remaining balance of £468m was allocated to fund affordable housing development through the NAHP, administered by the Housing Corporation.

Affordable Housing Programme

8. The proposed allocation of Strategic Housing Capital reserves for 2008/09 for affordable housing development has therefore been developed having considered and maximised external funding opportunities from the NAHP.
9. Cabinet will recall that the West Midlands Regional Housing Strategy identified 4 housing market areas within the West Midlands, with Herefordshire located within the

West Housing Market Area, alongside Shropshire. The Regional Housing Allocations Strategy has allocated 10% of the overall NAHP of £468m (£46.8m) to the West Housing Market Area over the period 2008/09 to 2010/11.

10. The funding will be allocated by the Housing Corporation, to preferred partners which include Registered Social Landlords (RSL's) and house builders. The NAHP supports schemes that meet national and regional housing priorities as identified in the West Midlands Regional Housing Strategy 2005-2021.
11. The funds are allocated by way of a "bidding" process (referred to as the bid round) which took place for 2008/09 during November 2007. During this process, affordable housing scheme proposals for Herefordshire were submitted by Registered Social Landlords to the Housing Corporation to the value of £8,789,076, to deliver 181 units. Within those bids, applications for 30 units in the sum of £2,280,000 were not supported by Strategic Housing as they were not considered to represent value for money.
12. The outcome of the bid round resulted in capital funding being awarded by the Housing Corporation in the sum of £1,323,500 to provide 34 units in Hereford City.
13. The disparity between the bid total of £8,789,076 and the funding awarded of £1,323,500 is due to the Housing Corporation seeking efficiency savings across the West Midlands in terms of grant payable per unit. This efficiency drive required grant levels to be approximately £49,000 per unit for rented and £25,000 for shared ownership and the impact has been felt most predominantly amongst the rural authorities in the West Midlands.
14. However, the Housing Corporation has introduced Regular Market Engagement (RME), which allows "in year bidding" to take place. The Housing Corporation sought further bids through their first RME round which took place during April, and Strategic Housing is currently working with the housing partners to support schemes that meet the Housing Corporation's criteria. The outcome will be announced on 30th June, 2008 and will be verbally reported to Cabinet with this report.
15. As in previous years, the Council's Housing Capital reserves have been provisionally allocated and prioritised to support schemes that have failed to attract external funding through the NAHP bid round, but meet a local housing priority as identified in the Herefordshire Housing Strategy.
16. Cabinet will be aware that submissions were made through the Corporate Capital Programme bid process for Low Cost Home Ownership (LCHO) schemes (which included Do-It-Yourself-Shared-Ownership (DIYSO), Festival Property Purchase, Mortgage Rescue, Shared Ownership for Learning Disabilities (SOLD) Own Home) and Empty Property Activity. A bid was also made to support Disabled Facilities Grants, funding which is considered later in this report.
17. Due to the high level of bids received for funding from the Corporate capital programme, the schemes highlighted above were unsuccessful, but were recognised as a priority for funding. It was recommended by Cabinet that the schemes should be funded from the Strategic Housing's Housing Capital Reserves.
18. After carefully considering the capital reserve position and the current housing market "credit crunch", it is proposed to prioritise reserves towards affordable housing for 2008/9 as detailed below in Table 1, to address the potential changes and challenges in the housing market.

Table 1

Proposed scheme details and grant requirements to be funded from housing capital reserves.

Scheme Details	Grant Required	Units	Priority in Housing Strategy
Festival Property Purchase	£120,000	4	1
Mortgage Rescue	£1,000,000	15	1,2
Temporary Social Housing – Empty Properties	£300,000	10	2
Low Cost Home Ownership (DIYSO)	£580,000	9	1
Overall Total	£2,000,000	38	

19. It should be noted that this may be subject to some fluctuation during 2008/09, but will not exceed that original budget. There is also an additional sum of £232,890 received from planning gain commuted sums to be used for the provision of affordable housing.
20. It is considered that the programme represents value for money as the overall grant per unit equates to £52,600 which is not dissimilar to the requirements of the Housing Corporation. Further details on monitoring arrangements are outlined in the Risk Management.
21. In addition to seeking grant funding, efforts over the last 12 months have been focused on the delivery of increased levels of affordable housing achieved through the planning system against the Unitary Development Plan (UDP) affordable homes target. This element of affordable housing is delivered without capital funding from housing capital reserves or housing corporation funding. This makes an important contribution to the overall provision of additional affordable housing within the County.
22. The Provision of Affordable Housing is now a national indicator (NI155) and is a priority for Herefordshire in the Local Area Agreement (LAA). A target of 200 affordable houses to be acquired and built during 2008/09 has been agreed with the Government Office for the West Midlands (GOWM).
23. To bring the overall target of providing affordable housing in line with the requirements of the Regional Spatial Strategy preferred option over the next 3 years, a target of 300 affordable homes is proposed during 2009/10 and a further stretched target of 350 for 2010/11. This would ensure that over the 3 year period, 850 affordable housing units should be built or acquired across the County.

Private Sector Renewal

24. For the financial year 2008/09, Herefordshire Council has been allocated £734,000

from the Single Housing Pot to be utilised towards renewal activity. This compares to £919,000 in 2007/08 and represents a reduction of £176,000.

25. As stated previously, part of the background to this reduction lies in the reallocation of funding to the National Affordable Housing Programme. However, a further factor is that government is increasingly expecting a reorientation of traditionally grant-based funding for private sector renewal towards equity loan models for private householders.
26. For 2007/08, Housing Capital Reserves in the sum of £71k were added to the Single Housing Pot allocation of £919k to provide a total budget of £1m. For 2008/09 it is proposed that £184k of housing reserves be applied to the single capital pot allocation of £734k to provide a total budget of £918k. (The sum of £184k represents the total amount of grant funding repaid to Strategic Housing under land charges conditions between 2005/06 and 2007/08).
27. Herefordshire Council has registered its interest in joining the Kick Start Initiative, a loan based assistance scheme, and a provisional allocation of £178k for 2009/10 has been awarded to Herefordshire from the Regional Housing Pot to fund the expansion of the initiative into the County. The funding will be held and administered by Birmingham City Council as the accountable body for the partnership and is proposed to increase to £206k for 2010/11.

Disabled Facilities Grants

28. The provision of Disabled Facilities Grants (DFG's) make an extremely important contribution to improving the quality of life and independence of people with a disability in Herefordshire. The grants therefore have a strong cross-cutting role in supporting the objectives of social care and health.
29. The budget for Disabled Facilities Grants is determined upon recommendations made to the CLG by Government Office for the West Midlands (GOWM) and is based upon historic and planned expenditure detailed in the yearly Housing Strategy Statistical Appendix submission. Traditionally, the funding has been awarded as a Specified Capital Grant (SCG) allocation to cover 60% of the local authorities expenditure on mandatory DFG's.
30. For 2008/09 Herefordshire Council has been awarded SCG up to a maximum of £315k which provides for a budget of £525k taking into account the Council's contribution of 40% (£210k). Any funding above the limit of £525k would have to be 100% financed by the local authority.
31. As alluded to earlier in this report, a submission was made to the Corporate Capital Programme for funding to support DFG expenditure. The bid was not successful. It is therefore provisionally proposed to allocate £210k from Housing Capital Reserves in support of the SCG allocation of £315k (60%) towards mandatory DFG expenditure, representing the Council's 40% contribution towards the overall budget of £525k.
32. However, there has been considerable growth in demand for Disabled Facilities Grant throughout the County over the past 12 months, much of which has come from Registered Social Landlords tenants, who are eligible to apply for this mandatory grant.
33. It is therefore proposed to allocate an additional £200k from Housing Capital Reserves towards the 2008/09 budget for Disabled Facilities Grant. The funding will

not attract further subsidy in the form of SCG and will therefore be funding 100% of each awarded grant.

Financial Implications

34. Table 4 sets out the impact on Housing Capital Reserves of the funding proposals outlined in this report.

Table 2

Housing Capital Reserves current position as at 1st April 2008

	£'000
Balance available as at 1 st April 2008	8,295
Opening Commitments brought forward from 2007/08	
(i) Affordable Housing Grants	(3,819)
(ii) Housing Renewal Kick-start Initiative	(38)
(iii) Private Sector Housing CRM	(69)
Balance available to allocate to fund 2008/09 capital programme	4,369
Proposed 2008/09 funding allocations	
(i) Affordable Housing Grants	(2,000)
(ii) Private Sector Housing	(184)
(iii) Disabled Facilities Grant Match Funding	(210)
(iv) Disabled Facilities Grant 100% Funding	(200)
Less repayment of Right To Buy share to Herefordshire Housing	(879)
Plus expected 2008/09 Right To Buy share from Herefordshire Housing	170
Expected uncommitted balance remaining following funding the 2008-09 housing capital programme	1,066

35. The balance of remaining reserves illustrates that the Council's ability in future to utilise Housing Capital Reserves to fund the local housing investment priorities described in this report is limited.

Risk Management

36. It is important that efforts are made to maximise the external funding mechanisms identified in this report. For affordable housing programmes funded through the NAHP, the Housing Needs and Development Team are working closely with our

preferred RSL partners to progress schemes quickly, seeking support from local communities through consultation events, discussions with Parish Councils and liaising with planning colleagues, early on in the development/negotiation process.

37. Established procedures are in place for monitoring of capital expenditure against identified schemes and are regularly updated in partnership with the RSL's, internal audit and Capital Accountancy to ensure the correct allocation of grant payments at the appropriate stages of the development process. As part of the process, detailed information is requested confirming the various stages of scheme completion prior to interim and final payments of grant.
38. There is concern that the recent announcement by major housebuilders in response to the housing market issues presents a real risk to local, sub-regional and regional housing targets. Persimmon, Barratts and Taylor Wimpey have all announced nationally, the mothballing of incomplete sites and the halting of any new developments from starting. A reasonably significant proportion of our anticipated completions are dependant upon these schemes involving either these or other private house builders and this will inevitably be repeated across the West Midlands.
39. The Housing Strategy Statistical Appendix return will reflect a request for growth in the funding of Disabled Facilities Grant for Herefordshire to meet emergent demand. Furthermore, it is anticipated that there will be a greater emphasis on the use of equity-loan based funding of major renewal works to properties in future years once the Kick Start Programme is rolled out more widely.

Alternative Options

40. The level of grant available through the NAHP both regionally and nationally is insufficient to meet the known demand for affordable housing. Furthermore, the anticipated level of affordable housing to be delivered through the UDP, particularly in light of the current housing climate, is insufficient to meet affordable housing needs within the County. It is therefore important that the provision of additional housing to meet local priorities is funded through the use of available housing capital reserves.
41. Cabinet could determine to cut the amount of funding applied to grants for major works and smaller schemes aimed at promoting independence and energy efficiency. Whilst this would increase the level of remaining reserves for 2008/09 it would impact negatively on vulnerable households and threaten the sustainability of the Home Improvement Agency. However, consideration will need to be given to reducing the amount of Housing Capital Reserves applied to supplement Regional Housing Pot funding in 2009/10.

Consultees

None

Appendices

None

Background Papers

Budget Book 2008/09

Cabinet Report 21st February 2008 and 10th April 2008

Overall Capital Programme (Full Council) 7th March 2008