
**WESTMINSTER HOUSING COMMISSION
WRITTEN EVIDENCE FOR MEETING 2**

**THE HOUSING CORPORATION
PERSPECTIVE**

**Prepared by
The Housing Corporation
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Background

The Housing Corporation is a non-departmental public body, sponsored by the ODPM. It is responsible for the delivery of affordable housing nationally (via housing associations and more recently, under new powers, unregistered bodies) through the investment and administration of social housing grant.

The resources available for investment are allocated by ODPM on a regional basis, known as the regional housing pot. Recommendations on the split of this pot are made by the Regional Housing Board. Funding is directed to Local Authorities to meet Decent Homes, and to the Housing Corporation to meet supply objectives. Priorities for investment are set out in the Board's Regional Housing Strategy, which in London is heavily influenced by the London Plan. Investment via SHG in London has been rising in recent years, and in 2004-06 stands at around £1.5bn. This is set to rise in 2006-08 to some £2bn.

Housing output targets are therefore a blend of nationally set priorities, and those set by the Regional Housing Strategy. Housing completions funded with SHG have been running at around 9,000 - 10,000 over the last 2 years, although a proportion of these are existing homes purchased with equity loans by those who cannot access home ownership on the open market (and includes a significant proportion of properties funded from programmes specifically targeted at key workers, in line with government priorities).

You have asked us to respond to a series of questions. Our responses are outlined below. We would be happy to expand on the issues when we appear before the Commission.

How can we fund any extra units that come through revised planning policy?

Approximately 40% of the SHG funded new build programme in London in 2004-06 is being delivered on sites with a S106 obligation for affordable housing. This system works reasonably well and achieves value for money for the grant input required as well as providing reasonable levels of affordable housing. In particular, we have successfully worked in partnership with Westminster over a number of years, to grant fund the S106 element of mixed tenure schemes and have achieved reasonable value for money in grant terms when compared to the sub regional and London wide averages for grant per unit.

In assessing the need for and amount of social housing grant for a scheme, we should be involved at an early stage of the negotiations to allow the grant input to be discussed up front. It is helpful to have at a very early stage, some certainty about the other S106 obligations, so that an analysis can be made of the amount of cross subsidy which might be achieved, either from reductions in land price, or from cross subsidy from housing for outright sale. The 3 Dragons model, which the GLA developed in consultation with the Housing Corporation, is a useful tool to inform these discussions.

Funding for any additional units, over and above what has been the customary 25% affordable housing requirement in Westminster, would then be subject to the same sort of analysis as described above. Any decisions on funding would also be taken within an analysis of the strategic “fit” of any scheme with regional and sub regional priorities. The timing of any funding would be linked to an assessment of deliverability, which is crucially important in ensuring that national, regional and sub regional targets can be met.

What is the Housing Corporation’s perspective on Westminster engaging with the regional and sub regional agenda?

We provided the original momentum for sub regional working when we disengaged our investment from the Housing Needs Index, recognising that there was, and continues to be, a mismatch between housing need and development opportunities. We want to fund good schemes, in the right places and at the right times. This requires that boroughs work together to share the nominations to new developments. A London wide protocol on the sharing of nominations was developed by the ALG, in partnership with us and the London Housing Federation. The north sub region has developed procedures in line with this protocol to provide fair access to the opportunities arising from affordable housing development across the sub region.

Westminster can maximise its access to affordable housing by working in partnership within its sub region. The sub region is central to the development of a robust housing strategy that recognises that housing markets extend across borough boundaries.

The north sub region developed a framework housing strategy in September 2003. There is some good partnership working around the delivery of affordable housing and a number of working groups are looking at a range of strategic issues. There is, however, a need for the sub region to review its housing strategy to ensure it aligns with the priorities of the London Housing Strategy 2005-2016 and to inform future strategy development.

Westminster plays an active and productive role in the sub regional agenda. For example, by leading on the S106 project group.

How do we tackle overcrowding?

Tackling overcrowding is a key priority for the London Housing Board and for the Housing Corporation. It is an issue which disproportionately affects BME households, with Bangladeshi and black African households five times more likely to be affected than white households.

In our 2004-06 programme, 27% of our funding was directed to homes with 3 bedrooms or more, reflecting the bids received for that period. For 2006-08 we hope to target 35% of our allocations for affordable rented housing at 3 bed or larger homes. It is worth noting that according to ODPM statistics, over the past 3 years in London the proportion of completions which are 3 bed or larger is higher for affordable housing than it is for market housing (although proportions in both sectors are falling), which is contrary to the national picture.

In general, the mix of housing coming through the development pipeline is not meeting the identified need for larger homes, and the London Housing capacity study, commissioned by the GLA, reinforces this. We have sought to remove funding barriers where possible, by emphasising that value for money will be considered on a grant per person basis, as well as per unit, to encourage the development of larger homes.

Some boroughs, having considered local needs, have issued Special Planning Guidance requiring fixed percentages of larger homes as part of any S106 affordable housing requirement.

How can we make intermediate products attractive? What is the balance between key worker and social rented housing?

The overall responsibility for headline marketing the intermediate products in the Key Worker Living (KWL) programme falls to "Zone Agents". These are RSLs which have been selected on the basis of competition, to undertake headline marketing of the range of products available and to be a first point of call for applicants. In particular, they assess the eligibility of applicants for KWL products. For 2004-06 this only applies to the KWL programme, however from 2006-08 this will apply to all LCHO products.

The Zone Agents are also responsible for the provision and direct marketing of Key Worker Homebuy. They have access to a substantial database of information on the demand for intermediate products and on the circumstances of applicants. Each sub region in London has one appointed Zone Agent which makes regular reports to the sub region on the activity within the market. Sub regions need to work closely with Zone Agents to analyse their particular needs and to ensure that housing providers are responding to those needs.

The London Housing Board (LHB) is responsible for setting the investment balance between intermediate and social rented housing within a framework of priorities set by central government. For the 2006-08 programme, guidance indicated that resources of £403m should be directed to key worker products. The LHB then determined the priorities for the remaining resources, the majority of which will go to social rented housing.

As in previous years, funding directed at key workers will be split between Open Market Homebuy and new build products. The Housing Board's preference is that 60% of the funding be directed to new build to increase supply. The HC will seek to

achieve this aim when assessing 2006-08 bids, while being mindful of ensuring that there is market demand.

Will moving to equity loans make Westminster a more attractive place for Housing Corporation investment?

The Government has a clear agenda to make home ownership more widely available. In particular, in recent years, it has directed specific funding at meeting the needs of key workers in the wider south east. The HC continue to encourage the development of mixed tenure schemes, for example, to avoid concentrations of deprivation. Low cost home ownership (LCHO) can provide a bridge between economically active residents who cannot access home ownership on the open market, and outright sale on mixed tenure S106 schemes.

For 2006-08 we will be offering 3 new LCHO products. The first, Social Homebuy, is targeted at social tenants who would like to acquire an equity stake in their home. Purchasers benefit from an appropriate Right to Acquire discount (pro rata to the proportion of the fully equity purchased) and can acquire a minimum 25% share, paying a capped rent on the remainder. The overall costs to participants in the scheme should be no more than 32% of gross household income, with a target of 30%.

New Build Homebuy is the new model for the provision of new build properties for LCHO. Purchasers can acquire a minimum 25% share, paying a capped rent on the remainder. We will give priority to schemes enabling those on lower incomes to buy larger equity shares.

Open Market Homebuy, which is targeted primarily at key workers, enables a buyer to purchase around 75% of a property and to obtain an equity loan of up to £50k for the balance. The level of equity loan per transaction will reflect the gap between what the buyer can raise through their savings and a mortgage and the average local price of a property suitable to meet their needs. The product will be offered through Zone Agents.

The issue for a borough such as Westminster is affordability. High land values and property prices may mean that the borough is unaffordable to some, even with grant subsidised LCHO. That said, there is a substantial grant allocation in Westminster for key worker and non key worker shared ownership programmes in 2004-06, with £2.6m grant for LCHO products and £4.1m for key worker products.

Delivery of Westminster's overall programme has been good. Allocation take up of the 2004-06 programme stands at 75%; a good performance. Borough officers work well with us and keep us informed of potential programme changes.

What is the future for the delivery of affordable housing investment and what might this look like in Westminster?

Following the introduction of investment partnering in 2004-06, grant is now going to fewer investment partners. In addition, grant is now available to non registered bodies. This new "mixed economy" brings with it an obligation to ensure that quality is not sacrificed for efficiency.

Although we hope to be able to deliver Gershon efficiency targets of average savings of 10% on 2003-04 grant levels, we also expect our investment partners to deliver increasing quality. This is measured via Housing Quality Indicators, and by challenging Eco Homes rating requirements. (For the 2006-08 programme, the minimum requirement for schemes is an Eco Homes “Very Good” rating.)

Although we direct grant via fewer lead partners, we are seeing the creation of a range of different partnership models. We would like all Partnerships in London to move towards the inclusion of specialist BME housing providers with a strong two way relationships between the partners. The lead partner may be in a position to offer mentoring, training and guidance to the BME partner. The BME partner in its turn can provide specialist expertise. It can reflect the needs and aspirations of minority communities and it can deliver specialist housing and other services.

Within the new mixed economy of both RSLs and developers, we are likely to see an increasing number of cross sectoral partnerships. We have already seen alliances of housing associations and private sector partners and we expect to continue to see joint ventures which reflect the diversity of the organisations which are coming forward to deliver affordable housing.

Within the housing association sector, there has been an increase in merger activity and also in the development of less formal partnerships.

From the Housing Corporation’s viewpoint, we welcome productive partnerships which will deliver increasing efficiencies whilst not sacrificing quality. All such partnerships though, must deliver better services and better value for residents.

The Housing Corporation has always maintained a strong relationship with local authorities; nationally, regionally and as delivery partners at a local level. While the traditional housing landscape is changing, it is our view that local authorities play a key strategic role in the housing agenda.

Collectively we need to ensure that supply better meets demand, not just at the level of regional plans, but also in local markets. One of the key changes over the last few years has been the growing awareness of the importance of effective market knowledge.

Local authorities are well placed to develop their capacity to know and predict housing need and housing demand, both current and future. This knowledge and capacity needs to be shared with partners at a regional, sub regional and local level. It will include a greater engagement with the needs of particular groups including refugees, gypsies, new and emerging communities and those with particular needs, including the old and vulnerable. That knowledge will then need to inform local housing strategies and the delivery of housing and planning services both within local authority areas but also across boundaries in sub-regional partnerships.

How can the Housing Corporation help housing associations achieve the Decent Homes standard, without their having to resort to stock disposals to bridge the funding gap?

We expect associations to develop asset management strategies which will enable them to comply with the standard by 2010. We understand that in formulating these strategies, associations must have some discretion to opt for selective disposal where it would be uneconomic to improve, and we then expect any proceeds from the disposal to be reinvested in the remaining stock. We also expect that associations should consult with authorities on disposals and should take their views into account.

We do make limited grant funding available for major repairs but this area of investment is not a priority for the London Housing Board which wants investment to target new supply. In 2006-08 we will allocate £15m of a planned £2bn for major repairs to housing association stock. Moreover, this funding is limited to RSLs which clearly do not have the ability to fund such works themselves.

We will also allocate £10m for deconversions of existing properties to provide larger homes. This may assist RSLs (albeit in a limited way), to retain properties and fund works which may otherwise be uneconomic to carry out. Although this programme is limited in scope, we will reassess its priority once the outcome of the 2006-08 bids round is known.

In our regulatory engagement with housing associations, we track progress towards meeting the Decent Homes target and we focus particular attention on those associations which are judged to be at risk of failure to comply.