



Report of the Director of Neighbourhoods and Housing

Scrutiny Board (Neighbourhoods and Housing)

Date: 7th March 2007

Subject: The Leeds Housing Investment Programmes

Electoral Wards Affected:

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 Aim

1.1 The purpose of this report is to assist Members of Scrutiny Board to understand the Housing Investment Programme, and to identify the key pressures and challenges facing the local authority and its partners to sustain investment that responds to the corporate objectives.

2.0 Background

2.1 The Housing Investment Programme (HIP) has been the key mechanism for local authorities to access and distribute capital finance to support capital investment in local authority owned stock, provide support and intervention into private sector accommodation together with providing funding for specific needs.

2.2 Until 2001/02 Central Government made their decision on the level of funding based on information contained within the HIP submission that local authorities had to make on a yearly basis. From 2002/03, the process changed with the drive by Central Government to make all social housing Decent by 2010.

2.3 The decision in Leeds to set up Arms Length Management Organisations to deliver the Decency programme had the effect of splitting the HIP programme. It led to the creation of the Major Repairs Allowance (MRA) and Single Rehousing Pot (SHRA). The MRA is a set amount of capital funding that is worked out through a formula based on the national average that a property would need to achieve decency.

2.4 Members will recall that the authority was successful in attracting £ 420 million to deliver Decency by 2010. In addition the authority has also pursued the route of attracting finances from the Private Finance Initiative (PFI)

2.5 The allocation of the private sector element of HIP has moved away from the process of allocating resources directly to the local authority with the creation of the Single Regional Housing Pot (SRHP) in 2004. The SHRA was a two-year programme, which required local authorities to bid for resources.

2.6 Central Government allocates regional funding through the Yorkshire and Humber Regional Housing Board. The Regional Housing Board priorities are set by the Regional Housing Strategy and form the basis of the investment decisions across the region. This in turn forms the basis for their decisions about allocating these resources to the sub regional partnerships that sit below the board. The local body is the West Yorkshire Partnership Board.

2.7. The West Yorkshire Housing Partnership Board (WYHP) is the responsible body that evaluates bids from each of the 5 local authorities in West Yorkshire, and determines the allocation of resources for each local authority for the funding period. Each of the five local authorities is represented on the Partnership Board and has to develop a local programme in accordance with the priorities of the Regional Housing Strategy. The proposed programmes for each local authority are assessed and monitored by the WYHP. Since 2004, allocations have been made on a two year basis. For the 2006/08 programme the SRHP allocation to Leeds was £17,355m. for a range of interventions, These included acquisition and demolition schemes as part of local strategic plans, group repair schemes and grant and loan assistance for vulnerable people in priority regeneration areas..

2.8 In addition to the SRHP, funds also became available for 2006-8 under the Housing Market Renewal Fund for non-pathfinder local authorities. Leeds made a successful bid, and received an allocation of £8,137m. The total combined resources available from both funding streams is £25.46m

2.9 Under the previous financial mechanisms a local authority would lose the allocation if it failed to meet the programme targets within the financial year. Current arrangements mean that if a local authority is failing to meet the delivery targets the WYHP can reallocate resources to another West Yorkshire authority who is better positioned to achieve spend.

2.10 Other external resources that support the provision of new affordable housing include the Approved Development Plan (ADP). The Housing Corporation is responsible for the ADP that provides capital funding to deliver the governments national agenda for increasing affordable housing supply. It is mainly Registered Social Landlords who develop and deliver this type of programme, although changes in national policy have now allowed approved private developers to bid for this funding stream.

2.11 The ADP programme is also allocated on a two yearly basis and is monitored at a regional level by the Regional Housing Board. The Housing Corporation is responsible for overseeing day-to-day project management of schemes.

2.12 Each local authority also receives specific funding support by way of an annual Specified Capital Grant (SCG) to support LA expenditure on Disabled Facilities Grant (DFGs). Under these arrangements Local authorities can claim a grant from Central Government to cover 60% of expenditure up to a set amount. The level of grant support for the current year (2006/7) is £1.5m and the Council has recently received confirmation that the SCG for 2007/8 has been set at a limit of £1.569m..

2.12 The current two-year programmes for both the Single Regional Housing Pot and the Approved Development Programme(s) for future regional investment will be stretched to three-year programmes that will commence from 2008/09 to 2010/11. There are no proposals at present to change the current arrangements for annual SCG to support DFG expenditure.

3.0 Current Progress on Spending Programmes

3.1 ALMO Decency

3.1.1 At the end of January 2007, 62.04% of properties managed by the Arms Length Management Organisations has met the government's Decency target. This percentage figure represents 36979 properties across the city.

The current spend since the commencement of the Decency programme in 2003 is £420 million.

3.2 PFI

3.2.1 Leeds City Council is currently developing three PFI schemes. The Swarcliffe PFI contractor, Yorkshire Transformation, signed a thirty-year agreement with the Council in 2005 that has attracted £78.8m of capital investment.

3.2.2 The Little London PFI recent obtained authority from the Department of Communities and Local Government(DCLG) to proceed with the procurement of a contractor who will deliver £94.85m worth of capital investment.

3.3.3 The Holbeck and Beeston PFI is currently the "first reserve" on the DCLG, PFI programme. This is subject to further funding be identified as part of the 2007 Comprehensive Spending Review following the DCLG announcement of the Round 5 PFI submissions. Of 14 submitted only two were given approval to proceed.

3.4 Single Regional Housing Pot and the Housing Market Renewal Fund

3.4.1 The 2006/08 programme is targeted at the following interventions
Areas:

1 Acquisitions and Demotions

- The Beverley's – Beeston
- Cross Green – Phases 1 and 2
- Holbeck Phases 1 and 2
- Harehills – Little Comptons

The key thrust of the programme is the acquisition and demolition of specific mixed tenure sites with a view to providing cleared development potentially for the reprovision of new housing.

2 Private Sector Decent Homes

- The Aviaries – Asbestos Decontamination Scheme.
- Care and Repair Home Maintenance Scheme
- Further Loans and Grants for vulnerable home owners

3 Group Repair

- Burley Phase 9/10
- Beeston Phase 3

4 Contractual Commitment

- Beeston Group Repair – Phase 2
- Residual Unpaid Grants
- CPO'S
- Aviaries Asbestos Support (testing and decant costs)

NB Contractual commitments funding was approved for each West Yorkshire LA based on the value of schemes at approval when the new funding arrangements were introduced , as distinct from bids for new projects to be undertaken in 2006-8

Appendix 1 of this report sets out the current expenditure against the allocation with regard to the programme.

3.5 ADP

3.5.1 The programme share across West Yorkshire authorities for the 2006/08 programme was particularly disappointing for the city. The total allocation for West Yorkshire was £45m for new and existing schemes. Leeds allocation of 7.1m, was significantly lower than in previous years.

3.5.2 One of the key issues for this reduction was the issue of increasing land values and the price per plot of 5k placed upon schemes that would receive Housing Corporation support. This proposed level was significantly below the capital value that would be attracted particularly in respect of council owned land, if sold on the open market. This has created a number of tensions in terms of balancing of the council's corporate asset management strategy of maximising capital assets against the levering in of significant public sector funding that would offset the loss of capital receipts.

3.6 Specified Capital Grant for DFGs

3.6.1 The level of subsidy received from Central Gov to assist in meeting the cost of mandatory DFGs has been- and continues to be- insufficient to meet the demand. Prior to the introduction of the new funding arrangements there was flexibility to ensure that DFG expenditure could be met from the overall capital programme. With the introduction of scheme specific approvals this flexibility has been lost. There is a growing demand for DFG assistance and the mandatory entitlement to financial support remains. In the current financial year expenditure will be in excess of a minimum £3m, This means that the Government subsidy - set at a limit of £1.5m- will represent only 50% of expenditure, and will require a greater contribution from local resources than the anticipated 40 % (£1m). This problem will become more acute in future years with an immediate budget pressure already identified in 2007/8

4.0 Future pressures on programmes

4.1 ALMO Decency

4.1.1 As part of the regular review process by the DCLG a Building Cost Model is completed based on a biennial return from all ALMOs in relation to their financial performance with regard to the decency programme.

4.1.2 This is statement of how much investment they need to achieve decency, less investment they currently have available (including the agreed allocation for decency). This will result in a figure which shows that investment is needed, that there is an over investment or zero. It is also a mechanism for the DCLG to monitor progress and also to plan for allocations and bids in future government spending rounds.

4.1.3 The DCLG have suggested that there is no new money available over and above the agreed allocations. Indeed following the government's announcement that the 2010 target could be extended in certain circumstances. DCLG have been looking to Local Authorities to slip their plans and to reflect this in their latest submissions.

4.1.4 Indications from the Leeds ALMOs suggest that wholesale slippages would be unfair to tenants and would lead to problems with contracts already in place for delivering the works.

4.1.5 The latest Building Cost Models submitted by Leeds in December 2006 show an investment need to achieve decency of £20.6m above the previous submission in 2005. This increased need has been identified as:

- £4.8m for Woodhouse now that it is not part of the Little London PFI

- £15.8m for structural works to properties managed by Leeds West Homes. This need having been identified due to improved stock condition surveys and carrying out actual works.

4.1.6 The DCLG have committed to provide the £4.8m for Woodhouse but have yet to confirm their decision on the additional £15.8m for the West Leeds Properties...

4.2 PFI- Holbeck and Beeston Hill

4.2.1 The decision by the Department of Communities and Local Government (DCLG) not to approve the scheme was particularly disappointing. However, the authority has been advised that subject to further major funding availability that the scheme is in effect "first reserve".

4.2.2 The next steps will be to meet with the DCLG to agree a way forward. The Department are still committed to progressing work to fully develop the Outline Business Case if the DCLG give positive indications that the project is a strong chance of being funded. The Department will also explore the potential to take forward the scheme within the context of the wider South Leeds Regeneration Project that is currently under consideration and development.

4.3 and the Housing Market Renewal Fund

4.3.1 The original 2006/08 programme of 25.46m has been reduced following reductions imposed upon the region by the DCLG. The Single Regional Housing Pot (SRHP) element -following extensive consultation between members- was reduced at the WHYP Board held on the 23rd January 2007.

4.3.2 All West Yorkshire authorities face a reduction by 7.8 %of the SRHP element of the original allocation. For Leeds this equates to £17,355m available until the 31st March 2008.

4.3.3 The original Housing Market Renewal Fund allocation of £8.137m -which made up the original overall 25.46.m figure- is also likely to be reduced; however this is subject to ongoing negotiations between members of the WYHP.

4.3.4 The Regional Housing Board has recently issued the investment guidance and toolkit for the 2008/11 programme. The the Regional Housing Board recently agreed a total allocation for West Yorkshire of £197m. This amount includes 12.5m for the Green Corridor and £3.4m for the Golden Triangle Partnership.

4.3.5 The Leeds Regional Programme Board is developing submissions for this latest investment tranche. It is likely that the thrust of the submissions will focus upon the continuation of the existing schemes as identified within 3.4 of this report.

4.4 Disabled Facilities Grants

4.4.1 DCLG has recently issued a consultation paper setting out proposals for improving the administration and delivery of DFGs and extending eligibility. All of these will have an inevitable impact on future expenditure in addition to the already identified budget pressures referred to in 3.6.1 above. These proposals are welcomed as they improve the services to homeowners with disabilities and help them to continue to live independently in their homes. However, the financial implications must be addressed in future funding support for local authorities. The Council will be making representations to this effect as part of the consultation process.

4.5 ADP

4.5.1 At the time of preparing this report the National Affordable Housing Programme has yet to be issued by the Housing Corporation. It is likely that the West Yorkshire authorities will receive a similar allocation on a pro rata basis to that of the 2006/08 programme.

5.0 The effects of pressures on the delivery of the Corporate Plan

Strategic Context

5.1 The Leeds Housing Strategy for 2005/06 to 2009/10 agreed by Executive Board in November 2005 sets out the long term strategic objectives of the city. These are closely aligned to national policy and the Regional Housing Strategy and the Sub Regional West Yorkshire Housing Strategy Statement.

5.2 Below the city Housing Strategy, there are a number of contributory strategies, which aim to deliver specific priorities. These include Homelessness, Supporting People, Private Sector investment, Older Persons and BME Housing Issues.

5.3 The Empty Property Strategy and "Making the Housing Ladder Work", the Affordable Housing Strategy Plan for the city recognise the housing pressures across all Housing tenures, and have both been agreed by Executive Board

5.4 The future investment priorities in terms of attracting public-sector funding (such as the Single Regional Housing Pot, Specified Capital Grant and the Approved Development Programme) are key to delivering the Vision for Leeds and will also contribute to creating attainable mixed communities.

5.5 The proposal to develop a three year investment programme across both public sector funding streams poses a number of key challenges to the authority in terms of maintaining and increasing the level of funding to maintain existing programmes.

6.0 Legal and Governance Issues.

6.1 .The deliveries of the ALMO Decency Programmes will managed by the recently reorganised ALMOs. These will be monitored and scrutinised by the Head of the Strategic Landlord on behalf the Department.

6.2 PFI Project Boards are in place for Holbeck and Beeston and Little London to oversee the development of the schemes.

6.3 The Regional Housing Board funded programme delivery is monitored and scrutinised by the Leeds Regional Housing Programme Board, which is led by the Chief Housing Services Officer.

6.4 Reports are also received by Executive Board in relation to the above schemes or programmes.

8.0 Recommendations

- That the content of the report are noted.
- That members' comment upon the issues raised within report.
- That a further report be submitted to Scrutiny Board in December 2007 to review progress in terms of delivering the various programme schemes and obtaining further investment.