

LOCAL GOVERNMENT AND HOUSING COMMITTEE

SOCIAL HOUSING GRANT – PROPOSALS TO SIMPLIFY THE APPROVALS AND ALLOCATIONS PROCESS

PURPOSE

1. To advise the committee of progress toward streamlining the administration of the Social Housing Grant programme and to describe the essential changes proposed.

SUMMARY

2. Social Housing Grant (SHG) is paid as a capital subsidy to housing schemes provided by Registered Social Landlords (RSLs) to enable them to charge rents within prescribed limits of affordability. At the beginning of 1999, the Welsh Federation of Housing Associations and the Welsh Local Government Association were invited to nominate members to join officials on a working party to explore ways of simplifying the administration of the SHG programme. The working party first met in June of that year and agreed the following aims: -

- to improve local authorities' ability to determine local priorities for SHG investment;
- to simplify procedures to be followed by RSLs when submitting schemes for approval;
- to streamline the issuing of scheme approvals and calculation of grant eligibility;
- to reduce the need for scrutiny of submitted schemes.

3. The interim report of the working party was presented to the Assembly Secretary for Local Government and the Environment in April 2000 recommending changes to the allocation process and to the procedures for scheme approval and grant determination. The recommendations were agreed. This paper reports progress on implementing them.

TIMING

4. It is a statutory requirement to consult with the Welsh Federation of Housing Associations on aspects of the procedural changes proposed and to agree revised methods for calculating the amount of SHG payable. If we are able to reach agreement with them by the end of December 2000 it will be possible to issue revised procedure guides to be effective from the beginning of the new financial year and this is our goal. Delay in reaching agreement will not, however, prevent introduction of new procedures during the next financial year.

Background

The allocation process

5. Until the current financial year, the Welsh Office and, before it, Tai Cymru invited bids for annual SHG programmes from RSLs. Resources were allocated to RSLs according to an assessment of the extent to which schemes for which they had bid met the priorities of local authorities. Detailed programmes were drawn up by officials following consultations with local authorities and issued to RSLs. If a scheme in a RSL's programme could not be progressed, a substitute scheme could be agreed with the RSL. If a RSL could not fully use the SHG available to it, the SHG could be transferred to one that could.

6. One of the initial recommendations of the working party was that the National Assembly should instead issue Social Housing Grant budgets to local authorities, which would then agree detailed programmes with Registered Social Landlords and the National Assembly. This recommendation was implemented for the current financial year. Bids for the annual SHG programme were invited from local authorities, which were asked to prioritise development proposals and to nominate RSLs to carry them out. Resources were allocated to local authorities on the basis of current levels of SHG programme activity (80%) and bids received (20%). Within these resources local authority officers and National Assembly officials jointly commissioned an agreed programme of schemes to be delivered by RSLs. The agreed programme is the basis of all approvals issued by the National Assembly. If a scheme in the local authority's programme cannot be progressed, the local authority can propose a substitute scheme by the same or a different RSL. If a local authority cannot use the SHG available, it is transferred to one that can.

Current position

7. The distribution process has been reviewed in the light of experience and in consultation with the Welsh Federation of Housing Associations and the Welsh Local Government Association. For the coming financial year, 80% of available SHG will be distributed by formula and 20% by bid. Local authorities have been invited to submit bids for schemes meeting specified criteria that are designed to target resources at schemes that promote community renewal. This procedure provides a framework for further review of the composition of the formula in consultation with the Welsh Federation of Housing Associations and the Welsh Local Government Association.

The scheme approval process

8. Current procedures for approving schemes and paying grant were published by Tai Cymru in April 1997. For each scheme (currently over 300) in the programme, formal approvals are required at two stages; the first before land or buildings are purchased and the second before building contracts are signed. Unusual or costly schemes are often require an additional pre-tender approval. The minimum approval process consists of ensuring that a scheme meets approved programme expectations (dwelling numbers and types, location), checking for compliance with the Assembly's published design quality requirements and calculating the amount of grant payable on the scheme. Schemes with estimated or actual costs exceeding published benchmarks are subjected to additional value-for-money scrutiny.

The amount of grant

9. Grant is normally calculated as a predetermined percentage (currently 56%) of actual costs. Unavoidably expensive but strategically important schemes and schemes for people with special needs receive additional grant. The method of calculation varies but the general principle is that required private borrowing on those schemes should be similar to schemes with typical costs. The amount of grant payable for a scheme is estimated at acquisition stage but determined when tenders have been received. As grant is based on costs, it is necessary to undertake a value-for-money appraisal of each scheme.

Timing of grant payments

10. Grant is paid in three tranches; at acquisition, at tender stage and at completion. There are no proposals to change this.

The proposed tariff system

11. The working party recommended that the National Assembly establish a working group to agree mechanisms for paying grant on a tariff basis. A tariff system would pay a fixed amount of grant for each size and type of dwelling, varying according to location and scheme type so as to reflect typical local differences in procurement costs. Tariffs would be based on average costs for similar types of scheme. Two tariff levels are envisaged. A higher level tariff will be reserved for strategically important schemes that are characterised by higher costs. Registered Social Landlords would absorb variations to scheme costs within agreed limits. Special arrangements will be made for high dependency supported housing.

Streamlined procedures

12. As grant would not be fixed by scheme costs the need for value-for-money scrutiny would be removed and the approval process could be dramatically simplified. Formal approval would be required before acquisition but scrutiny would be confined to confirmation that the scheme corresponded to the agreed programme. Provided the scheme did not materially change, no further scheme approvals would normally be needed. The agreed programme would determine the timing of grant payments. Quality control would be exercised through sample scrutiny and technical audit of completed schemes.

Current position

13. The working group has so far reached general agreement on the principles for calculating tariffs but work on developing the detailed methodology continues. Officials are nearing completion of first drafts of new streamlined procedure guides and aim to consult with the Welsh Federation of Housing Associations on them at the end of December.

CONSIDERATION

14. Apart from arrangements for paying grant at higher levels outlined above, grant is paid at the same basic rate regardless of location. In addition to fixing grant rates the National Assembly exerts control over the maximum average rents that developing RSLs may charge. There is, however, greater variation in procurement costs between areas (largely a function of land and property values) than in rent levels. This means that RSLs operating in high cost areas have to raise proportionately more private finance in relation to rental income than RSLs operating in lower cost areas. The Housing Corporation in England compensates for this with standard grant rates for 2001-200 that vary from 37.5% to 85.3%, but at the cost of considerable administrative complexity.

15. Tariff provides an opportunity to offer RSLs a more equitable grant system while reducing, rather than adding to, bureaucracy. A consequence would be that some schemes would receive less grant and some more than at present. The overall effect on the programme would be neutral. An agreed methodology for calculating tariffs will rely on a basic grant rate to be determined by the Assembly.

COMPLIANCE

16. Section 18 of the Housing Act 1996 gives powers to pay grants to RSLs and to determine: -

1. the procedure to be followed in relation to applications for grant;
2. the circumstances in which grant is or is not to be payable;
3. the method for calculating, and any limitations on, the amount of grant;

4. the manner in which, and the time or times at which, grant is to be paid.

These powers have been transferred to the National Assembly under the Transfer of Functions Order and are delegated to the Minister for Finance, Local Government and Communities. Day to day administration of the SHG programme is further delegated to officials. In exercise of those powers, *The Payment of Social Housing Grant General Determination 1997* provides for grant to be paid either: -

1. as a proportion of qualifying costs (which may be different for different parts of Wales or for different schemes) or,
2. as an amount for each dwelling.

All of the proposals outlined above therefore fall within existing powers.

Regularity and propriety

17. The Assembly compliance office and the Office of the Counsel General have been consulted. There are no issues of regularity or propriety arising from this paper.

Financial implications

18. Grant expenditure will be accommodated within the budgets approved by the National Assembly. The administration of the this programme will be met from Housing and Community Renewal Division's existing and planned administration costs budgets. Financial Planning Division has been consulted and have noted that there are no additional financial implications for the National Assembly arising from this paper.

CROSS CUTTING THEMES

19. The proposals outlined above are consistent with the National Assembly's priorities to *"streamline our work and give far greater weight to the needs and views of our partners and the public"*. They are intended to ensure that the allocation and approvals processes are transparent and accountable and to strengthen co-operation between the Assembly, local government and RSLs.

ACTION FOR SUBJECT COMMITTEE

20. To note.

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