

THE HOMES AND COMMUNITIES AGENCY

Investment Statement 2008-11

January 2009

London



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1. Foreword from the Regional Director

This document details the allocation of additional funding under the 2008-11 National Affordable Housing Programme (NAHP) across the HCA London region, as part of the first full quarter of Continuous Market Engagement (October to December 2008). This builds on the allocations made in the previous bid rounds and reflects the priorities set out in the NAHP prospectus published in September 2007.

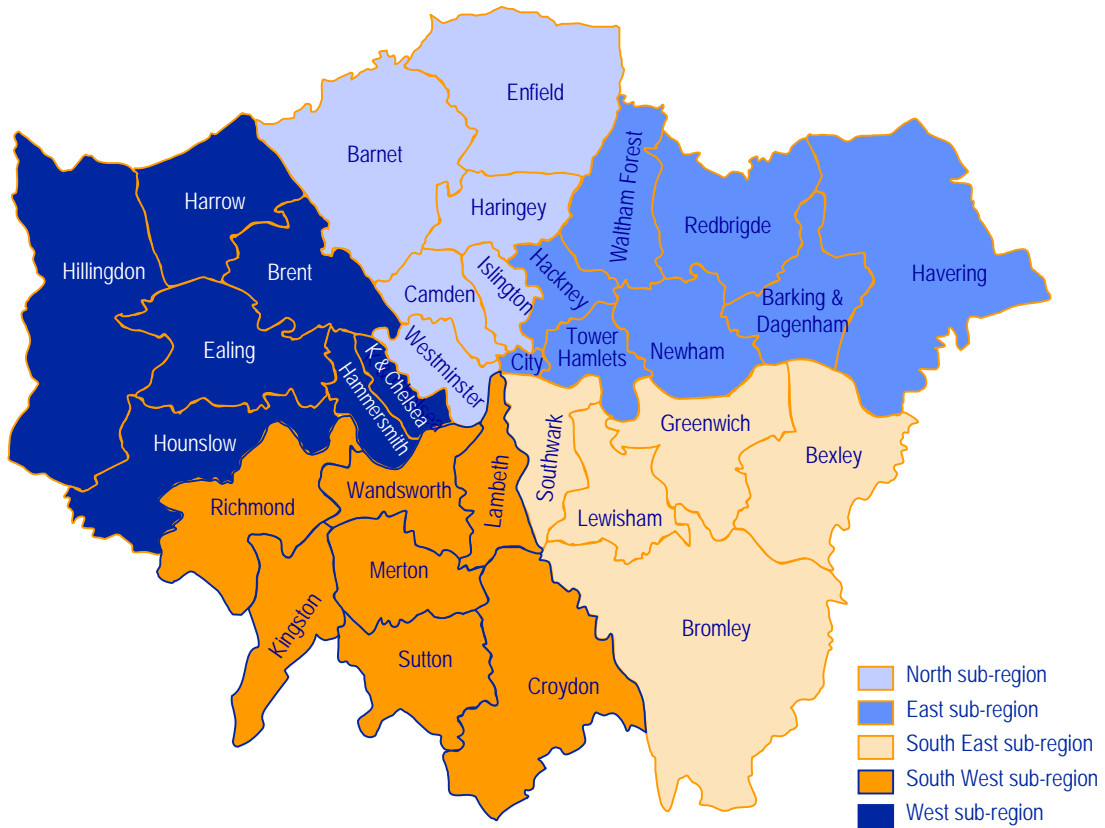
The schemes to which investment has been allocated have been selected because they work to achieve the Mayor's housing priorities in helping to meet London's affordable housing needs; they have good design and quality standards, are deliverable and offer value for money,. We have also used this investment to help to drive an overall increase in larger, family homes, and to improve the sustainability of affordable housing in London.

The HCA's London Investment Team is engaged in intense Continuous Market Engagement (CME) as we enter the busy final quarter of the 2008/09 financial year. HCA London will look to Investment Partners to use the significant new flexibilities on funding that have been introduced into the CME process to respond to the extraordinary challenges of the current market conditions. We particularly want to see packages of proposals that will not only accelerate the delivery of existing development sites, but will also bring forward new supply across the three year programme.

This is an ambitious programme, at a time of great economic uncertainty. With the creation of the new Homes and Communities Agency we are committed to working with all our stakeholders to deliver the NAHP over 2008/11, using the existing grant funding framework whilst developing innovative new ways of investing in places and homes for London.

David Lunts
Regional Director, HCA London

Homes and Communities Agency London Sub Regions



2. Introduction

This Regional Investment Statement should be read in conjunction with the Regional Investment Statements published on the Housing Corporation website in May, July and November 2008 and the NAHP prospectus issued by the Housing Corporation in September 2007. The latter document sets out the priorities for London and bidding guidance in relation to standards and efficiency as well as reflecting the priorities set out in the Draft Mayor's Housing Strategy.

A key policy driver continues to be increasing the supply of new affordable housing. Our allocations are directed to delivering affordable homes for Rent, Low Cost Home Ownership, including Home Ownership for People with Long Term Disabilities (HOLD), HomeBuy Newbuild (HBYNB) and Intermediate Market Rent schemes. Our allocations in 2008/11 specifically address the need for larger family homes, both for rent and home ownership.

Through the successive bid rounds we have gone a long way towards meeting our regional priorities. Across the 2008/11 programme providers have brought to us grant efficient bids whilst achieving Code for Sustainable Homes level 3 and increasing the number of larger homes. The excellent record of funding Supported Housing in London has been maintained.

3. Overall allocations

Table 1 - Regional allocation from continuous market engagement October to December 2008

	RENT Total	LCHO				LCHO Total
		Total NBHB (*See below)	Int. rent	OMHB	HOLD	
Value (£m)	£35.528	£8.506	£2.200	£0	£0	£10.706
Homes (08-14)	647	260	48	0	0	308

	Total RENT & LCHO	Other	Social Homebuy	GRAND TOTAL
Value (£m)	£46.234	£3.503	£0.035	£49.772
Homes (08-14)	955	77	4	1,036

*of which: NBHB	
Non Rent to Homebuy	Rent to HomeBuy
4,146	£4.360
159	101

Table 2 - Overall regional allocation for 08/11

	RENT Total	LCHO				LCHO Total
		Total NBHB (*See below)	Int. rent	OMHB	HOLD	
Value (£m)	£755.951	£127.309	£16.877	£48.561	£2.205	£194.951
Homes (08-14)	8,304	3,309	367	1,236	26	4,938

	Total RENT & LCHO	Other	Social Homebuy	GRAND TOTAL	*NBHB	
					Non Rent to Homebuy	Rent to HomeBuy
Value (£m)	£950.902	£11.956	£9.062	£971.921	116.903	£10.409
Homes (08-14)	13,242	833	865	14,940	3,095	214

Data source: All total programme allocation figures are taken from the HCA Investment Management System (IMS) as at close on 29th December 2008

The NAHP framework is designed for the efficient handling of high volumes of projects, with open competition for investment a key driver of value. We have a mixed economy in affordable housing provision, with the regional programme delivered through Registered Social Landlords, private sector Partners; ALMOs and Local Authority Special Purpose Vehicles.

Table 3 – New continuous market engagement allocations by sub-region

Sub-region	RENT		LCHO	
	Value (£m)	Homes (08-14)	Value (£m)	Homes (08-14)
East	£8.666	399	£1.775	61
North	£1.427	23	£0.750	11
South East	£15.760	140	£7.140	157
South West	£5.202	52	£0.816	21
West	£4.473	33	£0.225	58
Total	£35.528	647	£10.706	308

Table 4 – Total 08/11 allocations by sub-region

Sub-region	RENT		LCHO	
	Value (£m)	Homes (08-14)	Value (£m)	Homes (08-14)
East	£262.064	3,194	£68.194	1,691
North	£97.913	874	£35.532	793
South East	£183.602	2,188	£41.968	1,118
South West	£115.194	1,108	£26.541	655
West	£97.178	940	£22.717	681
Total	£755.951	8,304	£194.951	4,938

Table 5 – New continuous market engagement allocations by provider type

		*Number of successful bidders	Value (£m)	Homes	Grant per unit (£k)
RENT	ALMO/SPV/Other	0	0	0	0
	Private Sector Partner	0	0	0	0
	Housing Association	18	£35.528	647	£54,912
	Total	18	£35.528	647	£54,912
LCHO	ALMO/SPV/Other	0	0	0	0
	Private Sector Partner	0	0	0	0
	Housing Association	11	£10.706	308	£34,760
	Total	11	£10.706	308	£34,760
Grand total		19	£46.234	955	£48,413

* Note: the grand total represents the total number of individual bidders. The bidder will also be counted individually in each of the rent and LCHO sections hence the grand total will not equal the sum of bidders for rent and LCHO.

4. Summary of performance against Regional Housing Board targets

This section should be read in conjunction with annexe 1 to the 2008/11 NAHP prospectus which summarises the regional priorities for London.

Increasing New Supply and Larger Homes

A key target is to increase the new supply of social rent provision to address housing need.

In accordance with this objective the programme balance across tenure is close to the percentage split we want to achieve of 60% affordable rent, 40% intermediate housing through the three year programme

We have targeted grant to social rented schemes catering for the needs of larger families.

Across 2008/11 the allocations to date include 39% for larger rented homes with three or more bedrooms. A further 8% of allocations to Homebuy Newbuild products across all years (excluding eOMHB) are to larger homes. A step change is required for the provision of intermediate housing for families from 8% in 2008/09 up to 16% by 2011.

	GLA recommendations	08-11 allocations to date
Larger Homes (Rent) (all allocations to date for all years to 2014)	42% new programme allocations	39%
Larger Homes (NBHB) (all allocations to date for all years to 2014)	8%, 12%, 16% new programme allocations	8%
Supported Persons (Rent & LCHO only, 08-14)	1,250 new programme allocations	846
Rent / LCHO ratio	60: 40 new programme allocations (completions)	63:37
Wheelchair units (Rent & LCHO, 08-14)	10% new programme allocations	13%

5. Regional continuous market engagement strategy

In contrast to previous programmes, the total NAHP resources available in 2008-11 have not been fully allocated at the start of the three year period. The remaining resources are subject to allocation to bids from Investment Partners (and specialist bidders) through Continuous Market Engagement since September 2008.

The opportunity to access additional funding throughout the programme, or until resources are fully allocated, offers significant potential benefits. We do expect bids received through Continuous Market Engagement to be well developed and to be demonstrably deliverable.

Priorities for Market Engagement for London

These remain as per annex 1 of the NAHP 2008-11 prospectus. We are particularly keen to receive bids from partners who are able to procure schemes that deliver affordable rent completions in 2008/09 whilst continuing to look to fund good value, deliverable schemes which will deliver high quality affordable housing. We want to maintain the levels of affordable rented homes but with an increase in larger family homes.

Given the current market conditions we are particularly interested in discussing with Investment Partners packages of measures that present opportunities to secure additional supply and secure opportunities being presented to Investment Partners that bring forward affordable housing development.

London Rehabilitation, Repairs and Works to Stock

In London the Corporation is administering funding from the Mayor's Targeted Funding Stream for works to RSL Stock.

Bids are invited against three products (available to housing associations only). In all cases bidders will need to explain why these cannot be funded through their business plan. Funding for Reimprovements and Miscellaneous Works is only available for stock which was grant funded before the introduction of mixed funded rental housing in 1988.

Works Only Rehabilitation

Schemes based on property in the bidder's ownership that has not previously had the support of public sector funding/grant and needs funding for rehabilitation.

Reimprovements Schemes

This is based on property in the bidder's ownership that has been previously constructed /improved/ re-improved using public sector funding/grant and which now needs funding for rehabilitation (note that only stock funded prior to the introduction of mixed funded rent in 1988 is eligible). Bidders will need to explain the case for rehabilitation and further grant investment, through the comments field of the Investment Management System (IMS).

Miscellaneous Works

Grant funding inviting bids for items of major repair. Note we would expect repairs to be funded through income or private finance (and note that only stock funded prior to the introduction of mixed funded rent in 1988 is eligible). Bidders will need to explain the case for additional grant investment, through the comments field of IMS. The Housing Corporation will not consider allocations for minor works.

Growth Support (Affordable Housing) Fund

The GS(AH)F is aimed at making allocations to projects located within the Growth Areas and Growth Points, and regions adjoining London. Investment from the GS(AH)F will only be made where the bidding organisation can guarantee, following discussion with the host local authority, that a proportion of the resulting affordable housing will be made available to London boroughs through the Pan-London Choice and Mobility Scheme. Projects will need to offer a minimum of 30% of nominations to London boroughs, with those offering more assessed positively within the GS(AH)F. Bidders should also demonstrate that the homes to be delivered will meet the priorities set out in the London section of the NAHP Prospectus.

6. Value

The London Region annual efficiency target was set out in the NAHP 2008-11 prospectus as a range of 8-10% reduction in grant per unit per year. Value for money continues to be a key consideration in our assessment of new bids within the context of the current market conditions.

Table 6 - Value for grant from new continuous market engagement allocations

	Grant per unit	Grant per person	Grant as a % of total scheme cost
RENT	£54,912	£15,347	27%
LCHO (New Build Home Buy only)	£32,715	£11,573	13%

Table 7 – Average costs for new continuous market engagement allocations

	Acquisition cost per unit	On Costs per unit	Works cost per unit
RENT	£115,697	£17,104	£68,384
LCHO	£63,818	£53,526	£130,921

S106 additionality

Table 8 – S106 additionality for new continuous market engagement allocations

	Proportion of expenditure		Grant per unit		Grant per person	
	S106	non S106	S106	non S106	S106	non S106
Rent	15%	85%	£87,516	£51,457	£24,441	£14,382
LCHO	19%	81%	£20,958	£40,915	£7,266	£14,847

7. Geographic investment priorities

Rural

Rural Housing - Not applicable in London Region

Growth Areas

As well as aiming to increase the supply of new affordable housing across London, we set out in the prospectus our wish to encourage development in the two growth areas:

Thames Gateway: The level of allocations to date have been modest in relation to government targets. We anticipate the quantum of allocations growing through future Market Engagement. It should be noted that we continue to require higher than the minimum quality standards in the Thames Gateway as set out in our Design and Quality Standards.

London – Stansted - Cambridge - Peterborough corridor: The level of allocations is low and again we anticipate the quantum of bids and allocations growing through future Market Engagement.

Table 9 – New continuous market engagement allocations to Growth Areas

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
M11 Corridor, London, Stansted, Cambridge	£4.129	71	£0	0
Thames Gateway	£4.524	49	£0.780	25
Total	£8.653	120	£0.780	25

8. Thematic investment priorities

Supported housing

Supported Housing is accommodation provided for a specific client group to enable them to live independently. The term 'supported housing' applies to purpose designed or designated supported housing. In the majority of cases our Supported Housing allocations (capital funding) are complemented by on going annual revenue funding from other funding organisations.

Table 10 – New continuous market engagement allocations for supported housing

	RENT			LCHO			Rent & LCHO No. persons
	Value (£m)	Homes	Grant per unit	Value (£m)	Homes	Grant per unit	
People with learning difficulties	£1.140	23	£49,565				28
Sub-total for other supported housing	£1.140	23	£49,565	£0.000	0	0	28
Grand total	£1.140	23	£49,565	£0.000	0	0	28

Larger Homes

Table 11 – New continuous market engagement allocations for homes with three or more bedrooms

	Value (£m)	Homes	Grant per unit	Grant per person
RENT	£17.55	177	£99,124	£19,175
LCHO	£0.78	10	£77,600	£14,923
Region Total	£18.32	187	£97,973	£18,946

Across the 2008/11 programme our policy objective is 42% of homes from rented allocations will be 3 bedroom or larger homes and in 2008/09; and 8% of HomeBuy Newbuild homes rising to 16% in 2010/11. The need to increase delivery of larger homes has been highlighted as a key priority for future market engagement with good progress to date in 2008/09.

Meeting the needs of BME communities

In the context of a more mixed economy of affordable housing provision and with significant new communities emerging, the Homes and Communities Agency has developed a new approach to meeting the needs of BME communities for its 2008/11 programme. We require all Investment Partners working in areas with a significant BME population to produce a BME method statement.

This seeks to ensure all Investment Partners work with community organisations, including BME associations, to engage them in activities such as project design, access to lettings, property management or ownership. All successful bidders have provided statements and we have reviewed these and are providing feedback where further work is required. The Homes and Communities Agency recognises that there may be instances in which specialist BME provision cannot be incorporated within an investment partnership, perhaps because there are no suitable organisations operating in an area. We have therefore retained the specialist investment route to accommodate such projects.

Design & quality

We wish to ensure that the new homes we invest in are built to high quality in relation to their design and construction and our requirements are set out in our Design and Quality strategy and standards documents. The allocations reported here demonstrate that we have a very high proportion meeting Code for Sustainable Homes level 3 or higher.

Table 12 - New continuous market engagement allocations for new build units meeting CSH3 and above

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	100%	170	100%	208
Meeting CSH 4 or higher	-	-	-	-
Total	100%	170	100%	208

LCHO affordability

We are looking to maintain or increase affordability of New Build HomeBuy in challenging market conditions in London by funding schemes offering lower initial purchases and lower rent on un-owned equity

Table 13 – LCHO affordability (New Build HomeBuy) from new continuous market engagement allocations

	Average rent as a % of unsold equity	Average % first tranche sale
East	2.38	37
North	3	25
South East	2.08	33
South West	2.05	37
West	1.17	29
Regional average	1.98	33

9. Pre-allocations

None