Homes & Communities Agency

Investment Statement 2008-11

London Region

July 2009

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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 HCA London through Continuous Market Engagement in the first quarter of 2009/10 (April to June 2009). These allocations build on those made previously and reflect the priorities set out in the NAHP prospectus published in September 2007.

The schemes have been selected because they contribute to the achievement of the Mayor's housing priorities in that they help to meet London's affordable housing needs; have good design and quality standards; are deliverable; offer value for money; realise an overall increase in larger family homes and improve the sustainability of affordable housing in London.

Following the review of the NAHP at the end of quarter one of 2009-10, I am pleased to be able to confirm that the programme is looking robust in terms of the existing funding commitments to March 2011. I can also confirm that we are now looking to negotiate NAHP funding for new development opportunities across 2009-11, in particular affordable rent schemes.

Information is available on our website regarding the announcements on new housing funding streams made in April as part of the Budget and in June by the Prime Minister on Building Britain's Future. HCA London will be working over the coming months with bidding partners, in consultation with stakeholders, to secure additional resources for London through these new funding streams to deliver good quality new homes in strong, sustainable communities.

David Lunts

Regional Director, London

July 2009

2. Introduction

This Regional Investment Statement should be read in conjunction with the Regional Investment Statements published on the Homes and Communities Agency website in January and April 2009; the Housing Corporation website in May, July and November 2008; and the NAHP prospectus issued by the Housing Corporation in September 2007. (Housing Corporation publications are accessible through the Homes and Communities Agency website). The prospectus sets out the priorities for London and bidding guidance in relation to standards and efficiency and broadly reflects the priorities set out in the new 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.

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.

Table 1 - Overall regional allocation from April, May and June Continuous Market Engagement

	RENT	LCHO						LCHO
	Total	Total NBHB (*See below)	Int. rent	OMHB	Homebuy Direct	Mortgage Rescue	HOLD	Total
Value (£m)	£300.247	£56.220	£88.687	£36.779	£15.018	£0.082	£0.000	£196.786
Homes(08-14)	2,209	1,035	1,251	777	450	1	0	3,514

	Total RENT & LCHO					*NBHB	
		Other	Social Homebuy	GRAND TOTAL		Non Rent to Homebuy	Rent to Homebuy
Value (£m)	£497.033	£1.278	£0.024	£498.335		£38.852	£17.368
Homes (08-14)	5,723	169	2	5,894		716	319

Table 2 - Overall regional allocation for 08/11

	RENT	LCHO						LCHO
	Total	Total NBHB (*See below)	Int. rent	OMHB	Homebuy Direct	Mortgage Rescue	HOLD	Total
Value (£m)	£2,058.334	£349.716	£219.496	£119.404	£14.967	£0.081	£2.205	£705.869
Homes (08-14)	16,793	6,749	3,550	2,477	450	1	26	13,253

	Total RENT & LCHO	Other	Social Homebuy	GRAND TOTAL
Value (£m)	£2,764.203	£15.883	£8.686	£2,788.772
Homes (08-14)	30,046	1,194	838	32,078

*NBHB	
Non Rent to Homebuy	Rent to Homebuy
£206.334	£143.382
4,312	2,437

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 more recently, local authorities.

3. Overall allocations

Table 3 – New April, May and June Continuous Market Engagement allocations by sub-region

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
East	£121.439	908	£63.686	1,017
North	£35.287	226	£25.076	492
South East	£70.915	535	£51.918	862
South West	£55.689	350	£35.763	670
West	£16.918	190	£20.343	473
Total	**£300.248**	**2,209**	**£196.786**	**3,514**

Table 4 – Total 08/11 allocations by sub-region (excluding OMHB for 2009-11 and Misc)

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
East	£670.455	5,702	£221.801	4,096
North	£296.395	2,169	£135.230	2,218
South East	£448.925	3,928	£131.092	2,558
South West	£292.856	2,214	£94.457	1,965
West	£349.703	2,780	£123.287	2,416
Total	**£2,058.334**	**16,793**	**£705.867**	**13,253**

3.1 Competition

Table 5 – New April, May and June Continuous Market Engagement allocations by provider type (Excluding OMHB, MISC and HBYDIR)

		Number of successful bidders	Value (£m)	Homes	Grant per unit (£k)
RENT	ALMO/SPV/Other	0	£0.000	0	£0
	Private Sector Partner	4	£86.923	692	£126
	Housing Association	23	£213.324	1,517	£141
	Total	**27**	**£300.247**	**2,209**	**£136**
LCHO	ALMO/SPV/Other	0	£0.000	0	£0
	Private Sector Partner	11	£44.897	883	£51
	Housing Association	19	£151.889	2,631	£58
	Total	**30**	**£196.786**	**3,514**	**£56**
Grand Total		**34**	**£497.033**	**5,723**	**£87**

4. Summary of performance against regional housing targets

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

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 across 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 38% for larger rented homes with three or more bedrooms. A further 8% of allocations to HomeBuy Newbuild products across all years (excluding OMHB) are to larger homes. A step change is required to raise the proportion of family-sized intermediate units to 12% by 2010 and 16% by 2011.

Table 6 Summary of performance against regional housing targets

Regional Priorities	GLA Recommendations	2008/11 Allocations
Larger Homes (Rent) (all allocations to 2014)	42% new programme allocations	38%
Larger Homes (Sale) (new Build Homebuy and Intermediate Rent only, allocations to 2014)	8%, 12%, 16% new programme allocations	8%
Supported Persons (Rent & LCHO only, allocations to 2014)	1,250 new programme allocations	1,607
Rent/LCHO ratio	60:40 new programme allocations (completions)	56:44
Wheelchair units (Rent & LCHO, allocations to 2014)	10% new programme allocations	8%

5. Regional continuous market engagement strategy

In contrast to previous programme periods, the total NAHP resources available in 2008-11 were not fully allocated at the start of the three year programme period. As we move towards the mid-point of the second programme year, we have had a busy twelve months, with high levels of bidding from our Investment Partners, resulting in the commitment of significant levels of NAHP resources across the remaining two years of the programme.

However substantial resources remain available for funding across 2009-11 for allocation to strategically relevant bids from Investment Partners (and specialist bidders) through Continuous Market Engagement.

We are using our new business model, the single conversation, to work closely with Local Authority stakeholders in prioritising schemes for NAHP funding. We do expect bids received through Continuous Market Engagement to be well developed and demonstrably deliverable.

Priorities for Market Engagement for London

- **NAHP**

Priorities remain as per Annex 1 of the NAHP 2008-11 Prospectus. We will give particular priority to bids that deliver affordable rented completions in 2009-10 and 2010-11. Across the affordable social rented and intermediate build programmes we will continue to prioritise schemes that deliver larger family homes.

- **Mayor’s Targeted Funding Stream Initiative for Estate Regeneration**

The Mayor has set aside £77million of social housing grant in the Targeted Funding Stream to secure the delivery of Estate Area Renewal schemes to be delivered through the NAHP.

Initially, the Mayor wishes to direct funding to those estates with cleared sites ready for development but unable to proceed due to current market conditions.

The criteria for funding are as follows:

Bidders must have an agreed masterplan for the entire renewal project.
Bidders must demonstrate that market conditions have led to a funding gap in the business plan.
Where the borough is expecting a capital receipt it must be willing to defer payment and become an equity partner.
Sites should be cleared and have either detailed planning permission or be agreed in principle to enable construction to start in 2009/10.
Schemes must comply with the general requirements of the 2008-11 HCA NAHP Prospectus, including those on quality and standards.

Funding will not be available for social or physical infrastructure or to directly fund leaseholders buybacks. However, bids for schemes where there is no net gain of social rented homes will be eligible.

- **London Rehabilitation, Repairs and Works to Stock**

In London the HCA is also administrating funding from the Mayor's Targeted Funding Stream for works to RSL Stock and a limited level of funding remains available in 2008/11.

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 Re-improvements and Miscellaneous Works is only available for stock that was grant funded before the introduction of mixed funded rental housing in 1988.

6. Value

The Homes and Communities Agency has been given greater flexibility to work with grant efficiency targets in order to prevent projects from mothballing and to stimulate new housing supply (both market and affordable housing provision). We have made full use of this flexibility over the last twelve months in response to the very difficult market housing and financial market conditions in London. As these market conditions ease, we expect to be able to start to realise greater efficiencies in relation to grant requirements.

Table 7 - Value for grant – new April, May and June Continuous Market Engagement allocations

	RENT			LCHO		
	Grant per unit (£k)	Grant per person (£k)	Grant as % TSC	Grant per unit (£k)	Grant per person (£k)	Grant as % TSC
Regional average	£136	£33	59%	£63	£21	24%

Tables 8-11 below exclude OMHB and HOLD

Table 8 – Average costs – new April, May and June Continuous Market Engagement allocations

	RENT			LCHO		
	Acq cost per unit (£k)	On Costs per unit (£k)	Works cost per unit (£k)	Acq cost per unit (£k)	On Costs per unit (£k)	Works cost per unit (£k)
Regional average	£57	£27	£134	£24	£23	£91

Table 9 – S106 additionality – new April, May and June Continuous Market Engagement allocations

	RENT						LCHO					
	Proportion of expenditure		Grant per unit (£k)		Grant per person (£k)		Proportion of expenditure		Grant per unit (£k)		Grant per person (£k)	
	S106	Non-s106	S106	Non-s106	S106	Non-s106	S106	Non-s106	S106	Non-s106	S106	Non-s106
Regional average	28%	72%	£122	£142	£29	£34	25%	75%	£60	£55	£21	£20

7. Geographic investment priorities

Rural Housing

Rural Housing is not applicable in the London Region.

Growth Areas

As well as aiming to increase the supply of new affordable housing across London, we set out in the NAHP prospectus our wish to encourage development in the two Growth Areas, Thames Gateway and London-Stansted-Cambridge-Peterborough corridor.

Table 10 – New Continuous Market engagement allocations to Growth Areas

Growth Area (London sector)	RENT		LCHO	
	Value (£m)	Homes (8-14)	Value (£m)	Homes (8-14)
M11 Corridor, London, Stansted, Cambridge	£12.217	67	£3.843	59
Thames Gateway	£55.682	475	£34.398	487
Total	**£67.899**	**542**	**£38.241**	**546**

Table 11 – Total 08/11 allocations to Growth Areas

Growth Area (London sector)	RENT		LCHO	
	Value (£m)	Homes (8-14)	Value (£m)	Homes (8-14)
M11 Corridor, London, Stansted, Cambridge	£135.470	1,011	£27.510	451
Thames Gateway	£278.860	2,493	£99.040	1,800
Total	**£414.330**	**3,504**	**£126.550**	**2,251**

Growth Points

Funding in relation to Growth Points is not applicable in the London Region.

HMR Pathfinders

Funding in relation to HMR Pathfinders is not applicable in the London Region.

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 12 – New April, May and June Continuous Market Engagement allocations for supported housing

	RENT			LCHO		
	Value (£m)	Homes	Grant per unit (£k)	Value (£m)	Homes	Grant per unit (£k)
Supported housing for older people	£0.000	68	£0	£0.000	0	0
Sub-total for specialist housing for older people	**£0.000**	**68**	**£0**	**£0.000**	**0**	**0**
Single homeless people with support needs	£3.548	41	£87	£0.000	0	0
People with alcohol problems	£1.774	19	£93	£0.000	0	0
People with mental health problems	£1.600	13	£123	£0.000	0	0
Sub total for other supported housing	**£6.922**	**73**	**£95**	**£0.000**	**0**	**£0**
Total supported housing	**£6.922**	**141**	**£49**	**£0.000**	**0**	**£0**

Table 13 – Total 08/11 allocations for supported housing

	RENT			LCHO		
	Value (£m)	Homes	Grant per unit (k)	Value (£m)	Homes	Grant per unit (k)
Supported housing for 'Housing for older people' client group:						
Other housing for older people	£37.404	314	£119	£0.000	0	0
Sub-total for specialist housing for Older People	**37.404**	**314**	**£119**	**£0.000**	**0**	**0**
Client groups for other supported housing:						
Offenders and people at risk of offending	£2.185	48	£46	£0	0	0
People with drug problems	£4.738	45	£105	£0	0	0
People with learning disabilities	£1.240	26	£48	£0	0	0
People with mental health problems	£15.256	107	£143	£0	0	0
People with physical or sensory disabilities	£8.972	89	£101	£0	0	0
Rough Sleepers	£0.487	9	£54	£0	0	0
Single homeless people with support needs	£3.267	37	£88	£0	0	0
Teenage Parents	£1.080	9	£120	£0	0	0
Women at risk of domestic violence	£2.400	20	£120	£0	0	0
Young people leaving care	£1.784	20	£89	£0	0	0
Young People at risk	£2.742	49	£56	£0	0	0
People with alcohol problems	£2.100	26	£81	£0.000	0	0
HOLD allocations	n/a	n/a	n/a	£2.205	26	£85
Sub-total for other supported housing	**£46.251**	**485**	**£95**	**£2.205**	**26**	**£85**
Total supported housing	**£83.655**	**799**	**£105**	**£2.205**	**26**	**£85**

Larger Homes

Across the 2008/11 programme, our policy objective is that 42% of homes from rented allocations will be 3 bedroom or larger, as will, in 2008/09, 8% of HomeBuy Newbuild homes, rising to 12% in 2009/10 and 16% in 2010/11.

Table 14 – New April, May and June Continuous Market Engagement allocations for homes with three or more bedrooms

	Value (£m)	Homes	Grant per unit (£k)	Grant per person (£k)
RENT	£162.212	911	£178	£31

LCHO	£15.890	185	£86	£16
Region Total	**£178.102**	**1096**	**£163**	**£29**

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 approach 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, and in response we have retained the specialist investment route.

Design & quality

We need 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 the Code for Sustainable Homes at level 3 or higher.

Table 15 – New April, May and June Continuous Market Engagement allocations for new build units meeting CSH3 and above (HBYNB, MFRENT and INTRENT only)

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	71.0%	1440	69.7%	1328
Meeting CSH 4 or higher	29.0%	588	30.3%	577
Total	**100.0%**	**2028**	**100.0%**	**1905**

Table 16 - Total 08/11 allocations for new build units meeting CSH3 and above

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	82.0%	9372	78.2%	5413
Meeting CSH 4 or higher	16.9%	1933	21.4%	1479
Total	**99.0%**	**11305**	**99.5%**	**6892**

LCHO affordability

As referred to in Sections 2 and 5, a significant programme for first time buyers has been put in place. We encourage providers to offer low initial purchases to prospective first-time buyers who can maintain home ownership. We also monitor the rent charged on unsold equity, helping to ensure schemes in London are affordable particularly in context of challenging financial and housing market conditions.

Table 17 – LCHO affordability (New Build HomeBuy) from new April, May and June Continuous Market Engagement allocations

	Average rent as a % of unsold equity	Average % first tranche sale
East	2.79	37
North	3	34
South East	2.48	32
South West	2.63	41
West	3	34
Regional average	**2.82**	**35**

9. Pre-allocations

No pre-allocations have been made during the quarter ending June 2009.