THE HOMES AND COMMUNITIES AGENCY

Investment Statement 2008-11

(January to March 2009)

London

Homes & Communities Agency

CONTENTS

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, in the final quarter of Continuous Market Engagement in 2008/09 (January to March 2009). These allocations build on those made previously and reflect the priorities set out in the NAHP prospectus published in September 2007.

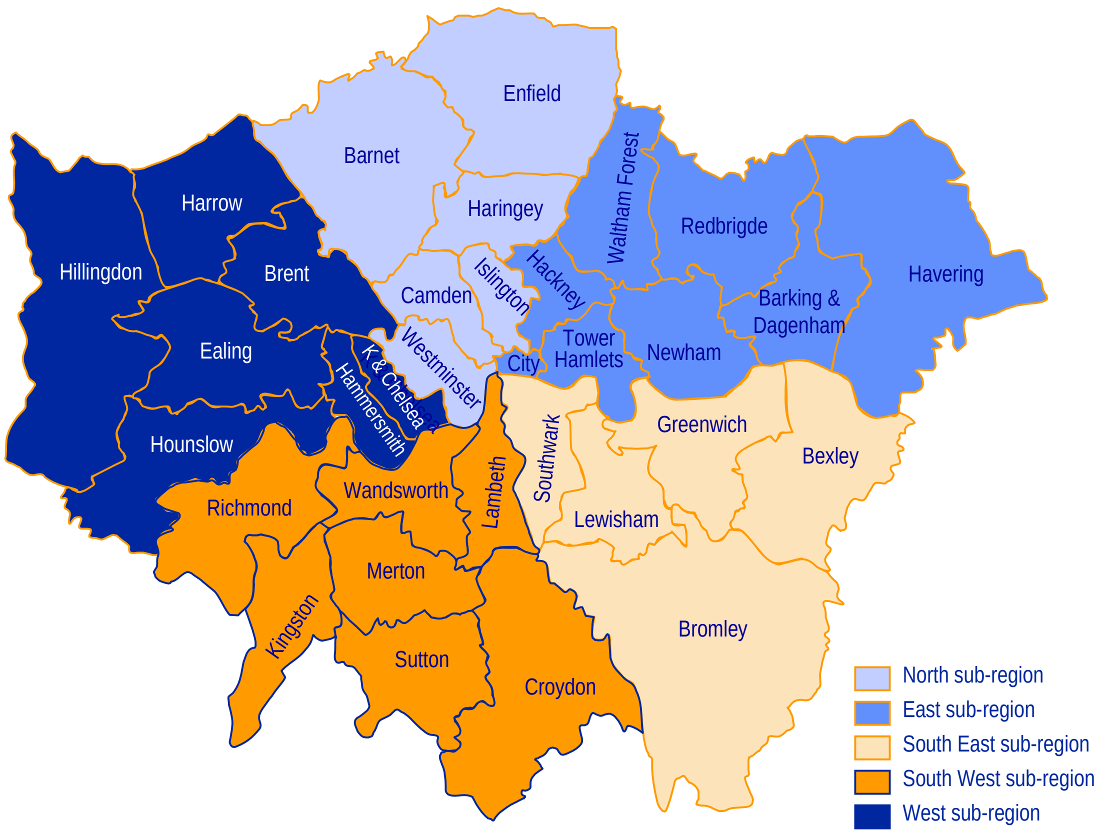
The schemes have been selected because they add to the achievement of the Mayor's housing priorities, helping to meet London's affordable housing needs; have good design and quality standards, are deliverable and offer value for money. We have also used this investment to help to drive an overall increase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

The HCA's London Investment Team engaged in intense Continuous Market Engagement (CME) in the busy final quarter of the 2008/09 financial year. HCA London has looked to Investment Partners to use the significant new flexibilities on funding that were introduced into the CME process to 2008/09 year end to respond to the extraordinary challenges of both the financial and housing market conditions. We received significant packages of proposals from Investment Partners 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 Homes and Communities Agency website in January 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 latter document 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. 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 January to March 2009

	RENT	LCHO				LCHO
	Total	Total New Build Homebuy (*See below)	Intermediate Rent	Open Market Homebuy	Home ownership for people with long term disabilities	Total
Value (£m)	£836.765	£107.006	£65.604	£7.700	£0.000	£180.309
Homes (08-14)	6,292	2,076	1,193	137	0	3,406

	Total RENT & LCHO	Other	Social Homebuy	GRAND TOTAL
Value (£m)	**£1,017.074**	£3.402	£0.005	**£1,020.481**
Homes (08-14)	**9,698**	201	1	**9,900**

* New Build Homebuy of which:	
Non Rent to Homebuy	Rent to HomeBuy
£62.277	£44.729
1,327	749

Table 2 - Overall regional allocation for 08/11

	RENT	LCHO				LCHO
	Total	Total New Build Homebuy (*See below)	Intermediate Rent	Open Market Homebuy	Home Ownership for people with long term disabilities	Total
Value (£m)	£1,681.978	£258.935	£108.664	£70.402	£2.205	£440.206
	14,786	5,526	1,946	1,461	26	8,959
Homes (08-14)	£1,681.978	£258.935	£108.664	£70.402	£2.205	£440.206

	Total RENT & LCHO	Other	Social Homebuy	GRAND TOTAL
Value (£m)	**£2,122.184**	£14.908	£8.662	**£2,145.754**
Homes (08-14)	**23,745**	1,025	836	**25,606**

* New Build Homebuy of which:	
Non Rent to Homebuy	Rent to HomeBuy
£165.886	£93.049
3,941	1,585

Data source: All total programme allocation figures are taken from the HCA Investment Management System (IMS) as at close on 31st March 2009

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 from January to March 2009

	RENT		LCHO	
Sub-region	**Value (£m)**	**Homes (08-14)**	**Value (£m)**	**Homes (08-14)**
East	£293.286	2,193	£57.131	973
North	£125.659	896	£27.149	461
South East	£149.594	1,140	£29.070	716
South West	£97.004	658	£28.272	559
West	£171.221	1,405	£38.687	697
Total	**£836.764**	**6,292**	**£180.309**	**3,406**

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

	RENT		LCHO	
Sub-region	**Value (£m)**	**Homes (08-14)**	**Value (£m)**	**Homes (08-14)**
East	£542.389	5,235	£130.312	2,655
North	£259.399	1,948	£101.502	1,644
South East	£327.806	3,186	£64.582	1,710
South West	£234.367	1,871	£56.808	1,254
West	£318.017	2,546	£87.002	1,696
Total	**£1,681.978**	**14,786**	**£440.206**	**8,959**

Table 5 – New continuous market engagement allocations by provider type from January to March 2009

		Number of successful bidders	Value (£m)	Homes	Grant per unit
RENT	**ALMO/LA SPV**	1	£2.52	72	£35,000
	Private Sector Partner	3	£73.84	632	£116,835
	Housing Association	29	£760.40	5,588	£136,078
	Total	**33**	**£836.76**	**6,292**	**£132,988**
LCHO	**ALMO/LA SPV**	0	£0.00	0	0
	Private Sector Partner	1	£15.80	251	£62,958
	Housing Association	24	£164.51	3,155	£52,143
	Total	**25**	**£180.31**	**3,406**	**£52,940**
Grand total *		**34**	**£1,017.07**	**9,698**	**£104,874**

* **Note:** the grand total represents the total number of 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 annex 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 38% for larger rented homes with three or more bedrooms. A further 7% 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.

Table 6 - Regional Assembly Targets

	GLA recommendations	**08-11 allocations to 31st March 2009**
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	7%
Supported Persons (Rent & LCHO only, allocations to 2014)	1,250 new programme allocations	1,400
Rent / LCHO ratio	60: 40 new programme allocations (completions)	62:38
Wheelchair units (Rent & LCHO, allocations to 2014)	10% new programme allocations	11%

5. Regional continuous market engagement strategy

In contrast to previous programmes, total NAHP resources available in 2008-11 were not fully allocated at the start of the three year programme period. However, as we reach the end of the first quarter of the second programme year, we have had a strong response from our Investment Partners to our package approach and allocated significant levels of NAHP resources across the remaining two years of the programme

The remaining resources are subject to allocation to bids from Investment Partners (and specialist bidders) through Continuous Market Engagement and will be targeted at regional priorities for funding. We are moving towards a new integrated business model through the single conversation and will work closely with stakeholders in prioritising schemes for NAHP funding.

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

- **NAHP**

Priorities remain as per Annex 1 of the NAHP 2008-11 Prospectus.

However we will give particular priority to bids that deliver affordable rented completions in 2009/2010 and before the end of the current programme in March 2011. Across both the affordable social rented and intermediate build programmes we will prioritise schemes with 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.

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 administrating 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 Re-improvements 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.

- **Re-improvements 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**

Bids for grant funding for items of major repair will also be considered. 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 Homes and Communities Agency will not consider making allocations for minor works.

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 7 - Value for grant from new continuous market engagement allocations January to March 2009 only

	Grant per unit	Grant per person	Grant as a % of total scheme cost
RENT	£132,989	£33,254	59%
LCHO (New Build Home Buy only)	£51,544	£17,129	24%

Table 8 – Average costs for new continuous market engagement allocations January to March 2009 only

	Acquisition cost per unit	On Costs per unit	Works cost per unit
RENT	£75,919	£31,469	£116,538
LCHO	£54,825	£30,947	£116,898

S106 additionality

Table 9 – S106 additionality for new continuous market engagement allocations January to March 2009

	Proportion of expenditure		Grant per unit		Grant per person	
	S106	**non S106**	**S106**	**non S106**	**S106**	**non S106**
Rent	31%	69%	£130,386	£134,192	£32,662	£33,527
LCHO	27%	73%	£44,924	£57,116	£15,882	£18,781

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 and London Stansted Cambridge Peterborough corridor.

Table 10 – New continuous market engagement allocations to Growth Areas January to March 2009

	RENT		LCHO	
	Value (£m)	**Homes**	**Value (£m)**	**Homes**
M11 Corridor, London, Stansted, Cambridge	£65.84	494	£3.87	66
Thames Gateway	£82.64	665	£31.22	593
Total	**£148.48**	**1,159**	**£35.09**	**659**

- **Thames Gateway**

The level of allocations to date has 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.

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 11 – New continuous market engagement allocations for supported housing January to March 2009

	RENT			LCHO			
	Value (£m)	**Homes**	**Grant per unit**	**Value (£m)**	**Homes**	**Grant per unit**	**Rent & LCHO No. persons**
Other housing for older people	£8.750	60	£145,833	£0.000	0	0	125
Sub-total for specialist housing for Older People	**£8.750**	**60**	**£145,833**	**£0.000**	**0**	**0**	**125**
Client groups for other supported housing:							
People with alcohol problems	£2.100	26	£80,765	£0.000	0	0	26
People with learning difficulties	£0.100	3	£33,333	£0.000	0	0	3
People with mental health problems	£5.733	38	£150,869	£0.000	0	0	76
People with physical or sensory disabilities	£5.252	40	£131,300	£0.000	0	0	99
Teenage parents	£1.080	9	£120,000	£0.000	0	0	18
Women at risk of domestic violence	£1.521	17	£89,462	£0.000	0	0	17
Young people leaving care	£1.235	13	£95,000	£0.000	0	0	13
Single homeless people with support needs	£2.565	27	£95,000	£0.000	0	0	27
Sub-total for other supported housing	**£19.586**	**173**	**£113,214**	**£0.000**	**0**	**0**	**279**
Grand total	**£28.336**	**233**	**£121,614**	**£0.000**	**0**	**0**	**404**

Larger Homes

Table 12 – New continuous market engagement allocations for homes with three or more bedrooms January to March 2009

	Value (£m)	Homes	Grant per unit	Grant per person
RENT	£428.89	2425	£176,864	£31,320
SALE (New Build Homebuy and Intermediate Rent)	£17.70	211	£83,877	£16,556
Region Total	**£446.59**	**2636**	**£169,420**	**£30,251**

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.

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 13 - New continuous market engagement allocations for new build units meeting CSH3 and above January to March 2009

	RENT		LCHO	
	% of total	**Homes**	**% of total**	**Homes**
Meeting CSH3	82.0%	3450	78.4%	1779
Meeting CSH 4 or higher	17.9%	755	20.7%	470
Total	**99.6%**	**4205**	**99.1%**	**2249**

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 14 – LCHO affordability (New Build HomeBuy) from new continuous market engagement allocations January to March 2009

	Average rent as a % of unsold equity	Average % first tranche sale
East	2.7	33
North	2.96	30
South East	2.51	28
South West	2.85	44
West	2.98	39
Regional average	**2.76**	**34**

9. Pre-allocations

None