



Homes &
Communities
Agency

Investment Statement 2008-11

East Midlands Region

October 2009

Contents

1. Foreword from the Regional Director	3
2. Introduction	4
3. Overall allocations	5
4. Summary of performance against Regional Housing Board targets	7
5. Regional Continuous Market Engagement strategy	8
6. Value	9
7. Geographic investment priorities	12
a. Rural 8	
b. Growth Areas 8	
c. Growth Points 9	
d. HMR Pathfinders 9	
8. Thematic investment priorities	15
a. Supported housing 10	
b. Larger homes 11	
c. Meeting the needs of BME communities 11	
d. Design & quality 12	
e. LCHO affordability 12	
9. Pre-allocations	20

1. Foreword from the Regional Director

This report updates on the progress of delivery of the National Affordable Housing Programme (NAHP) in the East Midlands, which since December 2008 has been the responsibility of the Homes and Communities Agency (HCA).

Nationally, during 2008-11, funding of £8.4bn was earmarked for the NAHP with intention to provide at least new 155,000 homes. Of these, more than 100,000 will be for affordable rent and more than 50,000 for affordable sale through the Government's HomeBuy initiatives.

This is a very different programme to previous. HCA inherited the delivery of this programme and has worked with partners on "continuous market engagement." Pre-qualified partners are now able to bid for that funding at any time, and we manage our programme on this basis.

The current market conditions have led to the introduction of a series of operational flexibilities to assist partners in maintaining delivery. We can only deliver this programme through close working with our partners, including local authorities. Local authority input has been key to the assessment and evaluation of the proposals and will continue to be so, both during continuous market engagement, and during programme delivery.

The need to assist entry into the housing market is reflected in Homebuy Direct – an additional form of low cost home ownership product, which offers 1688 homes into the low cost ownership market.

Most recently, government have introduced a series of new funding initiatives – Kick Start, Local Authority New Build, a Public Land Initiative, and increased resource for NAHP. These are predominantly nationally distributed programmes, which are open to bids from within the region.

Working with our partners we hope the region can benefit from these initiatives. We remain optimistic that our investment and innovation can help tackle the issues arising from the current housing market, but we continue to closely monitor the local market. As ever we welcome the open and honest dialogue that we experience as part of our programme interventions.

This statement sets out the proportion of funding made through the monthly continuous market engagement rounds which took place in January, February and March 2009. The funding is drawn down from the total regional funding for new affordable housing in 2008-11 of £316m.

The draft Regional Plan sets out the challenge for the region in terms of its aspirations for new affordable housing to respond to the region's housing pressures. This statement sets out how we intend to contribute to that task.



Margaret Allen

Regional Director - East Midlands

2. Introduction

This Quarter 2 Regional Investment Statement should be read in conjunction with that of Quarter 1 2009/10, and previous 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).

Table 1 - Overall regional allocation from 2009/10 Quarter 2 Continuous Market Engagement

	Rent	Low Cost Home Ownership (LCHO)											
	RENT	HBYDIR	HBYNB	OMHB	HOLD	INT RENT	Mortgage Rescue	Rent to Homebuy	LCHO Total	Sub-Total	Other	Grand Total	
Value (£m)	17.9	1.36	0.16				0.43	0.95	2.9	20.9		20.9	
Homes	314	67	5				6	35	113	427		427	

Table 2 - Overall regional allocation for 08/11

	Rent	Low Cost Home Ownership (LCHO)											
	RENT	HBYDIR	HBYNB	OMHB	HOLD	INT RENT	Mortgage Rescue	Rent to Homebuy	LCHO Total	Sub-Total	Other	Grand Total	
Value (£m)	216.38	41.62	12.54	10.71	0.95	4.87	0.54	17.22	88.45	304.83	2.41	307.24	
Homes	4,462	1,732	672	398	24	165	7	652	3,650	8,112	127	8,239	

The introduction of continuous market engagement in the region has worked well. As can be seen from the figures above, significant volumes of new housing funding continues to be allocated. As we move through the 2008-11 programme period we will continue to focus on a tightly managed programme with a strong focus on value for money.

3. Overall allocations

Table 3 – New allocations from 2009/10 Quarter 2 Continuous Market Engagement by sub-region

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
Northern	0.14	4	0.15	2
Peak	2.35	40	0.22	7
Rural East	3.39	82	0.2	11
Southern Growth	4.47	63	0.67	28
Three Cities	6.85	125	1.66	65
Total	17.19	314	2.9	113

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

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
Northern	16.21	437	11.19	528
Peak	12.97	228	1.55	55
Rural East	64.69	1,349	21.1	919
Southern Growth	34.88	708	20.86	763
Three Cities	87.64	1,740	33.74	1,385
Total	216.38	4,462	88.45	3,650

Across both the initial bid round and this market engagement, the programme broadly reflects the spatial prioritisation proposed by the regional assembly. However the programme is lower in the Southern sub-region than the plan. It is higher than envisaged in the Eastern sub-region, where the supply of opportunities has been strong. Further market engagement may present the opportunity to address this imbalance.

Table 5 – Total 08/11 LA New Build allocations by sub-region

	RENT	
	Value (£m)	Homes
Northern	4.15	74
Peak	0	0
Rural East	1.07	19
Southern Growth	4.02	78
Three Cities	7.23	143
Total	16.47	314

A total package of £460 million - that will be distributed in two rounds - has been made available nationally for local authorities to deliver new homes for social rent, building on their own land and to high environmental standards.

The available funding, delivered through the HCA, makes available Social Housing Grant and provides capital cover for the consequential prudential borrowing serviced by rental income from the properties. The money is broadly split 50:50 between the two elements.

In September, as part of the first round the region allocated £16.5m of grant to deliver 314 homes across 10 Local Authorities. Successful schemes were selected on the basis of deliverability, value for money and strategic fit, as well as requiring local authorities to demonstrate local labour initiatives as part of their bids.

Local Authorities will have an opportunity to resubmit in the second round of funding - anticipated to be in the order of more than £200 million (nationally) - to be announced later this autumn.

Table 6 – New allocations from 2009/10 Quarter 2 Continuous Market Engagement by provider type*

		Number of successful bidders	Value (£m)	Homes	Grant per unit (£)
RENT	ALMO/SPV/Other				
	Private Sector Partner				
	Housing Association	7	17.19	314	54,753
	Total	7	17.19	314	54,753
LCHO	ALMO/SPV/Other				
	Private Sector Partner				
	Housing Association	5	1.54	46	33,458
	Total	5	1.54	46	33,458
Grand total		7	18.73	360	52,032

*(Excluding OMHB, MISC and HBYDIR)

4. Summary of performance against Regional Housing Board targets

All the regional housing board targets are either now delivered, or are on track to be delivered. There are two exceptions - the sub-regional distribution detailed in 3 above and the overall split between rent and low cost home ownership.

The tenure balance proved difficult to achieve in the initial programme. The regional assembly asked providers to deliver to 60% rent: 40% low cost home ownership and bids received via continuous market engagement better reflect this. The ratio was adjusted following further advice to 70% rent: 30% low cost home ownership.

5. Regional continuous market engagement strategy

We recognise that the current market conditions are a significant factor in influencing the quantity and nature of new affordable housing supply. Notwithstanding this our priorities remain as below.

In the East Midlands we are seeking the following:

- Schemes which offer excellent value for money. We have a very strong focus on delivering our target outputs which places a focus on levels of grant required.
- A continued focus on the supply of new homes in smaller villages, i.e. those with a population below 3,000.
- A continued aspiration to see new supported housing schemes, particularly for those facing social exclusion including; care leavers (at 19), adult offenders, adults in contact with secondary mental health services and adults with moderate to severe learning difficulties. In order to maximise outputs it is often helpful if funding proposals can be brought with other sources of capital funding, such as that from local authorities.
- A continued focus on larger family homes of three-bed-plus where we are seeking over a quarter of new rented homes to be of this size.
- Given the comments above regarding the relative under delivery in Northamptonshire we are keen that providers focus on bringing in deliverable schemes that also fit within our value for money parameters.

6. Value

Table 7 - Value for grant from 2009/10 Quarter 2 Continuous Market Engagement allocations

	RENT			LCHO		
	Grant per unit (£)	Grant per person (£)	Grant as % TSC	Grant per unit (£)	Grant per person (£)	Grant as % TSC
Regional average	54,753	13,124	47.20%	27,730	6,889	21.20%

Table 8 – Average costs for 2009/10 Quarter 2 Continuous Market Engagement allocations

	RENT			LCHO		
	Acq cost per unit (£)	On Costs per unit (£)	Works cost per unit (£)	Acq cost per unit (£k)	On Costs per unit (£)	Works cost per unit (£)
Regional average	23,991	12,077	79,889	9,653	7,238	29,380
Regional average LCHO excl Homebuy Direct, Open Market Homebuy, HOLD				27,268	20,447	82,999

The region has maintained its focus on delivering new affordable housing within the agreed efficiency parameters.

S106 additionality

Table 9 – S106 additionality for 2009/10 Quarter 1 Continuous Market Engagement allocations

	RENT						LCHO					
	Proportion of expenditure		Grant per unit (£)		Grant per person (£)		Proportion of expenditure		Grant per unit (£)		Grant per person (£)	
	S106	Non-s106	S106	Non-s106	S106	Non-s106	S106	Non-s106	S106	Non-s106	S106	Non-s106
Regional average	25%	75%	49,919	56,576	12,408	13,381	16.5%	83.5%	29,875	24,939	6,928	4,390

There has been significant work undertaken by local authorities, working with us, around the intelligent use of grant to fit in with section 106 planning gain. We will continue to carry on with this work to ensure we obtain the best possible outcomes.

7. Geographic investment priorities

Rural

Table 10 – 2009/10 Quarter 2 Continuous Market Engagement allocations to rural areas

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
Population less than 3,000 total	3.41	66	0.29	9
Population between 3,001 and 10,000 total	0.79	19	0.05	2
Total rural	4.19	85	0.34	11

Table 11 – Total 08/11 allocations to rural areas

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
Population less than 3,000 total	30.47	600	4.85	198
Population between 3,001 and 10,000 total	14.22	324	3.1	172
Total rural	44.7	924	7.95	370

The region has a strong focus and delivery track record on rural. Delivery in settlements between 3-10,000 population is a key focus for the regional assembly and we are keen to maintain delivery in this type of settlement.

The regional share of the national target for new homes, in settlements under 3000 population, is 993. We will be working hard with partners to focus on bringing in additional supply in these villages.

Growth Areas

Table 12 – 2009/10 Quarter 2 Continuous Market Engagement allocations to Growth Areas

Growth Area	RENT		LCHO	
	Value (£m)	Homes (8-14)	Value (£m)	Homes (8-14)
Milton Keynes/South Midlands	4.47	63	0.67	28
Total	4.47	63	0.67	28

Table 13 – Total 08/11 allocations to Growth Areas

Growth Area	RENT		LCHO	
	Value (£m)	Homes (8-14)	Value (£m)	Homes (8-14)
Milton Keynes/South Midlands	34.88	708	20.86	763
Total	34.88	708	20.86	763

Growth Points

Table 14 – 2009/10 Quarter 2 Continuous Market Engagement allocations to Growth Points

Growth Point	RENT		LCHO	
	Value (£m)	Homes (8-14)	Value (£m)	Homes (8-14)
3 Cities & 3 Counties	6.85	125	1.66	65
Total	6.85	125	1.66	65

Table 15 – Total 08/11 allocations to Growth Points

Growth Point	RENT		LCHO	
	Value (£m)	Homes (8-14)	Value (£m)	Homes (8-14)
3 Cities & 3 Counties	87.64	1,740	33.74	1,385
Total	87.64	1,740	33.74	1,385

We have made significant investment in our Growth Area and Growth Points and will continue to do so. In Newark, Lincoln, Gainsborough and Grantham we have not, as yet, made specific investment in the defined Growth Point areas themselves, but we are in discussions with those authorities on how we can assist them.

8. Thematic investment priorities

Supported housing

Table 16 – 2009/10 Quarter 2 Continuous Market Engagement allocations for supported housing

	RENT			LCHO		
	Value (£m)	Homes	Grant per unit (£)	Value (£m)	Homes	Grant per unit (£)
Total supported housing	No Data					

Table 17 – Total 08/11 allocations for supported housing

	RENT			LCHO		
	Value (£)	Homes	Grant per unit (£)	Value (£)	Homes	Grant per unit (£)
Specialist housing for older people	11,082,281	287	38,614	578000	18	32,111
Supported housing for older people						
Sub-total for specialist housing for older people	11,082,281	287	38,614	578000	18	32,111
Client groups for other supported housing:						
Homeless families with support needs	35,072	1	35,072			
Offenders and people at risk of offending	1,091,000	30	36,367			
People with alcohol problems	52,818	2	26,409			
People with drug problems	1,009,433	32	31,545			
People with HIV or AIDS						
People with learning difficulties	1,119,000	22	50,864			
People with mental health problems	1,679,997	29	57,931	753581	25	30,143
People with physical or sensory disabilities	3,631,217	85	42,720	630000	21	30,000
Refugees						
Rough sleepers	230,000	4	57,500			
Teenage parents						
Single Homeless People with support needs	603,928	17	35,525			
Women at risk of domestic violence	894,000	16	55,875			
Young People at risk	1,118,750	31	36,089			
Young people leaving care	264,000	6	44,000			
HOLD allocation						
Sub total for other supported housing	11,729,214	275	42,652	1383581	46	30,078
Total supported housing	22,811,495	562	40,590	1961581	64	30,650

Larger Homes

Table 18 – 2009/10 Quarter 2 Continuous Market Engagement allocations for homes with three or more bedrooms*

	Value (£m)	Homes	Grant per unit (£)	Grant per person (£)
RENT	£9.01	136	£66,216	£13,204
LCHO	£0.24	9	£26,848	£5,619
Region Total	£9.25	145	£63,773	£12,755

*Includes Rent, Homebuy Newbuild & Intermediate Rent products only

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

Table 19 - 2009/10 Quarter 2 Continuous Market Engagement allocations for new build units meeting CSH3 and above

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	100%	309	100%	36
Meeting CSH 4 or higher				
Total	100%	309	100%	36

Table 20 - Total 08/11 allocations for new build units meeting CSH3 and above

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	93.4%	2,669	96.6%	706
Meeting CSH 4 or higher	3.5%	99	1.4%	10
Total	96.9%	2,768	98.0%	716

We have funded a small number of market opportunity new homes that are complete, or nearly complete. This is in accordance with our recently revised additional guidance issued as part of our response to market conditions. These do not meet CSH3 in that their open market specifications were fixed prior to funding for affordable housing. However we continue to focus rigorously on the quality and space standards of all the homes we fund.

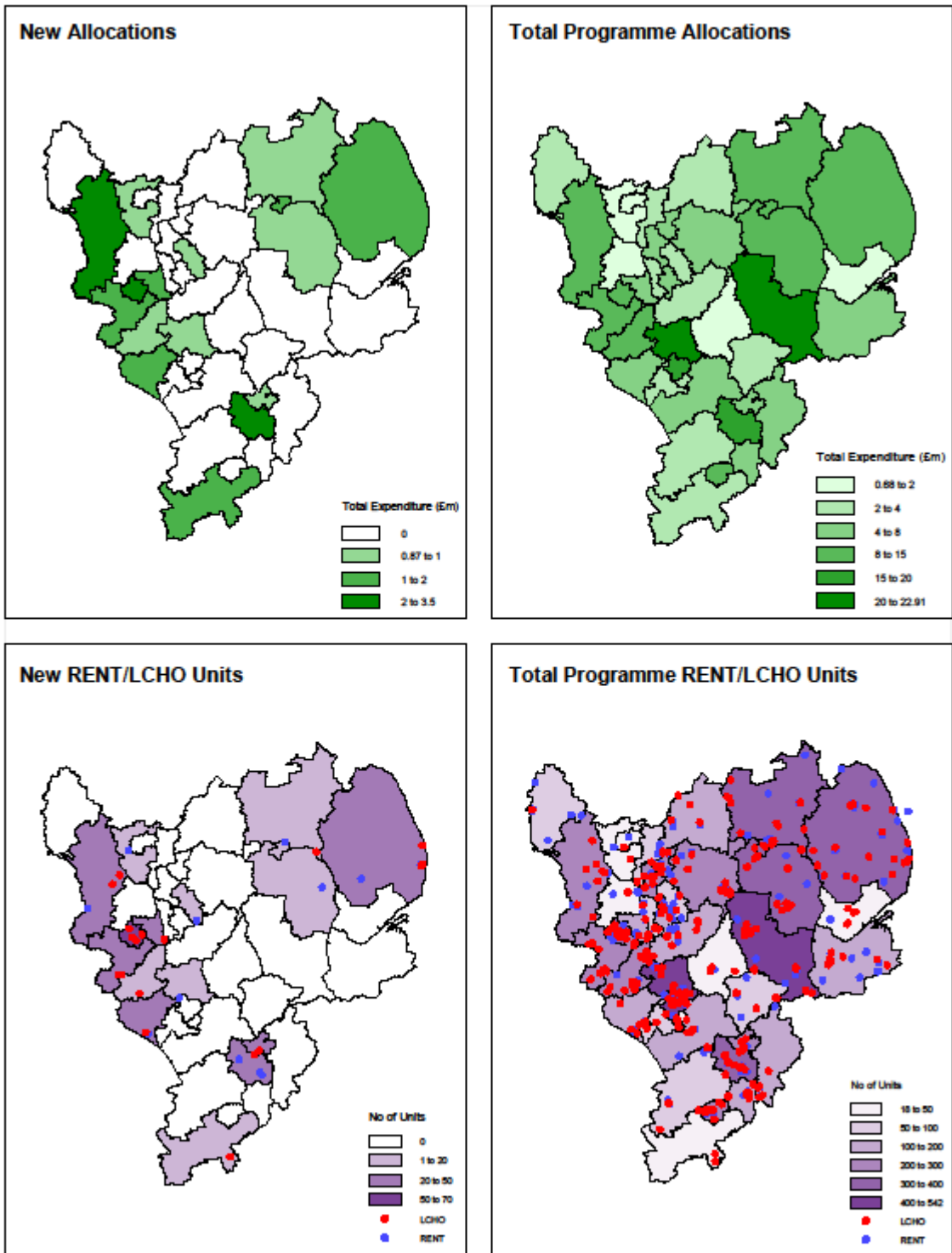
LCHO affordability

Table 21 – LCHO affordability (New Build HomeBuy) from 2009/10 Quarter 2 Continuous Market Engagement allocations

	Average rent as a % of unsold equity	Average % first tranche sale
Northern	-	-
Peak	2.85%	50.00%
Rural East	2.74%	38.18%
Southern Growth	1.66%	50.00%
Three Cities	2.75%	40.00%
Regional average	2.71%	41.75%

9. Pre-allocations

National Affordable Housing Programme 2008-11



SC0555 6/11/2009

Information shown is correct to the best of Spatial Intelligence Department's knowledge at date of issue.

This map is reproduced from Ordnance Survey material with the permission of Ordnance Survey on behalf of the Controller of Her Majesty's Stationery Office. © Crown Copyright. Unauthorised reproduction infringes Crown copyright and may lead to prosecution or civil proceedings. Homes and Communities Agency (01 10016196).

NAHP Allocations
2009 Quarter 2

Spatial Intelligence
The Housing & Communities Agency
Tel: 0200 1234567
Email: spatialintelligence@hca.gov.uk
www.homesandcommunities.gov.uk