Homes & Communities Agency

Investment Statement 2008-11

London Region

October 2009

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 HCA London through Continuous Market Engagement (CME) in the second quarter of 2009/10 (July to September 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 two 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 continue to invite and negotiate on CME bids for 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 continues to work with bidding partners, in consultation with stakeholders, to secure additional resources for London through these funding streams to deliver good quality new homes in strong, sustainable communities.

David Lunts

Regional Director, London

October 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, April and July 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 & 4 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 July, August and September 2009 Continuous Market Engagement

	RENT	LCHO						LCHO
	Total	Total NBHB (*See below)	Int. rent	OMHB	Homebuy Direct	Mortgage Rescue	HOLD	Total
Value (£m)	£368.627	£40.983	£16.354	£0.000	£1.357	£0.917	£0.000	£59.612
Homes(08-14)	2,891	751	284	0	43	8	0	1,086

	Total RENT & LCHO			GRAND		*NBHB	
		Other	Social Homebuy	TOTAL		Non Rent to Homebuy	Rent to Homebuy
Value (£m)	£428.239	£0.308	£0.048	£428.595		£23.363	£17.621
Homes (08-14)	3,977	71	3	4,051		473	278

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)	£2,464.082	£393.355	£234.272	£106.234	£16.256	£0.982	£1.125	£752.224
Homes (08-14)	19,914	7,706	3,807	2,605	494	10	15	14,637

	Total RENT & LCHO			GRAND TOTAL		*NBHB	
		Other	Social Homebuy			Non Rent to Homebuy	Rent to Homebuy
Value (£m)	£3,216.306	£15.873	£8.744	£3,240.923		£230.305	£163.050
Homes (08-14)	34,551	1,261	842	36,654		4,902	2,804

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. Allocations by Sub-region and Provider

Table 3 – New July, August and September 2009 Continuous Market Engagement allocations by sub-region

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
East	£135.335	1,052	£20.161	356
North	£144.949	934	£24.860	395
South East	£13.273	130	£0.394	33
South West	£34.143	270	£13.560	292
West	£40.926	505	£0.636	10
Total	£368.626	2,891	£59.611	1,086

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	£798.477	6,735	£243.216	4,545
North	£459.347	3,224	£144.501	2,670
South East	£460.363	4,031	£130.342	2,643
South West	£330.179	2,469	£108.058	2,256
West	£415.716	3,455	£126.107	2,523
Total	£2,464.082	19,914	£752.224	14,637

3.1 Competition

Table 5 – New July, August and September 2009 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	£0.00	0	£0
	Private Sector Partner	3	£45.16	509	£88,728
	Housing Association	28	£323.46	2,382	£135,795
	Total	31	£368.63	2,891	£127,509
LCHO	ALMO/SPV/Other	0	£0.00	0	£0
	Private Sector Partner	2	£9.56	165	£57,948
	Housing Association	16	£50.05	921	£54,343
	Total	18	£59.61	1,086	£54,891
Grand total		33	£428.24	3,977	£107,679

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.

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	7%
Supported Persons (Rent & LCHO only, allocations to 2014)	1,250 new programme allocations	2,143
Rent/LCHO ratio	60:40 new programme allocations (completions)	58:42
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 through the third quarter 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 eighteen months of the programme.

However 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 which was grant funded before the introduction of mixed funded rental housing in 1988.

6. Value

Table 7 - Value for grant – new July, August and September 2009 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 (Rent: all headings, LCHO: NBHB and Int rent only)	£127,509	£31,661	57%	£55,399	£18,272	27%
Regional Average (al headings)	£127,509	£31,661	57%	£54,891	£18,081	28%

Tables 8-11 below exclude OMHB and HOLD

Table 8 – Average costs – new July, August and September 2009 Continuous Market Engagement allocations

	RENT			LCHO		
	Acq cost per unit	On Costs per unit	Works cost per unit	Acq cost per unit	On Costs per unit	Works cost per unit
Regional average (Rent: all headings, LCHO: NBHB and Int rent only)	£78,412	£23,559	£121,974	£43,928	£29,811	£121,037
Regional Average (al headings)	£78,412	£23,559	£121,974	£46,093	£31,280	£127,001

Table 9 – S106 additionality – new July, August and September 2009 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	12%	88%	140,172	125,899	32,386	31,561	11%	89%	43,758	56,620	16,215	18,334

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, the Thames Gateway and the 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	**£23.186**	**159**	**£0**	**0**
Thames Gateway	**£21.455**	**172**	**£4.181**	**85**
Total	**£44.641**	**331**	**£4.181**	**85**

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	**£154.306**	**1,125**	**£25.324**	**415**
Thames Gateway	**£304.064**	**2,785**	**£104.316**	**2,004**
Total	**£458.370**	**3,910**	**£129.640**	**2,419**

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 July, August and September 2009 Continuous Market Engagement allocations for supported housing

	RENT			LCHO		
	Value (£m)	Homes	Grant per unit (£)	Value (£m)	Homes	Grant per unit (£)
Supported housing for older people	£13.045	80	£163,060	£0.000	0	0
Sub-total for specialist housing for older people	**£13.045**	**80**	**£163,060**	**£0.000**	**0**	**0**
People with alcohol problems	£0.371	3	£123,733	£0.000	0	0
People with drug problems	£0.278	3	£92,800	£0.000	0	0
People with learning difficulties	£0.584	4	£146,023			
People with mental health problems	£1.692	15	£112,808	£0.000	0	0
Rough sleepers	£0.800	11	£72,727	£0.000	0	0
Young people at risk	£2.100	15	£140,000			
Single homeless people with support needs	£0.625	10	£62,540	£0.000	0	0
Sub total for other supported housing	**£6.451**	**61**	**£105,758**	**£0.000**	**0**	**£0**
Total supported housing	**£19.496**	**141**	**£138,269**	**£0.000**	**0**	**£0**

Table 13 – Total 08/11 allocations for supported housing

	RENT			LCHO		
	Value (£m)	Homes	Grant per unit	Value (£m)	Homes	Grant per unit
Supported housing for 'Housing for older people' client group:						
Other housing for older people	£54.499	507	£107,493	£0.000	0	0
Sub-total for specialist housing for Older People	**£54.499**	**507**	**£107,493**	**£0.000**	**0**	**0**
Client groups for other supported housing:						
Offenders and people at risk of offending	£1.600	35	£45,714	£0	0	0
People with drug problems	£5.387	51	£105,629	£0	0	0
People with learning disabilities	£3.043	40	£76,070	£0	0	0
People with mental health problems	£34.586	132	£262,015	£0	0	0
People with physical or sensory disabilities	£8.972	66	£135,939	£0	0	0
Rough Sleepers	£3.874	45	£86,086	£0	0	0
Single homeless people with support needs	£1.287	20	£64,365	£0	0	0
Teenage Parents	£7.440	88	£84,547	£0	0	0
Women at risk of domestic violence	£4.842	64	£75,660	£0	0	0
Young people leaving care	£3.579	31	£115,467	£0	0	0
Young People at risk	£4.295	28	£153,393	£0	0	0
People with alcohol problems	£1.080	9	£120,000	£0	0	0
HOLD allocations	n/a	n/a	n/a	£1.425	19	£75,000
Sub-total for other supported housing	**£79.986**	**609**	**£131,340**	**£1.425**	**19**	**£75,000**
Total supported housing	**£134.485**	**1116**	**£120,506**	**£1.425**	**19**	**£75,000**

Larger Homes

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 8% of HomeBuy Newbuild homes rising to 12% in 2009/10 and 16% in 2010/11.

Table 14 – New July, August and September 2009 Continuous Market Engagement allocations for homes with three or more bedrooms

	Value (£m)	Homes	Grant per unit	Grant per person
RENT	£182.60	1102	£165,696	£30,407
LCHO	£8.03	94	£85,445	£17,199

Region Total	£190.63	1196	£159,389	£29,454

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 July, August and September 2009 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	81.5%	1730	64.5%	624
Meeting CSH 4 or higher	18.5%	394	35.5%	343
Total	100.0%	2124	100.0%	967

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

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	78.0%	10146	75.3%	5777
Meeting CSH 4 or higher	21.1%	2746	24.3%	1863
Total	99.1%	12892	99.6%	7640

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 July, August and September Continuous Market Engagement allocations

	Average rent as a % of unsold equity	Average % first tranche sale
East	2.66	30
North	2.85	39
South East	3	25
South West	2.82	36
West	3	35
Regional average	2.8	35

9. Pre-allocations

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

10. Local Authority Newbuild Allocations by sub-region

Table 18 - New LA Newbuild Allocations: September 2009.

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
East	£0.000	0	£0.000	0
North	£4.094	46	£0.000	0
South East	£5.831	71	£0.000	0
South West	£5.462	54	£0.000	0
West	£13.191	161	£0.000	0
Total	£28.578	332	£0.000	0

Note further allocations were made but not technically transferred in our investment management system. These will be reported in the quarter 3 Regional Investment Statement.

11. Annexes

See separate file for annexes