Investment Statement 2008-11

Yorkshire and the Humber Region

July 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 6

5. Regional Continuous Market Engagement strategy 7

6. Value 7

7. Geographic investment priorities 9

a. Rural 9

b. HMR Pathfinders 10

8. Thematic investment priorities 11

a. Supported housing 11

b. Larger homes 13

c. Meeting the needs of BME communities 13

d. Design & quality 14

e. LCHO affordability 14

9. Pre-allocations 15

1. Foreword from the Regional Director

I am delighted to introduce the Regional Investment Statement outlining our allocations from the National Affordable Housing Programme 2008-11. It covers the Continuous Market Engagement process for the period April 2009 to June 2009.

In making allocations, we continue to look to achieve a number of key objectives to ensure our decisions are sound and support the region's priorities. These objectives include:

- Maintaining momentum in the current market downturn and preparing for the recovery
- Meeting the regional priorities agreed by the Regional Housing Board
- Linking our investment decisions to ensure we contribute to the creation of successful places
- Ensuring the differences of the markets across the sub-regions are accounted for whilst not losing sight of those issues that cut across the region
- Concentrating our investment around the City Regions where economic prosperity can best be influenced
- Maintaining focus on the provision of larger family homes

Out of the total £358 million available across the region, £244 million has been allocated to date. The remainder of our resources will be allocated through continuous market engagement where we will seek to add to the existing allocations with more quality schemes that will meet local and regional priorities and contribute to the delivery of the challenging targets set by the Government.

The region has just completed a mini-bid round as a result of the strategic priorities 'asks' exercise the HCA conducted with local authorities. A significant part of the remaining resource has been allocated via this process with some flexibility being retained to fund any future schemes that emerge as priorities. Our regional investment priorities continue to address diverse challenges and include the provision of homes in rural areas, support for the elderly and BME communities and ongoing support for Housing Market Renewal.

The successful bidders for Kickstart and the Green stimulus funds, announced in the 2009 Budget, have just been announced. 26 schemes in Yorkshire and the Humber across 12 local authorities have been awarded Kickstart funding. For the Green stimulus funding, 6 schemes in Yorkshire and the Humber were successful, more than in any other region apart from London.

Also, the region has received 45 bids under Round 1 of the Local Authority Challenge Fund programme from 6 local authorities totalling £23m. This is a strong bid and demonstrates the appetite the region's authorities have for increasing the supply of affordable housing through this route. I would positively encourage a similarly strong bid for Round 2 and I am aware that a number of authorities that were unable to bid in Round 1 are developing bids to be submitted in the autumn.

Whilst quarter 1 has been challenging, the recent government announcements on the Housing Pledge provide the region with significant opportunities to maintain momentum and prepare for the recovery through programmes such as Kickstart and the Public Sector Land Initiative, which my team and I look forward to working on with partners.

David Curtis

Regional Director

July 2009

2. Introduction

This investment statement provides information about Continuous Market Engagement (CME) allocations made in the first, April to June, quarter of the 2009/10 financial year, together with the overall allocation position for the region.

The overall regional allocation figures reflect changes made to the programme since the Regional Investment Statement was published in April 2009.

Table 1 - Overall regional allocation from latest Continuous Market Engagement

	Rent	Low Cost Home Ownership (LCHO)									
	RENT	HBYNB	OMHB	HOLD	Rent to Homebuy	Int. Rent	HBYDIR	LCHO Total	Sub-total	Other	Grand total
Value (£m)	2.336	-	2.983	-	-	-	46.306	49.289	**51.625**	0.036	51.661
Homes	43	-	84	-	-	-	1,909	1,993	**2,036**	4	2,040

Note: Tables 1 and 2 do not include Mortgage Rescue as no allocations had been made to the programme as at 30 June 2009

Table 2 - Overall regional allocation for 08/11

	Rent	Low Cost Home Ownership (LCHO)									
	RENT	HBYNB	OMHB	HOLD	Rent to Homebuy	Int. Rent	HBYDIR	LCHO Total	Sub-total	Other	Grand total
Value (£m)	152.39	23.44	13.95	0.06	-	2.47	46.31	86.23	**238.62**	0.862	**239.47**
Homes	3,177	1,000	418	4	-	97	1,909	3,428	**6,605**	219	**6,824**

Out of the total £358 million available to the region, £244 million has been allocated to date. This equates to 68% of the funds available to us and will deliver 6,728 new homes for rent and sale (6,605 homes excluding pre allocations). In addition to the resources available through the Regional Housing Pot, a further £43m of national monies have been secured to deliver 2,557 units of HomeBuy Direct. This is designed to help those households who otherwise would not have been able to access homeownership.

The figures in Table 2 exclude Pre-Allocations to the value of £3.875 million (88 units) for RENT and 0.736 million (35 units) for LCHO that were allocated in the Main Bid Round. Total allocations including pre-allocations amount to £244,083 million.

3. Overall allocations

Table 3 – New Continuous Market Engagement allocations by sub-region

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
Humberside	-	-	10.183	447
North Yorkshire	2.296	34	2.745	97
South Yorkshire	0	8*	9.439	400
West Yorkshire	0.040	1	26.922	1,049
Total	**2.336**	**43**	**49.289**	**1,993**

* 8 homes for rent in South Yorkshire were fund by RCGF

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

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
Humberside	11.554	302	12.622	554
North Yorkshire	38.367	702	8.824	345
South Yorkshire	47.918	954	17.770	714
West Yorkshire	54.549	1,219	47.006	1,815
Total	**152.388**	**3,117**	**86,222**	**3,428**

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	-	-	-	-
	Private Sector Partner	-	-	-	-
	Housing Association	3	2.3m	43	54,326
	Total	**3**	**2.3m**	**43**	**54,326**
LCHO	ALMO/SPV/Other	-	-	-	-
	Private Sector Partner	9	40.4m	1,643	24,616
	Housing Association	8	8.8m	350	25,270
	Total	**17**	**49.3m**	**1,993**	**24,731**
Grand total		**20**	**51.6m**	**2,036**	**25,356**

4. Summary of performance against Regional Housing Board targets

The Regional Housing Board investment framework for Yorkshire and Humberside is structured around three themes:

- **Places (Demand) -** creating places where people want to live and want to stay, in particular transforming our towns and cities
- **Access** - addressing difficulties in accessing housing, including providing affordable homes for the region
- **Homes** - delivering decent homes in the private sector, delivering energy efficiency and addressing fuel poverty.

Funding has been allocated to support schemes that contribute to the themes of Places and Access. The priority splits for initial bid round allocations by sub-region compared to Regional Housing Board recommendations are shown in the table below. Through Continuous Market Engagement, we will be looking to ensure the balance of allocations is in line with initial proposals.

Table 6 – Regional Priorities by Sub Region for Continuous Market Engagement

	Demand		Access	
	Proposed	Actual	Proposed	Actual
Humberside	40%	0 %	60%	100%
North Yorkshire	-	0 %	100%	100%
South Yorkshire	60%	0 %	40%	100%
West Yorkshire	50%	0 %	50%	100%

Table 6 shows that all allocations made between April and June 2009 were coded with the regional priority of Access. This was due to the fact that all the rent allocations (except for one unit) were in North Yorkshire where all allocations are coded as being Access. Furthermore, all the Low Cost Home Ownership allocations were either Homebuy Direct or Open Market Home Buy, which are also coded with the regional priority of Access. No schemes therefore were allocated under the regional priority of Demand.

5. Regional Continuous Market Engagement strategy

Regional priorities are broad in nature. Further investment will prioritise both access and demand strands of the programme, in addition to rural units and maintaining a substantial proportion of larger homes. Continued dialogue will be necessary to ensure that forthcoming schemes in the pipeline remain deliverable to ensure resources are available, or can be used on alternative provision to ensure delivery of the programme. The current economic climate is acting as a barrier to bids coming forward as part of CME.

To support the supply of new homes, the region has recently completed a mini bid round. Local authorities were invited to work with their delivery partners to submit bids that had been identified as high strategic priorities against a 'top-sliced' pot of £50m. In the final analysis, the region made approximately £100m available to this. Successful partners have been notified of their allocations and a separate statement reflecting these will be produced.

The remaining resource, together with the additional monies made available to the HCA as a result of the Housing Pledge, will be allocated in line with regional priorities. Schemes we were unable to fund through the mini bid round may, via bidding, be re-considered during the Continuous Market Engagement process.

6. Value

Partners have continued to respond positively to the need to meet efficiency targets and the programme to date falls within the range for both rent and sale. This is set out in the tables below.

Despite this positive position, we are aware of the pressure the economic climate is placing on the capacity of partners to subsidise schemes and we are therefore offering some flexibility on grant efficiency, which we will use to support delivery through Continuous Market Engagement, whilst being careful to remain even handed and to seek excellent returns from public investment.

Table 7 – Value for grant from new 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	66.7	15.9	45.1%	24.7	5.7	NA

In order to show the actual value for grant, Table 7 does not include the 8 rent units allocated in South Yorkshire with RCGF. The LCHO figure for Grant as a percentage of Total Scheme Cost (TSC) is not available as all the LCHO allocations were either HomeBuy Direct or Open Market HomeBuy.

Table 8 – Average costs for new Continuous Market Engagement

	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	5,486	15,459	99,230	NA	NA	NA

Table 8 does not include any LCHO figures as unit level information is not available for OMHB or for HBYDIR schemes, which account for all the LCHO allocations made in Quarter 1. The acquisition cost per rent unit is unusually low because there is a site for 34 rural rent units allocated that was gifted to the RSL partner by the local authority, Craven. If this scheme is excluded from the calculation the regional acquisition cost per unit is £27,644.

These results indicate that accepted CME submissions continued, overall, to be good value for money. There was though a range of costs, with some submissions substantially above or below regional averages and targets. While the HCA has been able to use some flexibility over the last two quarters, there is an increasing pressure to deliver greater efficiencies for grant and so the need for competitive bids remains.

S106 additionality

Table 9 – S106 additionality for new 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	0%	100%	-	66.7	-	15.9	0%	100%	-	24.7	-	5.7

Table 9 does not include the 8 rent units allocated in South Yorkshire with RCGF.

7. Geographic investment priorities

Rural

Table 10 – New Continuous Market Engagement allocations to rural areas

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
Population less than 3,000 total	2.296	34	-	-
Population between 3,001 and 10,000 total	-	-	-	-
Total rural	2.296	34	-	-

Table 11 – Total 08/11 allocations to rural areas

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
Population less than 3,000 total	8.438	145	0.927	33
Population between 3,001 and 10,000 total	6.020	133	0.355	20
Total rural	14.458	278	1.282	53

The need for good quality affordable homes in rural areas continues to be high and partners are encouraged to bring forward new schemes in order that supply can meet the growing demand, particularly in smaller settlements.

Pathfinders

The transformational change in the Housing Market Renewal pathfinder areas continues to be a priority and whilst the economic climate is proving to be challenging in these areas, much progress has been made. However, the need to improve the residential offer as well as shaping the places in which people live remains as relevant as ever.

Table 12 – New Continuous Market Engagement allocations to Pathfinder Areas (April to June 2009)

Pathfinder Area	RENT		LCHO	
	Value (£m)	Homes (8-14)	Value (£m)	Homes (8-14)
Humberside	-	-	0.888	5
South Yorkshire	-	-	1.399	62
West Yorkshire Priority Area	-	-	0.913	43
Total	**-**	**-**	**2.390**	**110**

Table 13 – Total 08/11 allocations to Pathfinder Areas

Pathfinder Area	RENT		LCHO	
	Value (£m)	Homes (8-14)	Value (£m)	Homes (8-14)
Humberside	2.642	85	0.908	35
South Yorkshire	19.408	449	5.517	250
West Yorkshire Priority Area	6.514	133	4.534	201
Total	**24.564**	**667**	**10.959**	**486**

In the longer term the strategy to create mixed income communities must continue to be a key objective in these areas. However, in the shorter term, it is more appropriate to ‘de-risk’ some sites by converting LCHO schemes to either Intermediate Rent, Rent to HomeBuy or Social Rent without unduly compromising a local authority’s plans to transform the area(s). In this way, we will ensure that the delivery of new affordable homes is maintained on key strategic sites and that confidence in an area is not eroded.

We would welcome packages of development to be brought forward in these areas.

8. Thematic investment priorities

Supported housing

Table 14 – New Continuous Market Engagement allocations for supported housing

	RENT			LCHO		
	Value (£m)	Homes	Grant per unit (£k)	Value (£m)	Homes	Grant per unit (£k)
Specialist housing for older people						
Supported housing for older people						
Sub-total for specialist housing for older people	0	0	0	0	0	0
Client groups for other supported housing:						
Homeless families with support needs						
Offenders and people at risk of offending						
People with alcohol problems						
People with drug problems						
People with HIV or AIDS						
People with learning difficulties						
People with mental health problems						
People with physical or sensory disabilities						
Refugees						
Rough sleepers						
Teenage parents						
Women at risk of domestic violence						
Young People at risk						
Young people leaving care						
HOLD allocation						
Sub total for other supported housing	0	0	0	0	0	0
Total supported housing	0	0	0	0	0	0

In Quarter 1 no supported housing allocations were made.

Table 15 – Total 08/11 allocations for supported housing

	RENT			LCHO		
	Value (£m)	Homes	Grant per unit (£k)	Value (£m)	Homes	Grant per unit (£k)
Specialist housing for older people	15.335	323	47.477	0.793	59	13.449
Supported housing for older people	7.745	132	58.674	0.145	5	29.000
Sub-total for specialist housing for older people	**23.080**	**455**	**50.725**	**0.938**	**64**	**14.656**
Client groups for other supported housing:						
Homeless families with support needs	-	-	-	-	-	-
Offenders and people at risk of offending	0.408	9	45.278	-	-	-
People with alcohol problems	-	-	-	-	-	-
People with drug problems	0.419	8	52.469	-	-	-
People with HIV or AIDS	-	-	-	-	-	-
People with learning difficulties	2.026	54	37.517	-	-	-
People with mental health problems	0.240	5	48.000	0.152	6	25.405
People with physical or sensory disabilities	-	-	-	-	-	-
Refugees	-	-	-	-	-	-
Rough sleepers	-	-	-	-	-	-
Teenage parents	0.380	5	76.000	-	-	-
Women at risk of domestic violence	1.308	17	76.966	0.028	1	27.568
Young People at risk	0.129	4	32.242	-	-	-
Young people leaving care	0.438	7	62.607	-	-	-
HOLD allocation	-	-	-	-	-	-
Sub total for other supported housing	**5.348**	**109**	**49.071**	**0.180**	**7**	**25.714**
Total supported housing	**28.428**	**564**	**50.406**	**1.118**	**71**	**15.753**

Larger Homes

Table 16 – New Continuous Market Engagement allocations for homes with three or more bedrooms

	Value (£m)	Homes	Grant per unit (£k)	Grant per person (£k)
RENT	0.467	6	78.2	14.7
LCHO	n\a	n\a	n\a	n\a
Region Total	**0.467**	**6**	**78.2**	**14.7**

Note: No unit level data is available for OMHB and HBYDIR schemes. As a result, it is not possible to identify the number of larger homes provided by the LCHO schemes in Quarter 1; all the allocations were either OMHB or HBYDIR.

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 17 - New Continuous Market Engagement allocations for new build units meeting CSH3 and above

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	97.7%	42	-	-
Meeting CSH 4 or higher	-	-	-	-
Total	**97.7%**	**42**	**-**	**-**

Table 18 - Total 08/11 allocations for new build units meeting CSH3 and above

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	87.4%	2,010	89.1%	832
Meeting CSH 4 or higher	8.3%	190	10.4%	97
Total	**95.7%**	**2,200**	**99.5%**	**929**

Table 19 – LCHO affordability (New Build HomeBuy) from new Continuous Market Engagement allocations

	Average rent as a % of unsold equity	Average % first tranche sale
Humberside	-	-
North Yorkshire	-	-
South Yorkshire	-	-
West Yorkshire	-	-
Regional average	-	-

There is nothing to report in Table 20 because no New Build HomeBuy allocations were made in Quarter 1. All LCHO allocations were either OMHB or HBYDIR.

9. Pre-allocations

Pre-allocations were made to two schemes, one at Yarborough in Grimsby and one at Derwenthorpe in York. Both schemes were recognised as being of strategic importance by the Regional Housing Board and required long-term certainty of funding to ensure they were delivered

Table 20 - Pre-Allocations

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
Total	3.9	88	0.7	35

National Affordable Housing Programme 2008-11