

Investment Statement 2008-11

April 2008

East of England



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1. Foreword from the Head of Investment

The first £3.3bn investment of the Housing Corporation's £8.4 billion National Affordable Housing Programme for 2008-11 has been announced and this Investment Statement sets out the East of England's plans for its £711 million proportion.

These are exciting times for the region as it begins the largest affordable housing programme in the East of England's history. The new allocations successfully meet the Corporation's requirements for both value and quality. Grant per home is lower, while design and environmental standards are higher. We will increase numbers of family homes for rent, homes in rural areas and increases in specialist housing for older and vulnerable people.

The £711 million regional 2008-11 programme will provide at least 23,700 new affordable homes in the next three years, over double the number of affordable homes compared to 2006-08. Nearly 15,000 of these will be for affordable rent, and more than 9,400 for affordable sale through the government's HomeBuy initiatives.

The region is seizing the opportunities offered by the Government's growth agenda and ensuring that the delivery of affordable housing plays its part in achieving the 508,000 new homes by 2021 planned in the (draft) East of England Regional Spatial Strategy. Significant investment will flow into the three government growth areas and new growth points.

Innovation continues to be a key theme to our work in the region and the Cambridge Challenge Pilot demonstrates how longer-term investment can be provided to facilitate and enhance the delivery of housing in a given area.

For the first time regular market engagement offers opportunities for housing providers to bid for further funds from the NAHP programme throughout its three years span. In this way we expect to provide a more flexible and responsive allocation of public subsidy which matches sites coming forward through the market enabling smoother delivery and maintain our focus on continuing to raise both value and quality.

New affordable housing is delivered in the region by a mixed economy of providers and enabled with strategic advice and planning expertise from our Local Authority Partners with whom we have strong working relationships.

Housing Associations have responded well to the challenges of the Government's Comprehensive Spending Review (CSR) and the Housing Green Paper, with plans to draw down £310 million of private borrowing to more than match the £135 million of Corporation funding in the region.

However, as more affordable homes than ever before are needed, the region is pleased to include amongst its delivery partners, private developers and a local authority special purpose vehicle.

In this way the Housing Corporation in the East of England will create a legacy of thriving communities where people want to live, work, and raise their children and provide a strong platform for the new Homes and Communities Agency.

Naisha Polaine

Head of Investment - East of England

2. Introduction

Housing Growth & Need in the East of England

The East of England Region is playing a crucial role in the delivery of the Sustainable Communities Plan. It is involved with three of the four growth areas identified in the Plan and the Regional Spatial Strategy (draft)¹ currently sets out a requirement of at least 508,000 new homes in the period 2001-21 with the expectation that 35% of housing coming forward should be affordable.

The Region needs approx 11,000 new affordable homes per year (7,200 social rented; 2,400 intermediate sale and 1,320 rented backlog)² and over the last four years there has been a welcome uplift in investment in the region to address this need shown in Figure 1 below. There is an average annual increase of 36% between the 06/08 Programme and future 08/11 Programme.

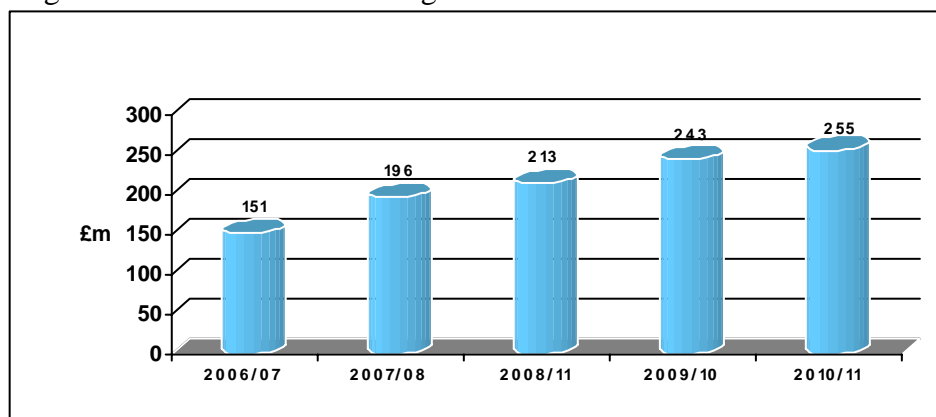
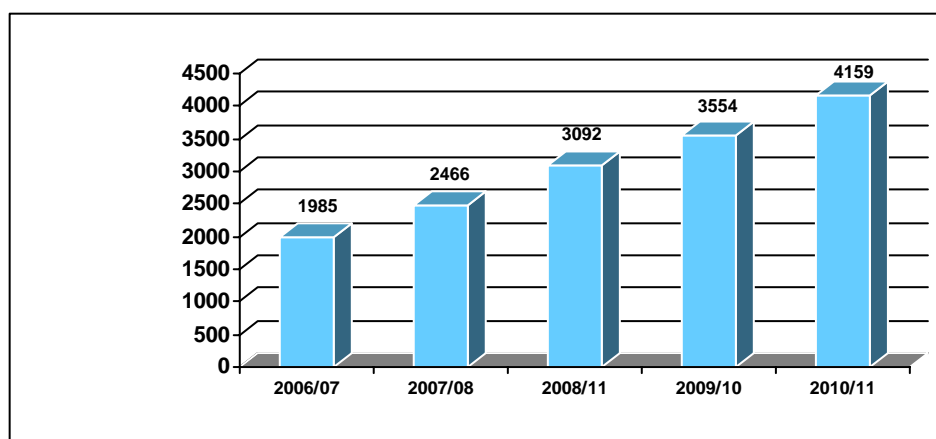


Figure 1: Housing Corporation Social Housing Grant 2006/7 - 2010/11

The 2008/11 £711m NAHP Programme for the East of England will produce an average 8,000 new homes a year to 2011 and continue the supply trends of recent years shown at Figure 2 below which will deliver an average annual increase of 55% more new affordable homes between the two programmes. While this increase in resources and supply is welcomed by all regional partners, delivery will still be less than 75% of the homes needed.



¹ Secretary of States Proposed Changes to the draft Revision of the Regional Spatial Strategy in the East of England 2006

² Cambridge Housing & Planning Research for the East of England Regional Assembly 2003/4

Figure 2: Affordable New Homes delivered by the Housing Corporation 2006/7 - 2010/11

East of England NAHP 2008/11 & regular market engagement

The Programme set out here is a very different one to previous years. As indicated in the 'National Affordable Housing Prospectus'³ the Housing Corporation has moved to adopt 'regular market engagement' (RME) which focuses available resource on those schemes where there is a high certainty of delivery and allows our Partners to access funding during the 2008/11 period, responding to market opportunities, pressures & availability.

In the East of England over half of all expenditure and new home completions will flow from schemes not yet included in the Programme. This leaves scope to fund new schemes through RME as they become deliverable and represents a tremendous opportunity for our bidding partners and the region to match available resource to best value, high quality schemes at the right time.

³ National Affordable Housing Programme 2008/11 Prospectus - Housing Corporation

3. Competition

Table 1 - Bids received

		Number of bidders	Value (£m)	Homes	Grant per unit (£k)
RENT	Private Sector Partner	6	17.4	444	39.3
	Housing Association	25	353.2	8,062	43.8
	Total	31	370.6	8,506	43.6
LCHO	Private Sector Partner	4	3.1	223	13.9
	Housing Association	27	61.7	3,324	18.6
	Total	31	64.8	3,547	18.3
Grand total		33	435.4	12,053	36.1

* Includes pre-allocations

Table 2 - Bids accepted

		Number of successful bidders	Value (£m)	Homes	Grant per unit (£k)
RENT	Private Sector Partner	4	6.1	161	37.6
	Housing Association	21	113.0	2,961	38.2
	Total	25	119.1	3,122	38.1
LCHO	Private Sector Partner	3	0.6	47	12.9
	Housing Association	21	15.0	1,160	12.9
	Total	24	15.6	1,207	12.9
Grand total		25	134.7	4,329	31.1

The East of England remains an area of strong competition amongst bidding Partners with new Programme delivery shared between 25 organisations - of whom four are new to working in the Region. Our Lead Invested Partners (Swan, Flagship, Orwell, Bpha, Aldwyck & Hightown) remain significant and will deliver 65% of 08/11 new homes with a further 18% supplied by CircleAnglia, Paradigm, Genesis, Sanctuary and East Thames Housing Group.

Generally bids submitted were realistic and focussed in terms of deliverability, quality and value. However some marker bids were still submitted for sites not yet identified or Section 106s not yet negotiated. This continues to be discouraged in future RMEs.

4. Overall regional allocation

Table 3 – Overall allocations

		LCHO						
	RENT	HBYNB	OMHB	HOLD	LCHO Total	Sub-total	Other	Grand total
Value (£m)	119.1	14.6	51.7	1.0	67.3	186.4	0.2	186.6
Homes	3,122	1,184	1,478	23	2,685	5,807	9	5,816

The total size of the initial 2008/11 Programme is **£186.6 million** which will deliver **3,122** new rented homes and **2,685** low cost homes (including 1,478 Open Market HomeBuy). The Region is in a strong position to deliver overall targets for the next three years with approximately 50% of the Programme (by resource available and new home completions to be achieved) remaining to be allocated through regular market engagement.

5. Summary of performance against Regional Housing Board targets

Table 4 - Comparison to Regional Assembly recommendations

	Regional Assembly recommendations		Proposed programme	
Value (£m)	£711m		£186.6m (inc OMH)	
Homes (08-14)	23 700		5816 (inc OMH)	
Regional priorities	% resource	£m		
THEMATIC SPLIT				
Growth	75%	533.25m	76.6	
BME	3%	21.33m	0	
Rural	11%	78.21m	28.7	
Supported	11%	78.21m	10.36	
SPATIAL SPLIT				
Bedfordshire	8.9%	63.3m	31.1m	
Cambridge	15.8%	112.3m	27.7m	
Greater Norwich	8.5%	60.4m	5.5m	
Haven Gateway	10.8%	76.8m	10.5m	
London Commuter Belt	33.8%	240.3m	25.3m	
Peterborough	5.4%	38.4m	4.8m	
Rural East Anglia	4.0%	28.4m	7.8m	
Yarmouth & Waveney	3.0%	21.33m	1.0m	
Thames Gateway	9.8%	69.7m	21.5m	
Larger Family Homes	23% rent	10% sale	29% rent	20% sale
Tenure Split	60:40 rent:sale (inc OMHB)		64:36 rent sale (inc. OMHB)	

The Housing & Sustainable Communities Panel (Regional Housing Board in the East of England) and the Regional Assembly identified local funding priorities and targets against national and regional strategies which are set out in the Regional Investment Plan 2008/11⁴. Resource allocation is multi-dimensional with recommended funding levels against spatial areas (the sub regions) and housing themes (growth, rural, supported & BME housing).

The Housing & Sustainable Communities Panel support the Programme presented here and accept that RME will move to deliver regional targets in full during 2008/11. The detail of the Programme set out above will be considered in subsequent sections.

⁴ East of England Housing Investment Plan 2008/11: Advice to Government - East of England Regional Assembly

Overall sub-regional allocations

Table 5 - Allocations by sub-region (excluding OMHB)

	RENT		LCHO	
	Value (£m)	Homes	Value (£m)	Homes
Bedfordshire	26.0	735	5.0	422
Cambridge	26.1	673	1.6	220
Greater Norwich	5.2	147	0.2	13
Haven Gateway	10.0	308	0.5	83
London Commuter Belt	21.3	575	3.7	227
Peterborough	4.3	100	0.5	37
Rural East Anglia	7.0	188	0.7	49
Thames Gateway	18.4	370	3.1	146
Yarmouth & Lowestoft	0.8	26	0.2	10
Total	119.1	3,122	15.6	1,207

Resources allocated within the sub regions range from 66% against Regional Investment Plan 2008/11 targets (Bedfordshire) to 6% in Yarmouth. The sub-regions of Bedfordshire, Cambridge, Peterborough and Thames Gateway embrace Government Growth Areas, Growth Points and Key Centres for Development & Change and account for 80% of investment which will deliver 80% of allocated new homes. In all of the regional housing sub regions there is capacity for additional programme to come forward during RME.

6. Regional regular market engagement strategy

Through this initial bidding round the East of England has allocated £186.6m of resources to new projects. When taken with existing commitments this means our regional programme has currently committed £300m to deliver affordable housing in 2008/11.

While a strong start has been made towards meeting our challenging supply targets, the region continues to look for high quality, good value, deliverable projects in each of the three programme years (including 2008/09 completions)

There is scope within all sub regions and all thematic allocations for additional projects to come forward but the following sets out some of our current regional policy priorities:

Rural housing:

The region requires further rural homes in settlements above and below 3,000 population to meet both regional and national targets. We are looking for further 400 homes in Year 1 and 600 in Years 2 and 3 in rural areas with populations below 3,000.

Supported housing:

The region strongly supports the delivery of supported housing and will continue to work closely with Supporting People teams to identify priorities and revenue. Close liaison should be made by bidders with local authorities to determine priority projects for localities.

BME housing:

Projects which meet the identified needs of BME communities would be welcomed. If general family housing is identified to provide homes for specific BME communities, then we will consult with local authorities to ensure that allocation policies are in place to ensure that these lettings are made to the identified communities.

Larger family homes:

The regional investment plan and the NAHP 08/11 prospectus has strongly signalled that the provision of additional larger family homes is a regional and national priority. Our regional targets in year 1 are to achieve an additional 740 larger rented homes with a further 650 in both years 2 & 3.

Section 106 & additionality:

Bidders and local authorities should be prepared to provide information to allow additionality assessments to be made by the regional office. Both bidders and local authorities should have a clear understanding of the additional outputs that their bid is securing over and above that which would be provided by planning gain via the section 106 agreement.

7. Value

Table 6 - Value for grant

	RENT			LCHO		
	Grant per unit (£k)	Grant per person (£k)	Grant as % TSC	Grant per unit (£k)	Grant per person (£k)	Grant as % TSC
East of England	38.1	10.3	28.8%	12.3	3.4	8.8%

Table 7 - Costs

	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)
East of England	18.8	14.7	99.1	17.6	19.2	100.9

The East of England aims to make efficiency savings of between 4.5% - 6.5% on a grant per home basis during the NAHP 08/11 Programme and grant rates achieved in the regions initial allocations continue the excellent value offered by partners bidding in the region on both rent and sale new homes.

S106 additionality

Table 8 – s106 additionality

	RENT				LCHO			
	Proportion of expenditure		Grant per unit (£k)		Proportion of expenditure		Grant per unit (£k)	
	S106	non S106	S106	non S106	S106	non S106	S106	non S106
East of England	46.3 %	53.7 %	35.8	40.4	57.5%	42.8%	11.7	13.4

Supply of affordable housing through section 106 planning gain continues to be an important source of land supply for the East of England evidenced in the table above. The Corporation's approach to additionality and the concept of gap-funding on these schemes will continue to develop during the forthcoming RMEs. Close partnership working is required between local authorities, the Corporation and bidders to ensure that planning gain is maximised on these sites.

Bidders are asked to ensure that they have a full understanding of section 106 obligations and to understand the likely grant position by the Corporation by liaising with the regional office at the earliest stage. The Corporation seeks to support the region in developing our practice in this area by running six regional workshops on economic assessment for section 106 sites during April 2008.

8. Geographic investment priorities

Rural

Table 9 - Rural homes in NAHP 2008/11

	RENT			LCHO		
	Value (£m)	Homes	Grant Per Unit (£k)	Value (£m)	Homes	Grant Per Unit (£k)
Population less than 3,000 total	15.5	406	38.3	1.8	120	14.7
Population between 3,001 and 10,000 total	10.3	291	35.3	1.2	138	8.3
Total rural	25.8	697	37.0	2.9	258	11.3

The Regional Investment Plan 2008/11 guided 11% of investment to rural housing with a rural target of a minimum of 1000 homes (75:25 split between rural and market settlements). ⁵ This target has been further augmented by additional Ministerial priority for new homes in rural areas with populations under 3000. The Region will require further homes in both rural and market areas during RME.

Growth Areas

Table 10 - Growth Areas in NAHP 2008/11

Growth Areas	RENT			LCHO		
	Value (£m)	Homes	Grant Per Unit (£k)	Value (£m)	Homes	Grant Per Unit (£k)
M11 Corridor, London, Stansted, Cambridge	30.3	758	40.0	1.9	275	7.0
Milton Keynes & South Midlands	19.5	579	33.6	4.2	317	13.3
Thames Gateway	17.8	355	50.1	2.9	131	22.3
Total	67.5	1,692	39.9	9.1	723	12.5

Delivering new homes to meet the needs of the growing population is a clear priority of the Regional Investment Plan 2008/11 with 75% of resources directed against this theme. The Government Growth Areas continue to receive a high level of investment and in particular the Bedfordshire part of the Milton Keynes Growth Areas has received allocations to reflect the deliverability of the major strategic sites in this area.

While there were no projects in Thames Gateway South Essex which exceeded the 200-home threshold requiring additional design standards, the English Partnership-led regional strategic site of Freyns & Craylands will meet the enhanced standards specified in the NAHP 2008/11 Prospectus.

⁵ rural settlements defined as population less than 3000 and market settlements as population between 3000 - 10 000.

The 'Cambridge Challenge' strategic sites are expected to receive allocations during the lifetime of the 2008/11 Programme.

Growth Points

Table 11 - Growth Points in NAHP 2008/11

Growth Point	RENT			LCHO		
	Value (£m)	Homes (8-14)	Grant Per Unit (£k)	Value (£m)	Homes (8-14)	Grant Per Unit (£k)
Haven Gateway	8.5	263	32.3	0.3	55	5.1
Norwich	2.3	75	30.8	0.1	3	30.0
Thetford	1.3	40	33.4	0.0	35	0.0
Total	12.1	378	32.1	0.4	93	4.0

Growth Point status is reflected in the recommended distribution of the Regional Investment Plan 2008/11 and further schemes in these areas are expected during RME.

Growth Support (Affordable Housing) Fund

The Growth Support Fund provides potential additional resources for regions adjoining London for schemes located in Growth Areas and Growth Points which will provide a proportion of nominations to London boroughs. Details of this fund are found in the NAHP 08/11 prospectus. Potential bidders through RME should ensure that discussions have been held with the host local authority before submitting bids and be aware that the Corporation will consult local authorities specifically on this. Further bids to this region for the Growth Support Fund will be welcome during RME.

9. Thematic investment priorities

Supported housing

Table 12 - Supported housing in NAHP 2008/11

	RENT		LCHO	
	Homes	Grant per unit (£k)	Homes	Grant per unit (£k)
Specialist housing for older people	69	45.0	3	14.7
Supported housing for older people	50	65.0	20	0.0
Total housing for older people	119	53.4	23	1.9
Offenders and people at risk of offending	6	53.0	0	0.0
People with physical or sensory disabilities	29	45.4	0	0.0
Teenage Parents	8	38.5	0	0.0
Young People at risk	45	24.7	0	0.0
HOLD allocation	0	0.0	23	45.1
Total other supported housing	88	34.7	23	45.1
Total supported housing	207	45.4	46	23.5

The Regional Investment Plan guided 11% of resources to Supported Housing and the Corporation and Supporting People Teams in the East of England once again joint-commissioned this programme to successfully bring together revenue and capital. This approach is expected to continue for Regular Market Engagements continuing the strategic approach of the region to meeting housing need for vulnerable people.

Larger Homes

Table 13 - Allocations for homes with three or more bedrooms - NAHP 2008/11

	Value (£)	Homes	Grant per unit (£k)
RENT	41.6	923	45.0
LCHO	3.4	247	13.9
East of England	45.0	1,170	38.5

Delivering larger homes for families is a key priority for the region with regional targets to achieve at least 23% in new homes for rent and 10% in homes for sale. Good progress has been made in this initial allocation of the 2008/11 programme and further homes with three bedrooms or more are encouraged to come forward during regular market engagement.

Meeting the needs of BME communities

The Region continues its work to understand and map the needs of its diverse communities. While the Regional Investment Plan allows for 3% of investment to meet the housing needs of BME communities, the Region's direction of travel is to mainstream resources to provide new homes which address need through a community -cohesive approach.

All Investment Partners working in areas with significant BME populations in the East of England are required to produce a BME method statement which seeks to ensure that our 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 Corporation recognises that there may be instances in which specialist BME provision cannot be incorporated within an investment partnership, perhaps because there is no suitable organisations operating in an area. We have therefore retained a specialist investment route to accommodate such projects.

Design & quality

Table 14 - Design & quality in NAHP2008/11

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	86.9%	2,560	91.8%	1,009
Meeting CSH 4 or higher	13.1%	387	8.2%	90
Total		2,947		1,099

The Corporation's new 2008/11 Design & Quality Strategy and Standards have set out clear benchmarks for bidders to achieve. A minimum of Code for Sustainable Homes level 3 is required to deliver sustainable homes for the futures as well as minimum Building For Life & Housing Quality Indicators to secure excellence in the external and internal environment respectively.

These minimum requirements have been met across the Programme and exceeded in Sustainability with schemes at Code Levels 4 and 5 along with an exemplar Code Level 6 project in Chelmsford, Essex.

LCHO affordability

Table 15 - LCHO affordability in NAHP 2008/11

	Average rent as a % of unsold equity	Average % first tranche sale
Bedfordshire	2.70%	43.94%
Cambridge	2.52%	44.86%
Greater Norwich	2.71%	48.75%
Haven Gateway	2.67%	45.88%
London Commuter Belt	2.60%	42.47%
Peterborough	2.75%	40%
Rural East Anglia	2.72%	43.57%
Thames Gateway	2.73%	41.90%
Yarmouth & Lowestoft	2.75%	50%
Regional average	2.63%	43.86%

There is considerable variation across the region in terms of affordability with the average regional house price now eight times average regional income - and in over one-fifth of local areas the ratio is nine times or more.

While all New Build HomeBuy schemes in the programme profile 2.75% or lower, of rent on unsold equity in some parts of the region this still presents challenges to some households in terms of affordability. The region has recently finalised research in the Intermediate Tenure Market⁶ with recommendations that future guidance at local or sub regional level on affordability is developed for New Build HomeBuy in relation to local salaries to inform future bids.

Schemes coming forward for RME should ensure that advice has been taken from local authorities in respect of local salaries to ensure that schemes are affordable in the local context and bidders should note that the Corporation will consult local authorities on this.

⁶ Beyond the Affordable Housing Study Stage II: A Review & Analysis of changes in the Intermediate Housing Market in the East of England 2004/07. Cambridge Centre for Housing & Planning Research 2008