

THE NATIONAL AFFORDABLE HOMES AGENCY

Investment Statement 2008-11

April 2008

London



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Foreword from the Field Director

This document provides details of the first round of National Affordable Housing Programme (NAHP) allocations made in London for 2008/09 – 2010/11. These reflect the priorities set out in our NAHP prospectus published in September 2007.

The new investment we detail in this report will make a significant contribution to meeting London's housing targets. The schemes that have been allocated Housing Corporation investment have been selected on the basis that they meet London's affordable housing needs, are deliverable, offer value for money, higher design standards, an overall increase in larger homes, and a step change reduction in their carbon footprint. We also believe that these allocations will ensure that we meet investment efficiency targets.

This is only the beginning of the largest investment programme in the Corporation's history. The £8.4 billion NAHP 2008-11 programme will provide at least 155,000 new affordable homes in the next three years, almost double the number of affordable homes compared to 2006-08. More than 100,000 of these will be for affordable rent, and more than 50,000 for affordable sale through the Government's HomeBuy initiatives. London's overall allocation for the three year programme is £3.3bn, our largest investment programme to date. Between April 2008 and March 2011 our target is to achieve completions of 44,000 affordable homes in London drawn from both the committed programme (i.e. pre 2008/11) and the new 2008/11 programme.

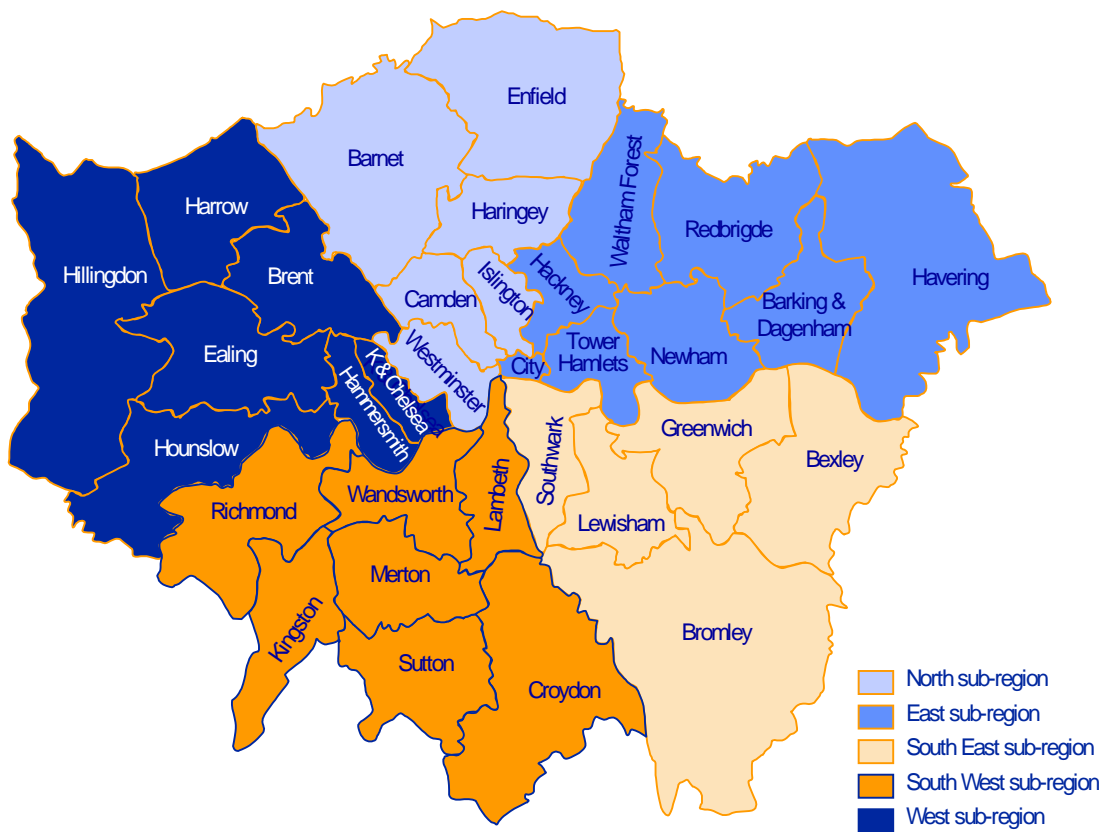
For the first time regular market engagement (RME) offers opportunities for Investment Partners to bid for funding from the NAHP programme throughout its three-year span. In contrast to previous programmes, the Corporation has not allocated all of the available resource at the end of the initial bidding round which closed in November 2007. Remaining resources are therefore being made available to Investment Partners (and specialist bidders) through further market engagements. The next opportunity to bid will open in April 2008.

The focus of this statement is the investment in new schemes which will complete between April 2008 and no later than March 2014 (2016 for strategic sites). These initial allocations total over £700m and will produce approximately 10,400 affordable homes. Of this over £500m of allocation will go towards affordable homes for rent and around £200m towards funding Low Cost Home Ownership (LCHO) and Intermediate Rented homes. Of the LCHO funding, £94m approximately is allocated for new Open Market Homebuy products announced in March 2008 as a result of the Shared Equity Competition.

This is an ambitious programme and we very much look forward to working with all our stakeholders to deliver it over the next three years both under the auspice of the Housing Corporation during 2008/09 and through its successor the Homes and Communities Agency thereafter.

Rona Nicholson
London Field Director

Housing Corporation Sub Regions



Note: All tables and maps exclude Open Market HomeBuy and pre-allocations, unless specifically stated otherwise.

2. Introduction

This Regional Investment Statement should be read in conjunction with the NAHP prospectus issued by the Housing Corporation in September 2007. This set out the priorities for London and bidding guidance in relation to standards and efficiency as well as reflecting the priorities set out in the Draft Mayor's Housing Strategy.

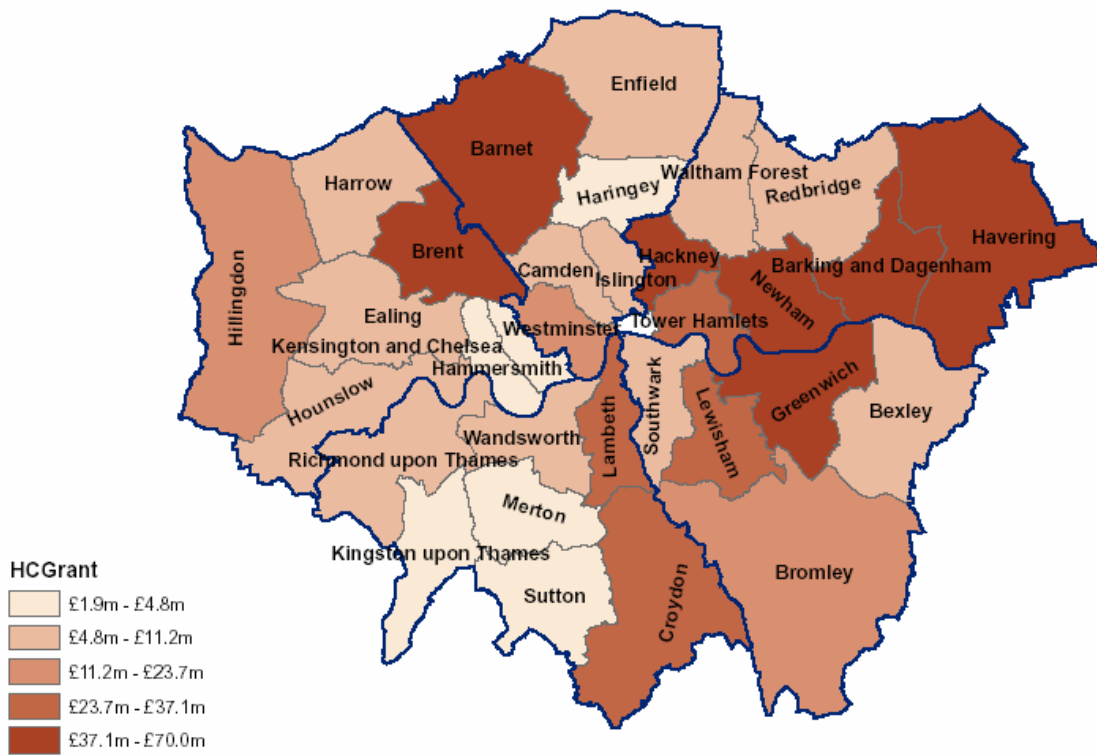
A key policy driver continues to be increasing the supply of new affordable housing. Our allocations are directed to delivering affordable homes for rent, Low Cost Home Ownership, including Home Ownership for People with Long Term Disabilities (HOLD), New Build HomeBuy (HBYNB) and intermediate market rent schemes. Our allocations in 2008/11 specifically address the need for larger family homes, both for rent and home ownership.

From the initial bid round we have already gone a long way towards meeting our regional priorities and expanded the range of affordable housing providers including ALMOs for the first time. Providers have brought to us grant efficient bids whilst achieving Code for Sustainable Homes level 3 and increasing the number and proportion of larger homes. The excellent record of funding Supported Housing in London has been maintained. The new Open Market HomeBuy (OMHB) products have been launched following the Shared Equity competition.

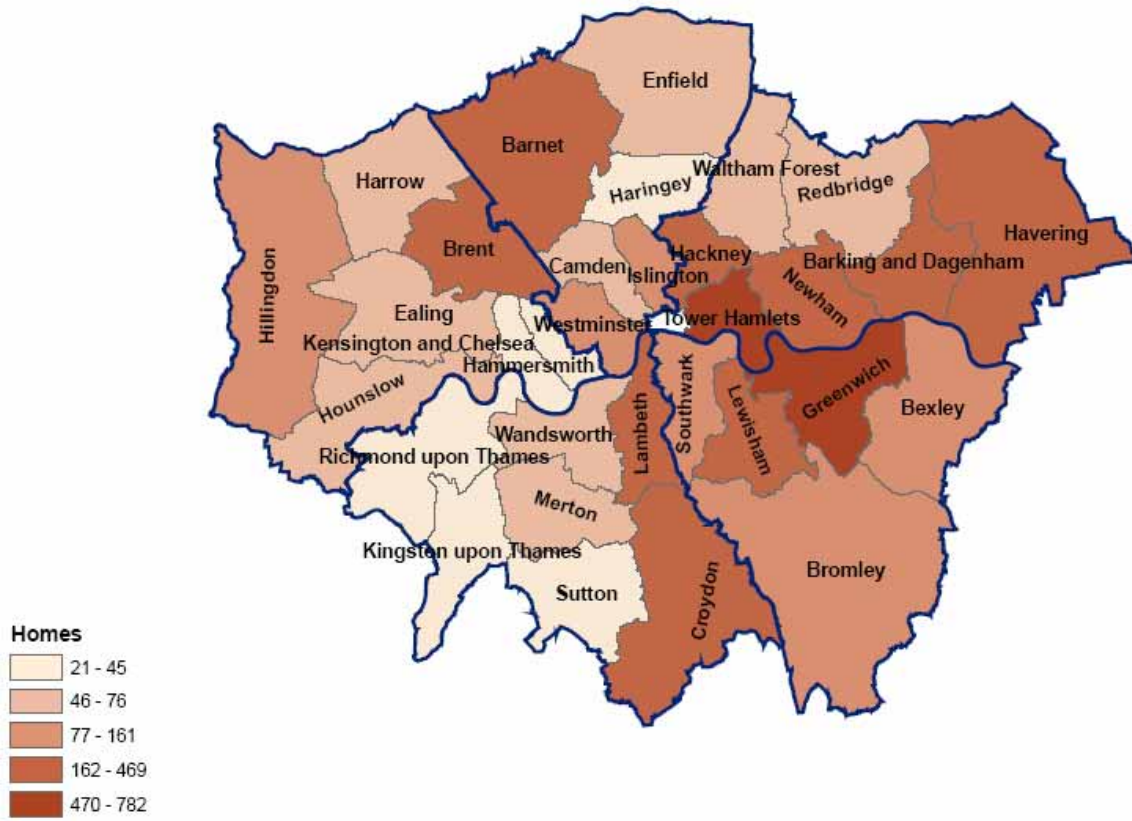
Table 1. Overall regional allocation

	RENT Total	HBYNB	INT RENT	OMHB	HOLD	LCHO Total	Sub Total	Other	Social Homebuy	Grand Total
Value (£m)	£508.19	£83.94	£8.75	£94.32	£2.21	£189.21	£697.40	£3.38	£4.12	£704.9
Homes	5,650	2,311	215	2,168	26	4,720	10,370	73	294	10,737

Map 1 - Total grant allocated by local authority



Map 2 - Total homes for rent funded from the 08-11 bids round by local authority



Map 3 - Low Cost Home Ownership homes funded from the 08-11 bids round by local authority



3. Competition

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 established a mixed economy in affordable housing provision, with a programme of over 1,500 homes being delivered nationally through private sector Partners. The Corporation has seen an immediate return on our primary aim of driving efficiency through increased competition with grant rates falling in 2006-08 overall and further efficiencies realised in the initial 2008/11 programme allocations.

We have sought to increase participation by private sector partners in the NAHP 2008-11 through a number of measures. These include simplifying our on-line bidding system, reducing our data requirements and introducing of a streamlined Grant Agreement for organisations intending to transfer their stock upon completion.

Table 2: Bids received

		Number of bidders	Value (£m)	Homes	Grant per unit (£k)
RENT	ALMO/SPV	2	£39.7	281	£141.2
	Private Sector Partner	6	£157.3	1,188	£132.4
	Housing Association	38	£1,856.5	16,872	£110.0
	Total	46	£2,053.4	18,341	£112.0
LCHO	ALMO/SPV	1	£5.6	104	£53.4
	Private Sector Partner	5	£25.4	493	£51.6
	Housing Association	33	£372.3	9,012	£41.3
	Total	39	£403.3	9,609	£42.0
Grand total		48	£2,456.7	27,950	£153.9

Table 3: Bids accepted

		Number of successful bidders	Value (£m)	Homes	Grant per unit (£k)
RENT	ALMO/SPV	1	£0.5	3	£137.5
	Private Sector Partner	3	£9.9	115	£85.8
	Housing Association	33	£497.9	5,532	£90.0
	Total	37	£508.2	5,650	£89.9
LCHO	Private Sector Partner	3	£1.3	53	£24.4
	Housing Association	28	£93.6	2,499	£37.5
	Total	31	£94.9	2,552	*£37.2
Grand total		38	£603.1	8,202	

*The Grant per Unit without HOLD is £36.7

4. Overall allocations

Table 4: Allocations region

	RENT			LCHO		
	Value (£m)	Homes	Grant Per Unit (£k)	Value (£m)	Homes	Grant Per Unit (£k)
Total	£508.2	5,650	£89.9	£94.9	2,552	£37.2

5. Summary of performance against the targets for London

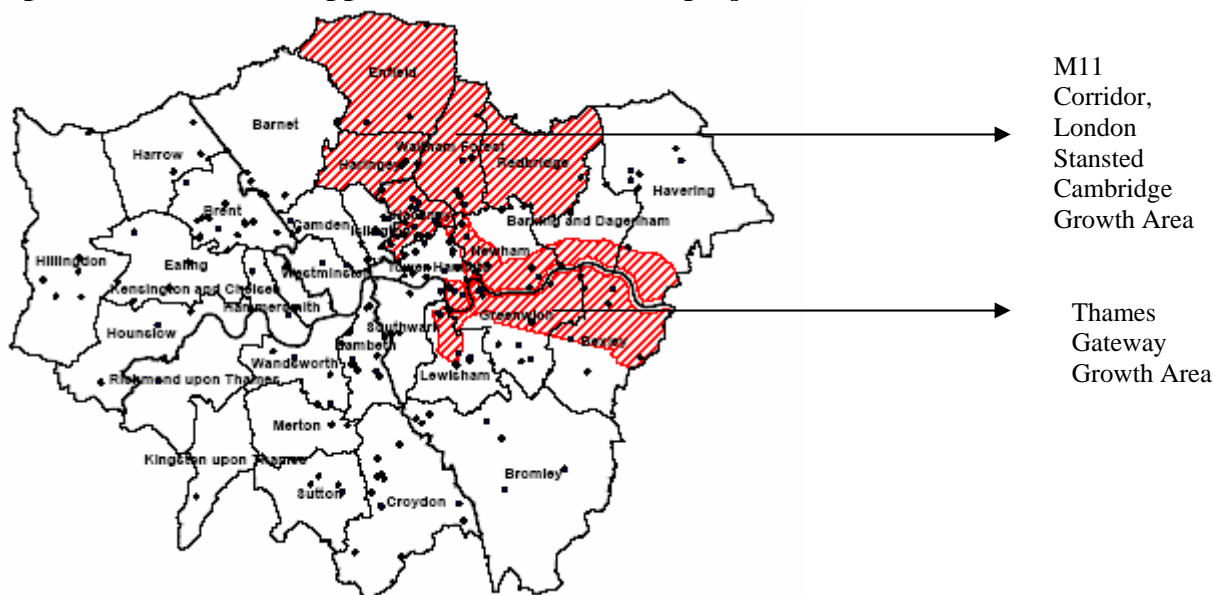
This section should be read in conjunction with annexe 1 to the 2008/11 NAHP prospectus which summarises the regional priorities for London.

Increasing new supply

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, excluding the Open Market Homebuy products, is close to the percentage split we want to achieve of 70% affordable rent, 30% intermediate housing through the three year programme

Map 4 : Distribution of approved Rent and LCHO projects

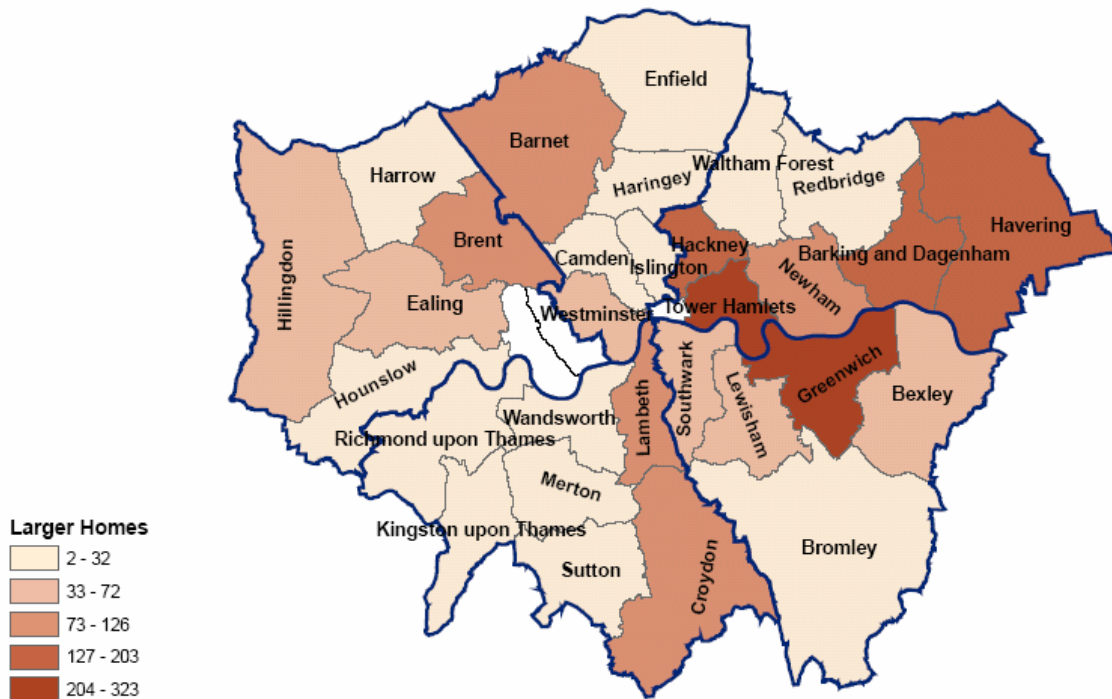


Excludes pre-allocations, OMHB and Temporary Social Housing allocations

We have targeted grant to social rented schemes catering for the needs of larger families. Across 2008/11 the allocations reported in this Statement include 37% for larger rented homes with three or more bedrooms. A further 8% of allocations to intermediate rent 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.

Map 5: Distribution of Rent and LCHO larger homes funded from the 08-11 bids round by local authority.

The Map shows the distribution of larger homes with three or more bedrooms



Maintaining the improvement in supported housing funding achieved in 2006/08

Another key target for the programme is to allocate 1,250 new supported housing bed spaces within the three year programme. This statement includes allocation of 838 bed spaces for supported housing and makes good headway to achieving our target and maintains the improvement in supported housing funding achieved in 2006/08.

Meeting the challenge of climate change and improving quality and design

For the NAHP 2008/11 we require Code for Sustainable Homes level 3 as a minimum for all schemes and we welcome the degree of compliance achieved. We have also been able to fund a number of projects which meet Code for Sustainable Homes Level 4. In future rounds of market engagement Investment Partners are encouraged to bring in projects that will be exemplars of innovation in meeting the higher environmental standards of Code Levels 5 and 6.

6. Regional regular market engagement strategy

Additional allocations are timetabled to be made quarterly, from April 2008 to October 2010 (or when resources are fully committed).

The opportunity to access additional funding during programme delivery offers significant potential benefits. In particular it will:

- give better alignment with affordable housing providers' business plans;
- enable partners to be responsive to land acquisition and development opportunities;
- enable more effective negotiation of S106 agreements where grant is considered alongside developer contributions;
- enable partners to offer schemes with a certainty of delivery, because, for example, detailed planning permission has been achieved; and
- improve the quality of entries to the main bid round, by removing any incentive to submit speculative entries for schemes at an early stage of development.

Given the opportunity for access to investment during the programme, we expect bids received through regular market engagement to be well developed, and hence provide us with the required information, and to be demonstrably deliverable.

Priorities for this first round of regular market engagement for London

These remain as per annex 1 of the National Affordable Housing Programme 2008-11 prospectus. We are particularly keen to receive bids from partners who are able to procure schemes that deliver affordable rent completions in 2008/09 whilst continuing to look to fund good value, deliverable schemes which will deliver high quality affordable housing. We want to maintain the levels of affordable rented homes but with an increase in larger family homes.

Growth Support (Affordable Housing) Fund

The GS(AH)F is aimed at making allocations to projects located within the Growth Areas and Growth Points, and regions adjoining London. Investment from the GS(AH)F will only be made where the bidding organisation can guarantee, following discussion with the host local authority, that a proportion of the resulting affordable housing will be made available to London boroughs through the Pan-London Choice and Mobility Scheme. Projects will need to offer a minimum of 30% of nominations to London boroughs, with those offering more assessed positively within the GS(AH)F. Bidders should also demonstrate that the homes to be delivered will meet the priorities set out in the London section of the NAHP Prospectus.

The GS(AH)F has a budget allocation of £100m in 2008-09, £200m in 2009-10, and £300m in 2010-1. We are particularly keen to receive bids against this programme.

7. Value

The Government has set out the scale of its ambition to tackle the unmet and emerging demand for affordable housing in England and this has been matched with significant additional investment through the NAHP in 2008-11. To deliver the outputs sought these extra resources must be accompanied by significant further efficiency in the use of NAHP resources whether in the financing of development, in land acquisitions or in the supply chain.

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 (after taking into account of inflationary pressures on land and build costs). We must meet this overall target for current allocations and in subsequent market engagements. Table 5 confirms that these initial allocations are within the efficiency range set for London.

Table 5: 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 % Total Scheme Costs
Total	£89.9	£23.5	49.6%	£37.2	£12.5	19.0%

Table 6: 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)
Total	40.9	25.4	115.1	52.9	33.5	108.9

Table 7: 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
Total	50.5 %	49.5 %	87.8	92.2	50.0 %	50.0%	33.2	42.3

8. Geographic investment priorities

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.

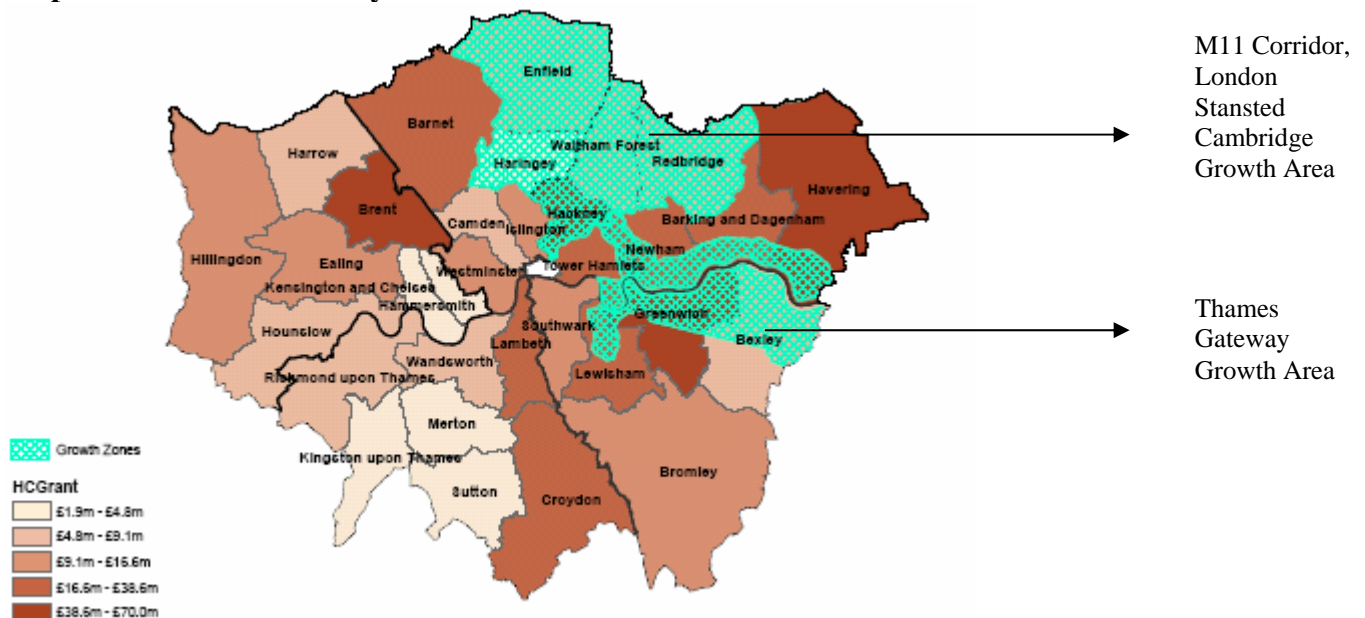
Thames Gateway: The level of allocations is modest in relation to government targets although the figures below exclude the Olympics. We anticipate the quantum of allocations growing in future rounds of regular market engagement. We require higher than the minimum quality standards in the Thames Gateway as set out in our Design and Quality Standards.

London - Stansted - Cambridge - Peterborough corridor: As with the Thames Gateway the level of allocations is low and again we anticipate the quantum of bids and allocations growing in future rounds of regular market engagement.

Table 8: Growth Areas

Growth Areas	RENT			LCHO		
	Value (£m)	Homes	Grant Per Unit (£k)	Value (£m)	Homes	Grant Per Unit (£k)
M11 Corridor, London, Stansted, Cambridge	£57.8	476	£121.5	£11.4	215	£52.9
Thames Gateway	£98.2	1,272	£77.2	£19.2	656	£29.3
Total	£156.1	1,748	£89.3	£30.6	871	£35.2

Map 6: Total Allocations by Growth Areas



9. Thematic investment priorities

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 9. Supported housing

	RENT			LCHO		
	Homes	People Housed	Grant per unit (£k)	Homes	People Housed	Grant per unit (£k)
Specialist housing for older people	150	325	£93.3	0	0	0
Supported housing for older people	20	40	£72.1	0	0	0
Total housing for older people	170	365	£90.8	0	0	0
Homeless families with support needs	44	56	£79.2	0	0	0
Offenders and people at risk of offending	67	67	£57.8	0	0	0
People with drug problems	45	62	£99.5	0	0	0
People with mental health problems	46	107	£125	0	0	0
People with physical or sensory disabilities	36	85	£65.6	0	0	0
Rough sleepers	15	41	£82.5	0	0	0
Teenage parents	8	16	£43.2	0	0	0
Young People at risk	24	25	£79.5	0	0	0
Young people leaving care	6	14	£125.5	0	0	0
*HOLD allocation	0	0	0	26	56	£84.8
Total other supported housing	291	473	£83.1	26	56	£84.8
Total supported housing	461	838	£86.0	26	56	£84.8

* HOLD - Home Ownership for People with Long Term Disabilities

Larger homes

In the initial new programme, 37% of rented allocations will be 3 bedroom or larger homes and 8% of allocations in intermediate and Low Cost Home Ownership programmes. The need to increase delivery of larger homes has been highlighted as a key priority for future RME.

Table 10: Tackling overcrowding - 3 bedroom plus

	Value (£)	Homes	Grant per unit (£k)
RENT Total	£240.5	2,114	£113.8
LCHO Total	£10.4	211	£49.4
Region Total	£251.0	2,325	£107.9

Meeting the needs of BME communities

In London members of black and minority ethnic (BME) communities accounted for 65% of new housing association lettings in 2006/07.

In the context of a more mixed economy of affordable housing provision and with significant new communities emerging, the Corporation has developed a new approach to meeting the needs of BME communities for its 2008/11 programme. We require all Investment Partners working in London 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 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

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 99.7% of these meeting Code for Sustainable Homes level 3 or higher.

Table 11: Design and quality

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	91.2%	4,516	91.4%	2,239
Meeting CSH 4 or higher	8.5%	423	8.3%	204
Total	99.7%	4,939	99.7%	2,443

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 12: LCHO affordability

	Average rent as a % of unsold equity	Average % first tranche sale
East	2.63	38.84
North	2.48	32.97
South East	2.54	30.86
South West	2.73	35.41
West	2.70	36.36
Regional average	2.63	35.84

10. Pre-allocations

Table 13: Pre-allocations

	Value (£m)	RENT Homes	LCHO Homes
North	9.6	65	0
South East	13.8	125	52
Total	23.4	190	52

The Minister has approved pre-allocations to strategic sites that are due to commence development from 2011. These pre-allocations total £23.4 million to provide 242 homes across tenures.

Appendices: List of Additional Information Tables

Summary Tables

Annex 1 and	National Affordable Housing Programme Summary of allocations by Programme Heading
Annex 2	Summary of allocations by Location and Sub Region by Heading
Annex 3 and	Summary of allocations to Larger Homes (with 3 or more bedrooms) by Location Sub Region.
Annex 4	Summary of 2008/11 allocations by Specialists, Partnership and Lead Partner by Heading.
Annex 5	2008/11 Allocations by Sub-region - Scheme Listing
Annex 6	2008/11 Allocations by Provider - Scheme Listing
Annex 7	2011/14 Pre-Allocations by Sub-region
Annex 8	2008//11 Growth Zone Areas Allocations (Rent and LCHO)