

AFFORDABLE HOMES STRONG COMMUNITIES

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# Allocation Statement 2006-08

## South East

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## Foreword

This Allocation Statement sets out our affordable housing programme of over £680 million for 2006-2008. This is the second time we have made allocations for a two year period and, as well as building on the partnering arrangements introduced in 2004-2006, this sees the introduction for the first time of new organisations into the grant-funded affordable housing arena.

The basis for the programme is the 2006-2009 South East Regional Housing Strategy. Amongst other things, this sought to continue to address the lack of affordable housing across the region with an increased emphasis on helping those in the most acute housing need, whilst maintaining the South East's focus on issues such as sustainability and quality.

The 2006-2008 programme shows our continuing commitment to meeting a broad range of needs from the most vulnerable to those able to take their first steps on to the housing ladder with a little bit of help. Efficiency in build methods and environmental concerns remain key with a continuing commitment to building homes using modern methods of construction and, for the first time, a whole newbuild programme built to the Eco Homes 'Very Good' standard as a minimum.

There is an increase in the proportion of the programme being developed through development partnerships and our aim is to build on the *Lead Investor* concept in the coming years to both deliver this programme and to plan for future years. We also look forward to working with the new, non-housing association organisations that have been allocated funding.

This Allocation Statement provides an overview of the 2006-2008 programme and is accompanied by a spreadsheet providing a greater level of detail of allocations made. To save paper this Allocation Statement is produced in electronic form only. Where possible we are happy to provide additional information or analyses – please see contact details at the end of the document.

We hope that you find this document and accompanying information useful.



**Fiona Cruickshank**  
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<b>Contents</b>	<b>Page</b>
Foreword from Fiona Cruickshank, South East Field Director	1
Contents	2
List of Tables	3
1. Regional priorities and consultation process	4
2. Programme targets	6
3. Building the programme	7
Value for money/efficiency savings	7
Quality	7
4. Partnering/Specialist funding routes	8
5. Summary of the programme	9
Programme summary and costs	9
Reserve schemes and pre-allocations	9
Tenure split	9
Geographical distribution	10
Newbuild/rehabilitation split	11
Rural areas and market towns	11
Schemes on brownfield sites	11
Modern methods of construction	11
Eco Homes	11
Supported housing and meeting specialist needs	12
Allocations to black & minority ethnic housing associations/ households	12
Unit type and size	12
Planning status	13
Section 106 sites	13
Open Market Homebuy	13
Social Homebuy	13
Low cost home ownership	13
Newbuild Homebuy	13
Open Market Homebuy	13
Homebuy Agents	13
Social Homebuy	14
6. Programme management	15
<b>Appendix 1 – Maps of 2006-08 Allocations by Local Authority</b>	<b>16</b>

<b>List of Tables:</b>	<b>Page</b>
<i>(this document)</i>	
Table 1a – Programme Targets for South East	6
Table 1b – 2006-2008 Summary by Programme	9
<i>(in accompanying spreadsheet)</i>	
Table 2: 2006-2008 South East Affordable Housing Allocations by Local Authority	
Table 3: 2006-2008 South East Affordable Housing Allocations by Partnership/Housing Association	
Table 4: Detailed Listing of 2006-2008 South East Affordable Housing Allocations by Local Authority	
Table 5: Detailed Listing of 2006-2008 South East Affordable Housing Allocations by Partnership/Housing Association	
Table 6: Detailed Listing of 2006-2008 South East Affordable Housing Allocations by Local Authority – Schemes in Rural Settlements less than 3,000 Population	
Table 7: Detailed Listing of 2006-2008 South East Affordable Housing Allocations by Local Authority – Schemes in Settlements between 3,000 and 10,000 Population	
Table 8: Detailed Listing of 2006-2008 South East Affordable Housing Allocations by Local Authority – Supported Housing Schemes with Revenue Support	
Table 9: 2006-2008 South East Open Market Purchase Homebuy Allocations	

## South East Allocation Statement 2006/08

### 1. Regional priorities and consultation process

National Affordable Housing Programme (NAHP) grant of £681.4 million has been allocated in the South East region over the two year period 2006/07 and 2007/08. This grant will provide nearly 17,000 affordable homes and help to improve a further 130 homes. In addition contributions from local authorities (usually in the form of discounted land) total £38 million and from housing associations (through Recycled Capital Grant) an additional £4.3 million. Within this we have allocated £98 million for Open Market Homebuy which, alongside the Council for Mortgage Lenders scheme, will help an estimated 3,430 homes to be purchased on the open market, together with £1.0 million for the new Social Homebuy programme to enable 130 households to purchase their existing housing association home.

Bids were invited for two years from Registered Social Landlords (RSLs) and non-RSLs in November 2005. In the South East region 69 organisations submitted bids to a total value of £1,618 million.

Allocations in the South East were made in line with the criteria and guidance laid out in the *2006-2009 South East Regional Housing Strategy* (available on the Government Office for the South East's website at [www.gose.gov.uk](http://www.gose.gov.uk)) and the Housing Corporation's *National Affordable Housing Programme Bid Prospectus*. All the documentation describing the bids process, including policy documents, can be found on the Housing Corporation website at [www.housingcorp.gov.uk](http://www.housingcorp.gov.uk)

#### Regional Priorities

The broad principles and priorities for the 2006-08 National Affordable Housing Programme in the South East were laid down in the South East Regional Housing Strategy as follows:

- to address the problems of affordability in the region by increasing the supply of new affordable housing to meet unmet and newly arising need
- an increase in focus on those in the most acute housing need, in particular those households accepted as statutorily homeless or who are currently living in temporary accommodation, thereby contributing to the national Government target of halving the use of temporary accommodation by 2010
- to assist in improving choice by increasing the housing supply across all tenures
- to ensure that new housing developments be developed as part of sustainable, mixed neighbourhoods well served by appropriate transport, social and community infrastructure
- an emphasis on schemes that would build housing more economically than previously, make good use of public sector land and lever in private sector resources
- to meet the broad housing needs of the South East population, including providing appropriate levels of funding to vulnerable client groups through supported housing and meeting the needs of black and minority ethnic

communities by the provision of homes of the right type and size in the right place

- to contribute to broader regeneration and neighbourhood renewal initiatives

At a more detailed level the South East Regional Housing Strategy laid down the following aspirations, that;

- 65% of allocations (in grant terms) should be for social rented accommodation with 35% for low cost home ownership options and intermediate market rent
- 20% of funding to be invested in the three designated Growth Areas in the South East
- new affordable housing in small rural settlements of less than 3,000 population should be provided at the same levels as in 2004-2006 – a minimum of 720 homes over the two years – in addition to support for affordable housing in larger rural settlements
- funding should be allocated conditionally to the *Key Worker Living* programme in line with requirements, provided that there was evidence of need
- all newbuild homes should meet the Eco Homes rating *Very Good* as a minimum

### **Consultation Process**

Following the submission of bids in November 2005 discussions took place with local authorities to ensure a best fit with local and regional strategies and priorities. Local authorities were consulted on each bid in their area with a particular focus on the deliverability of schemes and issues around planning status, but also other issues such as tenure mix, unit size, design and sustainability issues.

The Housing Corporation presented its draft programme to the Regional Housing Board in early January 2006. The final programme was the subject of further scrutiny in the light of national targets prior to its submission to Ministers towards the end of February. Final Ministerial agreement was given towards the end of March.

## 2. Programme targets

The allocations agreed at a regional level aggregate to form a national programme which has been agreed by Ministers. At the regional level, a number of programme targets have been identified, against which the programme will be monitored during the course of the two years. These are set out in Table 1a.

As part of the South East Regional Housing Strategy the Regional Housing Board recommended that £733 million be made available to the Housing Corporation for the provision of affordable housing. Once existing commitments (estimated to be £178 million) were taken into account this money allowed the Housing Corporation to put together a programme of £681 million for 2006-08.

**Table 1a: Programme Targets for South East** (see note below table)

Target	Measure	Start of Year Target	2006-08 Allocation
Cash Limit	Spend in the two years 2006-08	£733m	n/a
Completions	Number of homes to be completed in the two years 2006/07 and 2007/08	16,527	n/a
Social Rented funding	Proportion of funding to provide social rented housing	65%	73.6%
Social Rented completions	Number of social rented homes completed in 2006-08	9,050	n/a
Growth Areas funding	Proportion of funding to the three Growth Areas in the South East	20%	15.8%
Rural	Number of homes (minimum) to be approved over the two years in rural settlements of less than 3,000 population	720	784
Modern Methods of Construction	Proportion of new build units built using MMC	25%	41%
Eco Homes	100% ECO Homes rating 'Very Good' as minimum	100%	100%

*Note: targets as those agreed with Ministers, or set by the Housing Corporation/South East Regional Housing Board*

### 3. Building the programme

The Housing Corporation set a number of criteria for bidders to achieve in order to ensure that the public money being allocated to them was spent prudently and efficiently, and to ensure a high quality end product.

#### Value for money/efficiency savings

Achieving value for money overall, and value for grant in particular, remains a high priority for the Housing Corporation and a key consideration in our evaluation of individual bids and the programme overall.

Each bid was assessed using the HC's newly developed *Grant Index* which ranked bids in order of the 'value for grant' they provided, taking into account factors such as grant per unit, grant per person, size of home, quality, use of other public subsidy, and timescales for delivery. In addition, for each scheme of 15 or more homes being delivered through a Section 106 agreement a financial workbook was required to assess the additional homes that would be funded by the provision of grant.

At a national level the Housing Corporation was subject to efficiency targets, in line with the Gershon efficiency agenda, which required savings on the 2003/2004 programme of 9% in 2006/07 and 10% 2007/08. The programme in the South East for 2006-2008 comfortably exceeded these targets.

#### Quality

Housing Quality Indicators (HQIs) were devised by the Corporation to specify minimum standards for each building's size, layout, noise, services, light, accessibility and sustainability. All developments were required to meet the minimum HQI scores for all the indicators. For the South East the following average HQI scores were achieved for newbuild developments:-

Housing Quality Indicator	Minimum	Achieved
Size	41	52
Layout	32	55
Noise, light and services	22	58
Accessibility	31	63
Energy, green and sustainability issues	71	76

## 4. Partnering/Specialist funding routes

As in 2004-06, bids were invited for the National Affordable Housing Programme 2006-08 from development partnerships through the *Partnering* route including, for the first time, non-RSLs following a process of pre-qualification. This included assessment of the financial capacity of organisations to deliver their proposed programmes and the quality of their procurement vehicles. The option was retained for RSLs not part of development partnerships to access funding through the *Specialist* programme route. These bids are generally from specialist organisations wishing to develop either rural housing or supported housing, or RSLs wishing to access funding to improve or re-model their existing stock.

### Split between Partnering and Specialist

In the South East bids were received totalling £1,618 million, of which 98.5% were made through the Partnering route (50 development partnerships) and 1.5% through the Specialist route (19 RSLs). Actual allocations made for 2006-08 closely mirrored this split at 98.4% and 1.6% respectively. Of the 69 organisations in total that made bids for funding in the South East, 52 were successful.

### Grant to unregistered organisations

The South East received bids from eight unregistered organisations through the *Partnering* route to the value of £89.6 million for 2,367 with the split between social rented and Newbuild Homebuy approximately 60:40. Allocations were made in 2006-08 to four unregistered organisations totalling £37.3 million to produce 1,164 homes in close ratio to the bids in terms of the split between social rented and Newbuild Homebuy.

The summary and detailed allocations by partner/specialist organisation are contained in Tables 3 and 5 of the accompanying spreadsheet to this document.

## 5. Summary of the programme

### Programme summary and costs

A summary of the programme is laid out in the table below.

**Table 1b: 2006-2008 Summary by Programme** (*all allocation figures in £000s*)

Programme	Social Housing Grant	Other Public Subsidy	Recycled Capital Grant	Homes	SHG per home
Housing for Rent	501,502	33,483	2,724	9,330	53,752
Intermediate market Rent	5,625	-	31	269	20,910
Temporary Social Housing	212	-	-	11	19,301
Newbuild Homebuy	70,727	4,374	1,534	3,871	18,271
Open Market Homebuy	98,000	-	-	3,430	28,571
Works to RSL Stock	4,355	-	-	n/a	
<b>TOTAL</b>	<b>680,422</b>	<b>37,857</b>	<b>4,289</b>	<b>16,911</b>	<b>39,978</b>
<i>Social Homebuy</i>	<i>1,000</i>	<i>-</i>	<i>-</i>	<i>130</i>	<i>7,692</i>

### Reserve schemes and pre-allocations

Allocations have been made to the bids which best fit the parameters of the programme and associated priorities and strategies. Also, a selection of bids to the value of £55 million have been held in reserve in case any of the allocated schemes fail or slip in terms of their delivery timescales. These schemes have not been detailed in this allocation statement but are potentially deliverable in the 2006-08 time period.

In addition, pre-allocations of £120 million have been agreed in the South East for the years 2008-09 to 2010-11 to support longer term strategic schemes across the whole region.

### Tenure split

Against the target of 65% of funding as set out in the South East Regional Housing Strategy actual allocations to social rented affordable housing provision amounted to 73.6% of the whole programme. The remaining 26.4% of funding was split 24.8% for Homebuy (newbuild and open market purchase), 0.8% for intermediate rent and 0.6% for Works to RSL Stock.

The increased emphasis on social rented funding was due to a greater emphasis at national level by Government on social rented provision allied to the reduction in funding required to go to the *Key Worker Living* programme due to the increase in the funds available for this programme through the *Council of Mortgage Lenders* scheme. Both these changes were agreed by Government post-production of the Regional Housing Strategy and were supported by the Regional Housing Board.

## Geographical distribution

The South East Regional Housing Strategy devised a formula, on a local authority basis, to assist in the distribution of funding across the region. This formula categorised the 67 local authorities in the South East as one of three categories:-

1. Growth Area
2. Higher Priority
3. Priority

The basis of this categorisation was the Department for Communities and Local Government's (formerly Office of the Deputy Prime Minister) affordability index used to allocate funding between regions. This index was derived from three weighted measures as follows:-

- a) homeless households in temporary accommodation (35%)
- b) overcrowding and households sharing (40%)
- c) housing affordability, based on the ratio of lower quartile house prices to lower quartile earnings (25%)

The table below shows a close fit to the Regional Housing Strategy aspiration. The main difference is a shortfall against the 20% (in grant terms) aspiration for the Growth Areas which has been shifted to the 'Higher Priority' local authorities. However, due to lower than regional average grant per home costs in many of the Growth Area local authorities, the proportion of homes to be provided is close to the 20% 'target' at 19.1%.

	<b>RHS 'Target'</b>	<b>Funding (£m)</b>	<b>%</b>	<b>Homes</b>	<b>%</b>
<b>Growth Areas</b>	20%	91.6	15.8	2,600	19.1
<b>Higher Priority LAs</b>	50%	316.9	54.6	7,222	53.1
<b>Priority LAs</b>	30%	172.4	29.7	3,774	27.8

*Note: this excludes Open Market Homebuy Purchase allocations as the geographical distribution by individual local authorities is not known*

It should be noted that the figures in the table are for allocations in entire local authority areas thus reflecting the prioritisation in the Regional Housing Strategy. Some of the Growth Areas do not cover entire local authority areas. When schemes actually located in the Growth Areas are considered the total allocation reduces slightly to £90.5 million and 2,534 units (15.6% of the programme in grant terms and 18.6% of the units). The main reason for the allocation in the Growth Areas falling short of the Regional Housing Strategy target was a lack of deliverable schemes within the 2006-08 period.

*(Maps of allocations by local authority, in terms of grant allocation and homes, can be found at Appendix 1)*

### **Newbuild/Rehabilitation split**

The focus of the Regional Housing Strategy, in line with the South East Plan, is to provide new homes to increase the overall stock of housing. Exceptions to this were made where funding for existing stock was part of a wider regeneration plan.

Of the 13,453 homes to be provided (excluding Open Market Homebuy) 13,167 are newbuild homes (97.9%). Of the remaining 286 homes funded for rehabilitation a number of these are for the conversion of properties from commercial to residential use and can therefore also be considered additions to the region's housing stock.

### **Rural areas and market towns**

The South East Regional Housing Strategy contains a minimum target of 720 homes in small rural settlements of less than 3,000 population. It was estimated that this would require approximately £40 million of funding.

Due to the complexity of some rural schemes it is normal for the Housing Corporation to over-programme to achieve its target for rural settlements. To this end the proposed programme contains funding for 780 homes in small settlements, requiring £38.1 million.

Although the Regional Housing Board did not set a specific target in terms of market towns the programme contains proposals for £84.1 million to provide 1,982 homes in schemes considered by bidders to be in market towns. This represents 14.4% of the programme and 14.7% of homes (excluding Open Market Homebuy).

However, when one assesses bids that have been accepted in larger rural settlements of between 3,000 and 10,000 people only, the allocation is for £16.7 million grant and 411 homes (3% of funding and homes)

### **Schemes on brownfield sites**

The majority of the new homes funded, 77.4%, will be developed on brownfield sites.

### **Modern methods of construction**

The national target for the Housing Corporation was for a minimum of 25% of all new homes to be provided through some form of modern method of construction. The proposed programme has this target comfortably exceeded at 41% of newbuild homes. This excludes the modern methods of construction category '*Sub-assemblies, components and others*'. If this category is included then the percentage rises to 48%.

### **Eco Homes**

All of the newbuild homes funded will meet the minimum Eco Homes requirement of '*Very Good*' with almost 300 homes meeting the '*Excellent*' standard.

### **Supported housing and meeting specialist needs**

It is estimated that 5.6% of the allocation, 4.1% of homes, are for supported housing. Not all of these require accompanying revenue support through Supporting People Grant or other revenue source.

This is a slight increase in the level of funding provided to supported housing schemes in 2004-06. The Housing Corporation South East is working in partnership with other stakeholders in the region on a research project sponsored by the Regional Housing Board, Supporting People authorities and others on the needs for supported housing and the gaps in supply in the South East. It is hoped that the report, due to be finalised later this year, will lead to an increase in the number of supported housing projects being developed in the region.

In addition to this funding for new schemes the Works to RSL stock funding of £4.4m is all intended to improve existing supported housing schemes.

In terms of wheelchair housing 14% of the allocations (in grant terms, excluding the Open Market Homebuy scheme) include an element of specialist wheelchair housing provision. Almost 17% of allocations (in grant terms, excluding the Open Market Homebuy scheme) are to be built to Lifetime Homes standards

### **Allocations to Black & Minority Ethnic (BME) housing associations/households**

There are no BME-led RSLs based in the South East and those based in other regions only work in limited areas within the region. Allocations to BME housing associations (directly or indirectly) for 2006-08 totalled £9.1 million (163 homes), representing just over 1.5% of the programme.

In terms of allocations to BME households by non-BME organisations, where known, it is estimated that 8.4% of homes will house BME households. This is in excess of the 6.0% BME population of the South East as a whole.

It should be noted, however, that there were a large number of allocations (close to 50%) where the ethnic category was identified as '*not known*'. Where this is the case we will seek to ensure that the completed schemes meet the needs of BME people in the local area. All allocations are conditional upon the developing organisation demonstrating to the Housing Corporation how they will be meeting the needs of BME households. The South East external Equality and Diversity Group will also be monitoring how well BME needs in the region are being met over the course of the programme.

### **Unit type and size**

In terms of the provision of house types in the proposed programme 65% are to be flats and 35% houses.

In terms of size, 73.4% of the new homes contain two or more bedrooms with 17.5% to be three bedrooms or more. This is similar to the 2004-2006 programme.

There was no specific target in the South East Regional Housing Strategy regarding unit size but the Regional Housing Board in its deliberations accepted that, whilst the homes

within the proposed programme met current planning guidelines within the region, work should be carried out as to whether or not more large homes are needed. It is expected that the planned Sub-regional Housing Market Assessments will provide the data for this analysis which should inform the next Regional Housing Strategy.

### **Planning status**

Information was requested at bid stage on the planning status of schemes. In the agreed programme 44% of homes have received planning consent, with 23% at the pre-determination stage and 31% at the pre-application stage (as identified by bidding organisations).

Although we do not have information from previous years to compare this with our experience tells us that the 2006-08 programme contains more deliverable schemes than the 2004-06 programme. This should hopefully lead to fewer delays to schemes post-allocation due to planning problems, although this area is one we will continue to work closely alongside our partners and stakeholders to improve further.

### **Section 106 sites**

Almost 52% of homes in the proposed programme are to be provided on Section 106 sites at lower average grant costs per home than non-Section 106 schemes. In assessing the bids we determined that all of these schemes required grant to ensure that the bidding organisation was able to meet the requirements of the Section 106 agreement.

### **Low cost home ownership**

On the 1 April 2006 the Government introduced a suite of new products to enable more people to access home ownership. Allocations were made to the following programmes.

#### **Newbuild Homebuy**

A total of £70.7 million (3,871 homes) has been allocated to enable both RSLs and non-RSLs to build new homes for sale. These homes will be available to all people assessed as being in priority need, including key workers.

#### **Open Market Homebuy**

Allocations have been made of £98.0 million to mainly help key workers, as part of the Government's *Key Worker Living* programme, but also to some other priority groups to enable them to purchase on the open market by providing a grant of up to £50,000. It should be noted that this may change in October 2006 following the proposed introduction of a joint initiative with the Council for Mortgage Lenders.

#### **Homebuy Agents**

Homebuy Agents have been appointed across the region to market Open Market Homebuy to eligible applicants and to co-ordinate the sale of the Newbuild Homebuy properties built.

The Homebuy Agents and the areas for which they are responsible (including unitary local authorities) are as follows;

Kent/East and West Sussex – Moat Housing Group  
Hampshire/Isle of Wight – Swaythling Housing Society  
Surrey – Thames Valley Housing Association  
Berkshire/Buckinghamshire/Oxfordshire – Catalyst

*(Details of Open Market Homebuy allocations are given in Table 9 of the accompanying spreadsheet to this document and further details on the Homebuy suite of products and Homebuy Agents can be found on the Housing Corporation's website at [www.housingcorp.gov.uk](http://www.housingcorp.gov.uk))*

### **Social Homebuy**

This scheme provides assured tenants of RSLs with the opportunity to purchase part of their existing home on a shared ownership basis, whilst continuing to pay rent on the remainder. A relatively small programme has been funded in the South East but if these allocations are taken up then there is a reserve available to allow further sales to proceed.

## 6. Programme management

The government and the Housing Corporation place a strong emphasis on the prompt and timely delivery of affordable housing arising from public investment. The Housing Corporation is held accountable to annual targets for expenditure and the delivery of unit completions. We do, however, recognise that long and complex developments may from time to time be subject to slippage in their timescales.

There is no over-programming within the 2006-08 programme and any slippage will be addressed by the introduction of reserve schemes, which have already been assessed as meeting regional priorities and offering good value for money, or new schemes which will be subject to this same assessment. Schemes will only be introduced in to the programme which maintain the balance of the programme and enable the Housing Corporation to meet its rent and home ownership targets.

The Housing Corporation South East will continue to work with all of its partners, including non-RSLs, to identify a pipeline of schemes which could be introduced to the programme in subsequent years.

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Appendix 1

