

## UPDATE ON HOUSING CORPORATION 2008-11 PROGRAMME

<b>Prepared for:</b>	South East Regional Housing Board
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### 1. **REGULAR MARKET ENGAGEMENT (RME)**

#### 1.1 **Launch of first RME and Timetable**

The first round of RME was launched on 16 April. Partners have until 9 May to submit bids for funding, following which there will be a process of discuss/consultation with individual local authorities, regional and national analysis to ensure fit with strategies and targets and submission to CLG. It is expected that announcements on the outcome will be made week commencing 24 June 2008.

The second RME round will be launched on 1 July 2008.

#### 1.2 **Liaison with the Regional Housing Board (RHB) on Regular Market Engagement (RME)**

A protocol has been in place since December 2006 between CLG, Housing Corporation and Regional Assemblies covering the reporting of issues relating to Regional Housing Strategies and affordable housing programmes. This protocol includes the reporting mechanism for the Housing Corporation's proposed funding whereby it has been agreed that the Housing Corporation should advise the RHB of its proposed affordable housing programme and how it accords with the priorities agreed by the RHB.

Up to April 2008 the Housing Corporation had allocated all of its available funding at one point in time through a single bids round which took place over a period of several months. The Housing Corporation has ensured that the RHB has had an opportunity to review and comment on the proposed affordable housing programmes put forward, and the time frame available for the bids round enabled the Housing Corporation to do this prior to the proposed programme being submitted to Government.

The introduction of RME means that funding will be allocated throughout the 2008-11 period on a quarterly basis. The proposed programme reported to the RHB in January represents only an element (approximately 30%) of the total 2008-11 National Affordable Housing Programme (NAHP) for the South East. The remainder of the programme will be allocated during the next three years.

To ensure a speedy delivery of schemes funded through this process the bidding and assessment time has been concentrated into a shorter timeframe than the traditional bidding rounds. The first round of RME allows bidders four weeks to submit bids and the Housing Corporation four weeks to assess and finalise regional programmes. However, it is the intention that this process will in future be concentrated into a six week period.

This more concentrated timeframe makes it difficult for the Housing Corporation to advise the RHB of its proposed allocations prior to the revised programme being finalised each quarter not least

because the cycle of RME does not necessarily fit with the already scheduled RHB meetings. However, it is essential that the Housing Corporation continues to provide information to the Board on proposed allocations made through each round of RME. Therefore in accordance with the protocol the Housing Corporation will advise the RHB of the additional outputs generated by each round of RME as part of its quarterly reporting.

The Housing Corporation will circulate electronically a brief report on the outcomes of each RME as soon as possible after finalisation each quarter, along with progress made against agreed targets within the programme. After each round of RME the Housing Corporation will also publish a '*Regional Investment Statement*' summarising the funding allocated and incorporating an individual scheme listing alongside advice to bidders of the priorities for the next round of RME.

### **1.3 Key priorities of the first round of RME**

The main thrust of the RME is to build upon the allocations that have already been made to meet the priorities and targets established by the RHB - as per the RHB's submission to the Minister in June 2007 (*Housing Investment in the Regions: Funding Recommendations 2008-11*) and recently published '*Regional Housing Strategy 2008-11*' - or more recently communicated by CLG.

The main priorities are as follows:-

- to increase the proportion of rented homes funded within the programme
- to ensure that Government completion targets for 2008/09 are met the Housing Corporation will seek to fund schemes for both rent and sale which complete before March 2009
- to provide more larger homes (3 bedrooms or more), in particular those that can complete in 2008/09 (see Section 5 below) on both the rent and LCHO programmes
- to provide more rural homes in settlement of less than 3,000 population to meet the Government targets (see Section 4 below); and to provide more homes in larger rural settlements to meet the RHB's aspirations
- to maintain the proportion of specialist and general needs affordable housing for vulnerable people/households, including older persons

As per the main bids round the criteria for assessment have not changed. The criteria can be summarised into four main areas as follows:

- value for money, including ensuring that the efficiency targets established are met to maximise the number of homes provided from the resources available
- quality and standards, including meeting Code for Sustainable Homes Level 3 as a minimum on all newbuild affordable housing, as well as internal and external environments at the required standards
- deliverability - including, ideally, that schemes have detailed planning permission and a signed Section 106 agreement
- fit with national and regional strategy and priorities

### **1.4 Responding to market opportunities**

The RME guidance issued by the Housing Corporation on 15 April outlined that, in view of current market conditions and the need to continue to develop good quality affordable housing, the Housing Corporation may in some circumstances be prepared to allow some flexibility in our space and sustainability standards to allow homes that may have been previously designed for market sale to be offered for affordable housing.

Such opportunities will be looked at on a case-by-case basis. All schemes will be assessed against the same criteria as set out in the Housing Corporation's 2008-11 NAHP Prospectus but where schemes depart from standards the following in particular will be considered:

- what stage of development the scheme is at with a presumption against funding schemes that do not provide early completion
- whether the mix of homes meets regional and local housing priorities (e.g., an appropriate tenure mix of larger homes rather than just flats)
- the extent to which opportunities represent significant value for money improvements
- that the organisation responsible for the long-term ownership of these properties confirms that it has made provision to ensure that the properties will be fit for purpose for their client groups over the longer term

This approach will be reviewed following each round of RME.

## 2. UPDATE ON RESOURCES AVAILABLE, COMPLETION TARGETS AND FUNDING ISSUED FOR 2008-11

### 2.1 Resources

The table below sets out the resources available for 2008-11. Please note that we are awaiting confirmation of the impact of the £30 million additional expenditure in 2007/08 on resources over the three years. In addition resource figures for 2009/10 and 2010/11 should be regarded as provisional.

2008/09	2009/10	2010/11	TOTAL
£373.63m	£417m	£466m	£1,256.63m

### Completions

The latest completions targets for 2008-11 are set out in the table below, split between social rent and intermediate (includes newbuild and open market homebuy, and intermediate rent).

	Rent	Intermediate	TOTAL	% Rent (1)	% Int. (1)
2008/09	5,117	4,069	9,186	59.4	40.6
2009/10	7,312	5,167	12,479	62.4	37.6
2010/11	6,536	4,755	11,291	62.3	37.7
2008-11	18,965	13,991	32,956	61.5	38.5

(1) new provision only, ie, excludes Open Market Homebuy programmes

## 3. NEW SHARED EQUITY PRODUCTS AND OPEN MARKET HOMEBUY

### 3.1 Introduction

The Open Market Homebuy (OMHB) is part of the Government's low cost home ownership programme to help people to get a step on to the housing ladder. It combines purchase through a conventional mortgage with provision of an equity loan for the remainder.

The OMHB scheme is designed to help households earning up to a maximum income of £60,000 per year and, in particular, is aimed at assisting local authority and housing association tenants, key workers, and others unable to afford home ownership without assistance as identified by RHBs.

### 3.2 The new Shared Equity Products

In March 2008 two new shared equity products were launched following a competition. These two products can be summarised as follows:

#### a) *'Ownhome' - a partnership between Places for People and the Co-operative Bank*

- purchasers can borrow between 20% and 40% of the property value with an equity loan from Places for People
- no interest on this loan is paid for 5 years, followed by 1.75% for the following 5 years and 3.75% thereafter (Year 11 onwards)
- customers can choose from the Co-operative Bank's various deals including fixed rate and tracker options
- no deposit required

#### b) *'MyChoiceHomeBuy' - a partnership of 8 housing associations (existing Homebuy Agents)*

- purchasers can borrow between 15% and 50% of the property value with an equity loan from one of the 8 housing associations
- interest charge of up to 1.75% per year; this will increase annually by RPI+1%
- customers can choose from any mortgage provider
- no deposit required

The above two products replace the three other OMHB products on offer prior to April 2008. However, those people in the process of purchasing a home through one of the previous products will still be able to continue, or have the opportunity to switch to one of the new ones.

The Government also recently announced that £1,500 would be given to purchasers through this programme to cover costs incurred. It has been confirmed that this is additional money to be paid by the equity loan provider.

### 3.3 Implications for 2008-11 NAHP

The RHB's submission to CLG in June indicated that 11% of completions each year would be OMHB, representing a best estimate at that time of 1,000 homes per year. The latest estimate of OMHB purchases is as follows:

2008/09	2009/10	2010/11	TOTAL
568	766	795	2,129

This represents approximately 6.5% of the target number of completions over the three years. The estimated grant cost per purchaser is £35,000. Therefore the above numbers represent a total grant cost of £74.5 million on this basis.

In addition to the above numbers there are still a number of purchasers who entered into a commitment to purchase a home under one of the previous OMHB products in the last financial year but have not yet completed on their home. These commitments clearly need to be honoured. Homebuy Agents in the region estimate that there are 440 such purchasers, equating to an estimated grant cost of £15 million.

Taken together OMHB purchases over the three years could therefore total 2,569 which would represent 7.7% of the total target number of affordable homes.

#### 4. RURAL

In acknowledgement of the need for affordable housing in rural areas the RHB's *Regional Housing Strategy 2008-11* contains a target to provide 500 homes per year in small settlements of less than 3,000 population. Alongside this, the RHB also expressed the view that they would like to see 500 homes per year built in larger rural settlements.

The NAHP presented to the RHB in January showed that the proportion of homes to be funded in small rural settlements was in line to deliver the RHB's aim over the course of 2008-11. It was acknowledged, however, that proposed funding to larger rural settlements was on the low side and that would need to be addressed through the RME process.

Since this time CLG has consulted with Regional Assemblies regarding more rural affordable housing being provided in small settlements. The response from the RHB stressed that the proposed 3-year target of 2,211 completions was significantly higher than the already increased target proposed by the RHB (500 homes per year on average), that it might be unrealistic to expect local authorities and providers to gear up so quickly to deliver this higher rate, and that providers had already provided bids on the basis of the RHB's proposals.

CLG have confirmed the number of affordable housing completions to be provided in settlements of up to 3,000 population as being 2,286 homes in the South East over the three year period.

Including schemes in the pipeline and new 2008-11 funding already allocated the current forecast is for 939 rural completions over the three years (41% of target). We will therefore be looking for a significant number of rural schemes that complete within the 2008-11 time period from the current and future rounds of RME.

#### 5. LARGER HOMES

Through the *Regional Housing Strategy 2008-11* the RHB set out its wish to increase the proportion of larger affordable homes provided in the region to increase provision to families. Note that larger homes are categorised as 3 bedrooms or more.

To enable this it was proposed that 25% of new social rented homes funded, and 15% of intermediate tenures, should be 3 bedrooms or more. These proportions represented an increase from 20% and 11% respectively in the 2006-08 programme. Taken alongside existing schemes in the pipeline it was estimated that 23% of social rented and 13% of intermediate homes completed in 2008-11 would be categorised as larger homes.

The initial round of 2008-11 allocations provided 26% of social rented and 10% of intermediate larger homes.

CLG have recently confirmed targets for the number of social rented larger homes as follows (note that no target has been set for intermediate larger homes):

	2008/09	2009/10	2010/11
<b>Homes</b>	1,444	1,718	2,260

This totals 5,422 completions over the three years, representing 28% of the target for social rented homes overall. Including schemes in the pipeline and new 2008-11 funding already allocated the current forecast is for 2,527 completions (47% of target). As with the rural programme, we will therefore be looking for a significant number of social rented schemes incorporating larger homes that complete within the 2008-11 time period from the current and future rounds of RME.

Although CLG has not stated targets for the intermediate programme we need to also target larger homes on these programmes in order to meet the RHB's 15% target for new funding, from the current 10%.

## **6. GROWTH SUPPORT (AFFORDABLE HOUSING) FUND**

The GS(AH)F is aimed at providing funding to schemes located within the Growth Areas and Growth Points, and regions adjoining London. Investment from the GS(AH)F will be made only 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.

Schemes 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 Mayor's housing strategy.

The GS(AH)F has a budget allocation of £100 million in 2008-09, £200 million in 2009-10 and £300 million in 2010-11. To publicise the GS(AH)F the Housing Corporation, in partnership with GOSE, held two seminars on 23 April in Reading and 24 April in Tunbridge Wells.

Since the initial announcement of the GS(AH)F a number of points have been clarified as follows:

- funding through the GS(AH)F is available for intermediate tenures as well as social rent (originally it was to be for social rented only)
- separate targets for completions will be established once GS(AH)F funding is awarded, in addition to the targets already established
- re-lets within 5 years will be made available to London residents; after this time this is lifted and 100% of nominations will be available to the host local authority
- a 'cascade' mechanism will be in place for lettings to revert to local people if all best efforts to identify London residents are not successful

## **7. HOUSING FOR AN AGEING SOCIETY**

On 2 April the Housing Corporation launched its new strategy to address the housing needs of an ageing population - *'Investing in Lifetimes'*. This reinforces the messages in the Government's strategy published in March - *'Lifetime Homes, Lifetime Neighbourhoods'*.

The key messages in the Housing Corporation's strategy can be summarise as follows:

- as the population ages the provision of a suitable home provides a critical platform for healthy, life chances, opportunities, well being and happiness
- need to provide homes to meet the needs of today, but also to meet future demands and aspirations
- appropriate support is the key, in either the short term or long terms and delivered in peoples' own homes or in specialist accommodation

- addressing Decent Homes and meeting Code for Sustainable Home Level 3 should ensure fuel poverty is not an issue
- quality and design of housing is important for specialist as well as general needs - the Housing Corporation promotes 2-bedroom accommodation for older people as standard
- Housing Corporation is committed to increasing the number of affordable homes built to Lifetime Homes standards in the 2008-11 NAHP, and for it to be mandatory for all social housing from 2011
- the Housing Corporation with CLG and DoH will develop a joint approach to develop and enhance the evidence base and will also work with CLG to look at the value for money and cost effectiveness of different forms of housing for older people.

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