Homes & Communities Agency

Report to South East Regional Housing and Regeneration Board

March 2010

Agenda Item 5

SOUTH EAST ENGLAND REGIONAL HOUSING BOARD

Date: **19 February 2010**

Subject: **HCA Update on 2009/10 Programme Progress**

Report of: **Homes and Communities Agency – South East**

Recommendations:

It is recommended that the Regional Housing and Regeneration Board (RHRB) notes the following:

- the Homes and Communities Agency's (HCA) performance to the end of December in 2009/10 with regard to the most of the key targets of the National Affordable Housing Programme (NAHP)
- an update as to the current position on other key HCA programmes, notably the Property & Regeneration programme, Decent Homes progress, Gypsies and Travellers and Growth Areas and Growth Points
- the significant level of new funding issued by the HCA in the second quarter of 2009/10

Purpose of Report:

This report provides an update to the RHRB on the key HCA South East areas of activity focusing on the 2009/10 performance to the end of December 2009 as follows:

1. The main report is a summary of the performance against the key targets in terms of expenditure and outputs with the key issues and highlights described.
2. The main report is accompanied by Annex 1 which provides a more detailed commentary on the delivery of the National Affordable Housing Programme (NAHP) as per the requirement to report to the Board on the HCA's quarterly performance on this programme.
3. Annex 2 provides a more detailed commentary on the new NAHP funded in the third quarter of 2009/10 (October to December) as per the HCA's requirements to the Board.

1. Summary of the HCA South East's Performance in 2009/10

The following table summarises the progress made on the HCA South East's programmes to the end of December 2009.

	Target/ Planned	Actual	% of Target	2008/09
National Affordable Housing Programme (NAHP)				
Expenditure [1,2]	£559.5m	£304.3m	54.4%	£426.7m
Completions	9,721	6,975	71.8%	9,633
Rent	*5,434*	*3,499*	*64.4%*	*5,019*
Intermediate [3]	*4,287*	*3,476*	*81.1%*	*4,614*
Starts on Site	7,626	3,678	48.2%	6,619
Rent	*5,641*	*2,754*	*48.8%*	*4,681*
Intermediate [3]	*1,985*	*924*	*46.5%*	*1,938*
Rural completions – less than 3,000 population [4]	500	328	65.6%	351
Rural completions – between 3,000 and 10,000 population [4]	500	127	25.4%	156
Larger homes funding *(rent)* [4]	25%	26.8%	-	24.9%
Larger homes funding [4] *(intermediate* [3]*)*	15%	13.3%	-	13.3%
Housing for vulnerable/older people [4]	min. 5%	14.3%	-	13.0%
Property & Regeneration Programme				
Expenditure [2]	£19.9m	£4.0m	19.9%	£32.9m
Receipts	£17.5m	£13.8m	78.4%	£95.5m
Brownfield land reclaimed (hectares)	20.2	8.0	39.6%	35.4
Starts on site	465	327	70.3%	951
Completions	235	138	58.7%	940
Other Programmes				
Community Infrastructure Fund	£19.8m	£3.3m	16.7%	£2.6m
Growth Funding	£35.6m	£34.6m	97.2%	£34.2m
Thames Gateway	£39.4m	£12.8m	32.6%	£18.0m
Gypsies & Travellers	£5.5m	n/a	-	£5.5m
Low Carbon Infrastructure	£4.3m	n/a	-	n/a
Places of Change	£1.5m	0	0.0%	£4.3m
Decent Homes (ALMOs)	£29.4m	£29.4m	100.0%	£22.4m

[1] *includes Local Authority Newbuild Programme funding confirmed from Round 1*
[2] *excludes Kickstart funding*
[3] *includes all low cost home ownership products and intermediate rent*
[4] *Regional Housing Strategy targets/aspirations*

2. Commentary on HCA South East Performance in 2009/10

The performance on each of the programmes is summarised below.

2.1 The provision of affordable housing through the National Affordable Housing Programme (NAHP)

2.1.1 Progress to the end of December in 2009/10 is in line with forecasts and compares very favourably with performance in recent years at the equivalent point in time. Issues to note are as follows:

- the region remains on track to meet its key targets of spending the full amount of resource available and completions for both rent and intermediate products
- compared to the equivalent point in 2008/09 £110 million more of the resource has been spent together with over 1,500 more completions and 70% more starts on site achieved
- the Open Market Homebuy programme has continued to be popular with take up exceeding 1,500 homes; in addition Homebuy Direct completions are on the increase
- the split of newbuild rent and intermediate affordable housing completions is 65%:35%; given the high volume of Homebuy Direct funding received in the region the South East Plan target of 71%:29% will not be met in 2009/10
- the targets for starts on site remain challenging, particularly on the low cost home ownership programme where there is likely to be a shortfall despite the increase in such schemes being presented in the last quarter; the region is on target to meet the starts on site target for the rent programme
- the rural indicative target will not be achieved with a significant shortfall against the 2008-11 target forecast; this area remains a cause for concern
- the target for larger homes is unlikely to be met but any shortfall is not expected to be significant
- the provision of affordable housing for vulnerable groups has remained at a significantly higher level than in previous years; in particular the region has seen an encouraging volume of schemes for older people

2.1.2 A more comprehensive commentary on the NAHP programme progress in 2009/10 to the end of December is provided in Annex 1 to this report.

2.1.3 As part of the HCA's quarterly reporting to the Regional Housing and Regeneration Board it is also required to report on new funding issued on a quarterly basis through the NAHP. A more detailed commentary on new NAHP funding issued in the three months of October to December 2009 is provided in Annex 2 to this report. A summary of the key points is given below:

- the South East continues to see high volumes of affordable housing schemes coming forward - a total of over £86 million new funding was confirmed in the quarter to provide almost 1,700 affordable homes
- this takes the total NAHP funding in the 2008-11 period to almost £1.1 billion to provide over 22,000 affordable homes
- although the region continues to adopt a flexible approach to grant levels the efficiencies required by Government have seen a reduction from previous quarters in the levels of grant provided per home
- provision of affordable housing on Section 106 sites continues to fluctuate but continues to make a significant contribution in the South East

- the volume of rural homes to be provided was very low compared to the volumes required; only 3% of homes funded were in small rural settlements compared to the 8% required for the targets to be met; provision remains variable across the region but, overall, remains a cause for concern
- provision of affordable housing for vulnerable people and the provision of larger homes (3 bedrooms or more) continue to meet, or exceed, the Board's targets or aspirations

2.2 Regeneration through the Property and Regeneration Programme (P&R)

2.2.1 Due to the economic downturn and the lack of additional funding for the P&R programme the planned outputs from this programme are significantly lower than in 2008/09.

2.2.2 To date performance against the key indicators as outlined in the above table has been variable. At present the region remains reasonably confident of meeting, or getting close to, all of its planned outputs. However, this programme is more reliant on the prevailing economic conditions and private sector activity, particularly in relation to the level of receipts and housing starts on site and completions.

2.3 Kickstart Funding in the South East

2.3.1 The Kickstart programme is part of the Government's broader *Housing Stimulus Package* aimed at unlocking sites that have stalled in the economic climate not only to provide more homes but also to stimulate the house building industry and maintain employment in construction. Funding can cover a range of interventions including gap funding, equity loans, and direct grant funding to provide homes for rent or intermediate tenures.

Bids have been invited in two phases. Decisions have been made on Round 1 bids and Round 2 bids have been through a short listing phase and are currently undergoing due diligence. Projects that have had their funding confirmed in Round 1 as at the end of December are as follows:

Local Authority	**Project**	**Investment**	**Total Homes**	**for RENT**	**for LCHO**
Ashford	Repton Park	£631,200	56	4	42
Dartford	Stonecastle	£1,813,000	68	6	47
Dover	Cannon Street, Deal	£2,000,000	50	0	0
Eastleigh	Lakeside	£3,078,000	50	0	25
Epsom & Ewell	Rosebery	£4,232,000	72	18	47
Medway Council	St Mary's Island	£6,932,000	103	15	21
Reigate & Banstead	The Acres	£636,000	67	6	29
Southampton	Portswood Road	£5,567,000	101	38	44
Southampton	Park Centrale	£3,338,000	160	16	51
Swale	Meadowbank	£1,000,000	55	0	0
Tunbridge Wells	Medway Depot Site	£5,324,698	114	42	0
Wealden	Roebuck Park	£752,850	64	14	32
TOTAL		**£35,304,748**	**960**	**159**	**338**

2.3.2 The above total of £35.3 million represents 9.8% of the funding confirmed to date nationally. In terms of the number of total homes the above represents 9.3% of the national total. Activity has begun on a number of these sites.

- Portswood Road, Southampton – this was the first project to be funded in the South East through Kickstart and re-started in November 2009 to provide a mixed development of flats and houses with a high quality rating from the Commission for Architecture and the Built Environment
- Work on 72 new homes at Rosebery Heights re-started in January 2010 with completion expected by March 2011
- Work re-started on development on a joint retail and residential project to regenerate Redhill town centre which had been stalled for 12 months
- Kickstart funding has helped to secure the imminent development of the next two phases of development at St Mary's Island in Chatham

As well as enabling developments to progress Kickstart funding is also meeting other wider Government priorities such as providing employment opportunities and generally keeping hold of construction skills in the region.

The deadline for bidding for the second round of Kickstart was towards the end of October. A total of 70 bids were received for the South East of which 28 have been shortlisted in 22 local authorities across the region. The total funding requirement of the shortlisted projects is £83.3 million to unlock 3,637 homes in total represented the second highest of any region after London – 15% of funding and 16% of homes.

Bids are currently being assessed further and due diligence carried out. Decisions are expected over the coming months.

2.4 Local Authority Newbuild Programme

2.4.1 This was a programme introduced by Government following the April Budget and expanded via further announcements as part of the *Housing Stimulus Package*. A total of £460 million has been made available to assist local authorities to develop newbuild affordable housing for rent.

2.4.2 In the first bidding round for an initial £100 million that was made available the following local authorities received funding, as reported to the Board previously:

Local Authority	Grant	Homes
Ashford	£1,690,000	25
Eastbourne	£840,000	14
Oxford	£4,079,700	58
Southampton	2,337,472	35
TOTAL	**£8,947,172**	**132**

2.4.3 A second round of bidding took place in the autumn. A total of £16.2 million of bids from 12 local authorities were received to provide 235 homes. The funding announcement was made on 11 January 2010 with the following local authorities in the South East receiving funding:

Local Authority	**Grant**	**Homes**
Ashford	£3,480,000	53
Canterbury	£779,000	13
Eastbourne	£948,000	16
Fareham	£325,000	5
Gravesham	£345,000	5
New Forest	£650,000	10
Portsmouth	£2,480,000	41
Reading	£3,120,000	40
Southampton	£970,804	17
Thanet	£374,424	5
TOTAL	**£13,472,228**	**205**

2.4.4 All bidding authorities received funding in the second round with the exception of Brighton & Hove and Crawley.

2.5 Decent Homes Programme

2.5.1 The policy target is that 95% of all social housing should be made decent by 2010. In this context, ‘decent’ refers to the absence of hazards under Health and Safety Rating criteria and the provision of modern facilities, levels of thermal comfort and state of repair. In the South East just over half of the 67 local and unitary authorities have transferred all or part of their stock to Registered Social Landlords. For stock holding authorities their funding has been determined by CLG based on their options appraisals.

2.5.2 The ability of these local authorities to meet the target will be influenced by the expected Ministerial announcement on changes to the Housing Revenue Account. Once these changes have been announced the HCA will be working with authorities to review the way forward.

2.5.3 The majority of local authorities are on track to meet the Decent Homes target but there are a number of authorities in the region that have indicated that they will fail to do so.

2.5.4 The HCA will ensure that Decent Homes, and working with partners to address issues, becomes integral to its Single Conversation process.

2.6 Gypsies & Travellers

2.6.1 Bids for funding in 2009/10 were considered at the last Board meeting and recommendations made. An announcement confirming funding was made on 11th February 2010 following a delay from the original expected date of the end of November.

2.6.2 At the September meeting the Board recommended approximately £7 million of funding for four sites from the £11.6 million bids received, in excess of the £5.5

million available but in the hope that additional funds could be secured from shortfalls in other regions.

2.6.3 After Ministerial consideration the South East has been awarded a total of £1.7m for four sites in Oxfordshire, Surrey and Buckinghamshire for refurbishment/extension. The new provision bids for Coldharbour Lane in Kent and Red Bridge Hollow in Oxfordshire were rejected by the Minister as he considered them to offer poor value for money.

2.6.4 The four sites where funding has been approved are as follows:

Local Authority	**Project Description**	**Grant**	**Pitches on site**	**New pitches**
Buckinghamshire	The Orchards	£358,072	5	1
Buckinghamshire	Bottom Waltons	£106,130	10	0
Oxfordshire	Red Bridge Hollow	£371,728	16	0
Surrey	Littleton Lane	£850,000	10	0
TOTAL		**£1,685,930**	**41**	**1**

2.7 Growth Areas/Growth Points Funding

2.7.1 As one of the inherited CLG programmes, funding for the region's Growth Areas and Growth Points now forms part of the HCA's budget and responsibility. The HCA South East, together with corporate colleagues, is taking on responsibility for the delivery of this programme in conjunction with the relevant local authorities.

2.7.2 With regard to the Community Infrastructure Fund (CIF) round 2 the South East has received funding for six projects which are summarised in the table below:

Growth Area/Point	**Project**	**Total Funding**	**2009/10 (estimate)**	**2009/10 (actual)**	**2010/11 (estimate)**
Ashford	Victoria Way	£16.5m	£6.04m	-	£10.46m
Aylesbury Vale	Urban traffic management & control system	£4.55m	£1.36m	-	£3.19m
Milton Keynes	Milton Keynes Busway	£5.6m	£1.31m	£0.23m	£4.29m
PUSH	SE Hampshire Rapid Transit	£20m	£8.6m	£3.09m	£11.4m
Reading	Reading Station Interchange	£4.37m	£2.30m	-	£2.07m
Shoreham	Shoreham Harbour	£5m	£0.19m	-	£4.81m
TOTAL		**£56.02m**	**£19.81m**	**£3.31m**	**£36.21m**

2.7.3 The purpose of CIF 2 is to support the delivery of infrastructure Growth Areas/Points, complementing mainstream transport funding supporting medium scale transport schemes that will unlock opportunities for new or enhance housing supply.

2.7.4 The South East was very successful in securing CIF2 funding. The total of £56 million represents over a quarter of the £200m total funding made available. The above table shows that the majority of expenditure is forecast for 2010/11.

2.7.5 For 2009/10 expenditure of £19.8 million is forecast with £3.3 million spent to date.

Agenda Item 5

Annex 1: Detailed report on National Affordable Housing Programme (NAHP) Progress in 2009/10

This annex provides a more detailed update on progress against targets in 2009/10 with the focus on expenditure, completions (including rural and larger homes) and start on sites. Also included is an analysis of affordable housing completions on a South East Plan sub-region basis.

a) Expenditure

NAHP Expenditure to date in 2009/10 against the target is shown in the table below.

Table 1: 2009/10 NAHP Expenditure at End of December 2009

Programme	Target (£m)	Actual (£m)	%
Social Rented	n/a	198.78	n/a
Intermediate *(1)*	n/a	104.04	n/a
Other *(2)*	n/a	1.50	n/a
TOTAL	**559.5**	**304.32**	**54.4%**

(1) 'Intermediate' includes all newbuild and Open Market Homebuy products (including Homebuy Direct) plus the Intermediate Rent programme
(2) 'Other' includes remodelling works, major repairs and aids and adaptations to RSL stock, plus Social Homebuy and Right to Acquire

The level of expenditure achieved to the end of December 2009 is significantly higher than that achieved by the equivalent point in 2008/09 (£194 million). The HCA is close to fully committing the resources available for the year. With a significant level of schemes being presented on an on-going basis the HCA is fully confident of meeting the target.

b) Completions

The current targets and progress to the end of December 2009 are shown in the table below.

Table 2: 2009/10 NAHP Completions to End of December 2009 (homes)

Programme	2009/10 Target	2009/10 Actual	%	2009/10 Newbuild
Social Rented	5,434	3,499	64.4%	3,391
Intermediate *(1)*	4,287	3,476	81.1%	1,821
TOTAL	**9,721**	**6,975**	**71.8%**	**5,212**

(1) 'Intermediate' includes all newbuild and Open Market Homebuy products (including Homebuy Direct) plus the Intermediate Rent programme

i) **Overall performance**

As with expenditure, actual completions are progressing well and compare very favourably with the equivalent point of 2008/09 when 5,404 completions had been achieved. This represents an increase of almost 30%. The total of 6,975 completions is in line with what the HCA was forecasting at this stage.

Of the completions to date, almost **75%** have been newbuild reflecting the priority given to the funding of new affordable housing. However, this proportion has been affected by the high demand for the Open Market Homebuy products, which are predominantly targeted at the purchase of second hand properties on the open market as opposed to newbuild.

ii) Tenure

The proportion of the newbuild homes completed between rent and intermediate tenures is **65%:35%** which is below the South East Plan and Regional Housing Strategy aspirations of **71%:29%**. This split has been significantly affected by the introduction of the Homebuy Direct programme in response to the prevailing market conditions. However, this will be a short term effect and the general trend is a shift towards social rented affordable housing provision. For example, as recently as 2006/07 the split was approximately 55%:45% between rent and intermediate affordable housing.

As the NAHP resources have increased in recent years a greater emphasis has been put on social rented provision to address homelessness and overcrowding. Over the same period the amount of low cost home ownership new affordable housing provision has remained fairly constant, rather than decreased. Absolute numbers of social rented homes provided are increasing. The 5,434 homes target for social rented compares to 5,017 in 2008/09 – an increase of 8% and compares to less than 4,000 being provided through the NAHP in 2006/07.

iii) Open Market Homebuy

Of the 6,975 completions to the end of December **1,544** were homes purchased through the HCA's Open Market Homebuy programmes. These are, in the main, for the purchase of second-hand properties. This reflects the continuing strong demand for the products, and the positive marketing by the providers. The Government has announced this year that the Open Market Homebuy programme will no longer be available in 2010/11.

iv) Larger homes

At the end of October a total of **742** social rented homes had been completed with three bedrooms or more. This represents **21.2%** of all social rented completions which is just below the **23%** target as per the Regional Housing Strategy for completions in the 2008-11 period. New funding issued for the 2008-11 has seen higher proportions of larger, family homes being provided than this at **26.8%** overall. Many of these completions will not occur until later in 2009/10 or beyond, so it is expected that the proportion in terms of completions will continue to increase over time.

Alongside this, **102** intermediate tenure larger homes were completed in the same period, representing **5.4%** of all completions (excluding Open Market Homebuy) on this programme.

c) Start on Sites

For the last 18 months or so, due to the prevailing housing market conditions, starts on site have been at low levels, certainly when compared to previous years. However, as an indicator that the affordable housing sector has been less affected than the private house building sector, there have been more than 1,500 starts on site than at the equivalent point of the year in 2008/09, representing an increase of almost 70%.

To reflect the recent housing market conditions the number of starts on site established as the targets for the year has been reduced from those previously indicated at the start of the 2008-11 period. This has been especially so for the intermediate sector where constraints on the availability of mortgage finance has seen a decrease in new low cost home ownership schemes coming forward and a number of requests - though reduced in number more recently - for switches to other tenures, notably intermediate rent or social rent.

Table 3: 2009/10 Start on Sites to the End of December 2009 (newbuild)

Programme	2009/10 Target	2009/10 Actual	%
Social Rented	5,641	2,754	48.8%
Intermediate [(1)]	1,985	924	46.5%
TOTAL	**7,626**	**3,678**	**48.2%**

[(1)] *'Intermediate' includes all newbuild Homebuy products, plus the Intermediate Rent programme*

The number of starts on site recorded here *excludes* a significant number of 'off the shelf' purchases by affordable housing providers of homes nearing completion that were originally intended for the private sector. There were **364** such homes for social rent and **736** for intermediate tenures (including Homebuy Direct) by the end of December 2009. If these are included then the total starts on site increases to **4,778** homes, representing **63%** of the 2009/10 overall target.

d) Rural Programme

At the beginning of the 2008-11 period CLG established a national target of over 10,000 completions in settlements of less than 3,000 population for the three years. This has recently been reduced to 8,500 completions, a reduction of approximately 20%. Consequently the South East's indicative 3-year contribution to this target of 2,286 completions originally has been reduced to **2,071** completions.

To the end of December 2009, **328** completions had been achieved in small rural settlements in addition to the 346 completions in 2008/09. This total to date of 674 homes represents just 32.5% of the reduced target. Forecast completions for 2009/10 as a whole are currently **472** homes, an increase of 36% on 2008/09. This will take the two year total for 2008-10 to over **800** completions but will leave a significant number of completions to be achieved in 2010/11.

At present a further 435 completions in small rural settlements are forecast for 2010/11 which will take the 3-year total to over 1,200 completions. It is expected that further funding will be issued for rural schemes as part of CME but, given development timescales and the still relatively low volumes of new rural schemes coming forward, the proportion of these that are likely to complete before the end of March 2011 to contribute to the target will be small. The shortfall against the target of 2,071 homes is therefore likely to be significant.

In addition to this provision in small rural settlements there has been **127** completions in larger rural settlements of between 3,000 and 10,000 population, with an additional **107** homes forecast to complete by the end of 2009/10 to give a total of **234** homes.

e) Sub-Regional Analysis of NAHP Affordable Housing Completions

Table 4 below presents information on NAHP completions over the three years 2006/07 to 2008/09 compared to the housing completion proportions for each South East Plan sub-region as per the revised *South East Plan* numbers. This analysis *excludes* homes produced through the Open Market Homebuy products as this is not the provision of new housing.

It should be noted that completions in the 2006/07 to 2008/09 period as set out in the table below largely reflect decisions taken before the publication of the South East Plan. In addition, these are completions arising from the HCA's NAHP only and exclude affordable housing completions from other sources.

There are a number of key decision making factors that will affect the ability to meet a planned sub-regional distribution, in particular the volume of schemes coming forward, their deliverability and value for money. The HCA will work with local authorities and sub-regional partnerships in those areas where there have been shortfalls.

Table 4: NAHP Affordable Housing Completions (April 2006 to December 2009) by South East Plan Sub-region

	2006/07 – 2008/09 Comps. (homes)	2009/10 Comps. (homes)	TOTAL Comps. (homes)	% of TOTAL Comps.	South East Plan % [1]
Central Oxfordshire	1,147	211	1,358	5.11%	6.22%
East Kent and Ashford	1,128	403	1,531	5.76%	8.67%
Gatwick Area	909	210	1,119	4.21%	5.50%
Kent Thames Gateway	1,866	267	2,133	8.03%	7.97%
London Fringe	1,917	178	2,095	7.88%	7.32%
Milton Keynes / Aylesbury Vale	1,761	369	2,130	8.02%	10.43%
South Hampshire	3,650	371	4,021	15.13%	12.23%
Sussex Coast	1,878	216	2,094	7.88%	10.59%
Western Corridor / Blackwater Valley	4,767	568	5,335	20.08%	15.61%
Rest of County Areas/Isle of Wight	4,079	680	4,759	17.91%	15.46%

[1] *this column represents the proportion of overall housing completions as a percentage of the regional total as per the revised South East Plan figures*

Agenda Item 5

Annex 2: NAHP Continuous Market Engagement Activity in Quarter 3 (October - December) of 2009/10

1. Introduction

In September 2008 the process of *Continuous Market Engagement (CME)* was introduced as the key NAHP allocation process to allow affordable housing providers to bid for funding on an on-going basis. This allows funding to be allocated in response to opportunities as they arise, and increasing the certainty of delivery by funding closer to the point of delivery.

Bids for funding are able to be made at any time with a decision within a 5-week timescale. All the normal NAHP criteria apply: deliverability, quality and sustainability, value for money and fit with local and regional priorities.

2. Funding Summary

Table 5: Total CME Allocations (October - December 2009)

		Low Cost Home Ownership (LCHO)/Intermediate Tenures									
	RENT	**HBYNB**	**OMHB**	**HOLD**	**HBYDIR**	**Mortgage Rescue**	**INT RENT**	**LCHO Total**	**Sub-Total**	**Other**	**Grand Total**
Value (£m)	69.33	7.62	-	-	2.25	5.97	1.03	**16.87**	**86.20**	0.01	**86.21**
Homes	1,111	383	-	-	70	60	50	**563**	**1,674**	1	**1,675**

Table 6: Total South East 2008-11 NAHP Allocations as at the End of December 2009

		Low Cost Home Ownership (LCHO)/Intermediate Tenures									
	RENT	**HBYNB**	**OMHB**	**HOLD**	**HBYDIR**	**Mortgage Rescue**	**INT RENT**	**LCHO Total**	**Sub-Total**	**Other**	**Grand Total**
Value (£m)	772.7	82.4	116.2	4.8	59.4	7.7	36.3	**306.8**	**1,079.6**	5.6	**1,085.2**
Homes	11,939	3,388	3,517	88	1,989	79	1,160	**10,221**	**22,160**	272	**22,432**

HBYNB = Newbuild Homebuy; OMHB = Open Market Homebuy; HOLD = Home Ownership for People with Learning Disabilities; HBYDIR = Homebuy Direct; Int. Rent = Intermediate Rent; Other = Works to RSL Stock, Right to Acquire, Social Homebuy

During the second quarter of 2009/10 the HCA South East was able to make a significant level of new allocations in the South East of over £86 million to provide almost 1,700 affordable homes (Table 5). This will make a welcome and significant contribution to alleviating housing need in the region.

Two thirds of the homes funded have been for social rent. The number of bids for the Newbuild Homebuy programme has increased from previous quarters to reflect the improving housing market conditions and improving availability of mortgage finance. Providers have also adopted a more flexible approach in relation to the equity share of properties sold. The average proportion for the region has remained close to 35% as opposed to over 40% prior to the housing market downturn.

Excluding the Mortgage Rescue homes 69% of the new homes to be provided are for social rent, which is close to the South East Plan/Regional Housing Strategy aspiration of a 71%:29% provision between rent and intermediate affordable housing respectively.

At the end of December 2009 the whole 2008-11 NAHP programme totalled close to £1.1 billion to produce over 22,000 affordable homes (Table 6). Of these, approximately 3,500 homes are for the Open Market Homebuy programme with the significant majority (18,750 homes) for the provision of new affordable housing. Excluding the Open Market Homebuy homes 64% of the new affordable homes to be provided will be for social rent. This would have been significantly higher, and close to the South East Plan aspirations, but for the additional funding made available by Government for the Homebuy Direct programme in the latter part of 2008/09 as a response to the housing market conditions.

The HCA South East region remains committed, where possible, to meeting the requirements for affordable housing provision as set out in the South East Plan to meet the needs of the region and local areas.

3. Grant Costs

Table 7 (below) shows that the schemes funded in the October to December 2009 period reverted closer to the grant levels that were being approved at the start of the 2008-11 period. The HCA has previously been able to operate flexibly in response to the prevailing housing market conditions and the viability of individual or packages of schemes. However, it was never intended that these higher grant levels would be sustained over a longer timescale in order to deliver the efficiencies expected in the NAHP by Government.

Table 7: Grant Costs of CME Funding: October - December 2009

	RENT Grant/ Home	RENT Grant/ Person	Intermediate Grant/ Home	Intermediate Grant/ Person
Regional average	£62,405	£18,479	£21,657	£6,812

The above grant levels per home have had the effect of reducing slightly the overall grant costs in the South East. However, the HCA does continue to assess schemes on a case-by-case basis and, around these averages, there are higher and lower levels of grant. The October to December CME funding included 108 nil grant homes which have contributed to the lower grant levels overall.

4. Section 106 Affordable Housing Provision

Of the allocations made under the rent and intermediate programmes 29% and 35% of homes respectively were on Section 106 sites.

This represents a reduction from the previous quarter where higher proportions than this were achieved on Section 106 sites (see Table 8 below). It should be noted that the above proportions exclude the Homebuy Direct funding under the intermediate programme as Section 106 site information was not provided at bid stage. However, these units are all properties that were originally intended for private sale. Consequently they are in addition to the affordable units supplied through Section 106 agreements.

Given uncertainty regarding the long term viability of the Section 106 model the HCA continues to work with the private sector, affordable housing providers and local authorities to ensure that alternative models of provision are pursued. This may include making better use of public sector land, including the HCA's, and encouraging providers to purchase land to be in a better position to control developments.

The table below shows NAHP affordable housing provision in terms of newbuild homes on Section 106 sites since April 2008 on a quarterly basis. Section 106 provision increased from April 2008 and peaked towards the end of 2008, since when it has decreased although there has been a degree of fluctuation up to the present point.

Table 8: NAHP Section 106 Site Provision (homes)

Quarter	Rent	Intermediate
2008/09 - Q1	31%	47%
2008/09 - Q2	40%	44%
2008/09 - Q3	57%	60%
2008/09 - Q4	41%	59%
2009/10 - Q1	19%	38%
2009/10 - Q2	36%	48%
2009/10 - Q3	29%	35%

5. Provision of Affordable Housing in Rural Settlements

In the October to December 2009 quarter only a small number of rural homes in settlements of less than 3,000 population were bid for and approved. Homes funded totalled **49**, representing **3%** of the total number of newbuild homes funded in this period. In addition to this there were a further **83** homes approved for funding in larger rural settlements of between 3,000 and 10,000 population.

The low level of new funding to rural settlements made in the 2008-11 period to date continues to have a significant impact on the ability to achieve the three year completions target in settlements of less than 3,000 population. The proportion of the programme going to small rural settlements needs to be closer to **8%** in order for the targets to be achieved. Although it is likely that more rural schemes will be presented, and funded, through the on-going CME process given development timescales it is expected that only a small proportion of these will complete before the end of March 2011, thereby contributing to the 2008-11 targets.

Analysis of provision of affordable housing through the NAHP in small rural settlement reveals quite significant differences between areas of the region. The table below compares 2008-11 NAHP provision (number of homes) to the end of December 2009. Also provided is the number of rural settlements with a population of less than 3,000 as per the CLG/HCA *Rural Gazetteer*.

Table 9: 2008-11 NAHP Provision of Homes in Rural Settlements (less than 3,000 population) as at the End of December 2009

County [1]	Homes	% of Total	No. of Settlements	% of Settlements
Berkshire	50	5.0%	155	6.5%
Buckinghamshire	24	2.4%	236	9.9%
East Sussex	96	9.6%	210	8.8%
Hampshire/IoW	117	11.7%	462	19.4%
Kent	183	18.4%	408	17.1%
Oxfordshire	415	41.7%	449	18.8%
Surrey	50	5.0%	112	4.7%
West Sussex	61	6.1%	249	10.4%

[1] *includes unitary authorities for ease of analysis*

As the above table shows provision varies significantly between counties in terms of numbers and in relation to the number and proportion of rural settlements. Whilst this can only be considered a crude comparison - as there are a number of other variables to the provision of affordable housing in rural areas - it does point to areas where perhaps greater focus or emphasis needs to be placed when looking into this in more detail. Conversely, where provision is good (eg, Oxfordshire) perhaps there are lessons to be learnt and good practice for other areas.

The provision of affordable housing in rural settlements remains a priority for the HCA overall, and the South East in particular. We will endeavour to work with providers, local authorities and other stakeholders to increase provision.

6. New CME Funding by South East Plan Sub-region

The table below shows the split of new NAHP homes funded in the third quarter of 2009/10 by South East Plan sub-region. The total programme for the whole of 2008-11 including these latest CME allocations is also presented. Note that this table relates to *new homes funded* in 2008-11, which may complete over a number of years.

With the move towards a continuous bidding process the location of new homes funded at any point by the HCA is largely dependent upon the deliverability of schemes at that time. Therefore the geographic distribution of new funding allocations is quite likely to be uneven across the region during any quarter that is being reported on.

Table 10: CME Funding (October - December) and Overall 2008-11 Funding by South East Plan Sub-region

	Oct-Dec 2009 (homes)[1]	% of Total[1]	Total 2008-11 (homes)[1]	% of total 2008-11[1]	SEP %[2]
Central Oxfordshire	0	-	993	5.61%	6.22%
East Kent and Ashford	225	13.85%	1,435	8.11%	8.67%
Gatwick Area	37	2.28%	498	2.81%	5.50%
Kent Thames Gateway	123	7.57%	1,591	8.99%	7.97%
London Fringe	52	3.20%	1,397	7.89%	7.32%
Milton Keynes / Aylesbury Vale	284	17.49%	1,993	11.26%	10.43%
South Hampshire	47	2.89%	2,318	13.09%	12.23%
Sussex Coast	120	7.39%	1,441	8.14%	10.59%
Western Corridor / Blackwater Valley	444	27.34%	2,731	15.43%	15.61%
Rest of County Areas/Isle of Wight	292	17.98%	3,307	18.68%	15.46%

[1] *these columns relate to new funding allocations issued in either the July - September 2009 period through the CME process, or to the new funding allocations issued for 2008-11 as a whole as at the end of September 2009*

[2] *this column represents the proportion of overall housing completions as a percentage of the regional total as per the revised South East Plan figures*

Examination of homes funded in as short a time period as three months is always likely to show significant variations between sub-regions, and when compared to the South East Plan requirements. In terms of the total newbuild homes funded in the 18 months to date of the 2008-11 period the table above shows a much closer alignment to the South East Plan aspirations.

The HCA will continue to monitor the geographical distribution of allocations throughout the three years of the 2008-11 NAHP to support the sub-regional distribution in the South East Plan. We will work with the relevant local authorities to address any imbalances that occur in the distribution of funding by taking action to boost the supply of affordable housing in these sub-regions

7. Affordable Housing for Vulnerable People

The Regional Housing Board has prioritised the provision of supported housing in the South East and is seeking to ensure that at least **5%** of the programme is allocated to supported housing schemes, including older persons. The latest CME funding issued between October and December 2009 will provide a further **277** new rented homes for vulnerable households, including older persons.

This represents **25%** of the total number of rented homes funded in this quarter. This ensures that the level of homes to vulnerable people overall in the 2008-11 programme the level of supported housing overall in the 2008-11 programme as a whole stands at **11%** of the rented programme, significantly higher than the Regional Housing Board's aspirations.

Numbers have been boosted by increasing provision for older persons. For, example of the 277 homes provided in this quarter for vulnerable people, almost 200 were for older persons with the remainder for more traditional vulnerable client groups. The HCA in particular has funded a number of large Extra Care schemes throughout the 2008-11 period.

We will continue to work with providers, local authorities and Supporting People authorities to maintain the supply of supported housing schemes in the programme.

8. Larger Homes

The Regional Housing Board has prioritised the provision of larger homes in the South East to alleviate the levels of overcrowding which many households in the region are experiencing, as well as to meet the wider need for more family housing.

During the October to December 2009 CME period a total of **376** homes of three bedrooms or more have been funded. Of these, **296** homes were for rent representing **26.6%** of the total. Alongside this there were **80** intermediate homes funded representing **15.9%** of the total homes funded (excluding Open Market Homebuy).

This has enabled the overall 2008-11 proportions at the end of December 2009 to exceed in the case of rent (**26.8%**), or be close to in the case of intermediate (**13.3%**), the Regional Housing Board's aspirations of **25%** of new homes funded for rent and **15%** of new homes funded for intermediate tenures.

9. Design and Quality

The HCA is looking to improve the quality of the affordable homes that are funded in the NAHP by supporting schemes built to at least Level 3 of the Code for Sustainable Homes. All relevant newbuild schemes funded between October and December 2009 met this standard, with 31 homes exceeding Level 3. With in is only the second Code Level 5 NAHP scheme funded in the South East – the Lovejoy Lane scheme in Windsor & Maidenhead for nine homes (Wayfarer Partnership).

It is encouraging that bidders are continuing to develop schemes which meet these new standards.