**Report to: Kent Housing Group**

**From: Homes & Communities Agency**

**Date: January 2016**

**Subject: HCA update**

This report provides an update on the various programmes that have been available to Local Authorities, Registered Providers and Developers. The programmes are national but the report indicates where bids have been received within the Kent. On some programmes the deadline for applications has passed, however, where there are still opportunities to bid under the Continuous Market Assessment (CME) this is highlighted.

# Spending Review and Autumn Statement

Spending Review and Autumn Statement 2015 document: <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf>

Office for Budget Responsibility Economic and Fiscal outlook – November 2015:

<http://cdn.budgetresponsibility.independent.gov.uk/EFO_November__2015.pdf>

* The Chancellor confirmed the Government’s commitment to the housing industry, with investment to build the homes local communities want, and to support people into a home of their own
* Overall the housing package totals around £20bn, including £8bn to deliver over 400,000 affordable starts, and a further £12bn to provide many more homes
* This represents the biggest affordable house building programme since the 1970s, and includes:
  + 200,000 Starter Homes
  + 135,000 homes under Help to Buy Shared Ownership
  + 10,000 homes allowing a tenant to save for a deposit whilst renting
  + 8,000 specialist homes for older people and people with disabilities
* This supports Government’s wider ambitions to deliver one million new homes, with a focus on supporting people into home ownership to double the number of first time buyers
* Loan Finance - Short Term funding - £1bn (including existing £525m BFF) short term fund to 2020-21, with added flexibility to enable government to support emerging markets e.g. offsite manufacturing. Fund will provide loan finance for a term of up to five years in order to support the delivery of some 26,500 new homes to 2024-25.Fund will be launched in Spring 2016.
* Loan Finance - Long term funding **-** £2bn fund offering long term loan funding focussed on supporting the delivery of a strong future pipeline of housing supply. Fund will unlock development of up to 140,000 homes on brownfield land. Fund replaces and expands on the previously announced Large Sites Infrastructure Fund (£1bn launched in April 2014) and Housing Zones (up to £200m, announced in June 2014 in the Chancellor’s Mansion House speech) loan funding programme. The Fund will also support the commitment on Brownfield Regeneration Fund.

Detail all the above will emerge in due course.

**Housing and Planning Bill**

This was announced on 13 October and is available from the Government web site website

<http://services.parliament.uk/bills/2015-16/housingandplanning.html>

**Key Bill provisions**

* Extending [Right to Buy](#_Bill_provisions:_Right) discount levels to housing association tenants and requiring local authorities to dispose of high value housing assets to fund new affordable housing
* Providing a statutory framework for the delivery of [Starter Homes](#_Bill_provisions:_Starter)

[Planning and Delivery](#_Bill_content:_Planning)

* Giving the Secretary of State further powers to intervene if **Local Plans** are not delivered
* Creating a duty for local authorities to hold a **register of various types of land** and giving housing sites identified in a brownfield register planning permission in principle
* Allowing developers to apply for consent for some housing schemes under the **nationally significant infrastructure planning regime**
* Streamline the process for creating **Urban Development Areas and Corporations**
* Improving the **compulsory purchase** regime
* Requiring local authorities to meet demand for **custom‐build and self‐build** homes

[Regulation](#_Bill_content:_Regulation)

* Reforms to the management and regulation of the **private rented sector**
* Allowing the Secretary of State to **reduce regulations on Housing Associations** (to allow flexibilities agreed under the voluntary Right to Buy deal to be introduced later)
* Requiring **tenants in social housing on higher incomes** to pay market rate, or near market rate, rents

The Bill has completed report stage and had its third reading in the House of Commons. The first reading in the House of Lords took place on 13 January. Details are on the link above.

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| **Update on Current Programmes** |

**AHP 15 -18**

Quarterly updates to allocations made under the Affordable Homes Programme 2015 to 2018 were published on 19 November and can be found on the link below. Data is provided at Registered Provider level and minimum geography

<https://www.gov.uk/government/publications/affordable-homes-programme-2015-to-2018-quarterly-updates>

**AHP Continuous Market Engagement**

Further to the Government’s Spending Review announcement on 25 November 2015, bidding for the 2015 to 2018 Affordable Homes Programme has now closed.

However, in order to maintain a pipeline of delivery in the lead up to the launch of the new 2016 to 2021 Affordable Homes Programme, a process of continuous market engagement (CME) will continue to operate for shared ownership bids only. We will also consider nil grant Affordable Rent schemes in the interim.

Please note that the bidding requirements for Affordable Home Ownership and nil grant Affordable Rent schemes are as set out in the 2015 to 2018 prospectus, along with the assessment principles which still apply. Guidance on how to bid is available on the HCA’s investment management system help page.

**Right to Buy Extension**

The government has accepted the housing associations proposal to voluntarily accept Right to Buy; meaning that housing association tenants can start to buy their homes from next year. NHF members controlling 93% of stock backed the proposal. More detail is in the Housing and Planning Bill

1. **Local Growth Fund (Housing Infrastructure)**

As part of Autumn Statement 2013 the Chancellor announced that £50m of the Local Growth Fund would go towards unlocking housing developments ranging from 250-1499 units. The £50m will provide targeted support to sites which are championed by the relevant Local Enterprise Partnership where infrastructure, through its early provision, can unlock or accelerate the delivery of housing. No schemes are going forward in Kent

1. **Local Growth Fund ( Housing Revenue Account Borrowing Programme)**

In the Autumn Statement 2013, the Government announced it would raise local authority Housing Revenue Account borrowing limits, by £150 million in 2015-16 and £150 million in 2016-17, allocated on a competitive basis to drive value for money. Local authorities, who need additional borrowing, have bid for that increase to enable schemes that will help to deliver 10,000 new affordable homes. *Maidstone Road, Charing - Ashford*

1. **Large Sites Infrastructure Programme**

The Large Sites Infrastructure Programme provides a package of support to bring forward large scale housing development and shortlisted projects were announced in 14/15*.* **It was reopened for new bids on 21 October 2015**

<https://www.gov.uk/government/publications/large-sites-infrastructure-programme-prospectus>

1. **Builders Finance Fund**

The fund is intended to address difficulties in accessing development finance faced by some house builders and to help accelerate and unlock housing developments between 15 and 250 units that have slowed down or stalled completely. **This has now reopened for bids and will continue on a CME basis until all funds have been allocated.**

1. **Estate Regeneration Programme**

This £150m Estate Regeneration Programme is designed to help regenerate rundown estates and improve the lives of residents. Bidding closed on 12 September. 4 projects, all London based, have been shortliste and are undergoing due diligence.

1. **Housing Zones**

Bidding opened on 22 August for housing zones, which includes access to £200 million Housing Zones fundand other support measures designed to accelerate the delivery of housing, with priority given to brownfield sites. Local authorities could apply to be designated as one of 10 Housing Zones the government want to see created across the country. A shortlist of 29 was announced in January 2015 and these are currently going through an assessment process looking at Value for money and delivery.

1. **Custom Build Serviced Plots Fund**

The Custom Build Serviced Plots Loan Fund (CBSP) provides a £150 million fund to support the development of serviced plots to help people who want to custom build their own home. Serviced plots are shovel ready sites with planning permission, where plots or parcels of land are laid out and ready for construction. Access is provided and each plot or parcel of land has utilities/services provided within its boundary.

Funding is a fully recoverable loan. The programme is targeted encouraging applications from private sector developers (particularly small and medium-sized), housing associations, Community Land Trusts or community groups.

Expenditure eligible for loan funding includes: on-site infrastructure costs; provision of on-site utilities; land preparation; demolition; fencing and landscaping; and professional fees. Loan funding for approved projects is capped at 75% of their eligible costs, as agreed at the application stage. Applicants are required to have in place the remaining 25%, with a preference for equity, of funding required to complete servicing of the plots to bring them to market. It is expected that applicants will have used this funding and incurred expenditure from their own resources before any loan advances are made.

Following the conclusion of the initial bidding round between July and September 2014, **access to the fund is now on a continuous market engagement (CME) basis** until the fund is fully allocated. The fund is intended to be open to applications from 2014/15 until 2019/20. The total fund must be drawn down by 31 March 2020 and repaid by 31 March 2025. Eligible projects must bring forward sites with a minimum of 5 serviced building plots which enable the construction of 5 custom build homes, whether these are detached, terraced or in the form of apartments.

Funding from other HCA programmes (for example the Builders Finance Fund) can be applied for providing it is not for the same work. Any outstanding HCA loan must also be repaid ahead of allocating further funding.

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1. **Rent to Buy**

The Rent to Buy prospectus invites bidders to apply for loan funding for up to £200 million outside of London. Bidding for the fund, via the Investment Management System from 30th September 2014, will enable the delivery of more new homes, complementing our grant-funded 2015-18 Affordable Homes Programme launched in January. Details on bidding, open to registered providers and those intending to register by the time the homes are complete, can be found in the prospectus.

The programme is designed to support working households who have not owned a home before to achieve their aspiration of home ownership through a fixed period of sub-market tented housing. If the landlord seeks to sell the property at any time after the original seven year letting period, the tenant should have a right of first refusal to buy their home at open market value.

In addition, at any time after the seven years, tenants will be able to request to buy their home; and we would expect the landlord to agree to sell it (at market value) unless there were clear business reasons for not doing so at that stage. In particular, the landlord would not be required to sell if the market value was lower than the cost to the association of providing the home (including financing costs).

Assessments of bids commenced from the 12th November 2014 and announcement of allocations made in February 2015. There were no bids for Kent. A new grant funded Rent to Buy product is likely to be included in the 16 -21 AHP

1. **Help to Buy**

An update on Help to Buy, including data at LA level on the New Build and Mortgage Guarantee routes was published on 30 April <https://www.gov.uk/government/statistics/help-to-buy-equity-loan-scheme-and-help-to-buy-newbuy-statistics-april-2013-to-march-2015>

showing more than 47,000 homes have been bought under the this programme, and is available on the DCLG web site

1. **Care and Support Specialised Housing (CaSSH)**

Up to £120 million capital funding for specialist housing providers is available via the HCA, on behalf of the Department of Health, to bring forward proposals for the development of specialist housing to meet the needs of older people and adults with disabilities or mental health problems outside of London. This is in addition to £101 million funding allocated in 2013.

* Bidding opened on 17 February and closed on 29 May 2015. Bids are currently being assessed at area level, will then go through for national moderation and then to DOH. Allocations to be announced in October.
* £120 million available outside London to fund housing for people with mental health problems, learning disabilities and housing for older people. Bids are welcomed for all forms of affordable housing, affordable rent and/or affordable home ownership (shared ownership).
* Aimed at clients who do not require full residential care but would benefit from some form of adapted independent living. Schemes should be able to accommodate changing cared needs of clients
* Must achieve practical completion by March 2018
* Older persons housing expected to confirm to HAPPI principles. Innovation for new housing types is encouraged
* Remodelled housing is allowed but must represent vfm and meet identified and prioritised local need
* Social rent will only be agreed if the affordable rent is calculated to be lower and would otherwise make the scheme unviable
* Open to all organisations who are, or intend to become, qualified as HCA investment partners. The landlord of the resulting property must be a registered provider of housing
* Announcement of allocations anticipated in the near future

1. **Homelessness Change and Platform for Life Funds 2015 to 2o17**

The Prospectus for these funds was published on 12 March and bidding was open for a share of up to £25 million Department of Health funding to improve facilities and accommodation for rough sleepers, and young homeless people in education or work, outside London. There are 2 strands to this new funding programme, which we are administering:

* Providing tailored hostel accommodation and improved facilities for the provision of healthcare, training and education for rough sleepers, with the aim of helping them off the streets and transforming their lives.
* Shared accommodation let at an Affordable Rent for young people aged 18 to 24, who are homeless or at risk of homelessness, in housing need and who would not be a priority for self-contained housing.
* The aim is to provide a stable place to live, where residents can be supported into training and education, linked effectively into existing health services, and encouraged into long term employment, independence and healthy living.
* Closing date for bids was 12 June and allocations were announced on 22 December.
* The following schemes achieved allocations in Essex

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| **2015-17 Homelessness Change allocations** | |  |  |  |  |
|  |  |  |  |  |  |
| **HCA Operating area** | **Lead provider name** | **Scheme name** | **Local Authority** | **HCA funding** | **Units/bedspaces** |
| East and South East | Homeless Action Resource Project | Ceylon Road | Southend-on-Sea | £232,296 | 8 |
| East and South East | Homeless Action Resource Project | Land to the Rear of the Bradbury | Southend-on-Sea | £557,346 | 19 |
| East and South East | Southend on Sea Borough Council | Homelessness Change Southend Borough Council | Southend-on-Sea | £108,622 | 10 |
| **Platform for Life allocations** |  |  |  |  |
|  |  |  |  |  |  | |
| **OA** | **Lead provider name** | **Scheme name** | **HCA funding** | **Local Authority** | **Units/bedspaces** | |
| East and South East | Southend YMCA | FFTF Newlands | £55,550 | Southend-on-Sea | 3 | |
| East and South East | Southend YMCA | FFTf Shop Conversion | £81,805 | Southend-on-Sea | 2 | |

1. **Build to Rent**

In September 2012 the Government established the Build to Rent (BtR) fund to invest £200m in housing developments to ensure that high quality Private Rented Sector (PRS) homes are delivered. The overall fund was subsequently increased to £1bn as part of the 2013 budget announcement. Through this, the BtR programme aims to attract institutional investors to broaden the market and leverage additional private sector investment into the housing market.

The investment parameters for Government funding require bidders to commit their equity ahead of any public sector investment. In addition, Government will require a senior debt position or joint first charge and will look to fully recover its loan plus interest within 1-2 years of completion of the PRS units.

There has strong demand for the fund. A list of contracted schemes is available on the GOV.UK website. The programme is now open on a continuous market engagement (CME) basis and will support high quality schemes which can start on site by March 2016. Schemes can be made up of single or multiple sites, but they must demonstrate good design and quality and that they will be attractive to institutional investors. The fund will not provide gap funding.

The minimum size for a proposition in continuous market engagement is 100 new private rented units (which could be across a portfolio of sites).

1. **Starter Home Initiative**

The Government launched the [starter homes initiative](http://www.new-homes.co.uk/starter-homes/) by announcing a £26 million fund for housebuilders to demonstrate a range of high quality homes that will be available for first-time buyers. These will pave the way for the first wave of starter homes and show aspiring young homeowners the different types of properties they can come to expect from the scheme.

The fund will support architects, developers, councils, housing associations and small builders to build properties that will increase the quality of design. It will be used to acquire brownfield sites to provide land for starter homes. Money from the sales of these sites will go back to the government.

In a further move to support aspiring homeowners the government also made available up to £10 million for local authorities to prepare more brownfield land for development of starter homes.

* Starter homes will be offered exclusively to first-time buyers aged under 40 with a discount of 20% on market values.
* The £26 million fund will be used to identify and purchase sites and prepare them in 2015 to 2016. This will enable more of the properties to be started in 2016 to 2017 and 2017 to 2018. The majority of the sites will be underused brownfield land, currently not allocated for housing. **HCA is currently considering sites for purchase and is happy to look at sites that partners may think are suitable for the initiative. There are 9 sites in Kent currently going through the approval process.**
* The up to £10 million grant funding will be open to councils to assist them in bringing forward brownfield sites that are currently underused or vacant. It will help them carry out preparation, clearance and infrastructure work to make them viable for starter homes.
* These are one-off funds designed to accelerate provision of starter homes.
* The government has released a series of exemplar starter home designs to encourage developers to push for excellence when building the properties <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/419212/150330_-_Starter_Homes_Design_FINAL_bc_lh_pdf.pdf>

The prospectus for the Local Authority element was published on 12 October and can be found on the link below

<https://www.gov.uk/government/publications/starter-homes-local-authority-funding-programme-prospectus>

Allocations were announced on 8 December, funding is being made on a grant funding non-recoverable basis and must be spent by March 2016 so that starter homes can be built in 2017 to 2018. Successful bidders in Essex and Kent are Shepway with funding for 2 sites amounting to £27,764 to bring forward 27 homes, Tendring with funding of £200,000 for 1 site to bring forward 10 homes and Basildon with £200,000 for 1 site to bring forward 8 homes.

1. **Starter Home Fund**

On the 4 January a £1.2bn starter home fund was announced to prepare brownfield sites for new homes. The aim is to fast-track the creation of at least 30,000 new starter homes and up to 30,000 market homes on 500 new sites by 2020 – helping deliver the commitment to create 200,000 starter homes over the next 5 years.

The new investment will help kick-start regeneration and secure planning permission in urban areas – renovating disused or under-occupied urban sites so builders can get to work without any delays. Further details will be available in due course

1. **Direct Commissioning**

Also on 4 January that the government is to step in and directly commission thousands of new affordable homes on publically owned land .

The first wave of up to 13,000 will start on 4 sites outside of London in 2016 – up to 40% of which will be affordable ‘starter’ homes. This approach will also be used in at the Old Oak Common site in north west London.

In Kent Connaught Barracks is one of the selected sites. This is a former MOD site of 55 hectares acquired by the Homes and Communities Agency (HCA) in 2008. At its core is a Napoleonic fort now owned by the Land Trust. The site is allocated for up to 500 housing units. It is considered challenging by private developers due to complex demolition and utility upgrade works that are required prior to development. As a result work on the site is currently stalled and incurs significant holding costs. Direct commissioning will enable this site to be brought forward, reducing the costs to the public purse and bringing forward additional housing that the market alone would not deliver.

**Other Matters of Interest**

**Housing Statistics**

**We’ve published our latest set of six-monthly housing statistics, cover the first half of this financial year (1 April to 30 September); they are also the first of the new spending period.**

This breaks down as 10,592 new homes started and 9,471 new homes completed.

7,572 of the starts (71% of the total) were for affordable homes; while 3,020 were for market homes. On completions, 6,447 (68% of the total) were for affordable homes; while 3,024 were for market homes. The 2015-18 Affordable Homes Programme accounted for 91% of the affordable homes started in the first 6 months of 2015-16.

These figures are in line with what we expected, given the transition between programmes and spending periods, and cyclical nature of our delivery.

Andy Rose said: “The performance over the first six months reflects the early stages of a new programme. Given the significant housing investment announced in the Spending Review, we look forward to working with our partners to help deliver Government’s ambition for housing supply, home ownership and strong local places.”

The figures don’t include homes completed with the assistance of the Help to Buy equity loan, which are due to be reported separately by DCLG on 9 December.

To see the full breakdown of the statistics by area and tenure, visit <https://www.gov.uk/government/statistics/housing-statistics-1-april-2015-to-30-september-2015--2>

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