

BRIEFING



2011-15 Affordable Homes Programme – Framework (DCLG, HCA)

14 Feb 2011

The following note identifies some key issues in the Framework document from an HBF perspective. It does not attempt to summarise 67 pages of detailed guidance.

Framework

<http://www.homesandcommunities.co.uk/affordable-homes>

Ministerial Statement

<http://www.communities.gov.uk/news/corporate/1842869>

The objectives of the Framework, published today, are to set out in detail changes in affordable housing provision for the period 2011-15, and to invite affordable housing providers to put forward proposals. The deadline for proposals is 3 May 2011. Initial contracts will be signed in July.

Programme

The programme for 2011-15 is £6.5bn, of which £4.5bn is for new affordable homes, delivering 150,000 homes. However the detailed breakdown is instructive.

Existing NAHP commitments for 2008-11 falling within the 2011-15 period are valued at £2.28bn, with Affordable Rent and Affordable Home Ownership (the new programme, as yet uncommitted) valued at £1.80bn. Together these total £4.1bn. The remaining £0.4bn (to get to the £4.5bn total) is for several schemes not related to new build.

- In terms of numbers of dwellings for the 2011-15 period:
- Existing NAHP commitments: 67,000
- Affordable Rent and Affordable Home Ownership: 56,000
- Other (not new build): 7,300
- “Other including grant free and local authority funded homes”: 19,700
- **TOTAL: 150,000**

S106 units will be included in the Existing NAHP commitments, and “Other”.

Tenancies

Registered providers can now grant tenancies from a minimum of 2 years up to lifetime. Dwellings let under Affordable Rents must be kept available for rent in perpetuity.

New Delivery Model

The programme must meet local priorities, as identified by local authorities (i.e. bottom up). For example, the old HCA approach of initially allocating funds on a regional basis is now gone. However there are special arrangements for London (Chapter 7) which is expected to deliver about 27% of the programme, in line with the 2008-11 programme delivery.

Affordable Rent will form the principal element of new supply (beyond existing commitments). There is some room for Affordable Home Ownership products “where it is a local priority and offers value for money”, but approvals for Social Rented housing will only be given “in exceptional circumstances”. Affordable Rent allows setting rents at “up to 80% of gross market rents” inclusive of any service charge, although the document makes clear providers will need a very good reason to charge less than 80%. Bids that include only affordable home ownership will not be considered.

The Framework allows for some affordable home ownership sales to eligible consumers with an equity loan (HomeBuy), but there will be no HCA funding, the maximum loan will be 20% of the property’s value, with terms and conditions identical to the HBD product. The priority of affordable home ownership is existing social tenants (different from the HBD emphasis). However shared ownership is expected to form “the main element of affordable home ownership”. Aside from shared ownership and shared equity, “alternative home ownership models will not be considered for funding”.

Allocations and nominations for Affordable Rent homes will mirror existing frameworks for social rented housing.

The Framework encourages re-lets of existing social housing to be under the Affordable Rent model, although not all re-lets. All the additional finance generated by Affordable Rent re-lets must be used to support delivery of new supply.

Under the new delivery model, the current detailed scheme-by-scheme appraisal process will end, giving way to a much more flexible programme. Bidders will be expected to identify specific schemes for the first two years, with “indicative proposals” for later years and flexibility to alter the programme during the latter period.

The new model aims to maximise new affordable housing delivery within the context of reduced public funding for affordable housing. The Affordable Rent product and use of existing assets (particularly re-lets at Affordable Rents) are at the heart of generating additional financial capacity.

The new model has four broad funding streams:

- Additional borrowing capacity generated by Affordable Rent re-lets plus the net rental income stream from new Affordable Rent properties;
- Existing cross subsidy, which includes S106 subsidy;
- HCA funding “where required for development to be viable” – but note that S106 sites must be appraised on a nil grant basis, and grant funding will very rarely be available;
- Other sources of funding or means of reducing costs, including New Homes Bonus and CIL.

A key paragraph for S106 agreements is:

“Provider requests for HCA funding to support delivery of new supply are expected to be the minimum necessary for delivery to be viable, taking account of contributions from the other sources of funding outlined above.”

There is a strong emphasis on “bearing down on costs of new supply”, open book, innovative and efficient supply chain procurement approaches, and on not allowing competitive bidding by RSLs to drive up land values, costs or profits.

The HCA and DCLG expect most bids to include proposals for re-lets at Affordable Rents (“conversions” in the jargon), although it does allow for other bids provided they demonstrate “value for money achieved through generating funding capacity from other sources”, which could include S106 agreements. (In discussions with the HCA, HBF members have considered whether they will (a) bid for funds on their own – which may be difficult as they don’t have re-lets – or (b) bid in consortium with RSLs, or (c) not bid at all and rely on selling S106 units to RSLs later as the RSLs seek to acquire homes to meet their programmes.)

Local authorities are “strongly encouraged” to consider the contribution they can make to affordable housing delivery, including use of their own land holdings, and the application of other sources of funding such as from the New Homes Bonus and CIL.

Definition of Affordable Housing

A proposed revision to the definition of Affordable Housing in PPS3, to take account of the new model (paragraph 3.26), is out for consultation (deadline 28 March).

Burden of Regulation

The Framework says: “Offers to meet highest standards than the HCA’s requirements will be advantaged in the assessment process, subject to offering good value for money”. It also says: “Some local authorities may require additional local standards”.

John Stewart
Director of
Economic Affairs