

THE NATIONAL AFFORDABLE HOMES AGENCY

Investment Statement 2008-11

April 2008

North East



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1. Foreword from the Field Director

I am delighted to be introducing this regional Investment Statement which outlines our initial allocations from the National Affordable Housing Programme for 2008-11.

In building our regional programmes we looked to achieve a number of key objectives to ensure that our allocation decisions were sound and in support of the regional priorities for each northern region. These objectives included:

- meeting the priorities laid down by the Regional Housing Boards;
- ensuring that the individual intricacies of the three northern regions were taken into account whilst not losing sight of those issues that cut across the North;
- linking our investment decisions to economic regeneration and development;
- concentrating our investment around the City Regions where economic prosperity can be best influenced;
- maintaining continued focus on the provision of larger family homes;
- continuing to meet challenging efficiency targets and ensuring best value for grant.

Out of the total £1bn available for allocation across the North we have made new allocations of just over £475m in this first round of allocations. This equates to a little over 47% of the funds available to us and will deliver 11,152 new homes for rent and sale.

The remainder of our resources will be allocated through an ongoing process of regular market engagement where we will seek to add to the initial allocations with more quality schemes that will meet regional priorities and contribute to the delivery of the targets set by Government in recent months.

Our regional investment priorities continue to address diverse challenges and include the provision of homes in rural areas, support for the elderly and BME communities and ongoing support for Housing Market Renewal.

We are committed to delivering affordable homes to focus on the priority areas where they are most needed. Allocations were strategically directed in each of the three regions in line with the evolving Regional Housing Strategies in the North:

- £194.8m allocated to building 10,800 larger family homes. This constitutes 42% of the overall initial allocations for the three northern regions;
- a concentration of investment towards City Regions in order to contribute to economic growth;
- ongoing support for Housing Market Renewal, with £193m allocated to the northern Pathfinders and priority areas equating to 41% of our overall programme.

The programme will build on the success of previous years and will continue to be delivered through our Investment Partners, which includes a mixed economy of providers ranging from Housing Associations, ALMOs and new partners from the private sector.

As we move closer to the creation of the Homes & Communities Agency we will align our work with that of English Partnerships and will continue to work closely with Local Authorities, reinforcing the strength of our partnership along the way.

We will continue to encourage opportunities for innovative approaches to design and procurement and closer strategic working to provide well designed affordable homes in sustainable communities.

I am very much looking forward to the challenge of the delivery of this ambitious programme and delivering the new affordable homes in sustainable communities that are needed across the North, creating a positive legacy that the Housing Corporation will be proud to hand to the Homes and Communities Agency.

John Carleton

Field Director – North
March 2008

2. Introduction

Table 1 - Overall regional allocation

	RENT	LCHO							
	RENT	HBYNB	INT. RENT	OMHB	HOLD	LCHO Total	Sub-total	Other	Grand total
Value (£m)	40.7	5.4	0.8	1.1	0.9	8.2	48.9	0.0	48.9
Homes	857	267	19	30	29	345	1,202	0	1,202

The North East Assembly, via the North East Housing Board (NEHB), has allocated £162m for the 2008-11 period. Once commitments relating to completions from the 2006-08 programme were factored in £139m remained for new schemes in the region.

The Assembly agreed that the percentage split between homes for rent and for low cost home ownership (LCHO) should be 80:20 over the funding period. Bidders were encouraged to focus on high quality, deliverable schemes which would meet efficiency targets and which aligned with both the objectives set by the Assembly in terms of type of housing provision and sub-regional split.

This first bidding round attracted bids totalling over £95m; allocations were made totalling £48.9m. Taking into account existing commitments from 2006-08 and this first round of bidding, some 44% of existing resource has now been allocated.

3. Competition

Table 2 - Bids received

		Number of bidders	Value (£)	Homes	Grant per unit (£)
RENT	Private Sector Partner	4	12,060,483	232	51,985
	Housing Association	9	69,265,872	1,408	49,195
	Total	13	81,326,355	1,640	49,589
LCHO	Private Sector Partner	2	3,941,923	116	33,982
	Housing Association	8	10,208,055	432	23,630
	Total	10	14,149,978	548	25,821
Grand total		13	95,476,333	2,188	43,636

Table 3 - Bids accepted

		Number of successful bidders	Value (£)	Homes	Grant per unit (£)
RENT	Private Sector Partner	2	2,048,729	56	36,584
	Housing Association	8	38,661,837	801	48,267
	Total	10	40,710,566	857	47,504
LCHO	Private Sector Partner	1	0	18	0
	Housing Association	7	7,123,455	297	23,985
	Total	8	7,123,455	315	22,614
Grand total		10	47,834,021	1,172	40,814

No bids were received from private sector partners in the 2006-08 bidding round. In this first bidding round in the 2008-11 programme bids were made by four private sector partners, and bids were accepted from two private sector partners. Three new partners pre-qualified in 2007 but not all put in bids in this round, although it is anticipated that there will be bids coming through Regular Market Engagement (RME).

Thirteen housing association partners submitted bids. All bids came from pre-qualified partnerships; there were no specialist bids. The majority of successful bids were made by regionally based associations who, in very broad terms, brought together the strategic aims of the North East Regional Housing Strategy, met the efficiency targets in terms of grant per unit, and also offered schemes which should be deliverable.

From the tables above it is evident that there is less difference in grant per unit of bids received and bids accepted in the housing association sector than in the private sector where some bids had excessively high grant requirements, and consequently were not accepted as part of the programme. Discussions will take place with all partners over the appropriateness of re-bidding for schemes which were rejected in this round.

4. Overall allocations

Table 4 - Allocations by sub-region (doesn't include OMHB)

Sub-region	RENT			LCHO		
	Value (£m)	Homes	Grant Per Unit (£k)	Value (£m)	Homes	Grant Per Unit (£k)
County Durham	5.8	124	47.2	1.9	87	21.6
Northumberland	6.0	134	44.9	0.5	38	13.4
Tees Valley	14.9	308	48.5	3.1	123	24.8
Tyne and Wear	13.9	291	47.8	1.7	67	25.1
Total	40.7	857	47.5	7.1	315	22.6

The allocations by sub-region largely align with North East Housing Board objectives. The targets set by the NEHB for allocations, in cash terms, across the sub-regions are as follows:

- Durham 15-20%
- Northumberland 15-20%
- Tyne & Wear 35-40%
- Tees Valley 35-40%

Due to the high number of accepted bids for homes in rural areas and market towns in both Durham and Northumberland this initial bid round resulted in reasonably high allocations in those sub-regions.

Both Tyne & Wear and Tees Valley also received allocations in line with percentages suggested in the North East Regional Housing Strategy, although the targets given by the Board must be seen in the context of allocations over the full funding period 2008-11.

Table 5 - Allocations by local authority

	RENT		LCHO	
	Value (£)	Homes	Value (£)	Homes
Alnwick	540,000	10	0	0
Berwick upon Tweed	0	0	126,000	6
Blyth Valley	2,027,500	46	110,000	22
Chester-le-Street	1,008,000	22	100,000	10
Derwentside	900,000	20	1,150,000	52
Durham	2,358,000	50	173,000	5
Easington	1,329,000	27	308,000	14
Gateshead	1,260,000	15	0	0
Hartlepool	3,622,867	81	370,000	17
Middlesbrough	3,574,000	76	1,112,000	32
Newcastle upon Tyne	3,822,691	76	514,564	16
North Tyneside	2,173,000	39	328,000	10
Redcar and Cleveland	3,323,000	64	322,000	13
Sedgefield	0	0	45,000	1
South Tyneside	468,000	8	88,000	4
Stockton-on-Tees	4,405,646	87	1,246,528	61
Sunderland	6,200,000	153	750,000	37
Teesdale	254,000	5	105,363	5
Tynedale	2,244,862	54	0	0
Wansbeck	1,200,000	24	275,000	10
Total	40,710,566	857	7,123,455	315

5. Summary of performance against North East Housing Board targets

Table 6– Performance against Regional Housing Board targets

	North East Regional Housing Strategy: Strategic Objectives	Homes	Total Grant Requested (£)	Grant per unit (£)
RENT	1. To rejuvenate the housing stock...replacing market failure with high quality housing in the right locations to help create successful, cohesive and sustainable communities.	314	14,963,337	47,654
	2. To ensure...new housing...provides choice and supports growth. This will reflect the diversity of urban and rural communities and the needs for affordable housing.	380	17,055,229	44,882
	4. Housing investment to address specific community and social needs, including an ageing population and the needs of minority communities.	163	8,692,000	53,325
LCHO	1. To rejuvenate the housing stock...replacing market failure with high quality housing in the right locations to help create successful, cohesive and sustainable communities.	107	2,690,564	25,145
	2. To ensure...new housing...provides choice and supports growth. This will reflect the diversity of urban and rural communities and the needs for affordable housing.	147	2,889,891	19,659
	4. Housing investment to address specific community and social needs, including an ageing population and the needs of minority communities.	61	1,543,000	25,295
Grand total		1,172	47,834,021	40,814

The guidelines for allocations set out in the North East Regional Housing Strategy align Housing Corporation funding against 3 of 4 Strategic Objectives. In broad terms it is anticipated that the Housing Corporation would fund against those objectives as follows:

- Objective 1 - Rejuvenation of the housing stock: 50-60%
- Objective 2 - Affordability: 15-20%
- Objective 4 - Meeting community needs: 15-25%

Initial allocations indicate that future bidding rounds will need to attract a higher proportion of bids which will fall into Objective 1. This is not perceived as an issue as all bids accepted in this round have starts on site at the front of the programme. A number of other schemes have been highlighted which are strategic priorities but which will come in via RME.

6. Regional regular market engagement strategy

The North East Investment Team will seek bids via RME until all regional funds are allocated in line with the objectives of the North East Regional Housing Strategy, and with the aim of meeting all targets set by Communities & Local Government (CLG), ie number and tenure of units, rural units, larger homes, etc.

7. Value

Table 7 - Value for grant

Sub-region	RENT			LCHO		
	Grant per unit (£k)	Grant per person (£k)	Grant as % TSC	Grant per unit (£k)	Grant per person (£k)	Grant as % TSC
County Durham	47.2	12.1	40.6%	21.1	4.5	16.7%
Northumberland	44.9	10.3	38.8%	13.4	2.8	10.0%
Tees Valley	48.5	12.3	41.5%	24.9	5.2	20.9%
Tyne and Wear	47.8	14.1	37.1%	22.0	5.8	14.5%
Total	47.5	12.5	39.4%	21.7	5.1	16.8%

Grant rates in this bid round were competitive and largely similar across all sub-regions. Some variation occurred where schemes had s106 agreements, and some nil grant units were bid for.

Table 8 - Costs

Sub-region	RENT			LCHO		
	Acq cost per unit (£k)	On Costs per unit (£k)	Works cost per unit (£k)	Acq cost per unit (£k)	On Costs per unit (£k)	Works cost per unit (£k)
County Durham	8.9	12.3	94.4	9.2	16.1	97.9
Northumberland	14.8	13.8	87.1	16.8	17.7	99.5
Tees Valley	5.4	14.4	97.1	8.1	12.1	87.6
Tyne and Wear	16.6	13.4	99.1	15.6	11.2	90.8
Total	11.2	13.7	95.9	11.0	13.6	92.5

Table 9 - Section 106 additionality

Sub-region	RENT				LCHO			
	Proportion of expenditure		Grant per unit (£k)		Proportion of expenditure		Grant per unit (£k)	
	s106	non s106	s106	non s106	s106	non s106	s106	non s106
County Durham	0.0%	100%	0.0	47.2	0.0%	100%	0.0	21.6
Northumberland	15.4%	84.6%	35.6	47.1	0.0%	100%	0.0	25.6
Tees Valley	0.0%	100%	0.0	48.5	4.6%	95.4%	17.6	25.3
Tyne and Wear	0.0%	100%	0.0	47.8	0.0%	100%	0.0	25.1
Total	2.3%	97.7%	35.6	47.9	2.0%	98.0%	5.4	24.2

Very few schemes with s106 agreements in place have been accepted in the NE. Generally, we intend that where schemes with s106 agreements are funded there is evidence of additionality.

8. Geographic investment priorities

Rural

Table 10 - Rural

		RENT			LCHO		
		Value (£m)	Homes	Grant Per Unit (£k)	Value (£m)	Homes	Grant Per Unit (£k)
Population < 3,000	County Durham	1.3	27	46.7	0.8	37	20.4
	Northumberland	2.7	62	43.2	0.1	6	21.0
	Tees Valley	0.2	5	45.0	0.0	0	0.0
Population < 3,000 total		4.2	94	44.3	0.9	43	20.5
Population 3,001 - 10,000	County Durham	3.7	77	47.9	0.4	18	24.2
	Northumberland	1.0	28	36.9	0.0	18	0.0
	Tees Valley	0.7	18	36.8	0.0	0	0.0
Population 3,001 - 10,000 total		5.4	123	43.8	0.4	36	12.1
Total rural		9.5	217	44.1	1.3	79	16.7

A large number of bids were received to provide homes in both rural areas and market towns. The North East Housing Board has requested that a minimum of 180 starts on site for homes in both rural and market towns should be achieved over the funding period.

Pathfinders

Table 11 - Pathfinders

Pathfinder/ Priority Area	RENT			LCHO		
	Value (£m)	Homes	Grant Per Unit (£k)	Value (£m)	Homes	Grant Per Unit (£k)
Bridging NewcastleGateshead	3.2	59	53.8	0.3	10	26.6
Tees Valley Living	10.7	219	49.0	2.6	103	25.5
Total	13.9	278	50.0	2.9	113	25.6

Northern Challenge

From the shortlist of 17 proposals agreed by the Housing Minister in February 2007, the Housing Corporation undertook a detailed assessment of these outline bids using the same criteria as in the 2008/11 NAHP bid round. Six of the projects across the North have been successful in receiving an allocations in the first bid round. Further work is being undertaken on another seven projects across the North and bids are expected under Regular Market Engagement. Four projects failed due to fundamental reasons, eg sites were lost or not available.

The resulting allocations and units from the initial bid round for the North is as follows:

Table 12 – Northern Housing Challenge

Region	Total Grant (£m)	Units
North East	2.150	69
North West	0.818	23
Yorkshire & Humber	16.270	447

Schemes that will be delivered in the North East region are:

Table 13 – North East Northern Housing Challenge schemes

Bo-Ho Live Work scheme, Middlesbrough	£820,000	19 homes for rent
North Shore, Stockton	£450,000	10 homes for rent
North Shore, Stockton	£880,000	40 homes for LCHO

9. Thematic investment priorities

Supported housing

Table 14 – Supported housing

	RENT		LCHO	
	Homes	Grant per unit (£k)	Homes	Grant per unit (£k)
Specialist housing for older people	152	41.8	37	20.5
Total housing for older people	152	41.8	37	20.5
People with physical or sensory disabilities	16	57.1	0	0.0
Young People at risk	68	57.8	0	0.0
HOLD allocation	0	0.0	29	31.5
Total other supported housing	236	47.5	29	31.5
Total supported housing	236	47.5	66	25.3

Larger homes

Table 15 - Allocations for homes with three or more bedrooms, by sub-region

		Value (£)	Homes	Grant per unit (£k)
RENT	County Durham	2.4	44	54.6
	Northumberland	3.5	66	52.7
	Tees Valley	6.3	123	51.4
	Tyne and Wear	4.4	84	52.6
RENT Total		16.6	317	52.5
LCHO	County Durham	1.5	67	22.3
	Northumberland	0.3	29	10.8
	Tees Valley	1.5	51	28.6
	Tyne and Wear	0.5	20	25.8
LCHO Total		3.8	167	22.6
Region Total		20.4	484	42.2
Larger homes as % of total regional programme		42.7%	41.3%	

Design & quality

Table 16 – Allocations meeting CSH3 or higher

	RENT		LCHO	
	% of total	Homes	% of total	Homes
Meeting CSH3	99.3%	801	100%	286
Meeting CSH 4 or higher	0.7%	6	0%	0
Total		807		286

LCHO affordability

Table 17 – LCHO affordability

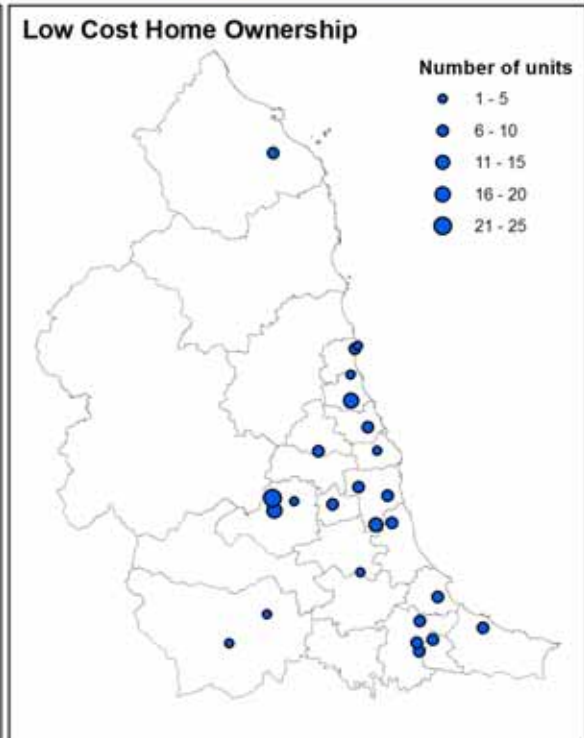
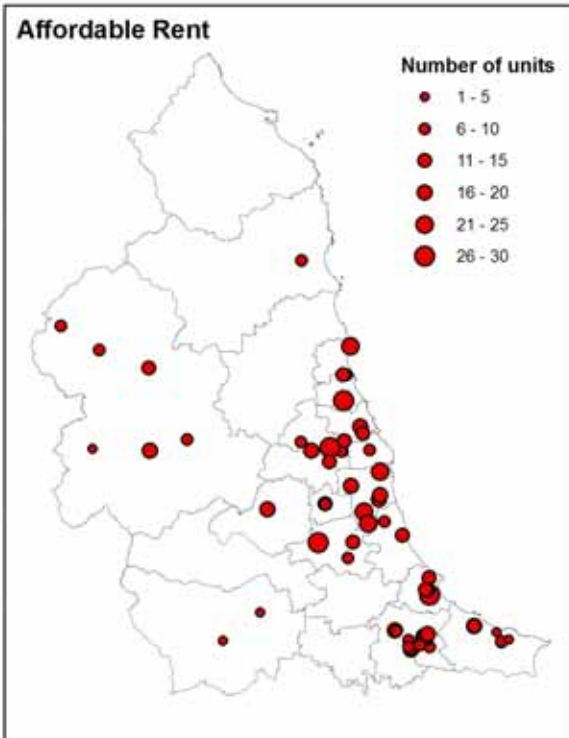
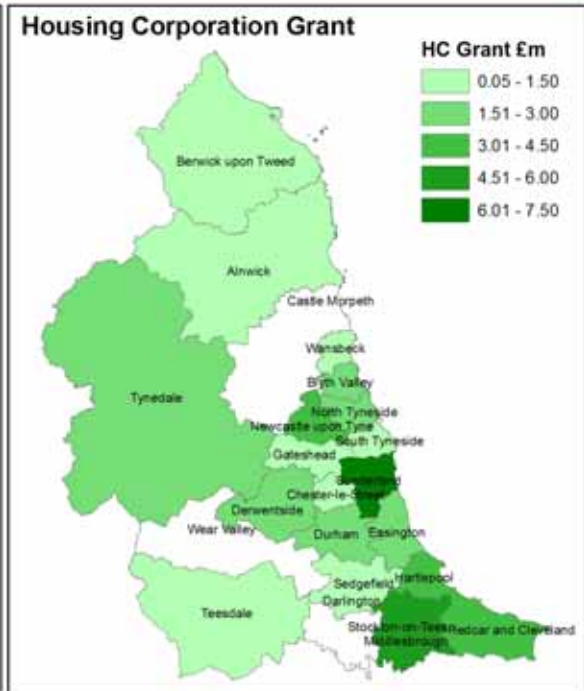
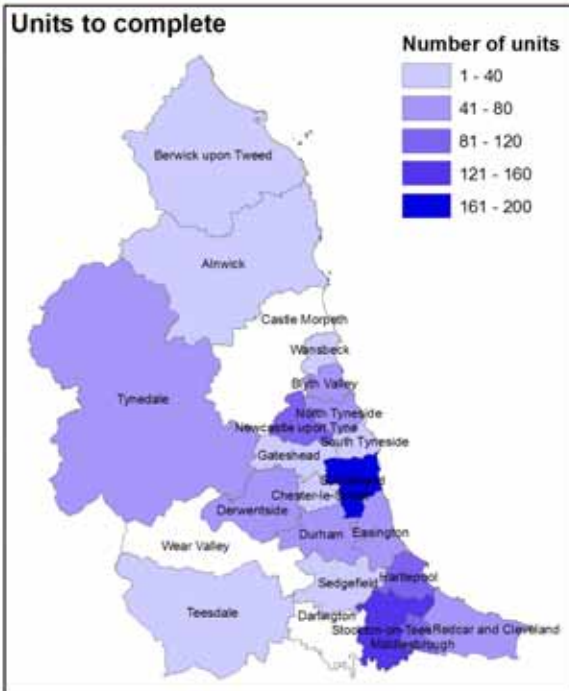
Sub-region	Average rent as a % of unsold equity	Average % first tranche sale
County Durham	2.60%	47.22%
Northumberland	2.39%	53.13%
Tees Valley	2.01%	55.00%
Tyne and Wear	1.66%	56.88%
Regional average	2.21%	52.36%

10. Pre-allocations

Priority was given in the bidding round to schemes which would deliver within the funding period, so no pre-allocations were made. Any pre-allocations would need to demonstrate the same criteria of strategic fit, value for money and deliverability.

NAHP 2008/11, North East Region

Investment Statement, April 2008



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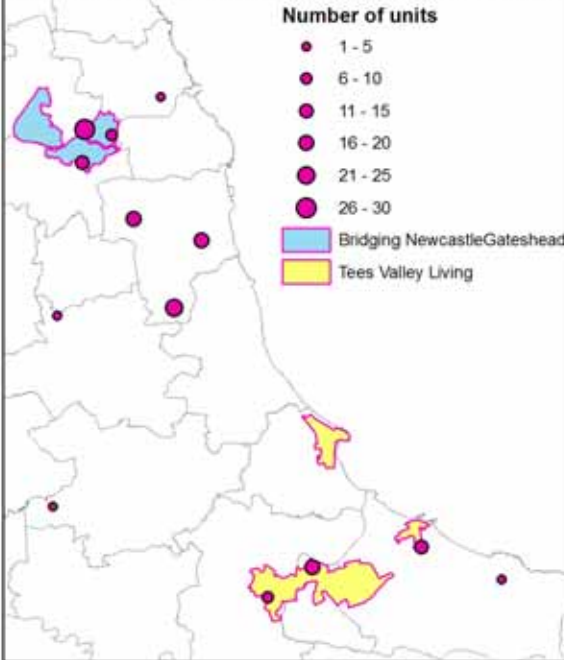
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NAHP 2008/11, North East Region

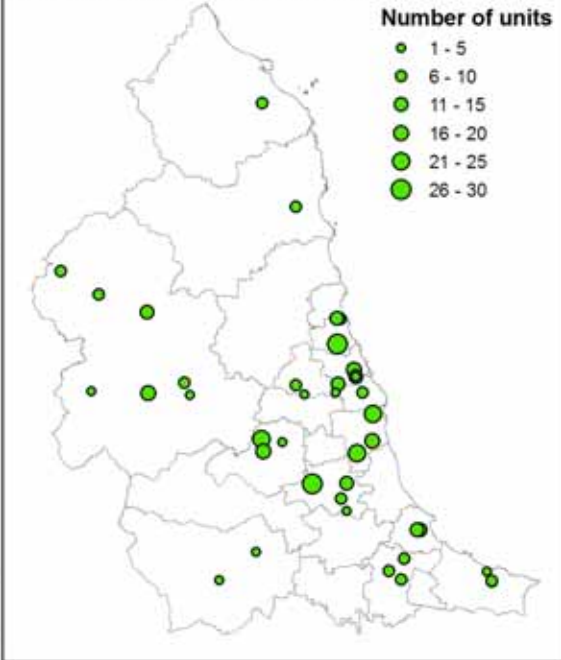
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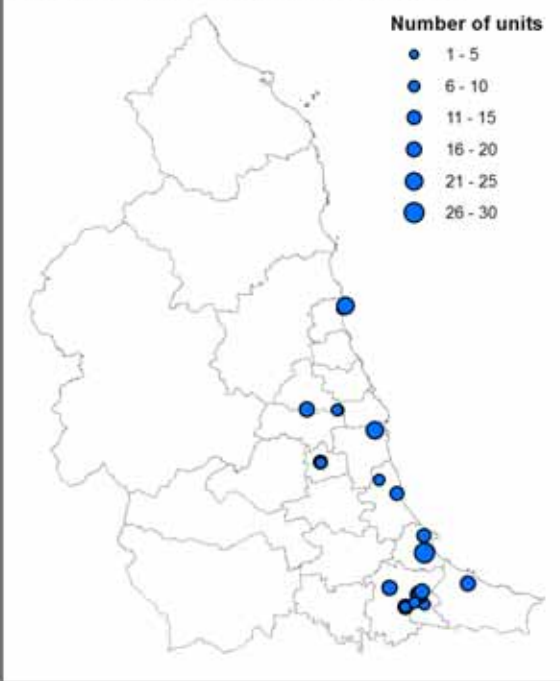
Priority 1: Rejuvenation of the Housing Stock



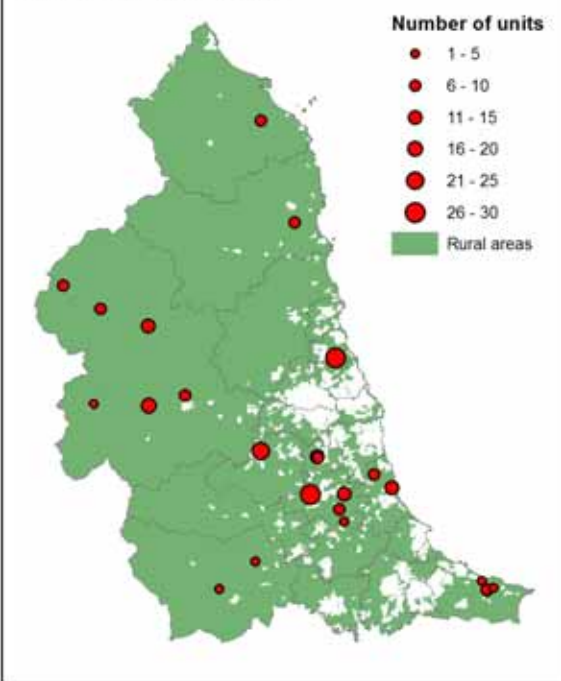
Priority 2: Affordable Housing



Priority 4: Meeting Community Needs



Housing in rural areas



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