Clive Betts MP  
Chair, Communities and Local Government Committee  
House of Commons  
7 Millbank  
London  
SW1P 3JA  

18 December 2014

Dear Mr Betts

Affordable Homes Programme (AHP) 2015-18

Thank you for your letter dated 9 December 2014. The responses below are in the same order as in your letter. Please note that these cover the 2015-18 AHP outside London, for which the HCA is responsible.

- By way of background, the HCA, in conjunction with DCLG, decided to change the approach to bidding for the 2015-18 AHP compared to that taken for 2011-15, based on feedback from a range of our delivery partners. Holding some funding back for allocation through continuous market engagement (CME) was considered to be better aligned to the way in which development opportunities arise, and allows schemes to be worked up to fully meet local priorities and needs, and to be particularly useful in working up more complex schemes, which may take longer to come to fruition. This is an approach that has been used in past programmes and is not untested. As part of discussions with the sector, we sought views on the proportion of funding to hold back. Most views expressed indicated that a balance of 50:50 initial allocations to funding available for CME was considered to be right and that no less than 25% should be held back. Hence we indicated in the prospectus that we would only allocate up to a maximum of 75% of the funding following initial bids. We were clear within HCA and with DCLG that allocating a lower amount than 75% would be acceptable, and in line with feedback from providers.

- 3,000 bids were received in the first round totalling £1.1bn (63% of the available funding).

- Of those, 269 bids totalling £133 million were rejected or held pending further information. In addition, bids totalling £40 million were withdrawn by the provider (and we anticipate that a proportion of these will be re-submitted through CME at a future date). There were reductions in funding requested (compared to initial bids) by providers of approximately £10 million, arising from changes to bids during the
assessment phase. The most common reasons for initial rejection included: funding requested for s106 affordable housing with insufficient evidence to justify the investment through a viability assessment; lack of support from the local authority; relatively poor value for money offered; and, insufficient confidence at this stage about deliverability. Again, we anticipate that some rejected bids will be resubmitted through CME in the future, for example, once delivery becomes more certain. Taking account of allocations confirmed following receipt of further information, there remains £774 million to be allocated through CME.

- To mid-December, in the two months since CME opened in October, 86 bids totalling £26 million had been received. We anticipate that the volume of bids will begin to increase once delivery of the current (2011-15) AHP is concluded, and delivery of the 2015-18 programme begins in earnest.

- Nine providers who had significant allocations in 2011-15 did not bid as part of the initial 2015-18 bidding. Where providers have given reasons, these include: having received a significant amount of allocation from other programmes (such as the Guarantees Programme and Care and Support Programme) and therefore their intention is to bid under CME once delivery of those programmes is secured; a general intention to bid through CME once schemes are worked up; and making use of RCGF balances before seeking additional new grant funding. Otherwise, the vast majority of those providers who are participating under the current 2011-15 AHP programme have also submitted bids and are proposing to deliver under the 2015-18 AHP. Given that the option exists to bid under CME, we expected providers to bid for generally lower volumes initially, and to submit further bids under CME in due course, and our ongoing discussions with providers indicate that this remains their intention.

The funding available for the 2015-18 AHP announced at SR 2013 indicated that government's aspiration was to deliver 165,000 affordable homes over that period, from a range of sources including those funded with new grant, as well as delivery, for example, through right to buy replacement. To achieve that level of delivery, there is an expectation that grant rates under the 2015-18 AHP will remain broadly in line with the current 2011-15 AHP, and that providers would continue to make use of the flexibilities such as conversion and disposals to support new supply. Initial allocations announced in July (outside London) were for £886 million to deliver a total of 43,800 homes, of which 37,700 are set to receive new grant funding, and a further 6,100 are set to be delivered from other sources, including s106 obligations without grant funding being required. Those homes receiving new grant funding are at an average grant per unit which is in line with previous programmes and is set to support the number of homes needed to contribute to the aspiration of 165,000 over the 3 year period.

Please let me know if you have further queries. I have copied this reply to the Director of Housing at DCLG.

Yours sincerely

Andrew Rose
Chief Executive

cc Terrie Alafat, Director of Housing, DCLG