



Homes &
Communities
Agency

Shared Ownership and Affordable Homes Programme 2016 to 2021

Addendum to the Prospectus



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Chapter 1: Introduction

1. In April 2016 the Homes and Communities Agency opened bidding to the Shared Ownership and Affordable Homes Programme 2016 to 2021 (SOAHP 2016 to 2021) through publication of a Prospectus. Initial allocations of capital grant for new affordable housing schemes were subsequently announced in December 2016. As the Prospectus had indicated, these did not allocate all of the available budget, with £1.3bn remaining available. In addition, at the November 2016 Autumn Statement the Government announced further funding for affordable housing.

Autumn Statement November 2016

2. The Chancellor's autumn statement, delivered on the 23rd of November, reaffirmed the Government's commitment to extending home ownership, including through the SOAHP 2016 to 2021. It also emphasised the Government's determination to increase overall housing supply and to meet the needs of those who are 'just about managing'.
3. In that context the statement announced:
 - an additional £1.4bn to deliver a further 40,000 affordable homes (some of this budget will be allocated by the GLA for homes in London, rather than through the SOAHP 2016 to 2021);
 - the availability of grant for affordable rent schemes.
4. The potential for funding affordable rented homes as part of mixed-tenure sites will help underpin the swift build-out of those sites, accelerating overall new supply. However we continue to expect that the majority of expenditure allocated within the Programme will support home ownership, through both Shared Ownership and Rent-to-Buy.

Invitation to Bid to Continuous Market Engagement

5. This Addendum to the Prospectus invites bids against the available funding, including for Affordable Rent. The available funding includes both the £1.3bn which was not allocated at the initial bid round and a share, to be determined, of the £1.4bn announced at the Autumn Statement, for new affordable homes outside London. We are not setting a closing date for applications at this time and will assess bids on an on-going basis in a process of Continuous Market Engagement (CME). The Addendum sets out further details of the CME process and of the Affordable Rent product. The Prospectus remains the key document for the SOAHP 2016 to 2021: its content stands unless explicitly amended, and providers should ensure they read the Prospectus alongside this Addendum. The Prospectus also provides information on contracts and payment and on the programme management arrangements for successful bidders.

Chapter 2: Products

Affordable Home Ownership: Help to Buy: Shared Ownership and Rent to Buy

6. The Help to Buy: Shared Ownership product remains as described in the SOAHP 2016 to 2021 [Prospectus](#) and the [Capital Funding Guide](#).
7. We are looking for Rent to Buy bids which address the needs of those currently in private rented homes and who are 'just about managing'.
8. The product remains as described in the SOAHP 2016 to 2021 Prospectus and the Capital Funding Guide. This includes the requirement that Rent to Buy homes are initially let at a rent of up to 80% of the local market rent. Rents can be less than 80% of those in the local market, where local circumstances mean that will benefit potential future home owners and as long as the scheme as a whole represents good value, but must not be higher.
9. The reduced rent provides an opportunity for households which are able and wanting to buy after five years to build the necessary savings. The Government's Help to Buy: ISA scheme offers savings vehicles with the benefit of a Government bonus at the point of purchase. Providers should think about how they will work with tenants, both at the beginning and throughout their tenancy, to help their transition to ownership, including by signposting information on the Help to Buy: ISA (for example on the Government's Help to Buy web pages: <https://www.helptobuy.gov.uk/help-to-buy-isa/how-does-it-work/>) and working with lenders who are participating in the scheme (<https://www.helptobuy.gov.uk/help-to-buy-isa/providers-in-the-scheme/>).

Affordable Rent

10. Homes for Affordable Rent funded under the SOAHP 2016 to 2021 must be let under the tenancy and rent setting arrangements set out in the HCA's [Capital Funding Guide](#), with rents (including service charges) set at or below 80% of the local market rent for an equivalent property (unless the social housing 'target rent' is higher). Government has set out its policy on annual rent changes through to 2019/2020; future rent policy will be announced in due course. Landlords are required to rebase the rent on each occasion that a new tenancy agreement is issued or renewed; details are given in the Capital Funding Guide.
11. It is a statutory requirement that the landlord of sub-market rental homes (including Affordable Rent and Rent to Buy homes) is a Registered Provider (RP). The HCA operates a successful agreed transfer model allowing unregistered bodies to build such homes, and receive grant, ahead of onward transfer to an RP. This statutory requirement does not apply to Shared Ownership homes.
12. Bidders with existing social rented stock may wish to generate financial capacity to support new build through planned conversions to Affordable Rent, when these homes become vacant. Any such proposal must be included in the bid and will need to outline:
 - the number of homes to be converted,
 - the additional financial capacity generated.

13. The capacity generated must be appropriate to the scale of the new build that is being supported. Conversions can only be carried out in support of new build Affordable Rent and by organisations with an HCA contract, including an agreed level of conversion capacity, in place.
14. Bidders with existing social rented stock may also wish to generate financial capacity to support new build through disposals of vacant homes. Again, bidders will be asked to estimate the financial capacity generated by disposals.
15. Specialist schemes for rent should be bid through the Affordable Rent stream described above, with the relevant additional information for specialist schemes described in the Prospectus.
16. Registered Provider bidders with amounts in a Disposal Proceeds Fund (DPF) are reminded that funds, as directed by the regulator, can be allocated to the acquisition and development of homes for rent and they are therefore encouraged to utilise DPF balances as part of their financial contribution to Affordable Rent schemes costs.

Chapter 3: How to Bid?

17. Providers must submit their bids using the Homes and Communities Agency's Investment Management System (IMS). Guidance on how to bid through IMS is available [here](#). IMS is available for bidding as part of Continuous Market Engagement, including bids for Affordable Rent, from 5th January 2017.
18. New bidders are able to apply for IMS access by telephoning our IT service desk on 01908 353604 or emailing our service desk at servicedesk@hca.gsi.gov.uk. On-line training on using IMS is available [here](#); additional training for those who have completed the on-line modules is available on request.
19. All schemes bid through Continuous Market Engagement must be firm schemes, as defined in the Prospectus; bids for indicative schemes will not be accepted. The Prospectus sets out:
 - our information requirements relating to firm schemes;
 - our scheme requirements (including, in particular, our presumption against funding affordable homes provided under a S106 agreement, on a larger site developed as market housing, and the additional information requirements where an exception is proposed).
20. We will work with Providers to ensure schemes allocated funding under the initial bid round are delivered as agreed. We do not expect bids to CME to displace existing schemes with an allocation, for example by changing tenure, bids to CME may support existing schemes, for example by providing additional homes of a different tenure on a site.
21. Providers can submit queries about bidding to AHPFAQ@hca.gsi.gov.uk; questions and their answers may be shared with other bidding organisations.
22. If you wish to discuss your bid proposal in more detail please contact your local HCA Area office in the first instance, or phone the HCA enquiries team on 0300 1234 500 who will redirect your call.

Chapter 4: Bid Assessment

23. We will assess the scheme proposals from a provider independently. Each scheme should therefore be able to stand alone, with no cross subsidy or interdependence with other schemes submitted by a provider, including where schemes are on the same site.
24. Bid assessment will use the same quantitative and qualitative metrics set out in the Prospectus, which emphasise value for money and deliverability. Quantitative assessment will be used to determine the relative score of new bids against allocations made within the same HCA Area in the initial bid round (for Shared Ownership and Rent to Buy) and in the previous Affordable Housing Programme (for Affordable Rent).
25. Bids for Affordable Rent homes, as well as for home ownership homes, will need to provide qualitative information on the use of innovative housing construction methods, as set out in the Prospectus. There are no additional qualitative information requirements for Affordable Rent bids.