



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

JAMES PALMER
CAMBRIDGESHIRE &
PETERBOROUGH MAYOR

Agenda Item No: 2.4

£100million Affordable Housing Programme Update

To:

Meeting Date: 15 March 2021

Public report: Yes

Lead Member: Councillor Chris Boden, Lead Member for Housing and Chair of the Housing and Communities Committee

From: Roger Thompson - Director of Housing and Development

Key decision: No

Forward Plan ref: N/A

Recommendations: The Committee is being asked to:

Note the progress of the delivery of the £100m affordable housing programme.

Approve the prioritisation and release of existing funds on further schemes from the existing programme that are expected to start on site before end March 2021, as listed in appendix 4.

Voting arrangements: A simple majority of all Members

1.0 Purpose

- 1.1. This report provides an update on the £100 million Affordable Housing Programme being led by the Combined Authority.
- 1.2. The Housing and Communities Committee currently receives performance updates on expenditure and delivery of outputs (new homes) relating to the £100 million Affordable Housing Programme at every Committee meeting.
- 1.3. The report this month is also requesting approval to apply a priority for allocating existing funding to further schemes which are expected to start on site before end March 2021 whilst we await the outcome of the availability of further instalments of the £100m from MHCLG. This will help to ensure that schemes approved at previous Committee or board meetings that are now about to start on site will not be at risk of being lost from the £100m housing programme.

2.0 Programme Background

- 2.1. The Combined Authority's Affordable Housing programme runs for five years from 1 April 2017 to 31 March 2022 with the ambition to deliver a minimum of 2,000 new affordable homes.
- 2.2. It is anticipated that over its lifetime, the programme will support a mixed portfolio of schemes including strategic sites and projects brought forward by housing associations, developers and Community Land Trusts (CLTs). It includes the intended use of grant and a revolving fund to help unlock sites and deliver additional affordable housing, alongside other tools to support and enable housing delivery.
- 2.3. The Affordable Housing Programme currently has 47 schemes with allocated funding, of which 31 are now in contract.
- 2.4. The programme pipeline has further schemes at various stages of development and due diligence which will be brought to Committee or Board when ready. This includes opportunities for CA investment into large-scale or 'strategic sites' across Cambridgeshire and Peterborough.

3.0 Monitoring Under the Devolution Deal

- 3.1. As part of the monitoring arrangements for the Devolution Deal, government undertakes an annual review of progress with representatives from the Combined Authority, Ministry of Housing, Communities and Local Government (MHCLG) and Department for Business, Energy and Industrial Strategy (BEIS). The first meeting for the yr. 2020/21 Annual Review took place on 8th September 2020, following which additional information has been provided. We have continued to chase for a response about the release of future funding and confirmation of the programme completion date being as 31st March 2022, but at the time of

writing this report despite numerous requests, BEIS have been unable to confirm the timing of the completion of the review.

- 3.2. £15m of the monies due for the £100m programme for the year 2019/20 was deferred following last year's review. A payment of £17m of devolution deal monies was made direct to Cambridge City Council for their £70m programme. As referred in 3.1 we await confirmation of the payment of the £15m from last year and the anticipated £30m to be received by the Combined Authority in this financial year.
- 3.3. At the 8th September 2020 meeting, MHCLG and BEIS confirmed that there was no disagreement over the decision to create the £40m revolving fund as this was clearly permitted by the original business case.

4.0 Financial Performance

- 4.1. Grant investment approved for Affordable Housing schemes to date is £57.6 million, with a further £51.1 million approved from the revolving fund, although when that is 'cash flowed' the total drawdown should not exceed £40m at any one time. A total of £97.6 million (£40m revolving plus £57.6m grant) has been allocated to schemes to date. Overhead costs of delivering the whole programme to March 2022 are anticipated as being approximately £2 million. A list of the 47 schemes with CPCA Board or Committee approval including the revolving fund loans is attached as Appendix 1.
- 4.2. £59.7 million has been contractually committed, comprising £19.7 million in grants and the full revolving £40 million in loan funding. £37.9 million is in the process of being contracted.
- 4.3. £8.4 million in grant and £37.9 million in loan has been paid to date. As the Combined Authority is its own accountable body for the purposes of its funding from Treasury, every payment made to schemes must be capable of being scrutinised by independent auditors. We have set up as simple a process as we can for providers to supply supporting evidence of project expenditure and delivery milestones having been met to enable prompt payments.

5.0 £100m Programme Delivery

- 5.1. The Affordable Housing Programme currently has 47 schemes with allocated funding, of which 31 are in contract. The geographic distribution of the 47 schemes is shown on a map in Appendix 2 and differentiates between the grant schemes and £40m revolving fund loan schemes (see the appendix legend). 849 housing units have started on site to date and 255 homes completed. In total 1,718 units have been approved by Committee or Board and pending Covid 19 issues, we are chasing those schemes and providers to deal with pre-construction issues as quickly as possible, to commence starts on site.
- 5.2. The graphs in Appendix 3 show the progress of the programme over time.
- 5.3. Scheme approvals since the last report to the 11th January 2021 Housing & Community Committee.
 - (a) Wisbech Road, Littleport, East Cambs – Funding Affordable Homes HA will deliver 38 new affordable homes. Grant from Combined Authority approved for £1,576,000.

- (b) PFP HDC Sites Phase 2, Hunts – Places for People will deliver 15 new affordable houses. Grant from Combined Authority approved for £749,000.
- (c) Great Haddon, London Road, Peterborough – CKH will deliver 60 additional affordable houses. Grant from Combined Authority approved for £2,270,000.

5.4. Scheme Withdrawals since last report:

- a) North End Meldreth, South Cambs – Paradigm, funding of £645,000 (approved 09/11/2020) for 14 potential units not progressing as land transaction failed.
- b) Former RAF Upwood, Evera, funding of £2,720,000 (approved 22/06/2020) for 64 potential units not progressing as funding is now being taken via Longhurst.

Affordable Housing tenancy profile

5.5. The profile of current portfolio of 1,718 units is as follows:

Social rented units – 37
Affordable rented units – 1054
Shared ownership units – 627
(£100k homes counted in shared ownership total)

Starts on Site

5.6. There have been 849 Starts on Site to date in total, up from 699 when last reported.

5.7. We anticipate more starts on site as soon as more schemes progress through reserved matters and contractor procurement. We expect over 1,000 units to be started on site by 31st March 2021.

Completions

5.8. The programme has so far delivered is 255 completed units, up from 237 when last reported. Twelve schemes have completed in some form, with another 2 schemes due to complete in the next few months.

Forward Programme and Pipeline Development

5.9. There are appx 2,200 affordable units in the Cambridgeshire and Peterborough Affordable Housing programme pipeline which is updated by local authority housing officers. Within that pipeline there are 500 units currently rated green that we believe could come forward and start on site by 31st March 2022. Two of those schemes totally 82 units are coming before the 15th March Housing Committee. We will need a minimum of 282 units to come forward from this pipeline to deliver the programme target of 2,000 units.

5.10. 82 units are coming forward in other papers to housing committee for approval on 15th March 2020. These will replace the units lost through 2 scheme withdrawals since the last Committee meeting with units that are starting on site by end March 2021 and are at a lower average grant rate than the units being lost, helping the overall performance of the programme.

- 5.11. In order to ensure delivery of the minimum 2,000 unit start on site target, we are intending to undertake a continuous review process of those scheme approved and not yet started, in order to replace those schemes if considered higher risk, with others more certain of starting on site by March 2022.
- 5.12. We are still confident that the programme target of a minimum of 2,000 new affordable homes will be delivered as starts on site by 31st March 2022. We are expecting an acceleration in starts on site to have started at least 1,000 units by end March 2021 and then into the last year of the programme. If a national or significant regional Covid-19 lockdown is re-applied due to a spike in cases, there will be an impact that will need to be further assessed.
- 5.13. In addition to identified schemes, there may be opportunities for CA investment into schemes or phases as part of delivery of large-scale or 'strategic sites' across Cambridgeshire and Peterborough. The Combined Authority is engaged in early-stage dialogue with a range of organisations. Strategic sites have the potential to deliver significant numbers of new homes. Some of the new homes might be deliverable within the £100m Affordable Housing Programme period to March 2022, for example potential affordable units at the CLT scheme at Kennett in East Cambs.
- 5.14. Further opportunities will be identified during the programme across the range of development toolbox methodologies. We monitor housing sites that are currently on the market and upon which we review if any housing toolbox action, specifically through potential future joint ventures might be appropriate using the CPCA development company Angle Developments (East) Ltd if the market might be considered as failing to deliver.

Communicating the Opportunity & £100k Homes

- 5.15. The mayoral £100k Homes home ownership initiative has been launched and the Combined Authority housing team is supporting this through housing toolbox activities as referred in the Sept 2018 Housing Strategy. Further info is available at www.100khomes.co.uk. The first £100k homes have completed at Fordham.
- 5.16. Just over 2500 people have signed up to the £100K Homes register. There have been 115 eligible applications for the £100K Homes in Fordham. Subsequent £100K Home completions are likely to be in the second half of 2021 on schemes at Great Abingdon and Ely and more are being negotiated.
- 5.17. The Combined Authority actively promotes the opportunities presented by the Affordable Housing Programme across sector networks including the Housing Board, Homes for Cambridgeshire and Peterborough and local National Housing Federation meetings.
- 5.18. The Housing and Development Team meets with landowners, housebuilders, private developers, and other stakeholders on a regular basis to encourage proposals to come forward for investment from the Affordable Housing Programme.

Risks and Issues

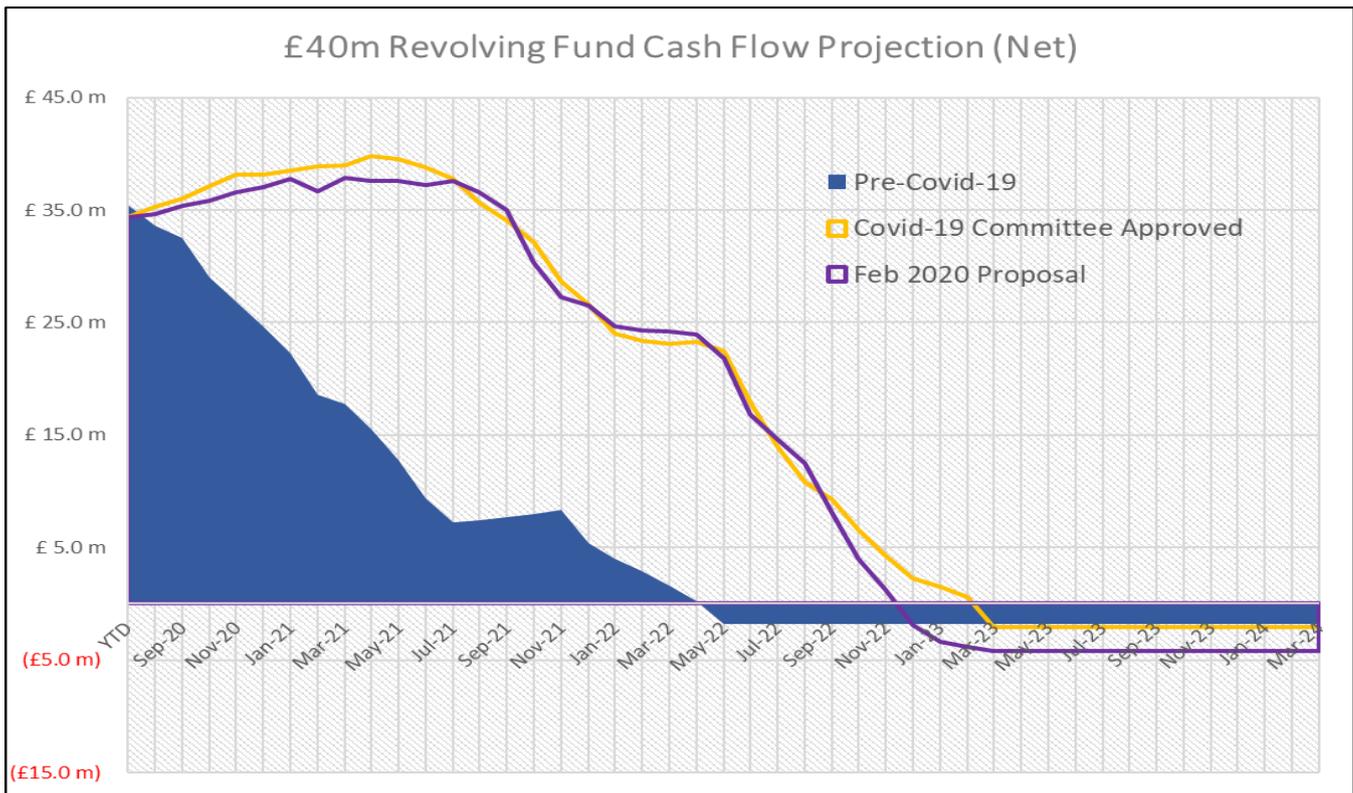
- 5.19. Outstanding receipt of £45m of monies from BEIS/MHCLG and confirmation of the programme end date as being 31st March 2022. This includes continued inclusion of the now

243 affordable units that are still in the programme at Mere Fen, Northstowe, subject to the BEIS/MHCLG review outcome. We have managed to mitigate this risk up to the end March 2021 by focussing resources on those housing schemes immediately about to start, but the risk to the programme is increasing as time passes without notification of a decision.

- 5.20. Covid-19 disruption and economic impact currently represents the greatest risk. Short and medium-term construction programme impacts are being felt. Wider economic and any structural issues for the housing market will be identified as the general economic impacts are recorded and assessed, specifically unemployment and income levels. There is evidence that registered providers are more nervous about making decisions to proceed, particularly with schemes that involve shared ownership units. We may well see increasing situations of tenure conversion from market housing to various forms of affordable housing.
- 5.21. The CPCA programme faces pressure from providers' ability to seek funding from other sources – primarily Homes England. Homes England are about to launch their 2021-2025 affordable housing programme. Providers are keen to take up national allocations and deliver on their full obligations within that programme before end March 2021, as their performance will impact on future funding allocations.
- 5.22. Officers from the Housing and Development Team meet Homes England staff regularly to share intelligence and monitor the impacts of the respective programmes.

6.0 Performance of the £40m Revolving Fund Loan Book

- 6.1. The 5 loans under the revolving fund are proceeding in line with the revised Covid-19 impact delivery programmes as advised and approved by the board on 5th August 2020. (the loans are listed on the bottom table in Appendix 1).
- 6.2. The £40m revolving investment fund is currently enabling the delivery of 213 housing units, of which 55 are affordable and included in the £100m affordable housing programme delivery numbers. The 158 market houses are not counted against our affordable housing target as they are market units, although they would not be being delivered without having received CPCA revolving fund support.
- 6.3. The graph below shows the projected revolving fund cashflow. The latest projection is the purple line and it shows that the maximum net outlay in 2021 is now likely to be a little less than originally projected and the final return of all the capital should be made a little earlier than expected.



- 6.4. The MOD Ely scheme is due to make a further repayment of over £2m by the end March 2021 upon the transfer of the affordable housing units. We are also expecting the completion of the sale and to receive repayments following the sale of several market sale units before the end of the stamp duty holiday on 31st March 2021.
- 6.5. The scheme at Haddenham was not originally projected to make repayments until May 2021. However we are pleased to advise that repayments of £300,000 have already been received and like at Ely we are also expecting the completion of sale and to receive repayments following the sale of several market units before the end of the stamp duty holiday on 31st March 2021.
- 6.6. The schemes at Great Abingdon and Ely are proceeding as planned and we understand some early reservations from purchasers of market units have been made.

7.0 Financial Implications

- 7.1. There are no financial implications other than those covered in the body of the report. Appendix 1 shows the amount of money committed to the programme and alongside it the amount of money actually paid to date.

8.0 Legal Implications

- 8.1. There are no new implications. The obligations within the devolution deal require the Combined Authority to ensure the funds are spent in line with its Assurance and Monitoring and Evaluation Frameworks.

8.2. The meeting shall be conducted in accordance with Parts 2 and 3 of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

8.3. The recommendations accord with CPCA's powers under Part 4 of the Cambridgeshire and Peterborough Combined Authority Order 2017 (SI 2017/251).

9.0 Appendices

9.1. Appendix 1 – Combined Authority Affordable Housing Programme - Approved Schemes December 2020

9.2. Appendix 2 – Distribution of £100m Housing Programme schemes

9.3. Appendix 3 – £100m Programme bar charts

9.4. Appendix 4 - SOS Sites by March 21 requiring funding release

10.0 Background Papers

DCLG Approved Business Case Devolution Deal 2016 Assurance Framework
Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment)
Regulations 2019

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