



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

Agenda Item No: 2.2

## Affordable Housing Programme Loans Update

To:	Housing and Communities Committee
Meeting Date:	16 January 2023
Public report:	Yes
Lead Member:	Councillor Bridget Smith, Lead Member for Housing and Communities
From:	Roger Thompson, Director of Housing and Development
Key decision:	No
Forward Plan ref:	Standing item
Recommendations:	The Housing and Communities Committee is recommended to:  a) Note the current position in respect of outstanding loan repayments required to fund the 2021-2022 Affordable Housing Programme.
Voting arrangements:	No vote required.

# 1. Purpose

1.1 This report seeks to inform the Housing and Communities Committee of the current position concerning receipt of loan repayments that are required to fund the 2021-2022 Affordable Housing Programme.

# 2. Background

2.1 As part of the Devolution Deal, the Combined Authority secured funding from Government to deliver an affordable housing programme that ended in March 2021.

2.2 The Combined Authority's Housing Strategy approved by Board in September 2018 divided the funding into two parts. £60M was allocated for traditional grant funding and £40M was to be used for the then Mayor's plan for a revolving fund to support the delivery of additional affordable housing.

2.3 The revolving fund initiative committed a total of £51.167M through 5 loans to development companies to fund delivery of 53 affordable units. In August 2020 the Combined Authority's Board approved loan extensions and interest free periods to reflect the detrimental impact upon delivery of projects caused by the Covid pandemic.

2.4 In March 2021 Government conditionally agreed to a new affordable housing programme for 2021-2022 on the basis that all loan repayments were allocated to support the delivery of additional affordable housing through grant funding.

2.5 The table below shows the headline detail of each loan:

<b><u>Scheme</u></b>	<b><u>Borrower</u></b>	<b><u>Total Units</u></b>	<b><u>Affordable Units</u></b>	<b><u>Loan Amount</u></b>	<b><u>Redemption Date</u></b>
Former MoD site, Ely	ECTC	92	15	£24.4M	31 Mar 2023
West End Gardens, Haddenham	ECTC	54	19	£6.5M	31 Mar 2023 Now Expected Jan 23
Alexander House, Forehill, Ely	Laragh Developments	25	4	£4.84M	Now Repaid
Linton Rd, Gt. Abington	Laragh Developments	15	7	£5.78M	Now Repaid
Histon Rd, Cambridge	Laragh Developments	27	10	£9.647M	7 May 2023

2.6 The financial balance sheet showing an outstanding balance of the loans can be found at Appendix 1.

2.7 The status of the former MoD site project at Ely is reported at Section 3 below.

2.8 The project monitoring report for West End Gardens, Haddenham forecasts repayment of the loan before the 31<sup>st</sup> March 2023 deadline. All except one plot has been reserved at prices above originally anticipated values and the development is expected to have a

positive financial outturn for the developer. We are aware that there are two further sales anticipated for the 3<sup>rd</sup> week of January 2023 and these should complete the repayment of the loan and interest in full.

- 2.9 The loan with Laragh Homes on the project at Alexander House, Forehill, Ely was fully repaid with interest on 20 June 2022.
- 2.10 The loan with Laragh Homes on the project at Linton Rd, Great Abington was fully re-paid with interest in January 2022.
- 2.11 The project at Histon Mews, Cambridge is progressing. The independent monitor suggests the project will complete in phases between March/May 23 and the agreed redemption date of the loan facility is 7 May 2023. We understand that units are reserved 'off plan' ahead of construction completion and this is a positive indicator for the success of future sales and the repayment of the loan. However there appears to be an increasing risk of a construction delay and that not enough units may be completed for sale by 7<sup>th</sup> May 2023 to fully repay the loan and interest by the due date. In that case, as happened previously with the loan at Alexander House, the penal rate of interest under the facility agreement will be applied and the CPCA will need to consider if it is appropriate at that time to commence an action against the borrower, whilst the development is being/close to completion.

## Significant Implications

None

## 3. Financial Implications

- 3.1 Loans are repaid as a proportion of sale proceeds from each housing unit on completion of sale. The Combined Authority retains an element of control through its requirement to approve each sale prior to completion, and each development is monitored by officers. The financial balance sheet showing an outstanding balance of £13,912,932 in total from the 3 loans not yet fully re-paid as at the 19<sup>th</sup> December 2022 can be found at Appendix 1. Recent market data suggests a reduction in sales activity, mortgage approvals and some downward pressure in values. At this time, this is not significant enough to suggest any significant change to the risk profile on the repayment of the outstanding loans
- 3.2 The largest loan of £24.4m was made to East Cambs Trading Company Ltd (ECTC) to refurbish 92 former MOD homes in Ely for use as private homes and this initiative funded delivery of 15 affordable units. As can be seen from Appendix 1 the balance of this loan on 19<sup>th</sup> December 2022 was £6.365m. At the time of the previous report to committee it was £8.774m so we are continuing to see steady sales and re-payments.
- 3.3 Since the last update to Housing Committee the balance of the MOD Ely loan has been reduced significantly due continued repayments of £2.469m since October 2022
- 3.4 The most recent monitoring report advises that the cash flow is behind forecast, and the repayment of the loan by March 2023 will depend on how quickly the properties can be sold.

3.5 ECTC have advised officers that they have access to a facility in the event of any shortfall in sales to repay the loan by end March 2023. Officers shall continue to monitor the situation and provide update reports to Housing Committee.

3.6 Members are advised that the borrower has until 31 March 2023 to repay the loan and no direct intervention can be taken by the Combined Authority unless default occurs on 31 March 2023.

## 4. Legal Implications

4.1 The recommendations accord with CPCA's powers under Part 4 of the Cambridgeshire and Peterborough Combined Authority Order 2017 (SI 2017/251) and with the Committee's Terms of Reference as set out in CPCA's Constitution Chapter 10 para.3.2.9(b).

## 5. Public Health implications

5.1 The report recommendations have neutral implications for public health.

## 6. Environmental and Climate Change Implications

6.1 The report recommendations have neutral implications for the environment and climate change.

## 7. Appendices

7.1 Appendix 1 – Housing Loans Activity Slides

## 8. Background Papers

[Combined Authority Board Report 5 August 2020](#)

[Combined Authority Board Report 26 January 2022](#)