



Agenda Item No: 2.2

Affordable Housing Programme Loans Update

To:	Housing and Communities Committee
Meeting Date:	13 March 2023
Public report:	Yes
Lead Member:	Councillor Bridget Smith, Lead Member for Housing and Communities
From:	Steve Cox, Interim Executive Director of Place and Connectivity
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 as reported by the former Director of Housing and Development who left the Combined Authority on 17th February 2023:

<u>Scheme</u>	<u>Borrower</u>	<u>Total Units</u>	<u>Affordable Units</u>	<u>Loan Amount</u>	<u>Redemption Date</u>
Former MoD site, Ely	ECTC	92	15	£24.4M	31 Mar 2023
West End Gardens, Haddenham	ECTC	54	19	£6.5M	Now Repaid
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

Significant Implications

3. Affordable Housing Programme – internal audit reviews.

- 3.1 Over the past few years, the Combined Authority's internal auditors have conducted a number of reviews into specific areas of the Housing Directorate's activities, including aspects of the Affordable Housing Programme. In 2019/20, a review looked at loans made to East Cambridgeshire Trading Company, a wholly owned subsidiary of East

Cambridgeshire District Council. The primary aim was to “review the process for deciding whether to award the loans, and the activities that support that process”. This audit was subject to a follow up review in 2020/21. In 2021/22, an internal audit advisory review was conducted “to ascertain the nature and level of support offered to Community Land Trusts, the approval in place for this support and the processes in place to monitor the Community Housing Team”. In 2022/23, a draft report was issued following a review to “determine that grants awarded to developers between the period 2017 to 2022 were awarded without any conflict of interest and followed a transparent application process”. Now that the Affordable Housing programme is in the process of being wound down in its current form, it is appropriate to conduct a final review into one area of the activities of the housing team that has not yet been looked into. An initial internal review is planned to look into the governance and processes followed in agreeing and managing loan terms between the Combined Authority and private housing developers. The scope and timeline of this review are currently being discussed.

4. Financial Implications

- 4.1 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 at Appendix 1 shows an outstanding balance of £13,521,511 as at 21st February 2023 for the loans at the former MoD site, Ely, and Histon Rd, Cambridge.
- 4.2 The loan issued to East Cambridgeshire Trading Company for the project at West End Gardens, Haddenham was repaid with interest on 19 January 2023.
- 4.3 The loan issued to Laragh Homes for the project at Alexander House, Forehill, Ely was repaid with interest in June 2022.
- 4.4 The loan issued to Laragh Homes for the project at Linton Rd, Great Abington was repaid with interest in January 2022.
- 4.5 The project at Histon Mews, Cambridge is progressing. The independent monitor suggests the project will now complete in July 2023 and the agreed redemption date of the loan facility is 7 May 2023.
 - 4.5.1 Forecasts show that not enough units will be completed for sale by 7th May 2023 to fully repay the loan and interest by the due date. In this scenario the penal rate of interest under the facility agreement will be applied and the Combined Authority will need to consider commencing an action against the borrower whilst the development is nearing completion.
- 4.6 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 21st February was £5,908,378 that shows a reduction of £563,975 since the report to Cttee in January so we are continuing to see sales and re-payments.
 - 4.6.1 The project cash flow is behind forecast with six completions expected before 31 March 2023 leaving twelve units unsold, so it is unlikely that the loan will be repaid from sales proceeds.

- 4.6.2 ECTC have confirmed that arrangements are in place to utilise a facility arranged with East Cambridgeshire District Council to ensure the loan is repaid by 31 March 2023.
- 4.6.3 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.

5. Legal Implications

- 5.1 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).

6. Public Health Implications

- 6.1 The report recommendations have neutral implications for public health.

7. Environmental and Climate Change Implications

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

8. Appendices

- 8.1 Appendix 1 – Housing Loans Activity Slides

9. Background Papers

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

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