



Environment & Sustainable Communities Committee

Agenda Item

7

13 November 2023

Title:	Housing Loans Update
Report of:	Steve Cox, Interim Executive Director of Place and Connectivity
Lead Member:	Cllr Bridget Smith
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	No vote required.

Recommendations:

A	The Environment and Sustainable Communities Committee is recommended to note the current position in respect of loan repayments required to fund the 2021-2022 Affordable Housing Programme.
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Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

A	Achieving good growth by delivering the Combined Authority's former Affordable Housing Programme.
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1. Purpose

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

2.1	To update and inform Members of the current position in respect of loan repayments required to fund the 2021-2022 Affordable Housing Programme.
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3. Background

3.1	As part of the Devolution Deal, the Combined Authority (CA) secured funding from Government to deliver an affordable housing programme that ended in March 2021.
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	<p>The CA'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.</p> <p>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.</p> <p>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.</p> <p>On 31 May 2023 the CA's Board noted a decision made by the former interim Chief Executive to extend the final repayment date of the loan made to Histon Rd Development LLP (Laragh Homes) to support the development at Histon Road, Cambridge. The final repayment date of this loan was extended to 30th September 2023 or earlier.</p> <p>On 1st October 2023 the loan and interest had not been repaid and protocol correspondence was sent to secure the Combined Authority's position should there be a requirement to pursue formal default procedure to recover the outstanding loan and interest.</p> <p>The Borrower responded advising that sales of three of the remaining units would complete by 31 October 2023 and the proceeds from these sales would be sufficient to repay the outstanding debt to the Combined Authority.</p> <p>Two sales have since completed and the outstanding debt amounted to £698,014 on 2 November 2023, with interest continuing to accrue at the default rate.</p>
3.2	<p>The table at Appendix A shows the status of each loan at 2 November 2023, and a reduction in the debt since the meeting of the Environment and Sustainable Communities Committee in September 2023.</p>

4. Appendices

4.1	Appendix A – Summary of loans made from the Affordable Housing Programme.
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5. Implications

Internal Audit Implications

5.1	<p>In March 2023 the former Housing and Communities Committee were informed that an initial internal review was planned to look into the governance and processes followed in agreeing and managing loan terms between the Combined Authority and private housing developers. This review has yet to take place and will be undertaken when the matter of the remaining outstanding loan concludes. At the time of writing the report one loan has yet to be repaid. Preparatory meetings have however been arranged to commence the process in anticipation of the final loan being repaid.</p>
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Financial Implications

6.1	<p>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.</p>
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6.2	The loan issued to East Cambridgeshire Trading Company for the project at West End Gardens, Haddenham was repaid with interest in January 2023.
6.3	The loan issued to Laragh Homes for the project at Alexander House, Forehill, Ely was repaid with interest in June 2022.
6.4	The loan issued to Laragh Homes for the project at Linton Rd, Great Abington was repaid with interest in January 2022.
6.5	The loan issued to East Cambridgeshire Trading Company for the project to refurbish former MOD homes in Ely was repaid with interest on 31 March 2023.
6.6	The financial balance sheet at Appendix A shows that the outstanding interest for the loan made to support the development at Histon Road, Cambridge amounted to £698,014 on 2 November 2023.
Legal Implications	
7.1	<p>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).</p> <p>Whilst Laragh Homes has indicated repayment of the outstanding debt is to be repaid on 31st October, Legal Services wrote to Laragh Homes in accordance with the terms of the Facility Agreement to notify them of the breach of the agreed repayment date. These are pre-action protocol steps that need to be initiated to reserve the Authority's position should any enforcement action be required.</p>
Public Health Implications	
8.1	There are no associated implications.
Environmental & Climate Change Implications	
9.1	There are no associated implications.
Other Significant Implications	
10.1	The monitoring surveyor's report for October 2023 estimates that a further completion should occur in mid-November, and proceeds from this sale would be sufficient to repay the outstanding balance.
Background Papers	
11.1	N/A