



£100million Affordable Housing Update

To:	Housing and Communities Committee
Meeting Date:	11 January 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:	<p>The Housing and Communities Committee is being asked to:</p> <ul style="list-style-type: none">a) note the progress of the delivery of the £100m affordable housing programmeb) approve the prioritisation of existing funds with a focus on schemes that are expected to start on site before end March 2021 as listed in appendix 4 of the report and hold back on completing already unconditionally approved schemes as listed in appendix 5 of the report pending receipt of further monies from MHCLG.
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 (CA).
- 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 those schemes which are expected to start on site before end March 2021 whilst we await the receipt of further instalments of the £100m from MHCLG. This will help to ensure that schemes approved at the 9th November 2020 board that are about to start on site will not be at risk of being lost from the £100m affordable 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 49 live schemes with allocated funding, of which 27 are 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 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 been chasing 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 earlier review meetings in September 2019 and February 2020. 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 written 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 £56.4 million (of which £19.68 m was approved at Nov 20 committee and is subject to proceeding only when additional funding from MHCLG is received), with a further £51.1 million approved from the revolving fund, When that is 'cash flowed' the total drawdown should not exceed £40m at any one time. A total of £96.4 million (£40m revolving plus £56.4m grant) has been allocated to schemes to date. A list of the live schemes with CPCA Board or Committee approval including the revolving fund loans is attached as Appendix 1.
- 4.2. £56.6 million has been contractually committed, comprising £16.6 million in grants and the full revolving £40 million in loan funding. £39.8 million is in the process of being contracted. We have received £55m of the £100m so far and so are managing the cashflow in line with the comments in 4.3 below.
- 4.3. £45.2m (£8.4 million in grant and £36.8 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.
- 4.4. The loss of 297 units at Mere Fen has financial implications for the 60/40 financial split of the £100m for the programme if those units have to be replaced through grant at higher rates per unit.

5.0 £100m Programme Delivery

- 5.1. The Affordable Housing Programme currently has 49 schemes with allocated funding, of which 27 are in contract. 699 housing units have started on site to date and 239 homes completed.
- 5.2. We have been giving a greater focus into checking that those schemes that have already been approved will start on site by March 2022. This has identified 3 schemes that either in part or wholly will not in all likelihood start on site by March 2022 and these are listed in section 5.4 of this report under recent scheme unit withdrawals. We would specifically draw attention to units at Mere Fen Northstowe where Homes England have advised that 297 units that were originally expected to be counted in a total of 540 units will now not start on site before March 2022.

- 5.3. In total current live schemes comprising 1,681 units have been approved by Committee or Board. We are chasing those schemes and providers to deal with pre-construction issues as quickly as possible, to commence starts on site.
- 5.4. The graphs in Appendix 3 show the progress of the programme over time.
- 5.5. Scheme approvals at the 9th November 2020 Housing & Community Committee included.
- (a) Wickens, East Cambs – CHS will deliver 16 new affordable homes. Grant from Combined Authority approved for £640,000.
 - (b) Great Shelford CLT, South Cambs – will deliver 21 new affordable houses. Grant from Combined Authority approved for £1,008,000.
 - (c) Angels Park, South Cambs – Heylo will deliver 5 additional affordable houses. Grant from Combined Authority approved for £247,999.
 - (d) Springfield Av, March, Fenland – Clarion Housing will deliver 32 new affordable houses. Grant from Combined Authority approved for £1,560,000.
 - (e) Sandpit Road, Peterborough – Heylo will deliver 5 new affordable houses. Grant from Combined Authority approved for £237,804.
 - (f) British Sugar Way, Peterborough – CKH will deliver 74 new affordable houses. Grant from Combined Authority approved for £3,040,000.
 - (g) HUSK sites, Peterborough – CKH will deliver 19 new affordable houses. Grant from Combined Authority approved for £665,000.
 - (h) Perkins phase 2, Peterborough – CKH will deliver 96 new affordable houses. Grant from Combined Authority approved for £3,740,000.
 - (i) Old Motel Site, Stilton, Hunts – CKH will deliver 10 new affordable houses. Grant from Combined Authority approved for £420,000.
 - (j) Station Road, Littleport, East Cambs – CKH will deliver 39 new affordable houses. Grant from Combined Authority approved for £1,448,000.
 - (k) Oundle Road, Peterborough – Colliers will deliver 77 new affordable houses. Grant from Combined Authority approved for £3,830,725.
 - (l) Meldreth, South Cambs – Paradigm Housing will deliver 14 new affordable houses. Grant from Combined Authority approved for £645,000.
 - (m) High St, Needingworth, Hunts – CKH will deliver 45 new affordable houses. Grant from Combined Authority approved for £1,775,000.

5.6. Recent Scheme Unit Withdrawals:

- a) Whittlesford South Cambs, funding of £1,634,000 (approved 31/08/2018) for 43 potential units not progressing due to issues with site ownership and contamination.
- b) Staniland Court Werrington Peterborough (approved 31/07/2019), scheme sized reduced from original 88 units to 67 units to meet planning requirements, reduction of 22 units from grant approved scheme
- c) Mere Fen Northstowe, funding of £760,152 (approved 28/03/2018) for 540 units now reduced on the advice of Homes England that no more than 243 units will start on site by 31st March 2022, reduction of 293 units.

Affordable Housing tenancy profile

- 5.7. The profile of current portfolio of 1,681 units is as follows:
 Social rented units – 54
 Affordable rented units – 1014

Shared ownership units – 613
(£100k homes counted in shared ownership total)

Starts on Site

- 5.8. There have been 699 Starts on Site to date in total.
- 5.9. We anticipate more starts on site as soon as more schemes progress through reserved matters and contractor procurement.

Completions

- 5.10. The programme has so far delivered is 239 completed units, up from 89 in June 2020. 12 schemes have completed in some form, with another 2 schemes due to complete in the next few months.

Ensuring Progression of the maximum Number of starts on site by end March 2021

- 5.11. We are requesting approval to apply a priority for allocating existing funding to those schemes which are expected to start on site before end March 2021 whilst we await the receipt of further instalments of the £100m. This will help to ensure that schemes approved at the 9th November 2020 board that are about to start on site will not be at risk of being lost from the £100m affordable housing programme.
- 5.12. In order to do this without over committing our funding position, we propose that some of the schemes approved at 9th November board and listed in Appendix 4 be approved for immediate completion of grant agreement and progression, and that some of the schemes previously 'unconditionally' approved that are listed in Appendix 5 that are expected to start later in 2021 now be held back, pending receipt of the additional monies from MHCLG.

Forward Programme and Pipeline Development

- 5.13. There are appx 2,800 affordable units in the Cambridgeshire and Peterborough Affordable Housing programme pipeline which is updated by local authority housing officers. With a discount applied for risk for up to 80% of those units not actually getting to the point of coming into the Combined Authority programme before March 2022, around a further 560 units could potentially be delivered from this pipeline. We will need a minimum of 319 units to come forward from this pipeline to deliver the programme target of 2,000 units.
- 5.14. In order to ensure delivery of the minimum 2,000 unit start on site target, we aspire to secure approval for in excess of this number in order to allow for the possibility of further approved schemes potentially not starting on site by 31st March 2022, building 'insurance' for the potential future loss of units into the programme. Therefore, to achieve this we need in excess of 319 further units to be approved in the programme.
- 5.15. 113 units are coming forward in other papers to housing committee for approval on 11th January 2020

- 5.16. 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 by the end of financial year 2020/21 and into the first half of 2021/22. 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.
- 5.17. 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 the CLT scheme at Kennett in East Cambs.
- 5.18. 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

- 5.19. 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 8 £100k homes will complete in Dec20/Jan 2021 at Fordham.
- 5.20. 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 and more are being negotiated.
- 5.21. 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.
- 5.22. The Housing and Development Team communicates and 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

- 5.23. 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. The loss of units at Mere Fen has financial implications for the 60/40 split of the £100m programme if the units have to be replaced in the programme with grant units at a higher rate per unit.
- 5.24. Covid-19 disruption and economic impact currently represents a significant 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.

5.25. The CPCA programme faces pressure from Providers' ability to seek funding from other sources – primarily Homes England. The current Homes England Shared Ownership and Affordable Homes Programme ends in March 2021 and providers are keen to take up national allocations and deliver on their full obligations within that programme, as their performance will impact on future funding allocations. 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 loan extensions have been completed on the schemes with ECTC at Haddenham and MOD Ely. We expect the loan extensions on the 3 schemes with Laragh Homes to complete shortly.

6.3. The MOD Ely scheme made a £635,000 payment on 31st March 2020 following the sale of 2 units. Currently we understand several units are under offer/reserved where sales are progressing. The next projected re-payment of £1million from this scheme was expected in December 2020. On a positive note, £829,484 has already been received (early ahead of end December).

6.4. All other schemes are not yet at a stage where units are completing so that unit sales and loan repayments can be made. The next scheme where re-payments are due to start will be at Haddenham in May 2021. We understand that several units at Haddenham have been 'reserved' prior to practical completion so this is a good sign in giving confidence to the anticipated repayment profile. We also understand that several units in the Laragh homes scheme at Great Abingdon have also already been 'reserved' whilst under construction, again increasing confidence in the performance of the loan.

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

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 2021 requiring funding release
- 9.5 Appendix 5 – Sites with finance to be suspended pending MHCLG release

10.0 Background Papers

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

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