



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

<b>CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD</b>	<b>AGENDA ITEM No: 2.6</b>
<b>28 MARCH 2018</b>	<b>PUBLIC REPORT</b> Appendices A, B, C, D are exempt by virtue of category 3 within schedule 12A of the Local Government Act 1972

## **£100M AFFORDABLE HOUSING PROGRAMME**

### **1.0 PURPOSE**

- 1.1. The Combined Authority successfully secured £100million from the Government as part of the devolution deal to deliver 2,000 affordable homes across Cambridgeshire and Peterborough. This report provides an update on the programme.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Member:</b>	<b>Mayor James Palmer</b>
<b>Lead Officer:</b>	<b>Martin Whiteley, Chief Executive</b>
<b>Forward Plan Ref: 2018/004</b> <i>(previously titled Affordable Housing Programme (£100m) – Housing Scheme Approvals)</i>	<b>Key Decision: Yes</b>
The Combined Authority Board is recommended to:  (a) Note the progress of the Phase 1 housing scheme approvals agreed by the Board in July 2017.	<b>Voting arrangements</b>  Simple majority of all Members

(b) Note the forward pipeline of affordable housing schemes, including emerging strategic sites.	
(c) Commit grant funding of £3.66m for the next Phase 2 of affordable housing schemes.	
(d) Agree to receive further progress reports on a quarterly basis.	

## 2.0 BACKGROUND AND CONTEXT

### Cambridgeshire and Peterborough 2030 Ambition

2.1. The Mayor and the Combined Authority are committed to accelerating affordable housing delivery to meet local and UK need and support economic growth. This is reflected in the 2030 Ambition for coordinated, interventions and investment tailored to local need across housing, transport and infrastructure, planning and land use and skills.



### Affordable Housing Business Case

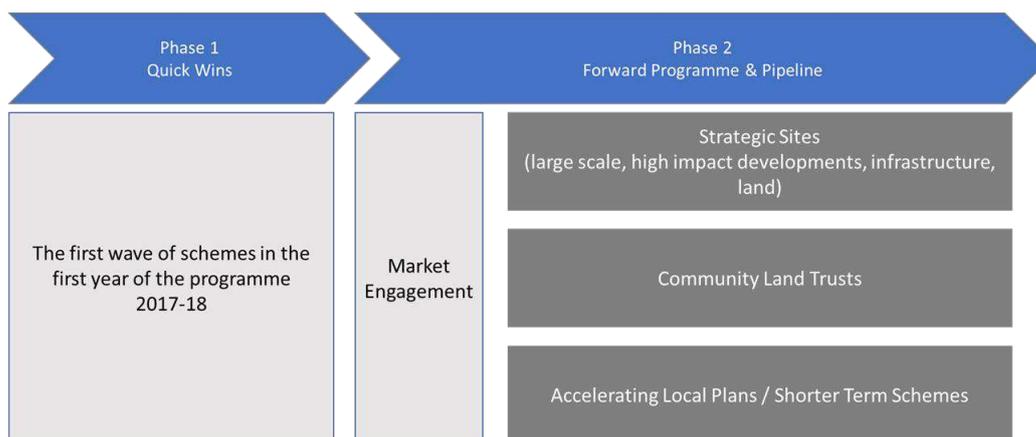
2.2. In March 2017 the Combined Authority Board agreed the business case for £100m to enable an additional 2,000 new affordable homes to start on site in the Combined Authority area during the five year period commencing 1 April 2017. The £100m fund will be deployed in the four local authority districts and the unitary excepting Cambridge City, which has received a separate ring-fenced £70m grant fund.

2.3. The Business Case recognised that in some cases the deployment of Combined Authority funding could accelerate the delivery of new affordable homes.

- 2.4. The Business Case also envisaged that funding to support the construction of new homes would average up to £25k per unit, and between £16k and £25k per unit for infrastructure.
- 2.5. The Business Case recognised the high levels of growth and exceptional housing market conditions facing Cambridgeshire and Peterborough including predicted job and population growth, housing supply and affordability challenges. The Business Case committed the £100m to delivering schemes which create added value by:
- (a) Accelerating the delivery of new affordable homes.
  - (b) Enabling new, or stalled schemes to proceed.
  - (c) Achieving otherwise unviable Local Authority affordable housing and planning policy compliant outcomes
  - (d) Creating future development funding capacity.
- 2.6. The Business Case also recognised that in the first instance “New homes will be delivered through the direct grant funding initially, however, this funding is expected to enable a fully revolving local fund in the Combined Authority which outlasts the initial five year period”. It is anticipated that the programme will support a mixed portfolio of schemes including strategic sites, sites brought forward by Housing Associations and developers and community land trusts.
- 2.7. This report provides an update on the £100m Affordable Housing Programme:
- (a) An overview of the £100m affordable housing programme.
  - (b) An update on the Phase 1 Quick Win schemes approved in July 2017.
  - (c) An overview of the forward pipeline of affordable housing schemes.
  - (d) The next Phase 2 of affordable housing schemes for approval.

### **3.0 £100m AFFORDABLE HOUSING PROGRAMME OVERVIEW**

- 3.1. The figure below provides an overview of the programme. The Combined Authority together with the Greater Cambridge Greater Peterborough (GCGP) Enterprise Partnership and the private and voluntary sectors will work together strategically, with a single plan and approach, to deliver housing schemes. This will include bringing together funding streams secured through the devolution agreement with other investments and the funds secured through Growth Deals. The approach to housing delivery will move beyond the simple aggregation of a number of locally determined housing schemes and instead take a strategic and collective view on which developments will best serve the overall objectives of growing the economy.



## 4.0 PHASE 1 QUICK WINS UPDATE

4.1. The Board approved the allocation of £4.56m of grant funding for the first wave of 253 affordable homes across the Combined Authority area at its meeting in July 2017. Progress meetings have been held with each of the providers. Confidential Appendix A provides a summary of the quick wins programme, the starts on site achieved to date and the current status and budgetary position for each scheme. 73% of the approved new homes across eight schemes will start on site by 31 March 2018.

4.2. The table below shows the current completion forecasts by local authority area:

Completions Forecast for Quick Wins schemes									
LA	2018/19				2019/20				TOTAL
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
ECDC	18				8				26
FDC							37		37
HDC		10							10
PCC						10	54		64
SCDC		24	15					9	48
<b>TOTAL</b>	<b>18</b>	<b>34</b>	<b>15</b>	<b>0</b>	<b>8</b>	<b>10</b>	<b>91</b>	<b>9</b>	<b>185</b>

## 5.0 FORWARD PROGRAMME & PIPELINE DEVELOPMENT

### (a) Market Engagement

5.1. The programme has undertaken an extensive programme of engagement to:

(a) Stimulate the market, communicating the aspirations of the Combined Authority and encouraging private sector providers, community land trusts, land owners and housing associations to bring forward affordable housing schemes.

(b) Identify a series of strategic, high impact sites where Combined Authority intervention and investment will bring forward proposals for large scale (>3000 new homes) developments, major enabling infrastructure, use of

surplus public sector land, initiatives targeted at key workers, and innovative capital investment models.

(c) Enable collaboration with central government and its agencies to optimise investment across funding streams in Cambridgeshire and Peterborough.

(d) Help shape the Combined Authority Housing Strategy, which will be presented to the Board later in the year.

5.2. **Local Authorities** – director level meetings have been held with each constituent local authority to examine local affordable housing priorities and the constraints to local housing delivery. The programme has also engaged with the Cambridgeshire Regional Housing Board, the Chief Planning Officers Group, and the Housing Leads in Cambridgeshire County Council, and the Greater Cambridge Partnership to ensure that the programme is taking a coordinated strategic approach.

5.3. **Housing Associations** – Housing Associations are private, non-profit making organisations that provide low-cost "social housing" for people who are unable to afford housing for either rent or sale in the local market. Any trading surplus generated by Housing Associations is used to maintain existing housing and to help finance new homes. Although independent they are regulated by the state and commonly receive public funding. Housing Associations predominantly provide new housing for rent, while many also run shared ownership schemes to help those who cannot afford to buy a home outright.

The programme has engaged with local, regional, national and London-based Housing Associations to explore the potential for schemes identified in Local Plans and other opportunities to bring forward for consideration.

5.4. **Community Land Trusts (CLTs)** – CLTs are non-profit organisations that develop and steward affordable housing, community gardens, civic buildings, commercial spaces and other community assets on behalf of a community. CLTs balance the needs of individuals to access land and maintain security of tenure with a community's need to maintain affordability, economic diversity and local access to essential services. The Combined Authority has recognised the scope for CLTs as a core component of the Affordable Housing Programme. The programme is exploring options to promote and stimulate further CLT developments across Cambridgeshire and Peterborough.

5.5. **Landowners and Developers** – discussions with major landowner/developers and land agents have examined the scope for mutually beneficial collaborative working. There are many potentially productive linkages between Combined Authority transport and infrastructure and housing objectives to be explored with major developers. The Combined Authority has presented its housing objectives to the Cambridgeshire Development Group, chaired by Lord Lansley and comprising leading private sector developers, house builders, land agents and consultants. The Combined Authority will continue to pursue discussions to develop interventions on important strategic sites.

- 5.6. **Major Employers** - engagement has taken place with some of the area's major employers and Cambridge Ahead to ascertain where the Combined Authority might directly support economic growth by helping with affordable housing schemes to support employee recruitment and retention in areas of stretched housing affordability.
- 5.7. **Homes England** – dialogue has focused on ensuring strategic and operational alignment to optimise the funding for new affordable homes in the area including scheme collaboration. The Combined Authority is currently in early stage discussions for a strategic, high impact site and anticipates bringing forward a proposal to the Board.
- 5.8. The programme of engagement with the network of public, private and voluntary sector organisations has built on the strong foundations laid in the summer by the Mayor's 100 Day Plan, the Housing Summit, and Phase 1 of the Affordable Housing Programme. It is resulting in a flow of new scheme proposals and demonstrates the enthusiasm of stakeholder organisations to work with the Combined Authority to deliver its housing objectives.

#### **(b) Forward Programme and Pipeline**

- 5.9. The £100m Affordable Homes Programme commitment to Government is to achieve at least 2,000 new affordable home starts by the end of March 2022.
- 5.10. The forward programme and pipeline is focused on three core components:
- **Local Plan sites and shorter-term schemes** as identified through the programme of market engagement outlined above and illustrated in the pipeline below.
  - **Community Land Trusts (CLTs)** – East Cambridgeshire District Council, South Cambridgeshire District Council, and Cambridge City Council are working with local communities interested in bringing forward community-based schemes. Palace Green Homes is developing ambitious new proposals for building market and affordable homes and further scheme proposals are expected. In parallel the Combined Authority is planning to host a Rural Housing Conference to generate further interest and stimulate the appetite to deliver affordable rural homes.
  - **Strategic Sites** - the Combined Authority is engaged in early stage dialogue with a range of organisations for the development of a number of strategic sites (i.e. sites or groups of sites delivering at least 3000 new homes). Whilst strategic sites have the potential to deliver significant numbers of new homes, not all of the new homes will be deliverable within the £100m Affordable Housing Programme period to March 2022; significant numbers will be in future years, thus impacting the investment the Combined Authority may make under the auspices of the programme. The Combined Authority is actively exploring the options to attract further funding from

government and other sources. A summary of the strategic sites currently under consideration is provided at Confidential Appendix B; owing to the commercially sensitive nature of early stage negotiations this information is confidential.

It is expected that further strategic site opportunities will be identified during the course of the programme through the implementation of policies on Land Value Capture, Compulsory Purchase, Combined Authority land acquisition and Joint Ventures etc. Proposals will be brought forward to the Board in due course.

5.11. The current status of the pipeline is summarised in the table below; this does not include potential strategic sites. The pipeline will continue to be developed and refined as the programme progresses.

All Pipeline Schemes - Projected start on site							
LA	2017/18 Phase 1 Quick Wins	2017/18 Phase 2 Schemes for Approval	2018/19	2019/20	2020/21	2021/22	Total
ECDC	26	0	32	18	75	0	151
FDC	37	0	92	152	0	0	281
HDC	0	39	39	84	82	90	334
PCC	74	33	309	90	0	0	506
SCDC	48	270	50	0	25	270	663
<b>Total</b>	<b>185</b>	<b>342</b>	<b>522</b>	<b>344</b>	<b>182</b>	<b>360</b>	
<b>Cumulative Total</b>	<b>185</b>	<b>527</b>	<b>1049</b>	<b>1393</b>	<b>1575</b>	<b>1935</b>	

5.12. The Board is asked to note that the nature of new build development means that it is inevitable that final numbers will be subject to change as some schemes will fall away, and new proposals come forward. The programme will ensure that the flow of proposals into the pipeline remains a key area of focus. The Combined Authority will continue to work with the various housing market stakeholders to develop further pipeline schemes to meet the Devolution Deal commitment of at least 2,000 new homes.

5.13. The pipeline, along with the delivery of approved schemes will be tracked and monitored and quarterly progress reports will be brought forward to the Board to provide assurance that the Combined Authority is on track to deliver against its devolution deal commitments.

## 6.0 PROPOSED PHASE 2 SCHEMES FOR APPROVAL

6.1. Four schemes which meet the requirements of additionality, deliverability, meeting identified priority needs and value for money are recommended for approval. £3.66m of Combined Authority grant funding is recommended to provide 612 new affordable homes. Full details are provided in Confidential Appendix C.

Phase 2 Schemes for Approval					
LA	Provider	Scheme	Affordable Rent	Shared Ownership	Total No of Units
HDC	Cross Keys Homes	Ramsey	22	10	32
HDC	Cross Keys Homes	Offord D'arcy	7	0	7
PCC	Accent Nene	Paston Reserve	0	33	33
SCDC	Combined Authority	Mare Fen N'stowe	180	360	540
<b>TOTALS</b>			<b>209</b>	<b>403</b>	<b>612</b>

Note: \* Total Number of affordable homes 1750 unlocked by investment in off site infrastructure; 270 start on sites in 2019; 270 start on sites in 2021 (360 Shared Ownership; 180 Affordable Rent)

6.2. The four schemes are fully supported by each respective Local Authority Housing Enabling Manager.

6.3. All four schemes provide concrete additionality to the delivery of affordable homes in the Combined Authority area:

- St Mary's Road, Ramsey will provide 32 units of affordable housing on a new developer-led site. Following a viability challenge under the provisions of the National Planning Policy Framework<sup>1</sup>, the Valuation Office undertook an independent evaluation of the scheme and advised that the site was unviable on economic grounds and the S106 agreement should be reduced to zero. The programme has worked with colleagues at Huntingdon District Council and the provider to develop a policy compliant scheme that will deliver 32 affordable homes, comprising 22 affordable rent and 10 shared ownership.
- The Offord D'arcy scheme will deliver seven affordable family homes (3 and 4 bed). The provider is utilising its reserves of Disposal Proceeds Funds to subsidise the scheme alongside the Combined Authority grant provision on a 50/50 basis. There is pressure for this type of accommodation across the District, providing affordable homes for those who wish to stay in the District and continue to be economically active or who would otherwise be homeless. The scheme provides much needed affordable family homes in a rural village with strong community support, managed by a provider with an increasingly strong presence in the District and a track record of effective delivery and management.
- The Paston Reserve site in Peterborough will deliver 33 affordable shared ownership homes (2, 3 and 4 bed family homes and 1 apartment) on a site that had been earmarked for private sale with full planning consent, thus providing 100% additionality. The scheme will start on site by the end of 2017/18.

<sup>1</sup> The National Planning Policy Framework includes provision to challenge the percentage of affordable housing; it says that plans should be deliverable and that the sites and scale of development identified in the plan should not be subject to any financial burden that threatens viability.

- The ‘funding gap’ and associated grant requirement on both the Offord D’arcy and Paston sites has been assessed and validated by utilising the Government ‘Development Appraisal Tool’ (DAT) model.
- For the St Mary’s Road, Ramsey and Paston Reserve sites, future grant repayments, received by providers from shared owners acquiring further shares of the equity in their homes, will be held by the provider in a Recycled Capital Grant Fund (RCGF). The provider will have a three year period in which to spend RCGF on building more affordable homes, or return the grant to the Combined Authority. Providers must use ‘best endeavours’ to spend RCGF in the local authority area in which it originated, or the wider Combined Authority area if this cannot be achieved.
- Northstowe Phase 2 - Grant funding to provide off site infrastructure improvements preventing flood risk will enable the planning consent for Northstowe Phase 2 to be implemented unlocking 3,500 new homes including 1,750 affordable homes, 540 of these will start on site by 2022. This is consistent with the devolution deal “The Combined Authority will work with Government and its agencies to co-invest in new homes, unlock barriers to growth, and plan and prioritise investment in associated infrastructure (including transport, schools and healthcare)”.

6.4. It is proposed that the Board will further develop and agree the investment principles and detailed criteria that will apply to the programme going forward. Confidential Appendix D provides a first draft.

## **7.0 FINANCIAL IMPLICATIONS**

7.1. The table below summarises the budget position based on financial commitments for Phases 1 and 2 and the projected pipeline.

7.2. The Phase 1 Quick Wins project is proceeding satisfactorily in terms of both time and cost. A high proportion of the new homes will have started on site by the end of the financial year and completion of 185 new homes is expected by the end of 2019/20. Assuming this progress is maintained the Authority's intervention will represent an efficient and effective way of progressing housing development by achieving starts on site earlier than would be possible in the absence of financial support.

7.3. A review of the proposed Phase 2 schemes outlined in Section 6 has confirmed that they meet the project objectives and represent value for money. Therefore the recommendation for approval of £3.66m Combined Authority grant for the delivery of the schemes is fully supported

7.4. The table below summarises the budget based on the financial commitments for Phases 1 and 2 and the projected pipeline. The analysis indicates a gap in the target of 2000 homes at this stage of the programme. However, the pipeline does not at this stage include the strategic sites where proposals are currently under

development (Appendix B) and which will bring forward significant numbers of new affordable homes. Proposals on strategic sites will come forward to the Board in due course.

<b>£100M Affordable Homes Programme Budget</b>						
	<b>Phase 1 Quick Wins</b>	<b>Phase 2 Schemes for</b>	<b>Forward Programme to 2022</b>	<b>Total</b>	<b>Gap to Target (2000)</b>	<b>Available Budget £m</b>
<b># Homes</b>	185	612	1138	1,935	65	
<b>Total £m</b>	4.05(i)	3.66	39.83(ii)	47.54		52.46
<b>Notes</b>						
(i) average grant per unit £22k						
(ii) based on average grant per unit £35k						

## **8.0 LEGAL IMPLICATIONS**

- 8.1 The devolution deal of June 2016 set out an ambitious target for increasing new homes delivery, jointly agreed with the Department for Communities and Local Government, reflecting the assessments of local housing need.
- 8.2 To achieve this the Combined Authority was given authority under Article 11 of the Cambridgeshire and Peterborough Combined Authority Order 2017 to exercise a general power of competence to deliver the terms of the deal.
- 8.3 The housing target is to be achieved through this programme which is supported by a housing fund. The funding of housing to be let or sold is very likely to constitute incompatible state aid, and therefore be unlawful, unless it is structured to comply with a number of "exceptions" under State Aid law. State aid law does, however, recognise that it is appropriate in a number of circumstances for public funding/resources to be given to what is termed "Services of General Economic Interest" ( SGEI ) (which loosely translates as in the public interest). SGEIs include public support for social and affordable housing. English social and affordable tenures (including low cost home ownership) are all referred to as social housing under state aid law and therefore this funding does not constitute unlawful state aid.

## **9.0 SIGNIFICANT IMPLICATIONS**

- 9.1 There are no specific implications for this report.

## **APPENDICES**

Exempt Appendix A : Phase 1 Quick Wins progress report

Exempt Appendix B: Strategic Sites

Exempt Appendix C: Phase 2 Schemes

Exempt Appendix D: Draft objectives and investment criteria

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
Quick Wins Report – 2017 July Combined Authority Board	Cambridgeshire and Peterborough Combined Authority, The Grange, Nutholt Lane, Ely CB7 4EE