



HOUSING & COMMUNITIES COMMITTEE	AGENDA ITEM No: 3.3
27 APRIL 2020	PUBLIC REPORT

£100M AFFORDABLE HOUSING PROGRAMME UPDATE

1.0 PURPOSE

- 1.1. This report provides an update on the £100 million Affordable Housing Programme being led by the Combined Authority.
- 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.

<u>DECISION REQUIRED</u>	
Lead Member:	Cllr Chris Boden, Lead Member for Housing and Chair of Housing and Communities Committee
Lead Officer:	Roger Thompson, Director of Housing and Development
Forward Plan Ref: N/A	Key Decision: No
The Housing and Communities Committee is recommended to: (a) Note the progress of the delivery of the £100m programme	Voting arrangements: Simple majority of all Members

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 29 schemes with allocated funding, of which 18 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 or 'strategic sites' across Cambridgeshire and Peterborough.
- 2.5. As part of 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 year 2019/20 Annual Review took place in September, following which additional information has been provided. A follow up meeting took place in early February following which more information was provided in March. A payment of £17m of devolution deal monies has subsequently been made direct to Cambridge City Council and we await the £15m anticipated to be received by the Combined Authority.

3.0 FINANCIAL PERFORMANCE

- 3.1. Grant investment approved for Affordable Housing schemes to date is £23.8 million, with a further £51.1 million approved from the revolving fund, although when that is 'cash flowed' the total drawdown should not exceed £40m at any one time. A total of £63.8 million (£40m revolving plus £23.8m grant) has been allocated to schemes to date. A list of the 29 schemes with Combined Authority Board or Committee approval is attached as Appendix 1.
- 3.2. £47 million has been contractually committed, comprising £6.86 million in grants and the full revolving £40 million in loan funding. £11.1 million is in the process of being contracted.
- 3.3. £4.027 million in grant and £33.77 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. As simple a process as possible has been

set up for providers to supply supporting evidence of project expenditure and delivery milestones having been met to enable prompt payments.

4.0 PROGRAMME DELIVERY

- 4.1. The Affordable Housing Programme currently has 29 schemes with allocated funding, of which 18 are in contract. The geographic distribution of the 29 schemes is shown on a map in Appendix 2 and differentiates between the grant schemes and £40 revolving fund loan schemes (see the appendix legend). 483 housing units have started on site to date and 89 homes completed. In total 1,218 units have been approved by Committee or the Combined Authority Board and pending Covid 19 issues, we are chasing those schemes and providers to deal with pre-construction issues as quickly as possible, to commence starts on site.
- 4.2. The graphs in Appendix 3 show the progress of the programme over time
- 4.3. Scheme approvals since the last presentation to the Housing & Community Committee;
- (a) Histon Road, Cambridge – Laragh Homes will deliver a scheme of 27 new homes, including 10 affordable houses. Loan from Combined Authority approved for £9,647,000
 - (b) Alconbury Weald, Parcel 4, Hunts – Crosskeys Homes will deliver 9 new homes. Grant from Combined Authority approved for £315,000
- 4.4. Scheme Withdrawals since last presentation:
- (a) Trumpington Meadows, Cambridge – Sage scheme 11 homes. Loan from Combined Authority was approved for £330,000. A SDLT issue has created an additional cost of £170,000 so it has been agreed that Sage will secure grant from Homes England, through which the SDLT cost encountered in this case will not arise.

Starts on Site

- 4.5. There have been 483 Starts on Site to date.
- 4.6. We anticipate more starts on site as soon as the constraint on the construction market from the social distancing measures under Covid-19 is relaxed.

Completions

- 4.7. The programme has so far delivered 89 completed units. Seven schemes have completed in some form, with another 2 schemes due to complete in the next few months, Covid-19 construction delays permitting.

Forward Programme and Pipeline Development

- 4.8. There are appx 3,300 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 70% of those units not actually getting to the point of coming into the Combined Authority programme, around a further 1000 units could be delivered from this pipeline using devolution funds.
- 4.9. If the Covid -19 lockdown is released for the construction industry within the next few weeks, 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 into financial year 2020/21 as soon as contractors Covid-19 restrictions are relaxed. If the Covid-19 lockdown extends beyond a few weeks, the impact of such delays will need to be further assessed.
- 4.10. In addition to identified schemes, there may be opportunities for Combined Authority 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 potential affordable units at Wyton Airfield and the CLT scheme at Kennett in East Cambridgeshire.
- 4.11. 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 using the Combined Authority's development company Angle Developments (East) Ltd might be considered appropriate if the market might be considered as failing to deliver. If Covid-19 impacts become more significant, this type of intervention may become more likely.

Communicating the Opportunity

- 4.12. 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 information is available from the dedicated £100k homes website at www.100khomes.co.uk.
- 4.13. 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.
- 4.14. The Housing and Development Team 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

- 4.15. Covid-19 disruption currently represents the greatest risk. Short term construction programme impacts are being felt. Wider economic and any structural issues for the housing market are yet to be confirmed and will be identified as the general economy and housing industry eventually return to work from social distancing measures. 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. New starts on site and completions will be delayed, we will continue to monitor and advise.
- 4.16. Covid-19 impact on the wider housing market in terms of longevity and depth is uncertain. To a large degree this will depend on the depth and duration of wider economic impacts, employment prospects, availability of mortgage products etc. We will continue to monitor and advise.
- 4.17. 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 and deliver on their full obligations within that programme, as their performance will impact on future funding allocations.
- 4.18. Officers from the Housing and Development Team meet Homes England staff regularly to share intelligence and monitor the impacts of the respective programmes.

5.0 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications other than those covered in the body of the report. The second graph in Appendix 3 shows in a bar chart the amount of money committed to the programme and alongside it the amount of money actually paid to date.

6.0 LEGAL IMPLICATIONS

- 6.1. The Combined Authority is required to ensure that the funds are spent in line with its Assurance Framework and Monitoring and Evaluation Framework.
- 6.2. The Cambridgeshire and Peterborough Combined Authority Order 2017 granted the Combined Authority a general power of competence. This power permits the Combined Authority to make grants to housing providers in order to deliver the terms of the Devolution Deal signed with Government.

7.0 APPENDICES

7.1. Appendix 1 – Combined Authority Affordable Housing Programme - Approved Schemes February 2020

7.2. Appendix 2 – Distribution of £100m Housing programme schemes

7.3. Appendix 3 – £100m programme bar charts

<u>Source Documents</u>	<u>Location</u>
<i>DCLG Approved Business Case</i> Devolution Deal 2016 Assurance Framework Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment) Regulations 2019	Cambridgeshire and Peterborough Combined Authority, Alconbury Enterprise Campus, Alconbury Weald, Huntingdon PE28 4XA http://cambridgeshirepeterborough-ca.gov.uk/