



CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD	AGENDA ITEM No: 3.1.2
29 JANUARY 2020	PUBLIC REPORT <i>This report contains appendix 1 which is exempt from publication under Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and it would not be in the public interest for this information to be disclosed - information relating to the financial or business affairs of any particular person (including the authority holding that information).</i>

£100M AFFORDABLE HOUSING PROGRAMME (NON-GRANT): PROPOSED ACQUISITION – FENLAND

1. PURPOSE

- 1.1. To seek approval from the Board for the grant of a loan to Angle Developments (East) Ltd to enable the acquisition of an appx 2.7 acre (1.1 Ha) freehold residential development site in Fenland.
- 1.2. The loan monies being requested will come from the £40m revolving fund within the £100m affordable housing programme.
- 1.3. The purchase contract between Angle Developments (East) Limited and the current site owner shall be conditional upon the current owners securing a renewed planning consent for the previously consented residential development of 29 market housing units. The intention is for Angle Developments (East) Ltd to secure a further planning consent for a residential development of appx 40 units including affordable housing for which the previous consented scheme does not provide.
- 1.4. Through this transaction Angle Developments (East) Ltd will control a significant residential development opportunity to be delivered for the benefit of local families and the community.

<u>DECISION REQUIRED</u>	
Lead Member:	Lead Member for Housing
Lead Officer:	Nick Sweeney, CPCA Development Manager, Housing & Development

Forward Plan Ref: 2020/011	Key Decision: Yes
<p>The Combined Authority Board is recommended to:</p> <p>(a) Approve the lending of a sum of £1,290,000 from the Combined Authority to Angle Developments (East) Ltd to enable the acquisition and progression of a revised planning application on a site in Fenland (comprising £790,000 to acquire the site and £500,000 in costs). Heads of terms for the acquisition are detailed in the Business Case at exempt Appendix 1.</p> <p>(b) Grant delegated authority to the Housing Development Manager, in consultation with the Deputy Monitoring Officer and the Portfolio Holder for Investment and Finance, to conclude any necessary legal documentation to complete the loan with Angle Developments (East) Ltd.</p>	<p>Voting arrangements</p> <p>Simple majority of all Members</p>

2. BACKGROUND

- 2.1. In order to have a selection of tools and a flexible approach in which housing delivery can be achieved and accelerated, on the 26th September 2018 the Combined Authority Board approved a flexible multi toolkit housing strategy.
- 2.2. The strategy included the provision of a rolling fund from within the £100m housing programme to be used for toolkit opportunities over and above just issuing traditional grant, such as seeking out and delivering direct development opportunities that the market is not delivering of its own accord, as is being proposed in this paper.

A flexible multi-toolkit approach



2.3. The approved Housing Strategy included the following policy commitments:

- 2.3.1. Under paragraph 3.17 to promote all housing that is in addition to the existing development pipeline.
- 2.3.2. Under section 3.18 there is a commitment to being creative and using a range of financial delivery mechanisms that have not traditionally been a public sector method to support and deliver housing.
- 2.3.3. This proposal is further supported by paragraph 3.23 to encourage the best use of all property assets.
- 2.3.4. Under 3.24 to helping to accelerate schemes using financial mechanisms in the toolbox.
- 2.3.5. Under 3.25 to more enabling action including loans
- 2.3.6. Under 3.27 to taking the initiative on more direct interventions as exemplified in the toolbox above.

2.4. The site is cleared, vacant and was formerly used as a mill and grain store.

2.5. The site has been marketed by local agents for over 12 months and has not sold.

2.6. The Local Planning Authority (LPA) Fenland District Council does not currently operate a Community Infrastructure Levy (CIL), but a S106 agreement will be required.

2.7. The intention is for the Combined Authority's Devco, Angle Holdings (East) Limited, to use the loan funding to acquire the property, secure a residential

planning consent for an increased density, and initiate the subsequent development.

- 2.8. Fenland District Council's Head of Housing and Community Support supports the proposal because it seeks to provide affordable housing that would not otherwise be provided within the development.
- 2.9. The site had a planning consent for 29 units with no affordable housing, which the current owner is renewing.
- 2.10. The proposed purchase price for the site is £790,000 + VAT

3. FINANCIAL IMPLICATIONS

- 3.1. It is proposed that the Combined Authority provides Angle Developments (East) Ltd with loan funding of £1,290,000 (£790,000 plus VAT and stamp duty for the acquisition, the balance to cover costs of site investigation and works and to design, prepare, submit and secure a planning consent for a scheme of comprising appx 40 residential units.
- 3.2. Once the final scheme to be built has been determined and priced, a further loan application to CPCA to request funding for the cost of construction is anticipated.
- 3.3. An initial development appraisal incorporating estimated costs has been undertaken and is attached in the Business Case at exempt Appendix 1.
- 3.4. It is proposed that the loan to Angle Developments (East) Ltd will be at the interest rate of 3.14% per annum from drawdown, with repayment in full upon completion of the development and sale of the homes.
- 3.5. The impact of the proposed loan upon the cumulative cashflow forecast for the £40m revolving fund element of the £100m affordable housing programme can be found in appendix 2

4. LEGAL IMPLICATIONS

- 4.1 The Combined Authority has the ability to lend under s.12 Local Government Act 2003 "power to invest" as well as under a general power of competence provided that it is compliant with European state aid rules.
- 4.2 In making any such investment the Authority is required to have regard to the government's statutory guidance on Local Government Investment (section 15 Local Government Act 2003) and specific guidance published by the Chartered Institute of Public Finance and Accountancy.

5. IMPLICATIONS FOR NATURE

- 5.1 The site is currently cleared. Any new planning application will we anticipate require supporting reports on environment and habitat.

6. RISK IMPLICATIONS

- 6.1. Planning risks are presented by the proposal to seek an increased density of residential development. This risk is mitigated as contracts will not exchange between Angle Developments (East) Limited and the current owner unless the lapsed planning consent for 29 homes is renewed. This planning application is currently being considered by the Local Planning Authority. If a new planning consent for 40 units with affordable housing is not secured then Angle Developments (East) Ltd will be able to implement the development of 29 market units and recover its capital outlay.
- 6.2. There are cost and viability risks associated with the requirement to address planning requirements in respect of highway improvements and other matters. These risks will be mitigated as the costs will be more accurately quantified prior to exchanging contracts.
- 6.3. Angle Developments (East) Limited will be undertaking the usual pre-contract due diligence on its ability to deliver the development before exchanging contracts.

7. OTHER SIGNIFICANT IMPLICATIONS

- 7.1. If Board approval is secured, Angle Developments (East) Limited will undertake pre-acquisition due diligence before proceeding to exchange conditional contracts. Typical pre exchange expenditure would be £15,000.
- 7.2. Angle Developments (East) Ltd proposed acquisition of the site offers an opportunity to deliver additional affordable housing that the market will not otherwise deliver.

8. APPENDICES

- 8.1. Appendix 1: Business Case
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Appendix 2: £40m revolving fund cumulative cashflow forecast.

Appendix 3: Draft heads of terms for a funding agreement between CPCA and Angle Developments (East) Ltd.