



Report title: £100million Affordable Housing Update

To: Overview and Scrutiny

Meeting Date: 25 January 2021

Public report: Yes

From: Roger Thompson
Director of Housing and Development

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.

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 29 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 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 £60 million of which a proportion is conditional upon receipt of the full £100m, 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 £100 million (£40m revolving plus £60m grant) has been allocated to schemes to date. A list of the 49 live schemes with CPCA Board or Committee approval including the revolving fund loans is attached as Appendix 1.
- 4.2. £62 million has been contractually committed, comprising £22 million in grants and the full revolving £40 million in loan funding. £38 million is in the process of being contracted.
- 4.3. £45.8m (8.4 million in grant and £37.4 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.

5.0 £100m PROGRAMME DELIVERY

- 5.1. The Affordable Housing Programme currently has 49 schemes with allocated funding, of which 29 are in contract. 793 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 some schemes that either in part or wholly will not in all likelihood start on site before March 2022. These have therefore been withdrawn from the programme.
- 5.3. In total current live schemes comprising 1,794 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.

Affordable Housing tenancy profile

- 5.5. The profile of current portfolio of 1,794 units is as follows:
Social rented units – 69
Affordable rented units – 1,059
Shared ownership units – 666
(£100k homes counted in shared ownership total)

Starts on Site

- 5.6. There have been 793 Starts on Site to date in total.
- 5.7. We anticipate more starts on site as more schemes progress through reserved matters and contractor procurement and expect that number to rise to just over 1,000 units by end March 2021 with 12 months of the programme to go.
- 5.8. The already approved schemes will deliver approximately 800 starts on site in Yr 2021/22. We will need to secure and approve an additional 200 units which we need to convert from our future pipeline to complete the programme delivery for March 2022.

Completions

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

Forward Programme and Pipeline Development

- 5.10. There are approximately 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 85% of those units not actually getting to the point of coming into the Combined Authority programme before March 2022, around a further 420 units could potentially be delivered from this pipeline. We will need a minimum of 200 units to come forward from this pipeline to deliver the programme target of 2,000 units.
- 5.11. 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.

- 5.12. 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 the first half of 2021/22. If a national or significant regional Covid-19 lockdown is re-applied to the construction industry due to a spike in cases, there will be an impact that will need to be further assessed.
- 5.13. In addition to identified schemes, there may be opportunities for CA investment into schemes or phases on sites' across Cambridgeshire and Peterborough. The Combined Authority is engaged in early-stage dialogue with a range of organisations, for example the CLT scheme at Kennett in East Cambs.
- 5.14. 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

- 5.15. 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 are completing at Fordham.
- 5.16. Just over 2,500 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.
- 5.17. 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.
- 5.18. 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

- 5.19. 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.
- 5.20. Covid-19 disruption and economic impact currently represents a significant risk. Short and medium-term materials and 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.
- 5.21. 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 and on the 3 schemes with Laragh Homes. We do not anticipate any further requests.
- 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. A further re-payment of £829,484 has been received in December 2020 and more receipts from sales are expected shortly.
- 6.4. The scheme at Haddenham was not expected to make repayments before May 2021, but we have been notified that at least 2 units sales and repayments can be expected before the end March 2021. This is encouraging.
- 6.5. All other schemes are not yet at a stage where units are completing so that unit sales and loan repayments can be made. We understand that several units on the Laragh schemes at Great Abingdon and Forehill Ely have been 'reserved' prior to practical completion so this is a further positive sign in giving confidence to the anticipated repayment profile.

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 Combined Authority has authority under section 1 Localism Act 2011 to exercise a general power of competence. The Combined Authority can exercise this power by virtue of the Cambridgeshire and Peterborough Combined Authority Order 2017. This power permits the Combined Authority to make grants to providers in order to deliver the terms of the Devolution Deal signed with Government.

9.0 APPENDICES

- 9.1. Appendix 1 – Combined Authority Affordable Housing Programme - Approved Schemes January 2021
- 9.2. Appendix 2 – Distribution of £100m Housing Programme schemes
- 9.3. Appendix 3 – £100m Programme bar charts

10.0 Background Papers

<u>Source Documents</u>	<u>Location</u>
<p><i>DCLG Approved Business Case</i> Devolution Deal 2016 Assurance Framework Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment) Regulations 2019</p>	<p>Cambridgeshire and Peterborough Combined Authority, 72 Market Street, Ely CB7 4LS http://cambridgeshirepeterborough-ca.gov.uk/</p>