



Agenda Item No: 2.1

## Implementation Update of the 2021/22 Affordable Housing Programme

To: Housing and Communities Committee

Meeting Date: 9 March 2022

Public report: Yes

Lead Member: Councillor Lewis Herbert

From: Lead Officer Roger Thompson, Director of Housing and Development

Key decision: No

Forward Plan ref: N/A

Recommendations: The Housing and Communities Committee is recommended to:

- a) Note the progress in delivering the CPCA 2021/22 Affordable Housing Programme

Voting arrangements: A simple majority of all Members present and voting

# 1. Purpose

- 1.1 This report is to update committee members on the progress of the affordable housing programme to March 2022.
- 1.2 This report is also to update the committee on the implications for the CPCA for its housing activity from April 2022 onwards and the proposed process that will lead to the CPCA determining its future direction in Housing.

# 2. Background CPCA programme & changes by DLUHC – Programme April 2021 to March 2022

- 2.1. The Combined Authority's Affordable Housing programme is running for five years from 1 April 2017 to 31 March 2022 with the ambition to deliver 2,000 new affordable homes if £100m of funding is provided.
- 2.2. DLUHC determined that the programme in its previous form ended with effect from 31st March 2021. DLUHC offered a new programme of support for additional affordable housing for the period April 2021 to March 2022 with conditions that the CPCA has accepted. The conditions are listed below;
  - CPCA will invest all returning capital from its portfolio of 5 loans to local SME developers into the proposed grant programme as that capital is re-paid to CPCA. It will be solely used to support grant schemes that will maximise additional starts of affordable housing by 31 March 2022 or as soon as possible thereafter. Where loan funding will not be returned in time to invest into schemes starting by 31st March 2022, CPCA will still use such funds to support additional affordable housing grant payments that will become due after March 2022.
  - The schemes in the programme for 2021/22 will first be funded from the £55m already provided by DLUHC, except where funding is already out on loan and will not have been re-paid by 31st March 2022.
  - CPCA will only request additional funding above the £55m already received for unfunded schemes that will both deliver additional starts by 31 March 2022 and be able to demonstrate and work to an intervention rate to be capped on any one scheme at a maximum average grant rate of £45,000 per unit.
  - CPCA is prepared to provide evidence on a scheme-by-scheme basis as required by DLUHC of meeting the Homes England definition of Additionality, confirm the grant rate and start on site date in advance of payment being received from DLUHC.
  - In order to manage the programme, CPCA is providing monthly updates to DLUHC with summary report, including an update of the programme cashflow projection showing and capturing the actuals against the projections and also updating the projections as the delivery of the various projects progress and capital is returned from the CPCA loan book. Those reports and meeting minutes will act as milestones to ensure transparency supporting local and central accountability.

- For the avoidance of any doubt, upon the re-payment of the existing loan book, no money allocated to this affordable housing programme will be used for any future loans or revolving fund purposes.
- 2.3. The programme will continue to support a mixed portfolio of schemes including strategic sites and projects brought forward by housing associations, developers and Community Land Trusts (CLTs). The new programme only proposes the intended use of grant to enable the delivery of additional affordable housing.
- 2.4 We received the Ministers decision in September 2021 on what the Minister and DLUHC are prepared to financially support from the proposed CPCA 2021/22 affordable housing programme.
- 2.5 The number of units for 2021/22 being offered support is 1,188 and the minister is offering an additional £18.704m of capital funding above the £55m already received under the previous programme. The net effect is that CPCA might receive up to £73.704m of the originally intended £100m to support the delivery of additional affordable housing in the period up to 31<sup>st</sup> March 2022.
- 2.6 Having not had the certainty until recently of knowing what the minister was prepared to support, we have reviewed with our delivery partners and providers if any schemes are not going to be capable of delivery to the required timescale, having found ourselves already 6 months into the 12-month programme 7 of the smaller schemes will not be able to progress to start on site by 31<sup>st</sup> March 2022. These are shown in pink in the table in Appendix 2. Those schemes total 247 units and account for appx £10m of funding.
- 2.7 DHLUC have made it clear that there is no prospect of delivery deadlines being extended. Anticipating this potential situation we had requested agreement from DHLUC to 'substitute' schemes out of the programme if they looked like they could not start in time and where possible to replace them with schemes that could start on site by 31<sup>st</sup> March 2022. There are a limited number of substitute schemes we can find, and some have already been approved by Committee and there is a further substitution scheme coming before committee today. Any proposed substitutions are subject to a process and approval from DLUHC and to apply the following criteria;
- Ideally, the above schemes should be progressed if possible. DLUHC expect that scheme substitution would only be proposed in exceptional circumstances.
  - should a scheme become undeliverable CPCA must raise this with DLUHC in the first instance. Details of any schemes that may be available for substitution should be provided.
  - To be considered, any substitute scheme/s would have to be of the same or lesser value and be capable of delivery in line with the same conditions included in the Minister's March letter, including starting on site by end March 2022.
  - It is important to recognise that there are no guarantees any substitute scheme would be accepted and may need ministerial approval.
  - If substitutions are agreed, it is important to recognise that the March 2022 end date is not moveable and there is no possibility of the funding being increased.

2.9 DLUHC have advised that they are not prepared to let CPCA 'set off' the overhead of their Housing Directorate team against the capital funding being provided for the 2021/22 affordable housing programme. Team costs are therefore now a direct overhead to CPCA.

### **AFFORDABLE HOUSING PROGRAMME DELIVERY**

2.10. The 'original' Affordable Housing Programme that ended 31st March 2021 has 37 schemes with allocated funding, totalling 733 housing units started on site with 335 of those homes now completed (319 units were last reported in Nov). See Appendix 1.

2.11. The schemes in the 'original' programme have £26.1m of grant committed to them and include the 5 loan schemes originally intended to be part of a revolving fund.

2.12. For the Affordable housing programme in its new form for the period April 2021 to March 2022 we had 18 potential schemes delivering 1,188 units to be supported and financed with £18.7m of additional grant funding. We expect to deliver 839 unit starts requiring appx £6m of additional grant funding.

2.13 The anticipated additional affordable housing unit numbers being delivered for the original period March 2017 to March 2022 is expected to be 1,572 units. (calculation; 733 original programme + 839 in the 2021/22 programme). There is risk around 6 projected schemes starting on site by 31<sup>st</sup> March 2022. We are still confident that all will start on site by 31<sup>st</sup> March 2022. The average grant subsidy per unit will be appx £40,000.

2.14 5 schemes comprising 244 additional affordable housing units (192 units were reported in Jan) in the 2021/22 affordable housing programme have started on site.

2.15 There are 6 housing schemes still to officially start on site before 31<sup>st</sup> March 2022 and the current status of each are listed in the bullet points below;

- Wisbech Road, March – The project of 118 units has a paper coming to committee for a revised scheme approval and the delivery by an alternative provider in the form of Sage. A contractor has already been selected and if approved a start on site by end March is expected.
- Rear of 26-34 High Street, Stilton – A project of 42 units with planning now resolved. Primary works on site are in progress and the main construction contract will be signed by end March. A letter of intent is already issued.
- Stanground, Peterborough – The project of 26 units is expected to have delegated planning approval on 7<sup>th</sup> March, a letter of intent has been placed with a contractor and the contract will be signed by end March.
- Land at rear of High Street Needingworth – The site for the project of 45 units is already being cleared and a contract to the contractor is being awarded.
- Great Haddon, London Road, Yaxley – The infrastructure works for the project of 49 units have been ongoing since January and agreements should be signed shortly to enable start on site to be confirmed.
- Northminster, Peterborough – The asbestos removal has been completed. Preliminary works for the project of 315 units are in progress and contracts are expected to be signed to enable formal start on site on 14<sup>th</sup> March.

## **PROSPECTS BEYOND MARCH 2022**

- 2.15. DLUHC advised that in connection with any prospect for the Combined Authority having a further dedicated affordable housing programme beyond March 2022 there is no expectation of there being any additional DLUHC money available that could provide a funding source. CPCA was also advised that DLUHC had no other current Affordable Housing funding support planned for Combined Authorities.
- 2.16. CPCA was referred to a Continuous Market Engagement process and to engage in a discussion with Homes England as they still have unallocated money in their 2021/26 housing programme. This would be on a scheme or site-specific basis, unlike the recent allocation and announcement of strategic partners.
- 2.17. In light of the DLUHC response, the work on the CA Affordable Housing Principles has been put on hold. A paper on what the future options and role might be for the CPCA in housing is in the CPCA forward plan to the Board on 1<sup>st</sup> June 2022. Prior to that it is intended to hold a workshops with CPCA constituent officers and housing delivery partners to hear views and test opinion, to be followed with a workshop with Housing Committee and Board Members. Invitations and a programme for this activity will be issued.
- 2.18. As part of the thinking for the March 2022 paper the chair of the housing committee is proposing a three-zone strategy for affordable housing delivery, being Peterborough, Rural Cambridgeshire and Greater Cambridge. Opportunities for funding and investment to be engaged with Councils and registered providers, with a focus on special needs to include Community housing, tackling homelessness and rough sleeping. Part of this should look at ways to identify and where possible address market failures in skills, potential and support for modern methods of construction, potential partnering with developers focusing on larger sites and looking at any ways to improve material supply issues.

## **Significant Implications**

### **3. Financial Implications**

- 3.1. DLUHC indicated that we can expect to receive the payment of the additional capital funding once they can see that grant payments will exceed the CPCA's availability of cash from the original £55m of capital received. This payment is expected after we have a final review meeting with DLUHC on 21<sup>st</sup> March 2022. The balance of our projection for additional monies will be released subject to DLUHC's monitoring of the CPCA's performance in the delivery of the programme on the 21<sup>st</sup> March.
- 3.2. Financial implications are covered in the body of the report. Appendix 1 shows the amount of money committed to the March 2021 programme and the amount of money actually paid to date.
- 3.3. Grant investment approved for Affordable Housing schemes to 31st March 2021 is £26.1million, with a further £51.1 million approved for the 5-loan portfolio book.
- 3.4. £14.2 million in grant and £36.1 million in loan balance 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.

- 3.5. A report on the progress and status of the outstanding loans is now being presented to every housing committee as a paper in its own right
- 3.6. In view of the lack of support for the covering of the overhead of the CPCA housing team from April 2021 by DLUHC and the uncertainty about the likelihood of their being any significant funded housing programme beyond March 2022, CPCA should review the resourcing of the housing directorate as part of the wider Transformation Programme currently being considered.

## 4. Legal Implications

- 4.1. 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.
- 4.2. 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.

## 5. Public Health implications

- 5.1. The programme will have an impact on the health of Cambridgeshire residents as a result of an increase in the number of modern well designed affordable homes constructed to the latest building standards including modern insulation and ventilation standards.
- 5.2. The programme supports improving the health of the worst off as they tend to be the occupiers of the new affordable housing units being delivered.

## 6. Environmental and Climate Change Implications

- 6.1. The programme is supporting the overall decrease in energy use for the Combined Authority local communities and residents by delivering homes with modern standards of insulation and materials, the new homes being more energy efficient than existing or old stock
- 6.2. The programme is supporting a switch to low-carbon construction, including modern methods of construction and renewables.

## 7. Other Significant Implications

- 7.1. There are no other significant implications

## 8. Appendices

- 8.1 Appendix 1 – Combined Authority Affordable Housing Programme - Started on Site Schemes to March 2021
- 8.2 Appendix 2 - Combined Authority March 2021/ March 22 Affordable Housing Programme
- 8.3 Appendix 3 – Site locations 2021-22 Affordable Housing Programme
- 8.4 Appendix 4 – Presentation pack by area of the CPCA Affordable Housing Programme

## 9. Background Papers

None.