



Agenda Item No: 3.2

Implementation of the revised £100m Affordable Housing Programme

To:	Housing and Communities Committee
Meeting Date:	6 September 2021
Public report:	Yes
Lead Member:	Councillor Lewis Herbert, Lead Member for Housing & Communities
From:	Roger Thompson - Director
Key decision:	No
Forward Plan ref:	N/A
Recommendations:	The Housing and Communities Committee is recommended to; <ul style="list-style-type: none">a) Note the reportb) Note a reduction in the proposed grant rate on the scheme at the former East Anglia galvanizing works previously approved at Housing and Communities Committee on 9 November 2020 from the level of £3,830,725 (equating to £49,750 per unit) to £3,464,615 (equating to an average rate of £44,995 per unit).
Voting arrangements:	A simple majority of all Members

1. Purpose

- 1.1 This report provides an update on the Affordable Housing Programme being led by the Combined Authority.
- 1.2 The Housing and Communities Committee receives performance updates on expenditure, delivery of outputs (new homes) and status of discussions with Ministry of Housing, Communities and Local Government (MHCLG) relating to the Affordable Housing Programme at every Committee meeting.

2. Background CPCA programme & changes by MHCLG – Programme in new form to March 2022

- 2.1. The Combined Authority's Affordable Housing programme was running for five years from 1 April 2017 to 31 March 2022 with the ambition to deliver a minimum of 2,000 new affordable homes with £100m of funding.
- 2.2. MHCLG has determined that the programme in its current form has ended with effect from 31 March 2021. MHCLG has 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 CPCA's response to the conditions is 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 MHCLG, 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 MHCLG of meeting the Homes England definition of Additionality, confirm the grant rate and start on site date in advance of payment being received from MHCLG.
 - In order to manage the programme, CPCA has suggested a monthly or quarterly update 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. This will identify the amount of new money required by CPCA from MHCLG on a 'forward look' throughout the next 12 months to

ensure that CPCA has access to adequate funds to meet its anticipated immediate and medium-term projected cash commitments between now, March 2022 and phased grant payments that will still be due for payment by CPCA beyond that date. The frequency of these meetings will be determined by MHCLG's requirements, although we see limited benefit in them being more frequent than monthly. 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 are still awaiting news of the Ministers decision on whether MHCLG are prepared to financially support the CPCA 2021/22 affordable housing programme, despite frequently emphasis to MHCLG that a decision is urgently required.

Affordable Housing Programme Delivery

2.4. The 'original' Affordable Housing Programme that ended 31 March 2021 has 37 schemes with allocated funding, totalling 733 housing units stated on site with 305 of those homes already completed, (266 units reported in June 2021) See Appendix 1.

2.6. Those schemes have £26.1m of grant committed to them and include the 5 loan schemes originally intended to be part of a revolving fund in addition to this.

2.7. For the Affordable housing programme in its new form for the period April 2021 to March 2022, Housing committee has already approved 18 schemes delivering 1,189 units to be supported and financed with £47m of grant funding. We have requested confirmation from MHCLG that they are in agreement for those schemes to proceed but, as referred in 2.4, we have yet to receive the minister's decision.

2.8. The proposed programme for 2021/22 is in Appendix 2. MHCLG indicated that they were prepared to recommend that the Minister supports the continuation of all the schemes that the CPCA Housing and Communities Committee has already approved that were due to start in 2021/22 being the 770 units listed in the top part of the table requiring a further £31.0m. If that is all the Minister is prepared to support the total cost will be £57m, requiring only £2.1m of additional money above the £55m already received (excluding admin costs where we are requesting £420,000 pa on top, to enable delivery through the existing housing team resources).

2.9. There are 3 schemes totalling 419 units at a cost of £16.9m approved at 21 June Housing and Communities Committee that are also conditional upon MHCLG offering additional finance. We understand that MHCLG have reported this to the Minister without recommendation to see if he might be prepared to support. If he does, then the new money

required above £55m will be £19.0m (£2.1+£16.9).

- 2.10. MHCLG have said that they are not prepared to recommend the 5 schemes listed as 'Further proposed pipeline 21/22' at the bottom of the schedule to the Minister, citing the fact that they do not like the Rentplus model on which 4 of the schemes are based. This has come as a surprise to Rentplus who say they have support from previous housing ministers and MHCLG officers and are requesting a discussion once the initial decision from the Minister on the other schemes is known. If we could eventually get support for all those schemes later in the year, the cost of those is £23.8m.
- 2.11. If the whole proposed 2021/22 programme as shown in Appendix 2 was being delivered the total amount of new money would be £42.8m (£2.1+£16.9+£23.8) above the £55m already received, excluding the admin cost support. We would deliver 1,727 units in the 2021/22 year and 2,460 units in total since the start of the affordable housing programme. A detailed cashflow that provides the timing of the projected re-payments from the 5 loans and payments of the various grants is provided in Appendix 3.

Communicating the Opportunity

- 2.12. 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.
- 2.13. 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

- 2.15. The 2021/22 programme is still subject to outstanding approval by MHCLG upon which we have chased numerous times and requested a meeting. We now understand that a meeting with MHCLG is likely to take place on the 10th September. The programme will require additional capital for grant funding, over and above the £55m already received.
- 2.16. The 18 schemes already approved by Housing committee need to progress to start on site as planned, as will the 5 schemes not yet approved.
- 2.17. The CPCA programme faces pressure from Providers' ability to seek funding from other sources – primarily Homes England. The new Homes England Affordable Homes Programme 2021-2026 has had grants allocated and providers will be keen to take up national allocations and deliver on their full obligations. Officers from the Housing and Development Team meet Homes England staff regularly to share intelligence and monitor the impacts of the respective programmes and markets.
- 2.18. The programme has suffered reputational damage from the publicity surrounding the changes by MHCLG and the continuing delay in knowing the outcome of the ministerial decision on whether or not the CPCA 2021/22 programme will be financially supported is further eroding the programmes reputation and credibility.

- 2.19 **We are starting to reach a potential tipping point on some schemes whereby without knowledge of the ministerial decision and position to provide funding then schemes will be lost to the CPCA 2021/22 programme. Either there will not be enough time left to start on site by March 2022 or the applicants will seek funding from more certain sources like Homes England.**

Proposed Reduction in the Approved Grant Rate on the former East Anglia galvanizing works scheme

- 2.20 Housing Committee are asked to note a reduction in the level of the grant previously approved by the committee on the scheme at the former East Anglia galvanizing works. The grant level approved by Housing and Communities Committee on 9 November 2020 was £3,830,725 (equating to £49,750 per unit). This is being reduced to £3,464,615 (equating to an average rate of £44,995 per unit). This has been discussed and accepted by the applicant as part of the process of maintaining this scheme in the proposed CPCA 2021/22 Affordable housing programme that is currently with MHCLG awaiting ministerial approval. Without the reduction in the grant rate to a rate per unit below £45,000 per unit the scheme would have had to be removed and lost altogether from our 2021/22 programme.
- 2.21 Committee is being asked to note this reduction.

Affordable Housing Programme Pipeline & Potential Beyond March 2022

- 2.22 The current pipeline of schemes is attached in Appendix 3. From this we believe there is a potential case to request a further programme from government for an affordable housing programme to deliver 1,000 additional affordable units over a period from April 2022 to March 2025.
- 2.23 We are seeking to arrange a meeting with MHCLG to discuss this potential and will report back to committee once we have some initial feedback. This is anticipated as being likely to take place on 10th September 2021.

3. Financial Implications & Loan Book Performance

- 3.1 Appendix 1 shows the amount of money committed to the programme to March 2021 along with the amount of money actually paid to date and the balance remaining to be paid.
- 3.2 Grant investment approved for Affordable Housing schemes to 31st March 2021 is £26.1million, with a further £51.1 million approved for the loan book, the intention being that the new drawdown will not significantly exceed £40m.
- 3.3 £12.6 million in grant and £39.8 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 within the scrutiny requirements for

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

- 3.4. 4 of the 5 loans in the loan book 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 and are all expected to repay in full).
- 3.5. The exception is the ECTC loan on the MOD site at Ely where the projected repayment profile is slipping behind that anticipated. This is for two reasons. There has been a delay in the sale of the 15 affordable housing units in the scheme. We are advised that this is expected to be resolved and the substantial capital payment received from the sale of those units before the next housing committee meeting. We will continue to closely monitor the progress of that transaction. The second reason is a slower than projected rate of sale of the market units over the past 6 months. The loan is due to be re-paid by no later than 31 March 2023 and we will continue to monitor ECTC's performance closely to meet that deadline. There are currently 7 market units reserved and going through the acquisition process. Of those, 1 has exchanged and should complete before the committee meeting and 4 market sale units are expected to complete in the next 3-4 weeks. Receipts from those will help bring the anticipated repayment profile back towards what was projected. For the avoidance of any doubt ECTC are not defaulting on the loan and it is still expected to be re-paid in full by 31st March 2023. A default will only occur if the loan is not re-paid in full by 31st March 2023. We will continue to monitor and report to Committee on the progress of the repayments.
- 3.6. Repayments are being received from the schemes at Haddenham, MOD Ely and Great Abingdon as market and affordable rental sales complete. We expect more payments in the next few weeks and months as market unit sales are progressing towards completion, particularly on the schemes being developed by Laragh homes at Great Abingdon and Forehill, Ely as those schemes reach practical completion. Confidence of the return of capital and interest on all 3 of the above is good.
- 3.7. The Laragh Homes scheme at Great Abingdon due for practical completion in November 2021 has announced that all of the private sale houses have been reserved "off plan" and most have now exchanged.
- 3.8. The Laragh Homes scheme at Forehill Ely has announced many units being reserved off plan and exchanged. Completion is expected in December 2021.
- 3.9. The scheme at Linton Road, Cambridge is not yet at a stage where units are nearing completion for unit sales and loan repayments to be made. The contractor has reported some labour shortage issues and is seeking to resolve this to avoid a delay to the target practical completion date of October 2022.

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. Other Significant Implications

- 5.1 There are no other significant implications.

6. Appendices

- 6.1 Appendix 1 – Combined Authority Affordable Housing Programme - Approved and Started on Site Schemes to March 2021
- 6.2 Appendix 2 - Proposed Combined Authority 2021/22 Housing Programme
- 6.3 Appendix 3 – Current Affordable Housing Pipeline

7. Background Papers

- 7.1 None