



Agenda Item No: 3.1

Implementation Update of the 2021/22 Affordable Housing Programme

To:	Housing and Communities Committee
Meeting Date:	10 January 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.
- 1.3 This report is to update the committee on the implications for the revised Affordable housing programme for the period April 2021 to March 2022 and potential implications for the CPCA for its housing activity from April 2022 onwards.

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 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 DLUHC on a 'forward look' throughout the period 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 DLUHC's requirements. 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 could receive up to £73.704m of the originally intended £100m to support the delivery of additional affordable housing in the period up to 31st 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. It appears that at least 7 of the smaller schemes will not be able to progress to start on site by 31st 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 31st 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. There is an outside chance of one further scheme coming forward that will return more units to the 2021/22 programme and if that comes forward we may need to request a special committee meeting in February 2022 for the committee to consider. 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 stated on site with 335 of those homes now completed (319 units were last reported in Nov). See Appendix 1. The location of those schemes is shown on the plan in Appendix 3.
- 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.
- 2.13 The anticipated additional affordable housing unit numbers being delivered for the original period March 2017 to March 2022 is hoped to be appx 1,622 units. (calculation; 733 original programme + 889 in the 2021/22 programme). There is risk around projected schemes securing planning and reserved matters and starting on site by 31st March 2022. The average grant subsidy per unit will be appx £40,000.
- 2.14 4 schemes comprising 192 additional affordable housing units (111 units were reported in Nov) in the 2021/22 affordable housing programme have started on site.

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 £2.9 billion 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 will be presented to the Housing Committee and Board in March 2022.

- 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.
- 2.19 The CA housing team intends to engage and consult with local Registered Providers (RPs), development partners and the CA constituent Council Teams about their view on the future role in housing for the CPCA.

VALUE FOR MONEY

- 2.20 At the November committee there was a request for some analysis and data on value for money. Attached in Appendix 4 is a summary value for money assessment, the key highlight of which is a projected return on investment to the public purse as being in the ratio of 1.65:1.

Significant Implications

3. Financial Implications & Loan Book Performance

- 3.1 DLUHC indicated that we can expect to receive the first payment of the additional capital funding once they can see that grant payments are about to exceed the CPCA's availability of cash from the original £55m of capital received. This is projected to now be in February 2022. The balance of our projection for additional monies required from the £18.7m will be released subject to DLUHC's monitoring of the CPCA's performance in the delivery of the programme.
- 3.2 Financial implications are covered in the body of the report below. 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 £13.217 million in grant and £36.240 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 Since we last reported, the loan on the scheme at Great Abingdon with Laragh Homes has finished and the loan has been re-paid in full with interest due. 3 of the other 4 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 current position on the housing loans and the forecast cashflow is shown in Appendix 5.

- 3.6 The exception is the ECTC loan on the MOD site at Ely where as reported previously the projected repayment profile is slipping behind that anticipated. This is for 2 reasons. There is still 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 now before end January 2022. We will continue to monitor the progress of that transaction. The second reason is a slower than projected rate of sale of the market units over the past 9 months. The loan is due to be re-paid by no later than 31st March 2023 and we will continue to monitor ECTC's performance closely to meet that deadline. There are currently 16 market units reserved and going through the acquisition process but only 1 unit sale has completed in the last month. Receipts from those reservations will help stop the anticipated repayment profile falling even further behind from what was originally projected, but more and accelerated sales rates are required to catch up. For the avoidance of any doubt ECTC are not defaulting on the loan. 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 Housing Committee on the progress of the repayments. There is however an increasing likelihood that in order to repay the loan in March 2023 then the borrower may need to re-finance the remaining market units in the scheme that might be unsold in March 2023.
- 3.7. Repayments are being received from the schemes at Haddenham, MOD Ely 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 scheme being developed by Laragh homes at Forehill, Ely as it reaches practical completion. The Haddenham scheme is making progress as expected and looks like achieving good sales values.
- 3.8. The Laragh Homes scheme at Forehill Ely has announced many units being reserved off plan and 10 market units have exchanged. Completion is expected in February 2022 and we understand that the borrower has an arrangement in hand to repay the loan with interest on 7th February 2022 from within their existing resources.
- 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. There is a 5 month delay being reported to the target practical completion date, now projected as being March 2023.
- 3.10 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 ahead of and from March 2022 as part of a wider Transformation Programme currently being considered by the CPCA. As highlighted in 2.9 housing team overhead costs are now a direct cost to the CPCA.

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 – Affordable Housing Programme to March 2021 Scheme Locations

6.4 Appendix 4 – Summary Value for Money Assessment (Dec 2021)

6.5 Appendix 5 – Housing Loans Cashflow Projection

7. Background Papers

7.1 None