



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

Agenda Item No: 2.2

## Implementation of the revised £100m Affordable Housing Programme

To:	Housing and Communities Committee
Meeting Date:	21 June 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:	<p>The Housing and Communities Committee is invited to recommend that the Combined Authority Board:</p> <p style="text-align: center;">Approve the proposals for the Affordable Housing Programme being discussed with MHCLG.</p>
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 currently receives performance updates on expenditure, delivery of outputs (new homes) and status of discussions with 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 31st 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.
- The Proposed delivery plan will be reported to the next meeting of the CPCA Housing Committee on 21st June 2021.

- 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.

## Cambridge City Affordable Housing Programme

- 2.4. The CPCA's monitoring of the delivery of the Cambridge City Housing programme came to an end effective on the 31st March 2021. The monies still held by the CPCA for this programme totalling £9,791,394.94 have been transferred to Cambs City and any future monitoring will be undertaken direct by MHCLG.

## Affordable Housing Programme Delivery

- 2.5. The 'original' Affordable Housing Programme that ended 31st March 2021 has 37 schemes with allocated funding, totalling 733 housing units started on site with 266 of those homes already completed (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.
- 2.7. For the Affordable housing programme in its new form for the period April 2021 to March 2022, Housing committee has already approved 15 schemes delivering 770 units to be supported and financed with £31m of grant funding. We have requested confirmation from MHCLG that they are in agreement for those schemes to proceed.
- 2.8. The proposed programme for 2021/22 is in Appendix 2. MHCLG have indicated that they are prepared to recommend that the minister supports the continuation of all the schemes that the CPCA housing 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 £30.966m. If that is all the Minister is prepared to support the total cost will be £57m, requiring only £2m 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 £16.917m going to 21st June housing committee that will be conditional upon MHCLG offering additional finance. We understand that MHCLG are going to report 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 £18.995m (£2.078+£16.917).
- 2.10. MHCLG have said that at this time 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 Providers model on which 4 of the schemes are based. This has come as a surprise to the provider who say they have support 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 £23.775m.

- 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 £42.77m (£2.078+£16.917+£23.775) 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.
- 2.14. 8 £100k home units are completed at Fordham with a 8 further units due to complete in October 2021 at Great Abingdon and Ely.

### Risks and Issues

- 2.15. The 2021/22 programme is still subject to approval by MHCLG. It will require additional capital for grant funding, over and above the £55m already received.
- 2.16. The 15 schemes already approved by Housing committee need to progress to start on site as planned, as will the 8 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 opened for bidding and providers will be keen to take up national allocations and deliver on their full obligations once allocations are known. 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 any delay in making decisions and approving the 2021/22 programme will further erode the programme's reputation and credibility.

### 3. Financial Implications

- 3.1 Financial implications are covered in the body of the report below. Appendix 1 shows the amount of money committed to the programme to March 2021 and alongside it the amount of money actually paid to date.
- 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 (When that is 'cash flowed' the total drawdown for loans should not exceed £40m at any one time)
- 3.3 £12.59 million in grant and £38.36 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.
- 3.4 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).
- 3.5 Repayments are now being received from the schemes at Haddenham and MOD Ely and we expect more payments in the next few weeks and months as market unit sales are progressing towards completion on the schemes at Great Abingdon and Forehill Ely in October 2021.
- 3.6 The Laragh Homes scheme at Great Abingdon due for practical completion in October 2021 has announced that all of the private sale houses have been reserved "off plan" and many have now exchanged. Confidence of the return of all capital with interest in line with the projected programme approved by the Board is high.
- 3.7 The Laragh Homes scheme at Forehill Ely has announced many units being reserved off plan and exchanged and so confidence of the return of capital with interest in keeping with the projected programme from that scheme is high.
- 3.8 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.

### 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 Part 4 Article 11 of Cambridgeshire and Peterborough Combined Authority Order 2017 to exercise a general power of competence. of the. 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 - Detailed cashflow of the projected re-payments from the 5 loans and payment of grants

## 7. Background Papers

7.1 None