OUTLINE

1.0 PROJECT OUTCOME

The key outcome of this element of the project is to set the framework for the delivery of £100k homes in the Cambridgeshire and Peterborough area.

2.0 PROJECT OUTPUTS

Adoption of Policy Framework that will facilitate the delivery of the £100k Home.

3.0 STRATEGIC FIT

This project is a strategic priority and was included in the Business Plan 2019/20 in September 2019.

4.0 COSTS

The cost of delivering the policy framework is estimated to be in the region of £50,000. These estimated costs including external legal advice, economic data and branding & promotion materials. Until the framework has been established and approved it is not known what the future cost liabilities are for the Combined Authority. Such expenditure will be subject to the relevant approvals that arise at the time of need.

5.0 SOURCE OF COMBINED AUTHORITY FUNDING

A budget allocation was approved by the Board in September 2019. The allocation, which includes spend on Community Land Trusts is £250,000. Spend on the policy development element of the project can be met from this allocation.

6.0 PROCUREMENT ROUTE

Much of the activity to date has already been instructed and has been under the EU procurement threshold. Where spend have been over £5,000 the authority financial procedure rules have been followed, including applying exemptions within the financial rules.

7.0 PROJECT PROGRAMME

The policy development element of the scheme is time limited. The work commenced in July 2019 and is due to conclude in February 2020.

Tangible delivery of the project has a short, medium and long-term timetable. A pipeline of possible schemes is currently in development and will largely depend on the development industry response to project.

8.0 RISK REGISTER

At this stage in the project high level risks have been identified:

- Local Authorities refusing to include the £100k home in their affordable housing mix
- Reputational risk if the development industry does not deliver in accordance with the policy framework

In order to mitigate these risks external legal advice has been sought to ensure that the project can be both practically and legally delivered. This element is addressed in the business case.

9.0 EVALUATION METHOD

The success of the policy framework will be measured by tangible delivery of the £100k home. Once the project has been launched to the development industry Officers will use feedback from the launch and make the necessary changes or address concerns that have been raised in order to ensure that the £100k home is delivered.

10.0 COMBINED AUTHORITY DIRECTOR

The £100k Homes project falls within the remit of the Housing & Communities Director

11.0 PROJECT MANAGER

The project is being led and managed through special project support via a secondment agreement with a constituent Council.

12.0 OTHER STAFF AND RESOURCES

Assessing the criteria for eligibility for a £100k Home will be undertaken by the Community Housing Team. Once project delivery is more established, it is likely that additional resources will be necessary; depending on the level of demand for the £100k home.

During the launch and initial implementation there is a requirement for the Communications Team to assist officer in ensuring the successful launch of a new website and production of materials that assist with the promotion of the £100k home.

External resources were utilised to develop the business case; Capsticks provided the legal advice and Metro Dynamics provided the economic data.

£100K HOMES BUSINESS CASE

1.0 £100K HOME OVERVIEW

1.1 The Combined Authority recognises the challenges that are faced by individuals that are struggling to enter the housing market. To some extent the existing market offer is catering for those in need and for those who are more established, through a range of different products; social rent, affordable rent, shared ownership, first time buyer schemes, discounted market sale and of course the open market.

1.2 There is a gap in the offer that is preventing individuals from entering the property market, particularly in an area where they have a strong local connection whether through family relationships or employment.

1.3 The Combined Authority is now preparing to launch the £100k Home. The scheme is an affordable housing unit that falls within the definition of discounted market sale with a resale price covenant.

1.4 The ambition is to have a £100k home delivered in every CPCA area; Cambridge, East Cambridgeshire, Fenland, Huntingdon, Peterborough and South Cambridgeshire.

1.5 In order to deliver this ambition, there is a need to tailor the mechanism to deliver the £100k Home. Each £100k Home scheme will have different requirements and as such a tailored approach will need to be taken.

1.6 The aim is to make a 1-bed property available to individuals that meet the criteria set out in the allocations policy. If the individual meets the approved criteria, they will be eligible to purchase the property for £100k. This will be a 100% freehold purchase with a resale price covenant.

1.7 For illustrative purposes let us assume that £100k home has an open market value of £200k. This would mean that the purchaser is receiving a 50% discount on the open market value.

1.8 The Combined Authority will secure this dwelling as an affordable dwelling in perpetuity. In achieving a balance of securing the affordable property in perpetuity and maintaining marketability (which includes ensuring that a mortgage could be raised) of the property in future years the Combined Authority will secure a resale price covenant.

1.9 When seeking to dispose of the property the seller will need to notify the Combined Authority of this intention. The seller will be able to sell the property at 50% below market value. If, for example, the property has a value of £240k at the time of disposal, the seller can sell the property for £120k.

1.10 Based on the illustration above the resale price covenant can achieve the following:

- Enables the qualifying individual to buy the freehold of the home for £100k

- Secures a provision that the property must be the sole residence of the individual
- Secures nomination rights for the beneficiary of the covenant
- Secures the mechanism for the resale value of the property
- Provides restrictions for how and when the property can be disposed of
- Provides the methodology for how the property will be valued on resale

2.0 STRATEGIC CASE

2.1 The Cambridgeshire and Peterborough Independent Economic Review (CPIER) has a chapter dedicated to the subject of housing. It reaches several conclusions:

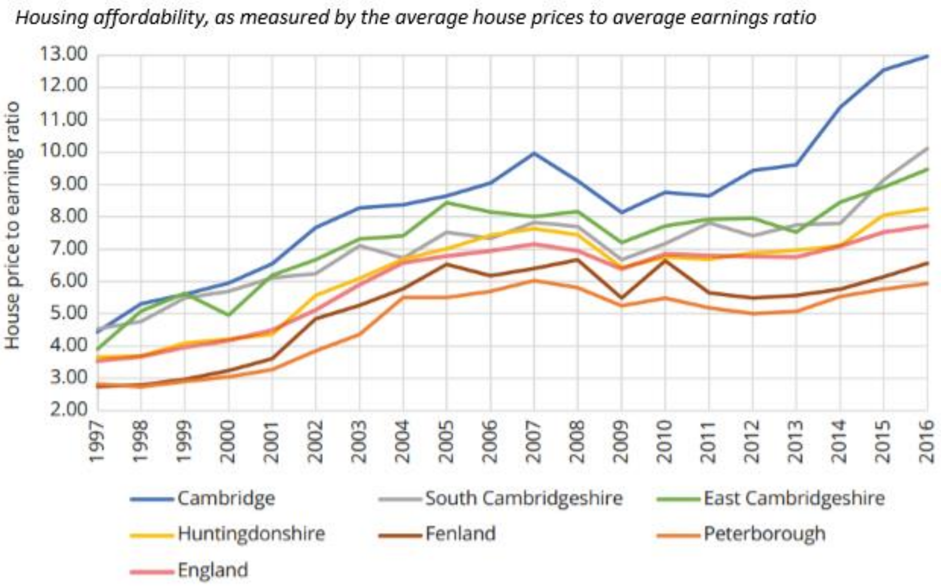
- Not enough housing is being built at present. The CPIER notes that “It is not that supply has been unusually low, indeed the housing stock has increased by over 4% in this time [2012-2016]. But demand has been exceptionally high, causing the extreme affordability pressures in some parts of the area which we see today”. The review looks at recent delivery against Objectively Assessed Need- showing that it has fallen short by almost 1,000 houses over the years 2012/13 to 2016/17.
- Targets need to be revised upwards. Based on a summary review of the figures, the review concludes that it is likely that between 6,000 to 8,000 dwellings need to be built per year to manage the pressure on housing caused by employment growth.
- Lack of affordability is causing multiple problems. The review notes: “Local people are displaced from the area if they cannot afford the cost of accommodation. People’s quality of life deteriorates as too much of their income is swallowed up on rent or mortgage payments.” In future, it may also impose too much of a cost on business, causing a slowdown in growth in Cambridgeshire.

2.2 The Housing Strategy (2018) recognises that there is a need to delivery genuinely affordable housing across the Combined Authority area. It further recognises that there is a gap in the market that provides for those who do not qualify for traditional affordable housing and open market housing is out of reach.

2.3 £100k Homes is referenced as a mechanism that could enable the Combined Authority to make a contribution to meet the current demand. It is recommended within the strategy to explore and deliver the £100k Homes project.

3.0 ECONOMIC CASE

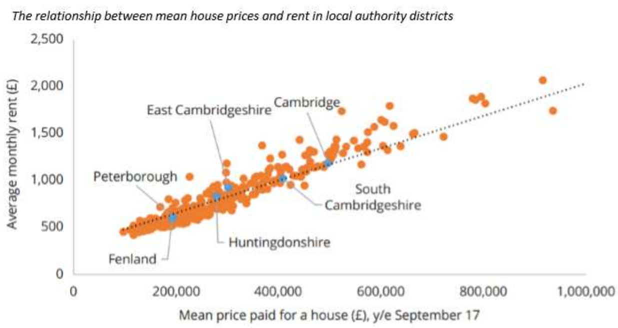
3.1 The CPIER identified that housing is becoming more unaffordable.



(Source: CPIER)

3.2 Compared to average earnings, average housing prices are rising more proportionally in Cambridgeshire and across England. In Fenland, Huntingdonshire and Peterborough, although the growth in house prices has outpaced the growth in earnings, the housing affordability ratio has grown at a slower rate than across Cambridge, East and South Cambridgeshire. On average, average house prices in Peterborough and Fenland were between six and seven times that of average incomes in 2016, whereas in Cambridge and South Cambridgeshire they were between ten and thirteen times.

High and rising rents are preventing people saving towards home ownership.



Private median rents as a proportion of median income (%), 2016

District	Percentage (%)
Peterborough	25.56
Cambridge	41.36
East Cambridgeshire	34.16
Fenland	27.27
Huntingdonshire	30.48
South Cambridgeshire	32.43
East of England	31.19
England	27.37

Source: ONS Housing Summary Measures: 2016

(Source: CPIER)

3.3 The right-hand chart demonstrates that rent payments command a large proportion of people's incomes. In all local authorities except Fenland and

Peterborough, private rents account for over the recommended level of 30% of income. Whilst this is problematic in the present, it's even more so in the long-term as it constrains people's ability to accumulate wealth needed for deposits, furnishings and other costs related to the purchase of property.

3.4 Rents are intrinsically connected to house prices. A rise in property prices is reflected in inflated rental values, illustrated in the left-hand table. As property values continue to rise, and private landlords continue to rent their mortgages properties, this will be reflected in rising rents- curtailing people's savings capacity further.

Employment is growing across all authorities and so will housing demand

Change in employment from 2013 to 2018

	Employment 2013	Employment 2018	Employment Change (%)
South Cambridgeshire	69,000	86,500	25%
Peterborough	101,500	118,500	16%
Cambridge	96,500	108,500	12%
East Cambridgeshire	29,500	32,500	10%
Huntingdonshire	72,500	79,000	9%
Fenland	35,000	37,500	7%

(Source: ONS Business Register and Employment Survey (BRES))

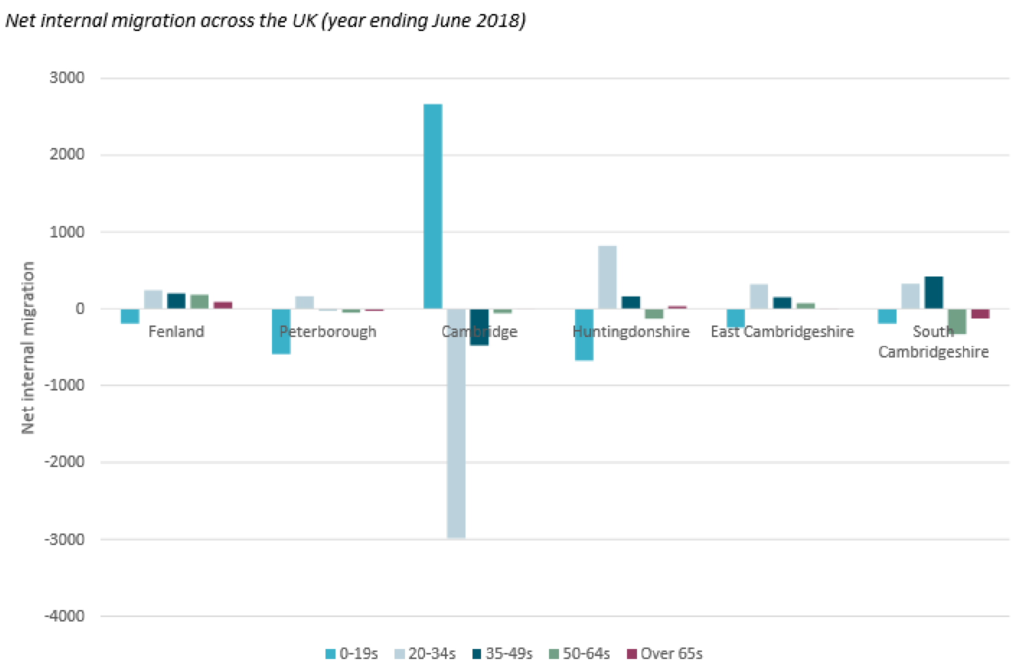
3.5 A higher demand for housing will cause an increase in house prices and rents. Demand is driven in a large part by work-related moves, and so the rising employment levels across all districts presents a challenge for the housing market.

3.6 South Cambridgeshire, Peterborough and Cambridge all have the highest level of employment and the highest growth in employment. More people working in these area is bringing more people to the authority of employment, but also to the surrounding authorities, seeking residence.

3.7 National trends show that people are willing to commute further than before for employment, reflected in the expansion of travel to work areas across the country. With house prices already high in the authorities surrounding Cambridge, houses are set to become more unaffordable as people search for cheaper alternatives.

3.8 In order to maintain and sustain the growth in employment, more affordable housing is required. As the CPIER argues: "house prices have soared and journey times have increased as congestion has intensified. This has meant that many have been forced to endure unpleasant commutes, or been priced away from the city altogether due to the unaffordability of rents… We are rapidly approaching the point where even high-value businesses may decide that being based in Cambridge is no longer attractive. If nothing is done, the damage to society from the continuing drift away of less well-paid workers may become irreparable".

Outward migration from Cambridge is high among 20-34 year-olds



3.9 Cambridge has experienced large levels of outward migration in all age categories except the 0-19 year-olds- explained by its university presence. In all other areas, we expect to see a noticeable outflow among this age group.

3.10 Of more interest is the large levels of outward migration from Cambridge in the 20-34 age group. An estimated 2,985 people in this cohort left Cambridge between June 2017 and June 2018, representing a loss in the number of those new to work, young professionals and young families.

3.11 This group represents those in employment with the lowest levels of accumulated wealth, generally, and hence the most vulnerable in the housing market. As prices in Cambridge soar, more individuals are moving out of Cambridge in search of more affordable housing.

This has resulted in a population decline within this age group

(Source: Analysis of ONS population data)

3.12 This same trend, over a number of years, has led to a population decline in this group within Cambridge, and threatens to do the same across Cambridgeshire as house prices rise and affordability declines.

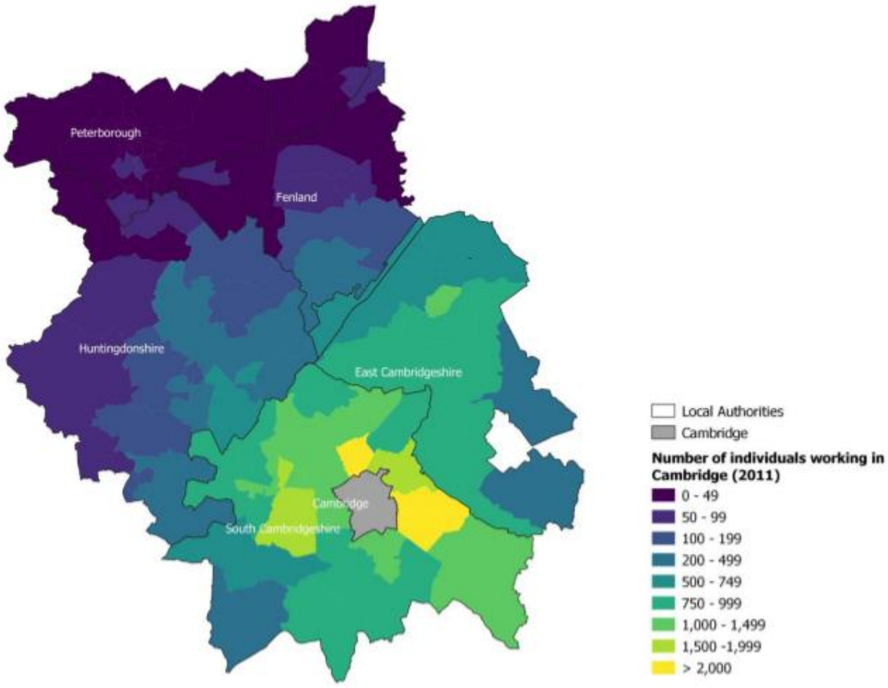
3.13 Between 2008 and 2017, the number of people in their 20s and 30s in Cambridge has fallen, and so has the proportion of the population they represent. Those aged 25-34 accounted for 16.3% of Cambridge's population in 2017, down from 19.6% in 2008. This has contributed to a decline in the working age population living in the city from 73.5% to 70.7%.

3.14 A proportion of the individuals in this age bracket will be employed in lower-skilled, lower paid jobs, and these are the people being priced out of the market. While an economy needs high-skilled industries to sustain the functioning of the local economy.

3.15 Measures need to be put in place to retain, but to also recruit people within this age cohort and prevent the city, and the wider area from becoming more unaffordable.

Those working in the area prefer to live locally

Number of resident commuting into Cambridge for employment (2011)



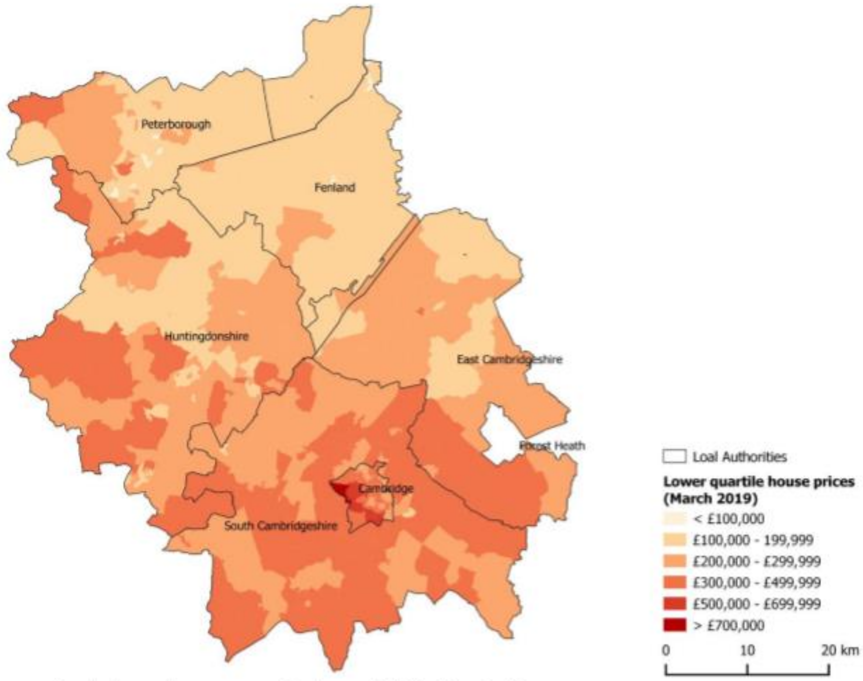
Source: Analysis of Census 2011 data

3.16 Within Cambridgeshire and Peterborough, we can see that those who work within the Combined Authority area also tend to want to be based there where possible.

3.17 For example, though housing in Cambridge is expensive we can see that it has a large draw for workers from its surrounding area.

But even the lower-cost accommodation is priced high

Lower quartile price paid for residential properties by LSOA (year ending March 2019)



Source: Lower quartile house prices by lower layer super output area: HPSSA dataset 48

3.18 The closer a neighbourhood is to a city or large settlement, the higher the cost of housing, generally. Those working in Cambridge on low-wages will struggle to afford property in the surrounding area as demand rises and property prices soar from people being willing to commute into the city from further away.

3.19 Much of the lower quartile housing supply in Cambridge and South Cambridgeshire has been purchased for values in excess of £220k; this is the same for South Huntingdonshire.

3.20 The further you move away from Cambridge and the larger settlements, towards East Cambridgeshire (north-west), Fenland and Huntingdonshire (north), the lower quartile prices become lower. In some cases, falling below £100,000. Vast amounts of Fenland exhibit prices between £100-£200k, with neighbourhoods on the authority boundary generating prices closer to £200k.

3.21 Peterborough is an anomaly, homes to a city and yet low lower quartile property prices in areas bordering the Fenland and Huntingdonshire boundary.

Investigating the current supply of £100k homes

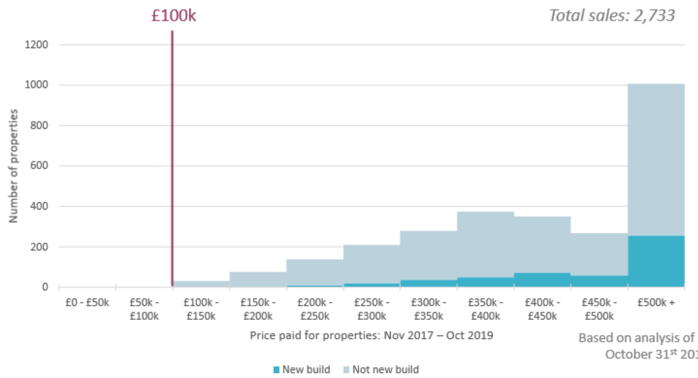
3.22 To assess the current provision of £100k homes across the Combined Authority, Metro Dynamics, has used HM Land Registry Price Paid Data. This captures every domestic property which has been sold in the area.

3.23 To understand the current provision, Metro Dynamics has looked back two years, to 1 November 2017. The following filters were applied:

- Reviewed detached, semi-detached, terraced, and flat/maisonette property types. Excluded “other” property types
- Allowed for both freehold and leasehold properties
- Set a maximum price paid value of £100,000 and then sensitivity tested against £120,000 and £150,000
- Filtered for new build properties only, as well as looking at data for all properties. New builds are more comparable to the £100k home product, but looking at all properties gives a sense of what can be bought if the minimum criteria is simply a place to dwell

Cambridge

3.24 Within Cambridge, there is virtually no provision of £100k homes. Only two properties have sold for less than this value over the last two years, both not being new builds. Average prices for all types of property are over three times that amount.

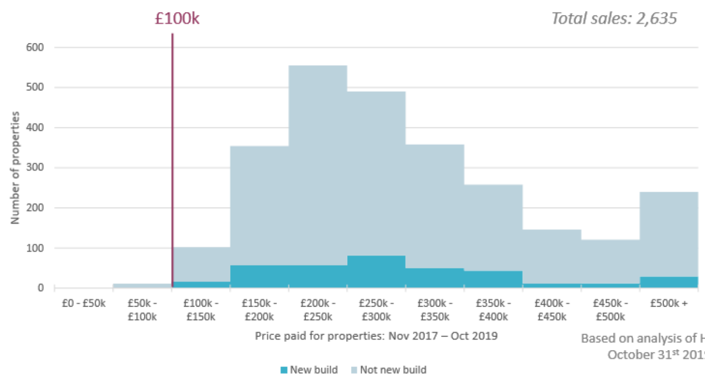


	New build	All
Average price for:		
Detached	£879,123	£918,496
Semi-detached	£726,695	£528,899
Terraced	£782,673	£539,562
Flat/maisonette	£421,528	£350,515
Number of houses below:		
£100k	0	2
£120k	0	14
£150k	0	33

Based on analysis of HM Land Registry Price Paid data for the period November 1st 2017 – October 31st 2019. All property types, except “other” (which contains non-residential properties) included. 14

East Cambridgeshire

3.25 East Cambridgeshire has very minimal provision of £100k homes. There have been no new build sales in this category over the last two years, and only eleven non-new builds. This is a fraction of the total number of sales. The average flat is almost twice this much.

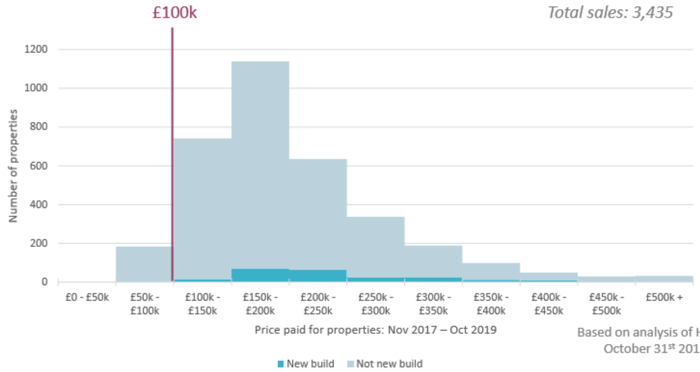


	New build	All
Average price for		
Detached	£409,720	£408,324
Semi-detached	£288,434	£267,859
Terraced	£295,788	£247,342
Flat/maisonette	£191,104	£190,300
Number of houses below:		
£100k	0	11
£120k	5	42
£150k	16	113

Based on analysis of HM Land Registry Price Paid data for the period November 1st 2017 – October 31st 2019. All property types, except “other” (which contains non-residential properties) included. 15

Fenland

3.26 Fenland has more £100k homes sold over the last two years than any other district, other than Peterborough. Nonetheless, with one exception, none of these are new builds. Flats have been on average selling below the £100k mark (though note that only one of these was a new build- the £79k flat in the table below)

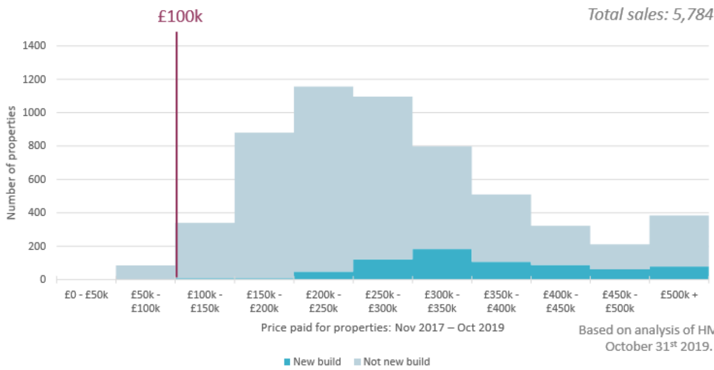


	New build	All
	Average price for	
Detached	£304,329	£270,328
Semi-detached	£200,981	£173,499
Terraced	£173,588	£143,392
Flat/maisonette	£79,000	£91,827
	Number of houses below:	
£100k	1	185
£120k	1	394
£150k	14	927

Based on analysis of HM Land Registry Price Paid data for the period November 1st 2017 – October 31st 2019. All property types, except "other" (which contains non-residential properties) included. 16

Huntingdonshire

3.27 Huntingdonshire has a very low rate of £100k homes being sold- only 85, or 1.5% of all sales, only 2 of these were new build. Average property prices are well over the £100k mark, with flats selling at, on average, £165,000.

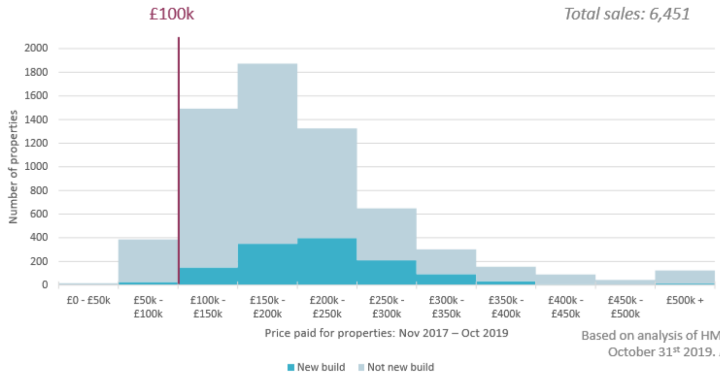


	New build	All
	Average price for	
Detached	£419,638	£395,789
Semi-detached	£312,980	£262,321
Terraced	£287,677	£223,202
Flat/maisonette	£223,722	£164,853
	Number of houses below:	
£100k	2	85
£120k	4	188
£150k	10	425

Based on analysis of HM Land Registry Price Paid data for the period November 1st 2017 – October 31st 2019. All property types, except "other" (which contains non-residential properties) included. 17

Peterborough

3.28 Peterborough has seen the highest rates of properties being sold for £100k or less, 401 homes sold in this category, the overwhelming majority of which were not new builds. In general, Peterborough's housing offer is most affordable, with 29% of properties selling at less than £150k, compared to Cambridge (1%), East Cambridgeshire (4%), Fenland (27%), Huntingdonshire (7%), and South Cambridgeshire (3%).

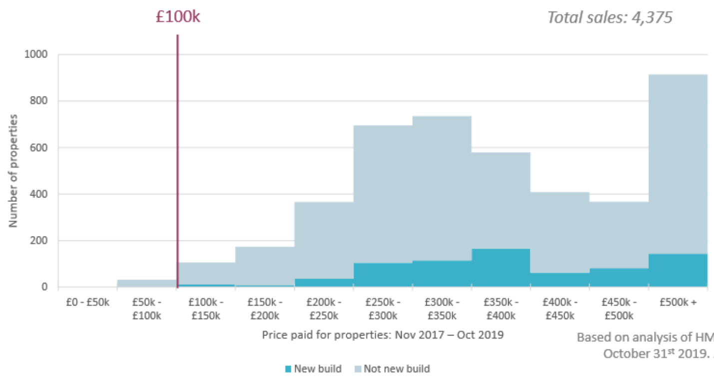


	New build	All
Average price for		
Detached	£287,616	£300,815
Semi-detached	£216,694	£205,023
Terraced	£200,328	£162,171
Flat/maisonette	£157,107	£124,080
Number of houses below:		
£100k	26	401
£120k	69	774
£150k	176	1893

Based on analysis of HM Land Registry Price Paid data for the period November 1st 2017 – October 31st 2019. All property types, except "other" (which contains non-residential properties) included. 18

South Cambridgeshire

3.29 South Cambridgeshire has an extremely low provision of £100k houses, with only two new builds selling in this category in the last two years. Average prices paid for all property types are more than double this amount.



	New build	All
Average price for		
Detached	£486,040	£537,313
Semi-detached	£330,495	£348,482
Terraced	£338,194	£288,693
Flat/maisonette	£250,220	£212,595
Number of houses below:		
£100k	2	32
£120k	6	63
£150k	13	138

Based on analysis of HM Land Registry Price Paid data for the period November 1st 2017 – October 31st 2019. All property types, except "other" (which contains non-residential properties) included. 19

What is affordability?

3.30 Affordability in this context refers to those on low incomes for which purchasing housing in the general market is a struggle- be that their ability to save for a deposit or service mortgage repayments. Affordability can be defined in two ways: Affordability in relation to income, and affordability in relation to the National Planning Policy Framework (NPPF) guidelines.

Affordability relative to income

3.31 Local Housing should provide a mix of tenures, sizes and prices. Each property should have a target market, aimed at those on specific income levels. In the case of lower priced homes, these should be priced relative to the incomes of those in the lower income percentiles. Accepted definitions stipulate that an individual should spend a maximum of 30% of their income on rent/mortgages, and that anything above this eats into their housing and non-housing related consumption and their ability to save.

Affordability relative to the National Planning Policy Framework

3.32 Affordability under the NPPF is defined as “housing for sale or rent for those whose needs are not met by the market”. It’s housing for people who cannot afford to purchase property in the general market. To be deemed as affordable, properties are usually sold at a discount rate of at least 20% below the local market value, and ones eligibility is determined with regard to local incomes and local house prices. Other affordable routes to home ownership are through shared ownership, equity loans and rent-to-buy. All three schemes reduce the amount a household has to borrow, reducing service payments.

Methodology for the affordability calculations

3.33 The following analysis has been performed using data from ONS and Money Supermarket, and informed by the academic works of Professor Geoffrey Meen, formerly of the University of Reading, and now of the UK Collaborative for Housing Evidence.

3.34 The affordability of a £100k home has been calculated based on a number of assumptions:

- Firstly, assuming a 5% deposit, the mortgageable amount is assumed to be £95,000 over twenty-five years
- The income necessary to service the mortgage ius based on income repayments not exceeding 30% of one’s income
- Calculations are based in the Annual Percentage Rate of Charge (APRC) interest rate. This gives the average interest rate per year of a mortgage over its lifetime, inclusive of fees and changes in mortgage type (fixed vs variable)
- Based on comparing the market with the above credentials, the APRC ranged from 3% to 6.2%, which form the basis for the low and high market interest rates
- Yearly repayments are based on the repayment of both the capital and the interest
- An individual’s anticipated level of borrowing ius based on the assumption that one can borrow an amount from three to five times their annual income. While these are not the terms of the CPCA proposed scheme, this constraint is included for reference
- No account has been taken for the receipt of income or housing related benefits, and assumes there are no outstanding liabilities
- For the minimum wage calculations, the hours worked in a week are based in the median hours worked across Cambridgeshire and Peterborough

Scenario 1: Single occupancy at the lower interest rate

	£
Mortgageable amount	95,000
Yearly mortgage repayments at 3%	5,406
Annual income required to service mortgage repayments at 3%	18,020
Annual income required to borrow the full amount (3 times income)	31,667
Annual income required to borrow the full amount (5 times income)	19,000

3.35 The calculations outlined in the table illustrate the characteristics of a £100k home mortgage and the individual endowments necessary to service it. Based on a constant APRC, an individual would have to earn an annual income of £18,020 to service a mortgage at a 3% interest rate, based on mortgage repayments account for the recommended 30% of one's income.

3.36 In East and South Cambridgeshire, those earning the 10th percentile income would be able to afford the mortgage repayments at the lower interest rate. Individuals in all other authorities earning the 20th percentile income would be able to service the repayments, except in Peterborough, where an individual would need an income in the 30th percentile.

3.37 Assuming one is allowed to borrow at five times their annual income, residents in Huntingdonshire, Cambridge and East and South Cambridgeshire would be required to earn an income in the 20th percentile. Those in Fenland and Peterborough would be required to earn an income in the 30th percentile. Conversely, if one can only borrow an amount three times their income, only the former group would be able to borrow the full amount- but those people would need to earn the median wage.

3.38 Servicing the mortgage is less problematic than acquiring the full mortgage loan. The £100k homes is unaffordable for those on the lowest incomes, looking for single occupancy, without a scheme that reduces or relaxes the borrowing constraint.

Scenario 2: single occupancy at the higher interest rate

	£
Mortgageable amount	95,000
Yearly mortgage repayments at 6.2%	7,485
Annual income required to service mortgage repayments at 6.2%	24,950
Annual income required to borrow the full amount (3 times income)	31,667
Annual income required to borrow the full amount (5 times income)	19,000

3.39 Based on a higher and constant ARPC, years repayments at 6.2% interest would be £7,485 a year- increasing the servicing costs by an extra £2,079 per year (£173.25 per month) based on assumptions at the 3% interest rate.

3.40 An individual would have to earn an annual income of £24,950, an annual difference of £6,930 (£578 per month) from the 3% mortgage. One's ability to service their mortgage repayments is very dependent upon the interest rate, and although the higher rate is double that of the lower, it illustrates the liquidity needed to absorb interest rate fluctuations.

3.41 Residents in Huntingdonshire, Cambridge and South Cambridgeshire would require annual incomes in the 30th percentile, in East Cambridgeshire, the 40th percentile, and those in Fenland and Peterborough would requires incomes in the 50th percentile (median) to service mortgage repayments at the higher rate.

3.42 The income required to service the repayments of a higher-rate mortgage is higher, but this makes the £100k home more unaffordable to those on the lowest incomes- the 10th and 20th percentiles. While those earning income in the 30th percentile in the first group (of three) can afford the mortgage repayments, residents of Huntingdonshire with incomes towards the lower end of this percentile will be more highly leveraged and prone to servicing problems in the event of a rate increase.

Scenario 3: double occupancy at the lower interest rate

	£
Mortgageable amount	95,000
Yearly mortgage repayments at 3%	5,406
Annual (individual) income required to service mortgage repayments at 3%	9,010
Annual income (individual) required to borrow the full amount (3 times income)	15,833
Annual income (individual) required to borrow the full amount (5 times income)	9,500

3.43 With the repayments to service the mortgage remaining the same as under the single occupancy, it still requires the same income- £18,020- to afford the repayments. But this is now spread over two incomes at lease £9,010 per annum, each.

3.44 Assuming that a prospective household's occupants fall within the same income percentile, the service payments for a £100k home are affordable for all individuals across all income percentiles in all local authorities across Cambridgeshire and Peterborough.

3.45 Borrowing at three times one's annual income is achievable across all authorities at the 10th income percentile, excluding in Fenland where annual income is £15,269. The difference in this case is minor, however, and can be assumed to still meet the criteria.

3.46 Servicing the mortgage as two occupants is more achievable for those on the lowest end of the income spectrum, leaving them more income to save against an increase in the interest rate. Prospective residents can also expect to be able to borrow the full £95,000 when entering into a multiple occupancy.

Scenario 4: double occupancy at the higher interest rate

	£
Mortgageable amount	95,000
Yearly mortgage repayments at 6.2%	7,485
Annual (individual) income required to service mortgage repayments at 6.2%	12,475
Annual (individual) income required to borrow the full amount (3 times income)	15,833
Annual (individual) income required to borrow the full amount (5 times income)	9,500

3.47 To enter into a mortgage on a £100k home of shared occupancy requires an annual income per occupancy of £12,475 (or combined income of £24,950) to meet the repayments. This is affordable for those with income in the 10th percentile across all local authorities. The annual repayments per individual (£3,742) are very affordable because they are split between two people.

3.48 6.2% is the highest interest rate found on the market, and so this is on the expensive end of the spectrum. This shows almost a “worst case scenario” in terms of affordability, illustrating how affordable a £100k home is at the highest interest rate.

3.49 Similarly, in all authorities except Fenland, individuals can borrow at three times their income and borrow the full amount. This makes the £100k home affordable to those on the lowest incomes when the occupancy is shared.

Affordability on the minimum wage: single occupancy

	£
Mortgageable amount	95,000
Current hourly minimum wage (November 2019)	8.21
Weekly income (at 38.85 hours)	319
Yearly gross income (at 38.85 hours)	16,585
Income tax and national insurance payments	-2,807
Yearly net income (at 38.85 hours)	**13,778**
Yearly mortgage repayments at 3%	5,406 (39% of net income)
Yearly mortgage repayments at 6.2%	7,485 (54% of net income)
Annual income required to service mortgage repayments at 3%	18,020
Annual income required to service mortgage repayments at 6.2%	24,950
Amount that is borrowable (3 times income)	49,758
Amount that is borrowable (5 times income)	82,929

*It is assumed that those on minimum wage receive an income during public and private holidays.

3.50 The table shows the credentials of an individual on minimum wage and the affordability of a £100k home relative to this income level.

3.51 Assuming a working week of 38.85 hours (median across Cambridgeshire and Peterborough), a weekly income of £319 and an annual gross income of £16,585 is anticipated at minimum wage. Annual (net) income is anticipated to be £13,778 when accounting for income tax and national insurance contributions.

3.52 With the same mortgage interest rate and the same annual repayment amounts as in the previous scenarios, one would require an annual income of £18,020 at the low, and £24,950 at the high interest rate to service the mortgage repayments. This is far in excess of the income available for those on minimum wage. Put another way, mortgage payments would be between 39% and 54% of net income.

3.53 One's borrowing capability is limited on such a low income, with the maximum borrowable amount being £82,929 at five times one's income. This still wouldn't constitute the maximum loan amount.

3.54 Therefore, the £100k home is not unaffordable in both ways: borrowing ability and repayment ability, for those earning the minimum wage in Cambridgeshire and Peterborough, assuming properties are sold in the conventional way of 100% ownership.

Affordability on the minimum wage: double occupancy

	£
Mortgageable amount	95,000
Current hourly minimum wage (November 2019)	8.21
Weekly household income (at 38.85 hours)	638
Yearly gross income (at 38.85 hours)	33,172
Income tax and national insurance payments	-5,615
Yearly net income (at 38.85 hours)	**27,557**
Yearly mortgage repayments at 3%	5,406
Yearly mortgage repayments at 6.2%	7,485
Annual income required to service mortgage repayments at 3%	18,020
Annual income required to service mortgage repayments at 6.2%	24,950
Amount that is borrowable (3 times income)	99,515
Amount that is borrowable (5 times income)	165,858

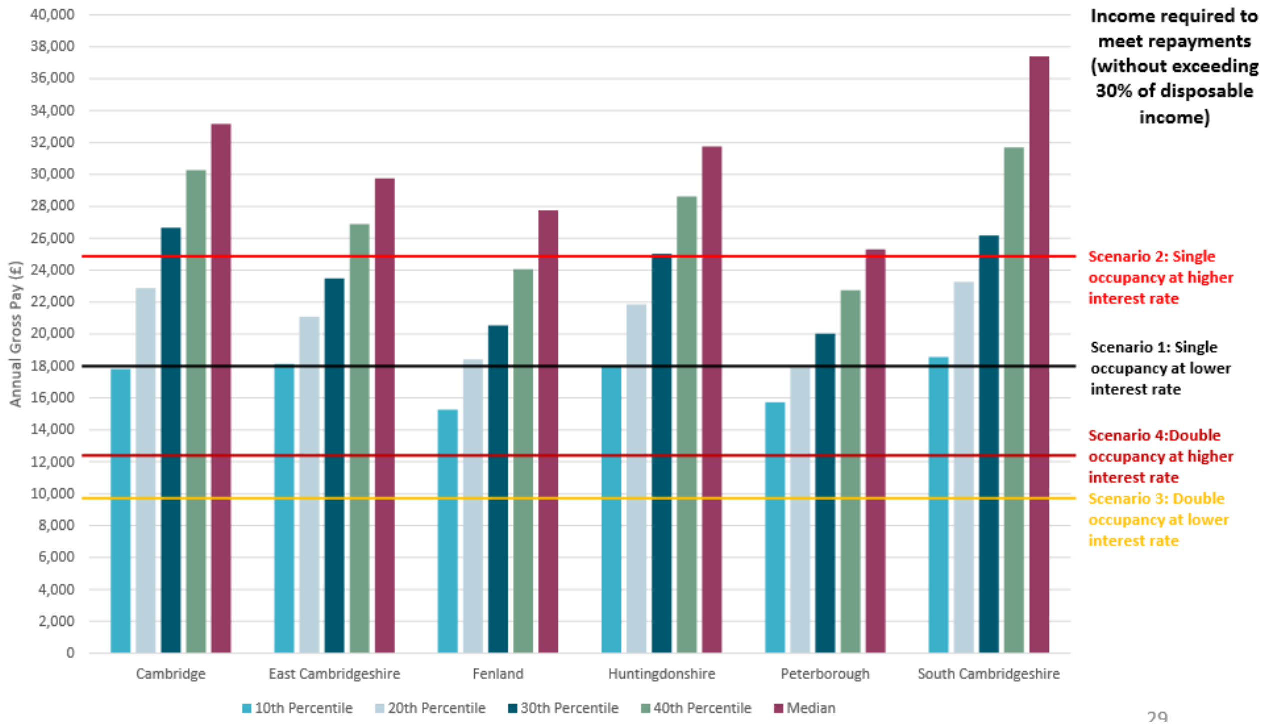
3.55 In a prospective household with two occupants on minimum wage, annual household income is anticipated to be £33,172, but after accounting for tax and national insurance, £27,557I This is significantly greater than the income required to service the mortgage repayments of a £100k home at both the lower level and higher rate of interest- constituting 19.6% and 27.1% of annual net household income.

3.56 The borrowing capacity of a household is far and above that of a sole individual. A household on minimum wage can borrow the full loan amount at three times their collective income.

3.57 A £100k home is certainly affordable for two people living together on minimum wage. Their incomes also allow for some security in the event of an increase in the interest rate, meaning that savings and other expenditures don't have to be compromised.

3.58 The only area of reservation is the ability of these individuals to save for a deposit. For those living out, renting in the private sector, their incomes will be stretched and their savings capacity limited. As previously noted, other affordable housing schemes that align with the NPPF can help to alleviate such barriers to home ownership.

How this relates to local earnings



[29]

3.59 The graph shows how each scenario relates to earnings in each district. As can be seen, in the case of double occupancy at a lower interest rate (scenario 3), repayments are comfortably affordable even at the 10^{th} percentile (where both partners are earning this much).

3.60 The least affordable scenario, single occupancy at higher interest rate, is still affordable for median earnings, but less affordable for many groups towards the bottom end of the earnings distribution.

3.61 Whilst not identified by Metro Dynamics, the Combined Authority should be mindful that there may be a need to review the £100k proposition in future years to ensure that the proposition reflects build costs, sales value, local earnings and other economic considerations that affect the housing industry. This review should be undertaken within three to five years, unless evidence suggests that a review should be undertaken sooner.

4.0 COMMERCIAL CASE

4.1 The tangible delivery of the £100k Home is, in part, outside of the control of the Combined Authority. This business case focuses on the policy framework that will facilitate the delivery of the £100k Home. That being said, there are opportunities for the Combined Authority to intervene in the delivery phase and this can be achieved through direct delivery by the 100% owned

Combined Authority owned Angle Developments (East) Limited. A decision to deliver directly will be one that can be taken by the development company and would be subject to its own approval process.

4.2 The Combined Authority has already committed financial resources to inform this business case. Spend to date has been to establish the legal framework, the evidence base and branding & promotion. Details of expenditure undertaken and future spend will be detailed in the financial case in section 5 of this business case.

4.3 **Policy Framework Development**

Planning Policy

4.4 The starting point for determining any planning application is the relevant development plan (local plan) unless material considerations indicate otherwise (s38(6) Planning and Compulsory Purchase Act 2004).

4.5 Paragraph 11 of the National Planning Policy Framework (NPPF) identifies a presumption in favour of sustainable development. This confirms a decision maker should approve development proposals that accord with an up-to-date development plan without delay.

4.6 The NPPF is a material consideration in determining a planning application. This means the policies within the framework can be considered by the decision maker when determining a planning application. The weight to be attached to any of the policies is a matter for the decision maker.

4.7 It should be borne in mind that the NPPF does not displace the primacy given by the statute to the development plan in the "planning balance" i.e. the NPPF does not automatically override development plan policies.

4.8 Where the development plan is absent, silent or relevant policies are out-of-date, the NPPF (as a material consideration) can potentially override the development plan. The ability to override the development plan is dependent on two limitations:

- The disbenefits do not "significantly and demonstrably" outweigh the benefits; and
- No restrictive policies apply

4.9 This is known as the tilted balance. Where a local planning authority cannot demonstrate a five-year land supply of deliverable housing sites, the development plan's "relevant policies for the supply of housing" should be considered out of date and will trigger the engagement of "the tilted" balance.

NPPF definition of Affordable Housing

4.10 The NPPF has been through a number of revisions with the latest and current version being published in February 2019.

4.11 The forms of affordable housing as contained in the Glossary at Appendix 2 are as follows:

Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

a) Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).
b) Starter homes: is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.
c) Discounted market sales housing: is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provision should be in place to ensure housing remains at a discount for future eligible households.
d) Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

4.12 Based on the NPPF definition the £100k Homes project meets the requirements of Discounted Market Sale Housing.

4.13 The restrictions to qualify as Discounted Market Sale Housing are quite loose, and will allow for flexibility across the product range, key requirements must be met:

- The home is sold at a discount of at least 20%; and
- Eligibility arrangements put in place regarding local incomes and local house prices; and
- There is a mechanism in place to ensure the homes will remain at a discount that will suffice to meet the definition

4.14 The precise requirement would be secured via a s106 planning obligation.

Local Housing Policy

4.15 **Cambridge City Council**

Policy 45

Table 6.2: Affordable Housing definition

Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80 per cent of the local market rent (including service charges, where applicable).

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the affordable housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.

Glossary

Affordable Housing

Housing provided for people whose income levels mean they cannot access suitable market properties to rent or buy locally to meet their housing needs. It includes social rented, affordable rented and intermediate housing.

Affordable housing should:

- meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices; and

- include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.

Intermediate housing

Homes for sale and rent provided at a cost above social rent, but below market levels, and which meet the criteria for affordable housing (above). These can include shared equity (shared ownership and equity loans), other low-cost homes for sale and intermediate rent, but not affordable rented housing.

Comments

The policy and glossary definition both replicate the definition of Affordable Housing as contained within Annex 2 of the NPPF 2012.

The NPPF has been revised (July 2018 and February 2019), consequently the definition of Affordable Housing in the February 2019 version now replaces the 2012 version.

The 2019 version encompasses the following types of affordable housing, notably the types of products considered by the 2012 version to be "intermediate housing" remain within the revised NPPF, albeit the term "intermediate housing" no longer appears in the 2019 version:

1. Affordable housing for rent – this incorporates both social rent and affordable rent as well as build to rent;
2. Starter Homes – to be provided in accordance with s2 & 3 Housing and Planning Act 2016 and any secondary legislation (but note at this stage there is no secondary legislation)
3. Discounted Market Sales Housing – to be sold at a discount of at least 20% below local market level, with eligibility to be determined with regard to local incomes and house prices and with provisions in place to ensure housing remains at a discount for future eligible households

Other affordable routes to home ownership – housing provided for sale that forms a route to ownership for those who could not achieve home ownership through the market and includes shared ownership, shared equity, other low cost homes for sale (at a discount of at least 20% below local market value) and rent to buy

Any application would need to be considered initially against the existing local plan policies (rather than the 2019 NPPF which is a material consideration).

Based on the current local plan wording it is considered the £100k model as a discount market unit could be classified as a form of “low cost home for sale”, this is on the basis the units will be sold at a substantially reduced price and a mechanism will operate which will ensure the units are retained at a low cost in the future.

4.16 **East Cambridgeshire District Council**

Policy HOU3- extract

The precise mix in terms of tenure and house sizes of affordable housing within a scheme will be determined by local circumstances at the time of planning permission, including housing need, development costs and the availability of subsidy.

Glossary

The Government’s National Planning Policy Framework defines affordable housing as ‘Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market’.

Comments

The glossary does not contain a definition of affordable housing and instead reverts to the definitions within the NPPF. It does not specifically revert to the NPPF 2012 version albeit this would have been the version operative at the time the local plan was adopted.

On that basis when an application comes forward it will be considered against the latest government guidance. This is currently the revised NPPF (February 2019) which provides for the following tenure types:

a. Affordable housing for rent – this incorporates both social rent and affordable rent as well as build to rent;
b. Starter Homes – to be provided in accordance with s2 & 3 Housing and Planning Act 2016 and any secondary legislation (but note at this stage there is no secondary legislation)
c. Discounted Market Sales Housing – to be sold at a discount of at least 20% below local market level, with eligibility to be determined with regard to local incomes and house prices and with provisions in place to ensure housing remains at a discount for future eligible households
d. Other affordable routes to home ownership – housing provided for sale that forms a route to ownership for those who could not achieve home ownership through the market and includes shared ownership, shared

equity, other low cost homes for sale (at a discount of at least 20% below local market value) and rent to buy

The £100k model would be classed as “Discounted Market Sales Housing” which meets the current NPPF 2019 definition of affordable housing.

4.17 **Fenland District Council**

Policy LP5 – extract

“Of the affordable dwellings provided, the exact tenure mix should be informed by and be compatible with the latest government guidance and an up-to-date local Strategic Housing Market Assessment (SHMA). This should form the basis of a S106 Agreement to accompany the submission.”

Glossary – does not contain any affordable housing definitions. The glossary states “the National Planning Policy Framework (NPPF) contains a detailed glossary of planning terms.”

Comments

The policy wording is flexible to meet the circumstances (both at government and local level) prevalent at the time of an application coming forward.

The glossary does not contain a definition of affordable housing and instead reverts to the definitions within the NPPF. It does not specifically revert to the NPPF 2012 version albeit this would have been the version operative at the time the local plan was adopted.

On that basis when an application comes forward it will be considered against the latest government guidance. This is currently the revised NPPF (February 2019) which provides for the following tenure types:

e. Affordable housing for rent – this incorporates both social rent and affordable rent as well as build to rent;
f. Starter Homes – to be provided in accordance with s2 & 3 Housing and Planning Act 2016 and any secondary legislation (but note at this stage there is no secondary legislation)
g. Discounted Market Sales Housing – to be sold at a discount of at least 20% below local market level, with eligibility to be determined with regard to local incomes and house prices and with provisions in place to ensure housing remains at a discount for future eligible households
h. Other affordable routes to home ownership – housing provided for sale that forms a route to ownership for those who could not achieve home ownership through the market and includes shared ownership, shared equity, other low cost homes for sale (at a discount of at least 20% below local market value) and rent to buy

The £100k model would be classed as “Discounted Market Sales Housing” which meets the current NPPF 2019 definition of affordable housing.

4.18 **Huntingdonshire District Council**

Policy LP24 – para 7.7 reasoning
Affordable Housing is defined in the NPPF (replicated in the 'Glossary') and includes social rented, affordable rented and intermediate housing which are provided to eligible households whose needs are not met by the market.

Footnote 17 - The Glossary contains the definition set out in the NPPF 2012 as the Local Plan was examined against this version. The NPPF 2019 has amended this definition

Glossary - Affordable Housing

Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing.

Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.

Comments

In this instance the policy and the glossary definitions are as per the NPPF 2012.

Interestingly there is a footnote which highlights the fact the NPPF 2012 definition was used but this has been amended by the NPPF 2019 version.

The policy does not specifically state which version should be used going forward however one would argue that as the amendment has been deliberately noted the intent is for future applications to adhere to the affordable housing definition within the NPPF 2019.

The £100k model would be classed as “Discounted Market Sales Housing” which meets the current NPPF 2019 definition of affordable housing.

4.19 **Peterborough City Council**

Policy LP8 - extract
“The exact tenure mix on each site will be a matter for negotiation, informed by the latest evidence of housing need.

The council's preference and starting point for negotiations, as informed by the latest needs assessment, is for a greater part of affordable housing to be for affordable rent.”

Glossary – no definition of affordable housing, glossary states “Please see the NPPF for a comprehensive glossary of planning related words and phrases.”

Comments

The policy wording is flexible to meet the circumstances (at local level) prevalent at the time of an application coming forward, albeit it is made explicitly clear that there is a preference for affordable rented units (note this is a preference rather than strict adherence).

The glossary does not contain a definition of affordable housing and instead reverts to the definitions within the NPPF.

On that basis when an application comes forward it will be considered against the Councils latest needs assessment and the definition of affordable housing within the NPPF (February 2019). Note as the policy explicitly identifies a preference for affordable rented units the decision maker will need to evidence why they are departing from the policy preference and recommending a different form of tenure (given that the policy is identifying a preference rather than a strict requirement it should not be a major issue to overcome - provided the policy preference is noted and reasons given to overcome the preference in that instance).

The £100k model would be classed as “Discounted Market Sales Housing” which meets the current NPPF 2019 definition of affordable housing.

4.20 **South Cambridgeshire District Council**

Policy H/10

Glossary – Affordable Housing

Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with Homes England.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing.

Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes. (Source: NPPF, 2012)

The policy and glossary definition both replicate the definition of Affordable Housing as contained within Annex 2 of the NPPF 2012.

The NPPF has been revised (July 2018 and February 2019), consequently the definition of Affordable Housing in the February 2019 version now replaces the 2012 version.

The 2019 version encompasses the following types of affordable housing, notably the types of products considered by the 2012 version to be "intermediate housing" remain within the revised NPPF, albeit the term "intermediate housing" no longer appears in the 2019 version:

> Affordable housing for rent – this incorporates both social rent and affordable rent as well as build to rent;

Starter Homes – to be provided in accordance with s2 & 3 Housing and Planning Act 2016 and any secondary legislation (but note at this stage there is no secondary legislation)

Discounted Market Sales Housing – to be sold at a discount of at least 20% below local market level, with eligibility to be determined with regard to local incomes and house prices and with provisions in place to ensure housing remains at a discount for future eligible households

Other affordable routes to home ownership – housing provided for sale that forms a route to ownership for those who could not achieve home ownership through the market and includes shared ownership, shared equity, other low cost homes for sale (at a discount of at least 20% below local market value) and rent to buy

Any application would need to be considered initially against the existing local plan policies (rather than the 2019 NPPF which is a material consideration).

Based on the current local plan wording it is considered the £100k model as a discount market unit could be classified as a form of "low cost home for sale", this is on the basis the units will be sold at a substantially reduced price and a mechanism will operate which will ensure the units are retained at a low cost in the future.

4.21 **Resale Price Covenant**

A restrictive covenant, which is a mechanism to ensure that the burden of the covenant attaches to the land and automatically transfers to any buyer of the property, has been drafted. The covenant is drafted to ensure that it binds anyone who buys the property (or inherits it) either:

- By a restriction at HM Land Registry; preventing the transfer or charging of the property without the consent of the party with the benefit of the covenant, or
- A legal charge over the property, which would rank in priority behind that of the buyer's own lender. The purpose of the legal charge is to protect the discount element provided by the Combined Authority, and which enables the property to be sold at the fraction of the market value;
- A combination of both depending on the exact nature of the deal that is made and any third party developer's agreement

A legal charge, provided this is acceptable to the funders would give the most security, although it is likely to be more costly because a Deed of Priority confirming the ranking of charges is also likely to be needed. This is quite commonplace and not dissimilar to the Help to Buy arrangement currently supporting first time buyers nationwide.

Leasehold properties (including those not in designated rural areas)

A covenant in a lease is usually binding on subsequent owners unlike with a freehold sale. If the resale price covenant is in a separate deed (rather than in the lease itself) and is protected, it will be possible to follow the same format for leasehold properties as for freehold houses.

4.22 **Beneficiary of the covenant**

The Combined Authority will utilise a separate vehicle to undertake the day to day responsibility of administrating the obligations flowing from being the beneficiary of the resale price covenant.

Angle Holdings Limited will be the beneficiary of the covenant and Angle Developments (East) Limited will be responsible for the day to day administration of rights and responsibilities flowing from such covenants on behalf of Angle Holdings Limited.

This structure means that the Combined Authority can exercise the control flowing from its shareholder function over Angle Holdings Limited. Further, this ability will be beneficial in the event that the Combined Authority makes a decision to directly deliver projects in the Combined Authority area.

5.0 FINANCIAL CASE

5.1 On 25 September 2019 (Agenda Item 2.1 and 2.2) the Combined Authority Board approved the inclusion of £100k Homes in the 2019/20 Business Plan and approved a budget allocation of £250,000. Note: a majority of the allocation is to be used towards Community Land Trusts.

Policy Development

5.2 In order to inform the policy development element of this project it has been necessary to seek external legal advice to support the initial assumptions on matters relating to planning policy, covenant drafting and overall delivery.

5.3 Project spend to date was reported to the Housing & Communities Committee on 13 January 2020 (Agenda Item 2.4). The update report provided that spend on external legal advice has been £6,950. It is anticipated that further legal advice may be required (to respond to feedback following the implementation of the policy) and as such a budget allocation of £5,000 should be made. This allocation can be met from the £250,000 allocation approved in September 2019.

Promotion and Brand Development

5.4 In order to establish a reputable brand it has been necessary to employ external designer to undertake this work.

5.5 Project spend to date was reported to the Housing & Communities Committee on 13 January 2020 (Agenda Item 2.4). The update report provided that spend on brand development and promotion has been £10,069. Since this time further spend has been undertake and includes:

- Finalising quick guides and other promotional material
- Presentation for developer forums
- Website development
- Video content

5.6 The cost of this commitment has been £10,000 and can be met through the existing allocation approved by the Board. It is anticipated that a further spend of £5,000 will be necessary to finalise the brand & promotion element of this scheme. This spend can be met by the existing budget allocation.

Economic data

5.7 Metro Dynamics were commissioned to provide the economic evidence that supported the policy development element of this project. As reported to the Housing & Communities Committee on 13 January 2020 (Agenda Item 2.4) the cost of this work was £10,000. No further spend is anticipated to support the economic case for this project.

5.8 In summary, at the conclusion of the policy development element of this project the total spend will be an estimated £47,000.

Combined Authority Delivery Support

5.9 Once the Combined Authority moves into the delivery element of this project there are several options that can be considered to facilitate the physical delivery of the £100k Home.

Land Value Capture

5.10 Land value capture seeks to maximize the benefit from developing land that is being made willingly available for less than a full commercial open market value. This element will work where you have a collaborative group who are prepared to work together to meet a common objective. To succeed you will need to have a willing landowner, a willing developer, in some cases a willing community and finally a willing planning authority.

5.11 This model has the capability to work across the whole of the Combined Authority area and is akin to a rural exception site (which allows for market housing to provide cross subsidy for community benefit, in this case the £100k Home). In practice it would require the following mix:

Party	Offer
Community	Acceptance of development
Developer	Foregoing an element of traditional developer profit to cross subsidise the £100k home

Landowner	Foregoing seeking a full commercial open market land value. An objective to deliver a product, to cross subsidise to help create £100k home
Planning Authority	Support of development of schemes that incorporate and facilitate the delivery of £100k homes and accept the £100k home as an affordable housing dwelling in perpetuity

CPCA Development Loan Financing

5.12 The provision of development loan financing from the Combined Authority could be offered as a benefit to the residential development community. Access to lower than full commercial and mezzanine rate finance would save a developer money due to lower banking fees and interest payments. This would mean that there would be improved financial performance in the developers appraisal within a scheme that could be used to help 'subsidy' the delivery of a number of £100k homes.

5.13 Each scheme will need to be approved by the Combined Authority Board and as such a business plan would be presented to the Board, accompanied by the relevant supporting information.

Direct Delivery by the CPCA Development Company - Angle Developments (East) Ltd

5.14 The CPCA development company has the capability to undertake developments over which it has direct control, that can deliver within those schemes £100k homes. This is likely to be possible as the development company is not driven by making profit, but by delivering housing product where the market is not able or prepared to do so.

CPCA Grant

5.14 Where an individual scheme is providing additional affordable housing (over the local planning policy requirement) there may be an opportunity for the Combined Authority to provide grant funding to bridge the gap between open market value and the £100k home, as it currently does with other schmes that offer additional affordable housing units.

5.15 Each scheme will need to be approved by the Combined Authority Housing & Communities Committee and as such a business plan would be presented to the Committee, accompanied by the relevant supporting information.

5.16 Each scheme will be determined on its own merits and it is recognised that each scheme will have its own requirements. There may be a need in some situations for the Combined Authority to support a development using a combination of the interventions available to it.

6.0 MANAGEMENT CASE

6.1 The policy framework development element of this scheme commenced in August 2019 and is due to complete in January 2020. Once the policy framework has been established the Combined Authority will move into the delivery phase. There is no prescribed timetable for the delivery phase.

6.2 The ambition is to deliver as many £100k Homes across the entire Combined Authority area, as soon as is practicably possible. Officers are actively working with developers across the area to develop a pipeline of schemes that could be delivered.

6.3 An assessment of the barriers to delivery has been undertaken. The key areas of risk include:

- **Defining £100k Home as affordable housing**

Extensive external legal advice was sought to remove this risk. As identified in this business case, the £100k Home can be defined as an affordable housing unit under the NPPF definition of Discounted Market Sale Housing.

- **Development finance barriers to delivery**

The Combined Authority has a range of options at its disposal, subject to the appropriate individual approvals, that can be utilised to facilitate the delivery of the £100k Home. The Combined Authority will need to be mindful that the ambition could be limited by the funds that are currently available and will need to make the case for additional funds to ensure continued success.

- **Willingness of the Local Planning Authority**

Ultimately, the decision to include £100k Homes in the affordable housing mix will be a decision for a developer and the individual planning authority. We intend to undertake individual briefings with the Local Planning Authorities to provide confidence in the product that will enable delivery.

In order to provide this confidence, the Combined Authority has sought extensive legal advice on matters relating to planning policy, protecting the discount in perpetuity and has produced model Section 106 obligation clauses to make it easier for the Planning Authority to understand and secure the £100k Home product.

- **Willingness of the development industry**

The tangible delivery of the £100k Home will be down to the development industry. In order to assist the development industry to understand and have confidence in the product, the Combined Authority has produced model Section 106 obligation clauses, model resale price covenants (tailored for freehold and leasehold properties which includes drafting to overcome issues which could arise from the lending industry) and financing options.

The Combined Authority will host a developer forum to raise the profile of the £100k Home which will focus on the key elements for delivery:

- Planning
- Financing
- Delivery

The Combined Authority has also ensured that it has created a brand that will make the £100k Home product stand out from other affordable housing brands.

- **Lack of understanding from the buyer**

Information packs have been developed to assist with helping the buyer to understand the nature of the product, particularly focused on ensuring that the buyer understands the realities of owning a £100k home and what a resale price covenant really means. The buyer will be required to undertake a course that will be designed to ensure that they fully understand the obligations that arise from the product.

6.4 A website has been created and will be launched which will contain all of the relevant information necessary to inform all of the relevant stakeholders; buyers, sellers, developers, lenders and others.

6.5 The Combined Authority will listen to feedback from all relevant stakeholders to ensure that any, current unidentified, barriers have been removed.

6.6 **Allocations Policy**

6.7 An allocations policy is currently being drafted. The policy will include a requirement that eligibility will be contingent on the guiding principle that the purpose of the product is to enable access to affordable home ownership to those who work and/or live locally and is available for those who cannot access open market products but are not eligible for traditional affordable housing products. The policy is intended to be presented and adopted by the Housing & Communities Committee as soon as it is ready.

6.8 The allocations policy will be administered by the Community Housing Team. Officers will receive applications and score them against the criteria (as adopted by the Housing & Communities Committee). In the event that an individual seeks to appeal the decision of an Officer in the Community Housing Team this will be considered by the relevant Senior Officer.

6.9 **Resources**

6.10 This business case has relied on project management support from a constituent council (via a Secondment Agreement). This support is being provided until May 2021. Further support has been provided by Capsticks as external legal advisers (policy development), Metro Dynamics (Economic

Data), external design consultants (branding, promotion and website development) and the internal communications team (promotional content development).

6.11 As the project moves into the delivery element there will be a need to deploy the following resources:

Resource	Internal	External
Legal	Yes	Yes (time limited)
Allocations	Yes	
Pipeline Development	Yes	Yes
Communications	Yes	

6.12 The resources for the remainder of this financial year can be met through the existing budget allocation. Officers will need to ensure that there is sufficient budget for future liabilities and this will be done within the Combined Authorities usual budget setting process.

6.13 Updates will continue to be provided to the Housing & Communities Committee as required.