



HOUSING & COMMUNITY COMMITTEE	AGENDA ITEM No: 2.1
9 NOVEMBER 2020	PUBLIC REPORT

£100M AFFORDABLE HOUSING PROGRAMME UPDATE

1.0 PURPOSE

- 1.1. This report provides an update on the £100 million Affordable Housing Programme being led by the Combined Authority.
- 1.2. The Housing and Communities Committee currently receives performance updates on expenditure and delivery of outputs (new homes) relating to the £100 million Affordable Housing Programme at every Committee meeting.

<u>DECISION REQUIRED</u>	
Lead Member:	Councillor Chris Boden, Lead Member for Housing and Chair of Housing and Communities Committee
Lead Officer:	Roger Thompson, Director of Housing and Development
Forward Plan Ref: N/A	Key Decision: No
The Housing and Communities Committee is recommended to: 1. Note the progress of the delivery of the £100m programme.	Voting arrangements: Simple majority of all Members

2.0 PROGRAMME BACKGROUND

- 2.1. The Combined Authority's Affordable Housing programme runs for five years from 1 April 2017 to 31 March 2022 with the ambition to deliver a minimum of 2,000 new affordable homes.
- 2.2. It is anticipated that over its lifetime, the programme will support a mixed portfolio of schemes including strategic sites and projects brought forward by housing associations, developers and Community Land Trusts (CLTs). It includes the intended use of grant and a revolving fund to help unlock sites and

deliver additional affordable housing, alongside other tools to support and enable housing delivery.

- 2.3. The Affordable Housing Programme currently has 38 schemes with allocated funding, of which 26 are in contract.
- 2.4. The programme pipeline has further schemes at various stages of development and due diligence which will be brought to Committee or Board when ready. This includes opportunities for CA investment into large-scale or 'strategic sites' across Cambridgeshire and Peterborough.

3.0 MONITORING UNDER THE DEVOLUTION DEAL

- 3.1. As part of the monitoring arrangements for the Devolution Deal, government undertakes an annual review of progress with representatives from the Combined Authority, Ministry of Housing, Communities and Local Government (MHCLG) and Department for Business, Energy and Industrial Strategy (BEIS). The first meeting for the yr. 2020/21 Annual Review took place on 8th September 2020, following which additional information has been provided. We have been chasing for a response about the release of future funding and confirmation of the programme completion date being as 31st March 2022, but at the time of writing this report despite numerous requests, BEIS have been unable to confirm the timing of the completion of the review.
- 3.2. £15m of the monies due for the £100m programme for the year 2019/20 was deferred following last year's review. A payment of £17m of devolution deal monies was made direct to Cambridge City Council for their £70m programme. As referred to in 3.1 we await confirmation of the payment of the £15m from last year and the anticipated £30m to be received by the Combined Authority in this financial year.
- 3.3. At the 8th September 2020 meeting, MHCLG and BEIS confirmed that there was no disagreement over the decision to create the £40m revolving fund as this was clearly permitted by the original business case.

4.0 FINANCIAL PERFORMANCE

- 4.1. Grant investment approved for Affordable Housing schemes to date is £39.7 million, with a further £51.1 million approved from the revolving fund, although when that is 'cash flowed' the total drawdown should not exceed £40m at any one time. A total of £79.7 million (£40m revolving plus £39.7m grant) has been allocated to schemes to date. A list of the 38 schemes with CPCA Board or Committee approval including the revolving fund loans is attached as Appendix 1.
- 4.2. £54.2 million has been contractually committed, comprising £14.2 million in grants and the full revolving £40 million in loan funding. £25.5 million is in the process of being contracted.

- 4.3. £8.082 million in grant and £36.565 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.

5.0 £100m PROGRAMME DELIVERY

- 5.1. The Affordable Housing Programme currently has 38 schemes with allocated funding, of which 26 are in contract. The geographic distribution of the 38 schemes is shown on a map in Appendix 2 and differentiates between the grant schemes and £40m revolving fund loan schemes (see the appendix legend). 668 housing units have started on site to date and 237 homes completed. In total 1,589 units have been approved by Committee or Board and pending Covid 19 issues, we are chasing those schemes and providers to deal with pre-construction issues as quickly as possible, to commence starts on site.
- 5.2. The graphs in Appendix 3 show the progress of the programme over time.
- 5.3. Scheme approvals since the last report to the 22nd June 2020 Housing & Community Committee.
- (a) Roman Fields, Paston, Peterborough – Heylo will deliver a scheme of 20 additional affordable houses. Grant from Combined Authority approved for £645,000.
 - (b) Alconbury weald, Parcel 6 Hunts – MAN GPM will deliver 124 new homes, including 94 additional affordable houses. Grant from Combined Authority approved for £4,425,000.
 - (c) Norwood Road, Hereward Hall and Queens Street, Fenland – Funding Affordable Homes Housing Association will deliver 90 additional affordable houses. Grant from Combined Authority approved for £3,520,000.
 - (d) Former RAF Upwood, Ramsey, Hunts – Evera will deliver 160 new homes with 64 additional affordable houses. Grant from Combined Authority approved for £2,720,000.
 - (e) Stanground, Peterborough – Cross Keys Homes will deliver 28 new affordable houses. Grant from Combined Authority approved for £1,260,000.

- 5.4. Scheme Withdrawals since last report:

None

Affordable Housing tenancy profile

- 5.5. The profile of current portfolio of 1,589 units is as follows:
Social rented units – 62
Affordable rented units – 936

Shared ownership units – 591
(£100k homes counted in shared ownership total)

Starts on Site

- 5.6. There have been 668 Starts on Site to date in total, up from 591 when last reported.
- 5.7. We anticipate more starts on site as soon as the constraint on the construction market from the social distancing measures under Covid-19 is relaxed and more schemes progress through reserved matters and contractor procurement.

Completions

- 5.8. The programme has so far delivered is 237 completed units, up from 89 when last reported. Twelve schemes have completed in some form, with another 2 schemes due to complete in the next few months.

Forward Programme and Pipeline Development

- 5.9. There are approximately 2,800 affordable units in the Cambridgeshire and Peterborough Affordable Housing programme pipeline which is updated by local authority housing officers. With a discount applied for risk for up to 70% of those units not actually getting to the point of coming into the Combined Authority programme, around a further 800 units could potentially be delivered from this pipeline. Assuming the grant scheme papers coming to committee on 9th November are approved, depending on the outcome of our annual review meeting with BEIS and MHCLG about the inclusion of the flood remediation grant at Northstowe for 540 units and our receiving a revised affordable housing delivery programme from Homes England to identify how many units will start by March 2022, we anticipate needing more units to come forward from this pipeline to ensure delivery of the programme target of 2,000 units.
- 5.10. In order to ensure delivery of the minimum 2,000 unit start on site target, we are intending to secure approval for up to 2,200 units in order to allow for up to 10% of approved schemes potentially not starting on site by 31st March 2022, building the loss of units because of a failure to meet the start on site deadline into the programme. Therefore we still need more units to be applied for and approved in the programme.
- 5.11. We are still confident that the programme target of a minimum of 2,000 new affordable homes will be delivered as starts on site by 31st March 2022 assuming the outstanding £45m of funding is received from BEIS/MHCLG. We are expecting an acceleration in starts on site into the second half of financial year 2020/21. If a national or significant regional Covid-19 lockdown is re-applied due to a spike in cases, there will be an impact that will need to be further assessed.
- 5.12. In addition to identified schemes, there may be opportunities for CA investment into schemes or phases as part of delivery of large-scale or 'strategic sites' across Cambridgeshire and Peterborough. The Combined Authority is engaged

in early-stage dialogue with a range of organisations. Strategic sites have the potential to deliver significant numbers of new homes. Some of the new homes might be deliverable within the £100m Affordable Housing Programme period to March 2022, for example potential affordable units at Wyton Airfield and the Community Land Trust (CLT) scheme at Kennett in East Cambs.

- 5.13. Further opportunities will be identified during the programme across the range of development toolbox methodologies. We monitor housing sites that are currently on the market and upon which we review if any housing toolbox action, specifically through potential future joint ventures might be appropriate using the CPCA development company Angle Developments (East) Ltd if the market might be considered as failing to deliver.

Communicating the Opportunity & £100k Homes

- 5.14. The mayoral £100k Homes home ownership initiative has been launched and the Combined Authority housing team is supporting this through housing toolbox activities as referred in the Sept 2018 Housing Strategy. Further info is available on [the £100k Homes website](#) . The first eight £100k homes will complete in Dec 20/Jan 2021 at Fordham.
- 5.15. Just over 2500 people have signed up to the £100K Homes register. There have been 115 eligible applications for the £100K Homes in Fordham. Subsequent £100K Home completions are likely to be in the second half of 2021 and more are being negotiated.
- 5.16. 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.
- 5.17. The Housing and Development Team meets with landowners, housebuilders, private developers, and other stakeholders on a regular basis to encourage proposals to come forward for investment from the Affordable Housing Programme.

Risks and Issues

- 5.18. Covid-19 disruption and economic impact currently represents the greatest risk. Short and medium-term construction programme impacts are being felt. Wider economic and any structural issues for the housing market will be identified as the general economic impacts are recorded and assessed, specifically unemployment and income levels. There is evidence that registered providers are more nervous about making decisions to proceed, particularly with schemes that involve shared ownership units. We may well see increasing situations of tenure conversion from market housing to various forms of affordable housing.
- 5.19. The CPCA programme faces pressure from Providers' ability to seek funding from other sources – primarily Homes England. The current Homes England Shared Ownership and Affordable Homes Programme ends in March 2021 and

providers are keen to take up national allocations and deliver on their full obligations within that programme, as their performance will impact on future funding allocations.

5.20. Officers from the Housing and Development Team meet Homes England staff regularly to share intelligence and monitor the impacts of the respective programmes.

5.21. Resolution of the outstanding release of £45m of funding and confirmation of programme expiry date being 31st March 2022 with BEIS/MHCLG.

6.0 PERFORMANCE OF THE £40m REVOLVING FUND LOAN BOOK

6.1. 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).

6.2. The MOD Ely scheme made a £635,000 payment on 31st March 2020 following the sale of 2 units. Currently we understand 7 units are under offer/reserved where sales are progressing. The next projected re-payment from this scheme is expected in December 2020. On a positive note, a repayment of £272,416 has been received early (ahead of December) on 2nd October 2020.

6.3. All other schemes are not yet at a stage where units are completing so that unit sales and loan repayments can be made. The next scheme where re-payments are due to start will be at Haddenham in May 2021.

7.0 FINANCIAL IMPLICATIONS

7.1. There are no financial implications other than those covered in the body of the report. The second graph in Appendix 3 shows the amount of money committed to the programme and alongside it the amount of money actually paid to date.

8.0 LEGAL IMPLICATIONS

8.1. 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.

8.2. The recommendation accords with CPCA's powers under Part 4 Article 11 of the Cambridgeshire and Peterborough Combined Authority Order 2017 (SI 2017/251).

8.3. The meeting shall be conducted in accordance with Parts 2 and 3 of the Local Authorities and Police and Crime Panels (Coronavirus)(Flexibility of Local Authority and Police and Crime Panel Meetings)(England and Wales) Regulations 2020.

9.0 APPENDICES

- 9.1. Appendix 1 – Combined Authority Affordable Housing Programme - Approved Schemes October 2020
- 9.2. Appendix 2 – Distribution of £100m Housing programme schemes
- 9.3. Appendix 3 – £100m programme bar charts

<u>Source Documents</u>	<u>Location</u>
<i>DCLG Approved Business Case</i> Devolution Deal 2016 Assurance Framework Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment) Regulations 2019	<u>Combined Authority website</u>