



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

<b>HOUSING AND COMMUNITIES COMMITTEE</b>	<b>AGENDA ITEM No: 2.2</b>
<b>10 JULY 2019</b>	<b>PUBLIC REPORT</b> Appendices 2, 3 and 4 to this report are exempt from publication because they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act. It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information.

## **£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. Appendices 2, 3 and 4 to this report contain commercially sensitive information and are exempt from publication.
- 1.2. The Housing and Communities Committee receives quarterly performance updates on expenditure and delivery of outputs (new homes) relating to the £100 million Affordable Housing Programme. The next will be in October 2019.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Member:</b>	<b>Cllr Graham Bull, Portfolio Holder Housing and Chair of Housing and Communities Committee</b>
<b>Lead Officer:</b>	<b>Roger Thompson, Director Housing and Development</b>
<b>Forward Plan Ref: n/a</b>	<b>Key Decision: No</b>
The Housing and Communities Committee is recommended to:  (a) Note the report on spend and outputs for the £100 million Affordable Housing Programme.	<b>Voting arrangements</b>  Simple majority of all Members

(b) Note the forward pipeline of sites with affordable housing.	
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## 2.0 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 17 schemes with allocated funding, of which 9 are in contract.
- 2.4. The programme pipeline has further schemes at various stages of development and due diligence which will be brought to the Board when ready. This includes opportunities for CA investment into large-scale or 'strategic sites' across Cambridgeshire and Peterborough.
- 2.5. As part of 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). A date for the 2019 Annual Review has yet to be confirmed but is now likely to take place in September.

## 3.0 FINANCIAL PERFORMANCE

- 3.1. Grant investment approved for Affordable Housing schemes to date is £7.3 million, with a further £37 million approved as revolving fund, funding. A total of £44.3 million has therefore been allocated to schemes to date, most on a recycling basis. A list of the 17 schemes with CPCA Board approval is attached as Appendix 1.
- 3.2. Of this, £10.3 million has been contractually committed, comprising £3.8 million in grants and £6.5 million in loan funding. £34 million has yet to be contracted. We anticipate that a further £31.3m of that will be contracted in the next 4 to 6 weeks.
- 3.3. £2.2 million in grant and £1.3 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. We also provide in Appendix 4 a summary cashflow of the anticipated drawdown of the 4 schemes that have been approved by board to come from the £40m revolving fund. At present the maximum drawdown is forecast to be £30.026m in December 2019, so there is still opportunity with headroom to find and deliver more revolving fund schemes.

#### **4.0 PROGRAMME DELIVERY**

- 4.1. The Affordable Housing Programme currently has 17 schemes with allocated funding, of which 9 are in contract. Three schemes have completed, with two more schemes due to complete in the next few months. 143 housing units have started on site to date and 21 homes delivered. In total 813 units have been approved by the Board and we are chasing those schemes and providers to deal with pre-construction issues as quickly as possible, to commence starts on site.

- 4.2. Scheme approvals since April Housing Committee;

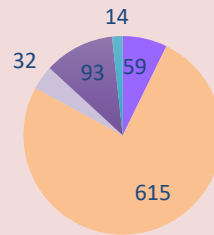
- (a) Belle Vue, Stanground, Peterborough – Medesham Homes will deliver 21 new homes for Affordable Rent as part of a 30 units scheme at former stables in Stanground. Grant from CPCA approved £735,000
- (b) Luminus HDC Sites, Huntingdonshire – Luminus (now Chorus) will deliver 14 homes for Social Rent across 7 garden and garage sites in Huntingdonshire. Grant from CPCA approved £618,800
- (c) Alexander House Ely East Cambridgeshire – Laragh House Developments Ltd will deliver 25 new homes to include 4 affordable homes as part of the conversion of a former office building in Ely. Loan from CPCA approved £4,550,000
- (d) Proposed DevCo Acquisition – acquisition and development by the Combined Authority's Development Company of a site in Peterborough capable of delivering 60 units of which up to 18 will be affordable homes. Loan from CA affordable housing programme approved for £1,557,335.

- 4.3. In total £7,461,135 was approved in May and June to deliver 57 new affordable homes, that will also enable 63 additional market homes.

- 4.4. Appendix 1 shows that 9 schemes are in contract including an infrastructure grant to Homes England for flood prevention works which were a condition of the planning for Phase 2 of Northstowe in South Cambridgeshire. The CA funding of £760,152 for works is due to start in Autumn 2019 and will enable the delivery of 3,500 homes of which 540 affordable units are contracted in the funding agreement. Eight schemes within the programme are still to contract, we expect 5 of these to be contracted in the next few weeks.

- 4.5. Figure 1) below shows the current distribution of approved units by local authority.

**Figure 1) Approved units by local authority**



■ East Cambridgeshire ■ South Cambridgeshire ■ Fenland ■ Peterborough ■ Huntingdonshire

### **Starts on Site**

- 4.6. There have been 143 Starts on Site to date with the most recent scheme started at Belle Vue in Peterborough (at developers risk subject to CPCA contract).
- 4.7. Also subject to contract, Luminus' 7 schemes in Huntingdonshire are due to start from July 2019.
- 4.8. East Cambs Trading Company is due to begin drawing down their loan from the housing programme by end July to facilitate redevelopment of a former MOD site in Ely, so a further 15 units will be starting on site in July.
- 4.9. The majority of the schemes anticipated as coming to board between now and December 2019 should have starts on site pretty much immediately, so we anticipate an acceleration of starts on sites up to the Combined Authority March 2020 business plan target of 600 units.

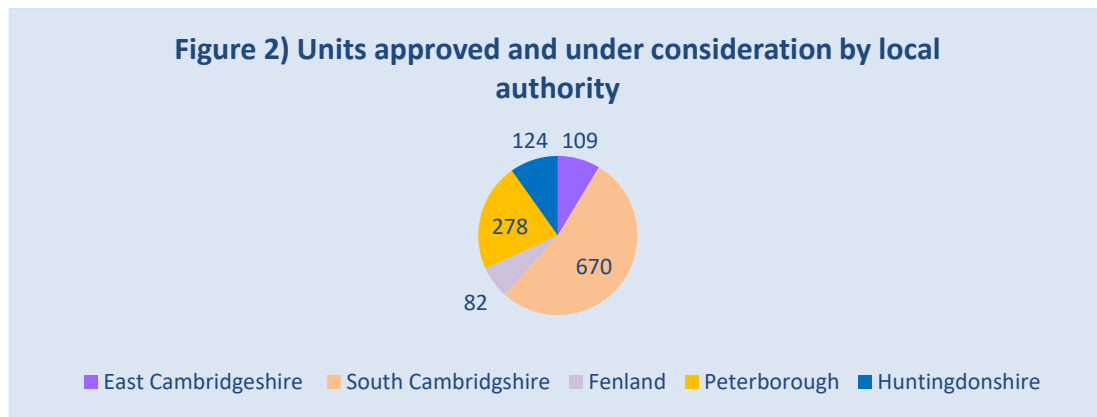
### **Completions**

- 4.10. The programme has so far delivered 21 completed units. Most recently, 8 homes for Shared Ownership were completed for Cambridge Housing Society (CHS) at Victoria Way, Melbourn South Cambridgeshire in June 2019.
- 4.11. A further 15 homes are due to complete in Willingham, South Cambridgeshire by end July being delivered by Cross Keys Homes and 8 are programmed to complete at Burwell in East Cambridgeshire in October being delivered by Hastoe. These schemes are both providing new homes for Affordable Rent.

### **Forward Programme and Pipeline Development**

- 4.12. Schemes totalling 486 units are currently under consideration by Combined Authority officers (where applications have been received or the Housing and Development Team is in active discussions with applicants regarding proposed schemes) and we expect to come forward for Board approvals before

December 2019. The distribution of units by local authority area for both approved schemes and units under consideration is shown in Figure 2) below.



4.13. There are over 4,000 affordable units in the Cambridgeshire and Peterborough pipeline which is updated monthly 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 1200 units could be delivered from this pipeline using devolution funds.

4.14. Therefore at this stage 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. The pipeline list is attached as Appendix 2 (confidential). We are expecting an acceleration in starts on site, with a target of 600 by March 2020.

4.15. 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 will be deliverable within the £100m Affordable Housing Programme period to March 2022, for example the projected 880 affordable units at Phase 3 of Northstowe.

4.16. Further opportunities will be identified during the programme across the range of development toolbox methodologies. We attach in Appendix 3 (confidential) a list of housing sites that are currently on the market and upon which we are reviewing if any housing toolbox action might be considered appropriate.

### **Communicating the Opportunity**

4.17. 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.

4.18. 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**

4.19. In its update to the November 2018 meeting, the Committee was advised that Registered Providers were unable to use the Combined Authority's housing grant to deliver new homes for Affordable Rent. Since October, the Mayor and CPCA Directors worked with Government ministers and officials to seek new legislation.

4.20. A Statutory Instrument went through Parliament in April 2019 and is now in force, enabling the Combined Authority to be a funder of Affordable Rent homes alongside Homes England and the Greater London Authority. In the 7 months between October 2018 and April 2019, schemes that were completing were unable to draw down allocated funding from the CA programme and so withdrew Affordable Rent units that were impacted. 77 units were affected, with just over £2 million in grant returned to the programme to be reallocated. There was also a 'hidden impact' that cannot be quantified of 'lost' new schemes that just did not come forward during this period and that will have secured funding from other sources due to the uncertainty about the legality of our ability to pay grant.

4.21. In addition to the Affordable Rent issue, the CPCA programme is facing 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 and deliver on their full obligations within that programme, as their performance will impact on future funding allocations.

4.22. There is currently a market risk, with a slowdown in the market making registered providers more nervous about making decisions to proceed with schemes that involve shared ownership units.

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

## **5.0 FINANCIAL IMPLICATIONS**

5.1 There are no financial implications other than those covered in the body of the report.

## 6.0 LEGAL IMPLICATIONS

- 6.1. 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.
- 6.2. The Combined Authority has authority under section 1 Localism Act 2011 to exercise a general power of competence. The Combined Authority can exercise this power by virtue of the Cambridgeshire and Peterborough Combined Authority Order 2017. This power permits the Combined Authority to make grants to providers in order to deliver the terms of the Devolution Deal signed with Government.

## 7.0 APPENDICES

- 7.1. Appendix 1 – Combined Authority Affordable Housing Programme - Approved Schemes July 2019
- 7.2. Appendix 2 – exempt from publication - Programme Investment Pipeline
- 7.3. Appendix 3 – exempt from publication - Schedule of sites currently on the market
- 7.4. Appendix 4 – exempt from publication - £40m revolving fund summary cashflow forecast

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
<i>DCLG Approved Business Case</i> Devolution Deal 2016 Assurance Framework Social Housing Rents (Exceptions and Miscellaneous Provisions) (Amendment) Regulations 2019	Cambridgeshire and Peterborough Combined Authority, Alconbury Enterprise Campus, Alconbury Weald, Huntingdon PE28 4XA <a href="http://cambridgeshirepeterborough-ca.gov.uk/">http://cambridgeshirepeterborough-ca.gov.uk/</a>