

**CAMBRIDGESHIRE LOCAL INVESTMENT PLAN
(Report by the Head of Housing Services)**

1. PURPOSE OF REPORT

- 1.1 At their meeting on 2 November 2010 Overview and Scrutiny (Social Well-being) considered the Cambridgeshire Local Investment Plan (CLIP) in advance of its submission to the Homes and Communities Agency (HCA). The Panel requested a further report on the outcome of the CLIP.

2. BACKGROUND INFORMATION

- 2.1 The CLIP was developed jointly between the HCA and Cambridgeshire Horizons, with LAs feeding their information into the process using current evidence including the Huntingdonshire Core Strategy, Housing Strategy and Local Investment Framework. The purpose of the CLIP was to capture all the infrastructure projects and related costs including affordable housing. The document was originally intended to guide the HCA's investment decisions. The CLIP had a long period of approval by all the partners listed above. It was then submitted to the HCA.
- 2.2 Since then, the HCA's budget has been slashed nationally and for the 2011-15 funding period they have £6.8bn. £4.5bn is to pay for new affordable housing (compared to £8.4bn on new affordable housing in 2008-11) but £2.3bn was already committed before 2011. Therefore only £2.2bn is available nationally and the HCA have adopted a different approach to keep a programme going when funding is so tight (see below).
- 2.3 The HCA's new approach is to work with Registered Providers (RPs - previously called housing associations) to deliver a portfolio of schemes in return for a lump sum of HCA investment. The benefit of this approach is that it places responsibility with the RP to deliver a portfolio of schemes and if some schemes slip then others can be brought forward to substitute it. The down side to this approach is that it reduces the transparency in the HCA investment system because it is not possible to easily pin point how much investment has been allocated to which homes and in turn how much investment each district benefits from.
- 2.4 To make the funding pot go further, the HCA announced a new product called 'Affordable Rent' whereby rents are charged at up to 80% of market level rents (analysis in the SHMA¹ suggests that in general, social rents are up to 60% of market level rents). In addition to increased rent levels on new housing, those RPs who have an HCA funded programme are expected to convert a % of their existing stock from social rent to affordable rents to generate more income to

¹ Strategic Housing Market Assessment (SHMA) for Cambridge sub-region, Cambs County Council Research Group.

support increased borrowing. The HCA have also said that unless there are exceptional circumstances, they will not be funding s106 sites because they believe that affordable housing can be delivered entirely through planning gain.

2.5 At the current time for the 2011-15 funding period, the HCA are in the process of negotiating formal contracts with RPs. Whilst these negotiations are under way the HCA will not disclose any information about whether or not Huntingdonshire schemes will be considered for funding. However, Huntingdonshire relies heavily on s106 sites with in excess of 90% of the pipeline of schemes coming under this category. Since the HCA have confirmed that there should be no funding for s106 unless in exceptional circumstances, officers are assuming that none of the schemes within the district are funded.

2.6 If this transpires to be the case, the implications of this are:

- New s106 sites will need to be negotiated on the basis of nil grant. This may result in complex viability assessments/negotiations with developers and could result in a reduction from our 40% target for affordable housing and a change in tenure split from our policy target of 70% social rent and 30% shared ownership, depending on site economics (which will change from site to site).
- It is likely that we will build less social rented housing in future with more forms of intermediate housing including shared ownership and Affordable Rented housing (where rents are set at 80% of the market rent level).
- To help fund the development portfolio RPs have to commit to convert a % of their properties to affordable rent when they become available for re-letting so over time, more of the social rented housing in the district will change to 'Affordable Rent'.
- Any sites that have been negotiated anticipating capital subsidy may have to be renegotiated in line with the above.

2.7 The HCA have stated that the CLIP has been a useful tool to help them in making the case for investment both nationally and within the region and sub-region. They have asked that the data be refreshed so that it remains relevant for them in considering the investment needs of the area and as a reference point for negotiations with RPs. The Council will contribute to a refresh of the CLIP in early 2012.

3. CONCLUSIONS

3.1 The CLIP process was useful in capturing and quantifying housing and related infrastructure costs across Cambridgeshire. It has limited impact in Huntingdonshire in terms of attracting HCA investment because the HCA's national pot has been cut and to manage the investment programme they decided not to fund s106 sites unless in exceptional circumstances. As in excess of 90% of Huntingdonshire's development sites are on s106 we do not expect any of them to be funded although we will not hear confirmation of this fact until early 2012 because the HCA are still negotiating contracts with RPs and will not disclose information in the meantime.

3.2 The HCA has asked the CLIP to be revised and updated within the Cambridge sub-region in early 2012 to inform future investment and the HCA's negotiations with DCLG. The revised document is unlikely

to include significant detail on infrastructure projects since HCA have indicated that they are not in a position to fund these. The council will explore the potential to attract HCA investment for exceptional affordable housing developments such as housing in rural areas, supported housing and housing for older people.

4. RECOMMENDATION

4.1 The Panel note this report.

BACKGROUND INFORMATION

- CLIP
- Housing Strategy 2006-11
- Huntingdonshire Local Development Framework

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