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| **CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD** | **AGENDA ITEM No: 3.2** |
| **29 JANUARY 2020** | **PUBLIC REPORT** |

**£100k HOMES BUSINESS CASE**

1. **PURPOSE**
   1. To consider and approve the £100k Homes Business Case.

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| **DECISION REQUIRED** | | |
| **Lead Member:** |  | |
| **Lead Officer:** | **Roger Thompson, Director of Housing** | |
| **Forward Plan Ref: Insert ref no on FP** | **Key Decision: No** | |
| The Combined Authority Board is recommended to:   1. Approve the Business Case detailed in Appendix 1; and 2. Authorise the Monitoring Officer to amend the terms of reference of the Housing & Communities Committee to include the responsibility for adopting the £100k Homes Allocations Policy. | | **Voting arrangements**  Simple majority of all Members |

1. **BACKGROUND**

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.

2.4 On 25 September 2019 (Agenda Item 2.1 and 2.2) the Combined Authority Board approved the inclusion of the £100k Home project in the 2019/20 Business Plan and further allocated a budget to deliver the project.

2.5 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.

2.6 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.

2.7 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.

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

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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

2.15 The Business Case is set out in Appendix 1 of this report. The Business Case addresses:

* The Strategic Case
* The Economic Case
* The Commercial Case
* The Financial Case
* The Management Case

1. **FINANCIAL IMPLICATIONS**
   1. £250,000 (which is to be utilised for the delivery of the Community Land Trust and £100k Homes project) has been allocated from the Non-Transport feasibility budget. This was approved by the Combined Authority Board on 25 September 2019 (Agenda Item 2.1). The expenditure identified within the Business Case is within this budget allocation.
   2. The business case identifies mechanism available for funding the tangible delivery of the project. As identified in the financial case each scheme will be subject to the relevant approvals of the Combined Authority Board and/or Housing & Communities Committee. Such approvals will be subject to individual business plans as schemes arise.
2. **LEGAL IMPLICATIONS**

4.1 The legal implications are discussed throughout the Business Case. External legal advice was sought from Capsticks in order to support the assumptions made in the Business Case.

1. **GOVERNANCE AND CONTROL**
   1. This is addressed throughout the Business Case.
2. **EQUALITIES AND HEALTH AND SAFETY IMPLICATIONS** 
   1. Any equalities or health and safety implications will be addressed as they arise in the delivery phase of the project.
3. **APPENDICES**
   1. Appendix 1- £100k Homes Business Case

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| **Source Documents** | **Location** |
| Combined Authority Board reports and minutes 25 September 2019 (Item 2.1 refers) | [CA Board 25 September 2019](https://cambridgeshirepeterboroughcagov.cmis.uk.com/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/847/Committee/63/Default.aspx) |