

CAMBRIDGESHIRE HORIZONS

Agenda Item No:11

HOUSING GROWTH FUND: PROPOSED REDUCTION IN FUNDING

To: **Cambridgeshire Horizons Board**

Date: **24th September 2009**

From: **Director for Development**

Purpose: **To consider a response to the Government's proposed cut in Housing Growth Fund (HGF) for 2010/11.**

Recommendation: **The Board is recommended:**

- 1. To comment on the proposed HGF cut for 2010/11, noting the serious detrimental impact on the delivery of the growth programme in Cambridgeshire;**
- 2. To comment on the implications of re-allocating resources previously awarded for local determination to centralised programmes;**
- 3. To endorse the suggested response to Government as set out in paragraph 3.2**
- 4. That the Chairman finalises the response in liaison with the Leader of Cambridgeshire County Council and the other Cambridgeshire local authority leaders**
- 5. That the partners, through local authority Board members and Chief Executives work with local MPs to argue Cambridgeshire's case at the proposed meeting with the Housing Minister.**

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1. Background

- 1.1 In December 2008, Communities and Local Government (CLG) awarded Cambridgeshire just under £29m of HGF for the two-year period 2009/10 and 2010/11. Of this £27.5m was identified as HGF Capital; the remainder as revenue. The funding allocation for capital is divided into £13,749,178 for 2009/10 and £13,772,524 for 2010/11.
- 1.2 A revised programme was derived from the Programme of Development, taking account of the principles that were supported by the Horizons Board on the 10th December 2008. The Horizons Board on the 25th of March approved broad HGF allocations for 2009/10 and 2010/11.
- 1.3 The award letter stated that 'Funding for 2010/11 is provisional and total funding will be confirmed by parliament in the quarter prior to the start of the financial year. Growth Areas and Growth Points will not be required to submit a revised Programme Of Development to confirm funding for 2010/11. Changes to the provisional amounts will only be made by the Secretary of State *in exceptional circumstances consistent with the operation of the local government finance settlement*.
- 1.4 However, on 17th July, the Housing Minister wrote to the leader of the County Council advising that the Government were proposing to redirect about 43% of HGF allocated for 2010/11 to fund other housing initiatives, including a second round of the Kickstart programme; the proposed cut to be subject to a "short consultation". The letter notes that CLG are not proposing to change provisional revenue allocations for 2010/11.
- 1.5 This consultation has been delayed, but is now expected to commence during September. An oral update will be provided to the Board, should further information be received following publication of this report.
- 1.6 Although falling a long way short of the funding requirements set out in the Programme of Development refresh submitted to Government in September 2008, the original allocation of HGF for 2009/10 and 2010/11 represented a welcome continuation of support for Cambridgeshire in delivering the agreed growth priorities. The Board welcomed the continued move towards local determination of priorities arising from the block allocation approach to HGF funding.
- 1.7 In March 2009, the Board approved a capital programme of HGF funding comprising:
 - Green infrastructure (contributions to strategic projects and schemes linked to major development sites)

- Flexible Fund for major development sites (Cambridge Fringes)
 - Growth and regeneration projects in key market towns
 - Progress the implementation of Northstowe
 - Strategic projects providing long term investment in sustainability linked to other funding (Cambridge Station Gateway and The Hive sustainable industries incubator)
 - Further support for existing sites such as Orchard Park as a priority for underspend.
 - Funds are also required for existing commitments for Addenbrooke's Access Road (essential for delivering homes and jobs in Cambridge Southern Fringe).
- 1.8 The Chairman and the Leaders of all Cambridgeshire Local Authorities have already expressed their considerable disappointment at the proposed cut in HGF, which if it goes ahead, will have a serious detrimental impact on the delivery of our programme. It is unclear how much of any funds lost from HGF might re-emerge for Cambridgeshire through other programmes, but the move away from local determination is extremely disappointing and contrary to the recent announcement that Cambridgeshire is to be a pilot for the Homes and Communities Agency (HCA) Single Conversation process, which implies stronger partnership working between central and local Government.

2. Implications of proposed cut

- 2.1 Should the proposed cut go ahead, this will have a major impact on the capital programme in Cambridgeshire and put several projects at risk, leading to a reduction in delivery against housing and sustainability targets. This is especially disappointing, given that most projects are now at an advanced stage of preparation.
- 2.2 The first round of Kickstart was very disappointing for Cambridgeshire. Of the 12 projects put forward by bidders, only one was accepted, a scheme for 56 homes at Springfield School in Huntingdon. Following the announcement of Kickstart funding, the Chief Executive and the Chair of the Sub Regional Housing Board wrote a joint letter to the Regional Director of the HCA expressing their surprise that only one scheme was successful and encouraging greater local involvement in future funding decisions (Appendix A).
- 2.3 There has been generally positive engagement with the HCA, who have indicated that the Clay Farm proposal, which was rejected in round one, would be considered high priority in a second round of Kickstart, subject to a

sound proposal being made by the developer. The HCA also has agreed to joint discussions on the Wisbech Nene Waterfront project, which was previously earmarked for English Partnership funding and requires HGF and Kickstart funding to help ensure delivery of the scheme which will ultimately deliver 332 Residential units of which 43 will be affordable.

- 2.4 The consequences of the proposed cut will be that several projects will have to be at least scaled back and some will have to be deferred to beyond the current funding round. Given the uncertainty of funding beyond March 2011, it is possible that some schemes may have to be deferred indefinitely.
- 2.5 Following the announcement by the Housing Minister, a decision was taken to put on hold all schemes that did not have existing contractual commitments, pending a final decision from Government. Work is ongoing to determine priorities should a cut go ahead, but it cannot be stressed strongly enough that any cut will have a major impact on the integrity of the programme and that such a cut would need to be reflected across the programme, including the Flexible Fund for the major Cambridge growth sites, especially if the full £6m cut is imposed and this is likely to have an impact on the deliverability of Clay Farm.
- 2.6 The current programme provides a long-term investment in infrastructure to help deliver at least 14,000 homes over the next 10 years, including about 1,962 homes in the short term. The implications in terms of outcomes include:
- Significantly less housing delivered than programmed
 - A knock-on effect on the delivery of affordable housing planned for major development sites
- 2.7 Reduced investment in sustainable infrastructure, including green infrastructure, renewable energy and sustainable construction will lead to poorer quality developments and reduced mitigation of the effects of climate change.

3. Proposed response

- 3.1 At the time of writing, details of the consultation had not been made available. Therefore, the following suggested draft response will need to be refined in the light of the consultation documents. The County Council, as the statutory body responsible for HGF, will receive the consultation. However, as management of the Growth Fund has been delegated to the Horizons Board as the Managing Growth Partnership for Cambridgeshire, it is suggested that a joint response is sent from the Chairman and the Leader of the County Council.

3.2 It is suggested that the key points to include in the consultation response are:

- Considerable disappointment at the proposed cut in HGF capital and that we do not believe that there are sufficient exceptional circumstances to withdraw funds
- The proposed cut in HGF for Cambridgeshire (43% of funding for 2010/11) will have a detrimental impact on all areas of the programme, including the Flexible Fund for the major Cambridge Fringe sites, such as Clay Farm
- Whilst a second round of Kickstart is welcome, there is no certainty that adequate funds will be directed to Cambridgeshire and the loss of local determination is disappointing and contrary to stated Government objectives
- The proposed reduction will put at risk and at least substantially delay key projects which help deliver new homes, much needed affordable homes and infrastructure which will make a major contribution to a low carbon future and addressing climate change.
- Urge the Government to re-think the proposed cut in recognition of the advanced stage of planning of key projects that help deliver homes in Cambridgeshire, the role of Greater Cambridge as a driver of economic growth of international standing and the importance of addressing social needs, especially housing, across Cambridgeshire to support economic growth.

3.3 Andrew Lansley MP has written to the Housing Minister, copied to local MP's, requesting a meeting to discuss HGF cuts. It is suggested that the partners, through Board members representing local authorities and Chief Executives, work with local MPs, to argue the case for Cambridgeshire the proposed meeting with the Housing Minister.