



# Public Document Pack

## Cambridge City Council

### DEVELOPMENT PLAN SCRUTINY SUB-COMMITTEE

**To:** Councillors Nimmo-Smith (Chair), Saunders (Vice-Chair), Herbert, Marchant-Daisley, Stuart and Znajek

Alternate Councillors: Blencowe and Tunnacliffe

Executive Councillor for Planning and Sustainable Transport: Councillor Ward

*Despatched:* Thursday 5 April 2012

**Date:** Tuesday 17 April 2012

**Time:** 4.30 pm

**Venue:** Committee Room 1 & 2 - Guildhall

**Contact:** James Goddard

**Direct Dial:** 01223 457015

### AGENDA

#### 1 APOLOGIES

To receive any apologies for absence.

#### 2 DECLARATIONS OF INTEREST

Members are asked to declare at this stage any interests, which they may have in any of the following items on the agenda. If any member is unsure whether or not they should declare an interest on a particular matter, they are requested to seek advice from the Head of Legal Services **before** the meeting.

#### 3 MINUTES *(Pages 1 - 8)*

To approve the minutes of the meeting on 14 February 2012. *(Pages 1 - 8)*

#### 4 PUBLIC QUESTIONS (SEE BELOW)

#### 5 COMMUNITY ENERGY FUND FOR CAMBRIDGESHIRE *(Pages 9 - 42)*

The Community Energy Fund for Cambridgeshire Appendix A document is too large to attach to the agenda in hard copy format. An executive summary is included instead of the full document. All documents are published on the Council's website:

- (i) The main report, Appendix A (executive summary) and Appendix B are attached to the agenda document.
- (ii) The full Appendix A is accessible via the following hyperlink (please copy all lines as the address is split over 3):

<http://www.cambridge.gov.uk/democracy/ecSDDisplay.aspx?NAME=Community%20Energy%20Fund%20Report%20and%20Appendices&ID=990&RPID=32414135&sch=doc&cat=13026&path=13020%2c13021%2c13026>  
(Pages 9 - 42)

**6 CAMBRIDGE HOTEL FUTURES STUDY (Pages 43 - 142)**

## Information for the Public

**QR Codes**  
(for use with Smart  
Phones)

**Location** The meeting is in the Guildhall on the Market Square (CB2 3QJ).

Between 9 a.m. and 5 p.m. the building is accessible via Peas Hill, Guildhall Street and the Market Square entrances.

After 5 p.m. access is via the Peas Hill entrance.

All the meeting rooms (Committee Room 1, Committee 2 and the Council Chamber) are on the first floor, and are accessible via lifts or stairs.



**Public Participation** Some meetings may have parts, which will be closed to the public, but the reasons for excluding the press and public will be given.

Most meetings have an opportunity for members of the public to ask questions or make statements.

To ask a question or make a statement please notify the Committee Manager (details listed on the front of the agenda) prior to the deadline.

- For questions and/or statements regarding items on the published agenda, the deadline is the start of the meeting.
- For questions and/or statements regarding items NOT on the published agenda, the deadline is 10 a.m. the day before the meeting.

Speaking on Planning Applications or Licensing Hearings are subject to other rules and guidance on speaking on these issues can be obtained from Democratic Services on 01223 457013 or [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk).

**Filming,  
recording  
and  
photography**

Filming, recording and photography at council meetings is allowed subject to certain restrictions and prior agreement from the chair of the meeting.

Requests to film, record or photograph, whether from a media organisation or a member of the public, must be made to the democratic services manager at least three working days before the meeting.

The Democratic Services Manager can be contacted on 01223 457013 or [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk).

**Fire Alarm**

In the event of the fire alarm sounding please follow the instructions of Cambridge City Council staff.

**Facilities for  
disabled  
people**

Access for people with mobility difficulties is via the Peas Hill entrance.

A loop system is available in Committee Room 1, Committee Room 2 and the Council Chamber.

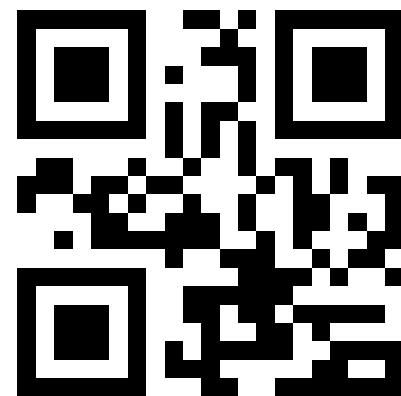
Adapted toilets are available on the ground and first floor.

Meeting papers are available in large print and other formats on request.

For further assistance please contact Democratic Services on 01223 457013 or [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk).

**Queries on reports**

If you have a question or query regarding a committee report please contact the officer listed at the end of relevant report or Democratic Services on 01223 457013 or [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk).



**General Information**

Information regarding committees, councilors and the democratic process is available at [www.cambridge.gov.uk/democracy](http://www.cambridge.gov.uk/democracy).



|

This page is intentionally left blank

**DEVELOPMENT PLAN SCRUTINY SUB-COMMITTEE**

14 February 2012

4.30 - 5.25 pm

**Present:** Councillors Nimmo-Smith (Chair), Saunders (Vice-Chair), Herbert and Marchant-Daisley

Executive Councillor for Planning and Sustainable Transport: Councillor Ward

Officers: Simon Bunn (Sustainable Drainage Engineer), Emma Davies (Senior Sustainability Officer), Patsy Dell (Head of Planning Services), James Goddard (Committee Manager) and Sara Saunders (Planning Policy Manager)

<b>FOR THE INFORMATION OF THE COUNCIL</b>
---

**12/7/DPSSC Apologies**

Councillors Stuart and Znajek.

**12/8/DPSSC Declarations of Interest**

Name	Item	Interest
Councillor Saunders	12/12/DPSSC	Personal: Member of Cambridge Past, Present & Future
Councillor Saunders	12/12/DPSSC	Personal: Attends Transition Cambridge meetings
Councillor Saunders	12/12/DPSSC	Personal: Member of Cambridge Cycling Campaign

**12/9/DPSSC Minutes**

The minutes of the 17 January 2012 meeting were approved and signed as a correct record

**12/10/DPSSC Public Questions**

None.

## **12/11/DPSSC Response to Consultation on the Implementation of the Sustainable Drainage System Provisions in Schedule 3 of the Flood and Water Management Act 2010**

### **Matter for Decision:**

DEFRA are in the process of consulting on the implementation of Sustainable Drainage Provisions in Schedule 3 of the Flood and Water Management Act 2010.

Under the provisions of Schedule 3 of the Flood and Water Management Act there will be a Sustainable Drainage System (SuDs) approval body that will have to approve all surface water drainage schemes prior to construction. The SuDS Approving Body (SAB) is the default responsibility of the County, but there was scope for delegation and local arrangements. National standards and guidance would be provided. The standards were being consulted on prior to guidance being produced.

### **Decision of Executive Councillor for Planning and Sustainable Transport:**

Approved the consultation response, subject to text amendments (set out below) made by Members at 14 February 2012 DPSSC.

### **Reason for the Decision:**

As set out in the Officer's report.

### **Any Alternative Options Considered and Rejected:**

Not applicable.

### **Scrutiny Considerations:**

The committee received a report from the Sustainable Drainage Engineer regarding the response to consultation on the Implementation of the Sustainable Drainage System Provisions in Schedule 3 of the Flood and Water Management Act 2010.

In response to Member's questions the Sustainable Drainage Engineer confirmed the following:

- (i) Water run off mitigation features would be put in new developments where practicable.
- (ii) Developers had mixed views on the cost of drainage systems; if space was set aside early in the planning process, SuDs was a cost



effective system. All drainage systems required maintenance, SuDs were of a comparable or lower cost compared to other drainage systems.

- (iii) Incorporating SuDs into a design from an early stage could reduce land use / opportunity costs; as a multi-use rather than single use could be planned for land.
- (iv) The list of bodies set out in 3.3.1 of the Officer's report would only be exempt from construction with drainage implications for the first 3 years of construction. The criteria would cover anything with a drainage function after 3 years.

In response to Councillor's requests; the Sustainable Drainage Engineer confirmed additional information would be provided for the following areas of the consultation response:

- (i) Enforcement regime – DEFRA developer guidelines concerning effective water drainage and storage systems are expected in future.
- (ii) The Act provides exceptions to the need to adopt drainage systems – Councillors wanted to highlight the risk to properties in identified flood areas, including hospitals and university campuses. A cumulative impact criterion could provide an evidence base.
- (iii) The need to manage (surface) water run off on new and existing developments.

The committee resolved unanimously to adopt the recommendation as amended.

The Executive Councillor approved the amended recommendation.

### **Conflicts of interest declared by the Executive Councillor (and any dispensations granted)**

Not applicable.

## **12/12/DPSSC Cambridge Local Plan Review - Sustainability Appraisal Scoping Report**

### **Matter for Decision:**

Sustainability Appraisal (SA) is an integral part of developing the new Cambridge Local Plan to 2031. Its purpose is to identify and evaluate the impacts of the Plan on the economy, the community (social) and the environment, which are the three dimensions of sustainable development; and

to guide decision making. It is required by National Regulations and the EU Strategic Environmental Assessment (SEA) Directive.

The first stage of the SA was to establish the scope of the appraisal by producing a Scoping Report. This identified key sustainability issues in Cambridge and provides a framework for carrying out the rest of the appraisal.

**Decision of Executive Councillor for Planning and Sustainable Transport:**  
Approved the Draft Scoping Report for the Cambridge Local Plan Review for consultation with statutory consultees (as set out in Appendix A of the Officer's report), subject to a list of consultees being circulated to DPSSC for comment and sign off by email

**Reason for the Decision:**

As set out in the Officer's report.

**Any Alternative Options Considered and Rejected:**

Not applicable.

**Scrutiny Considerations:**

The committee received a report from the Senior Sustainability Officer regarding the Cambridge Local Plan Review - Sustainability Appraisal Scoping Report.

Councillors asked for the Sustainability Appraisal Scoping Report to be amended as follows:

- (i) Clarify that proposed functional areas in the Sustainability Appraisal Scoping Report split the City into the core historic centre and surrounding areas based on a cluster study. The report should identify parts of the City covered by each functional area and should recognise the interrelationships between these areas.
- (ii) Remove the reference to building on the Green Belt.
- (iii) Amend the reference regarding need to develop policy that encourages tourism.
- (iv) Amend paragraph 12.1.14 "... hectares per thousand".
- (v) The importance of the River Cam as an open space, sporting venue, tourist venue and wildlife corridor was not reflected as much as it could be in the current Local Plan. This would be strengthened in the next iteration in conjunction with Conservators of the River Cam. A reference to its wider role could also be included in the Scoping Report.

In response to Member's questions the Planning Policy Manager and Senior Sustainability Officer confirmed the following:

- (i) The Local Plan issues and options report was part of the first stage of the Local Plan review. There would also be a sustainability appraisal that sat alongside it. The Local Plan issues and options report sets out issues and options for discussion, which the Council could explore without being beholden to.
- (ii) Statutory consultees for the Scoping Report were formally defined by national Sustainability Appraisal regulation. Statutory consultees would be consulted on the Sustainability Appraisal Scoping Report together with the County Council, all City Councillors and the public through publishing the document on-line.

The Senior Sustainability Officer undertook to circulate the list of Sustainability Appraisal consultees (as set out in Appendix B of the Officer's report) to DPSSC Members for approval and sign off.

Councillors requested a change to the recommendation. Councillor Nimmo-Smith formally proposed to amend the following recommendation from the Officer's report:

(Previous recommendation) To approve the Draft Scoping Report for the Cambridge Local Plan Review for consultation with statutory consultees (as set out in Appendix A of the Officer's report).

The committee approved amending this recommendation unanimously.

The following recommendation was formally proposed:

(New recommendation) To approve the Draft Scoping Report for the Cambridge Local Plan Review for consultation with statutory consultees (as set out in Appendix A of the Officer's report), subject to a list of consultees being circulated to DPSSC for comment and sign off by email.

The committee approved the amended recommendation by 2 votes to 0.

The Executive Councillor approved the amended recommendation.

**Conflicts of interest declared by the Executive Councillor (and any dispensations granted)**

Not applicable.

## **12/13/DPSSC To Agree Representation on the Cambridgeshire Joint Strategic Planning Board and the Local Joint Strategic Planning and Delivery Board**

### **Matter for Decision:**

Under the Localism Act 2011 Councils have a formal duty to cooperate in the preparation of development plans and policies. With the intended cancellation of the East of England Plan 2008 (Regional Spatial Strategy), and the recent closure of Cambridgeshire Horizons; new governance arrangements are being set up. These would coordinate spatial planning preparation and discharge the duty to cooperate within the Cambridgeshire sub-region and at a local level between the City, South Cambridgeshire and the County Council.

The Officer's report sought approval for the City's representation on the two new governance bodies. These bodies would have advisory but not executive functions.

### **Decision of Executive Councillor for Planning and Sustainable Transport:**

- (i) Approved the Council's formal representation on the Cambridgeshire Joint Strategic Planning Board and the governance body with responsibility for co-ordination of Strategic Transport and Spatial Planning between Cambridge City, South Cambridgeshire District Council and Cambridgeshire County Council.
- (ii) Sought nominations from the opposition groups for one of the three City seats on each of the governance bodies (places for two Liberal Democrat and 1 Labour representative would be allocated on each group).

### **Reason for the Decision:**

As set out in the Officer's report.

### **Any Alternative Options Considered and Rejected:**

Not applicable.

### **Scrutiny Considerations:**

The committee received a report from the Head of Planning Services regarding representation on the Cambridgeshire Joint Strategic Planning Board and the Local Joint Strategic Planning and Delivery Board.

Member representation on the Boards was proposed as follows:

- (i) Councillor Herbert (Labour Group) – Local Joint Strategic Planning and Delivery Board [local group].
- (ii) Councillor Blencowe (Labour Group) – Cambridgeshire Joint Strategic Planning Board [countywide group].
- (iii) Councillors Brown and Ward (Liberal Democrat Group) – Local Joint Strategic Planning and Delivery Board.
- (iv) Councillors Reid and Ward (Liberal Democrat Group) – Cambridgeshire Joint Strategic Planning Board.

In response to Member's questions the Head of Planning Services confirmed the following:

- (i) The Cambridgeshire Joint Strategic Planning Board plus the Local Joint Strategic Planning and Delivery Board would be open to the public as City Council meetings were.
- (ii) The Delivery Board meetings were expected to be bi-monthly. The first meeting would set out a future work programme and issues to take forward.
- (iii) Acknowledged there had been some mixed information in the public domain concerning the Planning Boards. However, the responsibility for planning function remained with local authorities.

Councillors requested a change to the recommendation. Councillor Saunders formally proposed to amend the following recommendation from the Officer's report:

(Previous recommendation) To seek nominations from the opposition groups for one of the three City seats on each of the governance bodies.

The committee approved amending this recommendation unanimously.

The following recommendation was formally proposed:

(New recommendation) To seek nominations from the opposition groups for one of the three City seats on each of the governance bodies (places for two Liberal Democrat and 1 Labour representative would be allocated on each group).

The committee approved the amended recommendation unanimously.

The Executive Councillor approved the amended recommendation.

**Conflicts of interest declared by the Executive Councillor (and any dispensations granted)**

Not applicable.

The meeting ended at 5.25 pm

**CHAIR**



To: Executive Councillor for Planning and Sustainable Transport  
Report by: Head of Planning Services  
Relevant scrutiny committee: Development Plan Scrutiny Sub Committee 17/04/2012  
Wards affected: All Wards

**THE DEVELOPMENT OF A COMMUNITY ENERGY FUND FOR CAMBRIDGESHIRE – OUTCOME OF THE SECOND STAGE FEASIBILITY INVESTIGATION WORK**

Non Key Decision

**1. Executive summary**

1.1 In February 2010, Cambridgeshire Horizons commissioned consultants to scope the potential for the development of a Cambridgeshire Community Energy Fund, linked to national zero carbon homes policy. This work was commissioned alongside work to establish the Cambridgeshire Renewables Infrastructure Framework (CRIF), developed to assist the county's transition to a low carbon future. The establishment of a Community Energy Fund could help to deliver some of the renewable and low carbon energy projects identified as part of the CRIF. The development of such a fund would also assist developers in meeting their carbon emissions obligations by offsetting residual emissions associated with development through payment into a fund at a set price per tonne of carbon. The fund would then channel this investment into local energy efficiency of energy generation projects to help deliver emissions savings. This initial piece of work, which was presented to Councillors from across the county in July 2010 raised a number of key issues that required further investigation, notably:

- How to ensure accountability and governance of the fund(s)
- The need for a better understanding of the appropriate scale of the fund – local and/or County
- The need to identify links between a range of initiatives under various legislative areas such as: allowable solutions (which falls under Building Regulations), Section 106 of the Town and Country Planning Act 1990, the Community Infrastructure Levy Regulations

2011 and the Carbon Reduction Commitment which is linked to the Climate Change Act 2008.

- 1.2 In response to these issues, consultants were commissioned to carry out further work, which considered these issues in detail. The study can be found at Appendix A. This report concludes that a county-wide fund would be the most sensible approach to adopt and provides a basis to continue work on developing a Community Energy Fund across the districts and in consultation with central Government.

## **2. Recommendations**

- 2.1 This report is being submitted to the Development Plan Scrutiny Sub-Committee for prior consideration and comment before decision by the Executive Councillor for Planning and Sustainable Transport.
- 2.2 The Executive Councillor is recommended:
  - To note the findings of the Stage 2 report (Element Energy 2012) and to support officer engagement in the next stages of developing a county-wide fund.

## **3. Background**

### **3.1 Policy context for Community Energy Funds**

- 3.1.1 The government is committed to challenging and legally binding targets for the reduction of greenhouse gas emissions by 2020 and 2050. The achievement of these targets will require action across all sectors of energy use, and, as a key part of these efforts, the need to limit additional CO<sub>2</sub> emissions from new development has been recognised through the development of zero carbon policy for new homes and non-domestic buildings. By 2016 all new homes should be 'zero carbon'<sup>1</sup>, with all new public buildings being zero carbon by 2018 and all other new non-residential buildings reaching zero carbon by 2019<sup>2</sup>. It should be noted that zero carbon policy for homes is far more developed than that for new non residential buildings.
- 3.1.2 What defines a 'zero carbon' building has been the subject of significant debate in recent years, with the definition having undergone several revisions, the most recent revision having been announced as part of the 2011 Budget. Under this new definition, developers will only be held accountable for the regulated emissions of new homes (i.e. emissions associated with space heating, hot water and lighting), and will follow a hierarchical approach to reducing these emissions.

---

<sup>1</sup> [Building a Greener Future: Policy Statement](#) (2007)

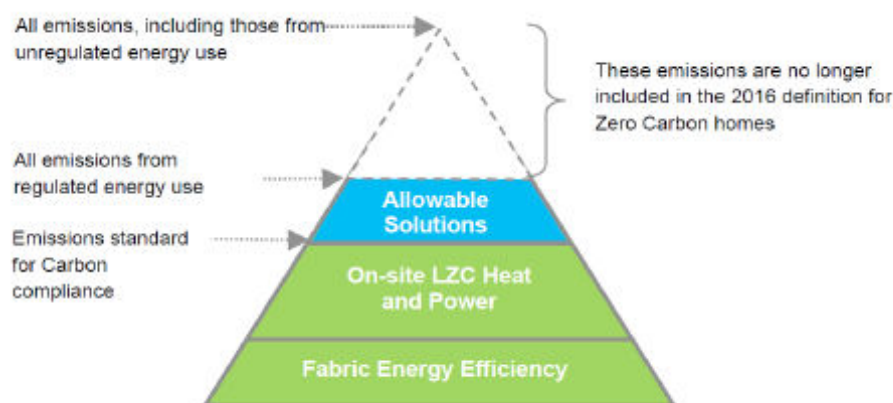
<sup>2</sup> Zero Carbon Non Domestic Buildings announced as part of the 2008 Budget



- 3.1.3 In line with the hierarchy shown in Figure 1, zero carbon homes are achieved by:
1. Ensuring an energy efficient approach to building design and fabric performance;
  2. Reducing CO<sub>2</sub> emissions through low and zero carbon technologies; and
  3. Mitigating the remaining level of carbon emissions through a range of solutions referred to as 'Allowable Solutions'

The first two steps are together referred to as 'Carbon Compliance' and need to be achieved on-site. The level of carbon compliance that needs to be achieved on site varies according to dwelling type; for a detached house the level of carbon compliance is 60% (when compared to a 2006 baseline), while for a low rise apartment block the level of carbon compliance is 44%.

**Figure 1: The Zero Carbon Policy Hierarchy**



3.1.4 It is the third element of the hierarchy, the 'Allowable Solutions' element, that gives rise to the potential for local planning authorities to develop Community Energy Funds. The ideal solution would be for developers to offset all of their regulated emissions on-site, but this is unlikely to be feasible on many small and medium scales sites. As such, the concept of allowable solutions has been developed, with the Zero Carbon Hub publishing its recommendations to central Government in July 2011. This 'Allowable Solutions Framework' sets out how developer payments into carbon reduction projects might be managed. These proposals include the concept of community energy funds, although this is focussed on a national fund as opposed to the development of local funds. This Framework is still open to further discussions and consultation, but provides a useful initial indication of how Allowable Solutions may work and potential role for local planning authorities and the development of local planning policy.

## **3.2 Stages in the investigation of a Cambridgeshire Community Energy Fund**

### ***Stage 1 – Initial Feasibility Study***

3.2.1 Cambridgeshire Horizons, working in partnership with the district authorities and county council, had, prior to their disbandment in 2011, been actively investigating the potential of establishing a county-wide community energy fund for a number of years. The recently published Stage 2 Community Energy Fund report, produced by Element Energy and contained within Appendix A of this committee report, builds upon an initial feasibility study commissioned by Horizons in 2010. This feasibility study, an executive summary of which can be found at Appendix B, included an in depth analysis of the planning policy required to impose collection of developer payments into a fund and considered the options for how a local authority led fund might be constituted.

3.2.2 This report was presented to Councillors at a briefing in July 2010, Members identified several key issues for further development including:

- Ensuring accountability and governance of the fund(s)
- Understanding the appropriate scale of the fund – local and/or County
- Identifying links between allowable solutions, Section 106, the Community Infrastructure Levy and Carbon Reduction Commitment

It was therefore decided to commission a Stage 2 report to provide a more in depth analysis of these issues. This Stage 2 report was considered particularly important in light of the changes to zero carbon policy that have been announced since the Stage 1 report was completed. In particular, the removal of unregulated emissions from the definition of zero carbon, which has a significant impact on the potential size of a local community energy fund, with a reduction from a total cumulative investment potential of £114 million to £55 million.

### ***Stage 2 Community Energy Fund Report***

3.2.3 The purpose of the Stage 2 report was to consider in greater detail how a Cambridgeshire community energy fund might be structured and operated to deliver carbon reduction projects using income from developers' Allowable Solutions contributions. Development of the Stage 2 report was overseen by a Project Steering Group made up of officers from Cambridgeshire Horizons, Cambridgeshire County Council and the district authorities.

3.2.4 One of the key decisions made early on in the project was that the Study should focus on the development of a fully local community energy fund, i.e. a funds that holds its own capital, is responsible for committing funds to the projects it supports and that is able to reinvest the proceeds from its investments. This is in direct contrast to the proposals contained within the Zero Carbon Hubs proposals for the Allowable Solutions Framework, which consider the development of a national fund. It was felt that by focussing the Stage 2 report in this direction, the study would provide the Cambridgeshire authorities with a robust evidence base that could be used to lobby Government about the future direction of the allowable solutions framework. This is considered further in paragraph 3.3.8 of this committee report.

3.2.5 The Stage 2 report focuses on four key aspects of the development and operation of a Cambridgeshire Community Energy Fund, namely:

- An analysis of the potential means of collecting payments into a local fund, including the role of S106 payments and the Community Infrastructure Levy;
- An analysis of options for the corporate governance of a community energy fund, its membership, management and operational control;
- An analysis of the potential scale of the fund and an assessment of the kinds of investments it might make; and
- An assessment of the requirements and possible methodologies for measuring and verifying the carbon reduction delivered.

The main conclusions of the Stage 2 report are summarised in Table 1 below.

**Table 1: Key findings of the Stage 2 Community Energy Fund Report**

<b>COLLECTION MECHANISMS (Section 3 of the Stage 2 report)</b>	
<b>Summary of report findings</b>	<b>Recommendations</b>
The assessment of various options for collecting developer contributions into a Community Energy Fund found that neither of the existing mechanisms (S106 and the Community Infrastructure Levy) offers an ideal solution. S106 agreements could be used up to 2014 if an appropriate local policy was in place requiring zero carbon development to be delivered ahead of the national timetable. However, such an approach would require the current limits on pooling S106 contributions to be relaxed.	The report recommends that the Government should be lobbied to develop a new and simpler purpose designed collection mechanisms to enable developers to make payments directly into a local Community Energy

		Fund.
<b>GOVERNANCE OF A CAMBRIDGESHIRE COMMUNITY ENERGY FUND (Section 4 of the Stage 2 report)</b>		
<b>Summary of report findings</b>	<b>Recommendations</b>	
<p>Following an assessment of a range of possible legal structures for the management of a local Community Energy Fund, the report concludes that a Company Limited by Guarantee (CLG) would be most suitable. Such an approach would limit liability status, would provide flexibility in terms of membership arrangements, would allow for constitutional flexibility, was already familiar to Cambridgeshire authorities and is suitable for the not-for-profit, community investment mandate of an energy fund. It was more difficult at this stage to determine membership of the CLG, although it was clear that this should include all of the districts who would be collecting monies into the fund. Day to day management and operational responsibilities were also difficult to determine, and would require further negotiations between the Cambridgeshire authorities.</p>	<p>Further work will be required to determine the appropriate membership of the CLG, as well as management and operational responsibilities.</p>	
<b>SCALE OF THE FUND AND INVESTMENT OPPORTUNITIES (Section 5 of the Stage 2 Report)</b>		
<b>Summary of report findings</b>	<b>Recommendations</b>	
<p>Based on recent growth plans for Cambridgeshire, a Community Energy Fund has the potential to generate income of around £55 million in the period between 2016 (when zero carbon policy comes into force) and 2026. This assumption is on the basis that all the Cambridgeshire authorities are partners in the fund and that all developments pay into the local fund as opposed to choosing an alternative third party allowable solutions route, which they would be able to do under the Allowable Solutions Framework. The scale of the fund will also be influenced by the carbon price set by Government (£/tonne CO<sub>2</sub>) and the extent of growth in the county.</p> <p>The types of projects that could be invested could range from energy efficiency projects through to large scale renewable and low carbon energy projects. The key element in determining appropriate projects will be 'additionality', i.e. projects that would not otherwise be delivered via existing support mechanisms. Example projects could include improvements to existing properties that would be too expensive to be delivered via the Green Deal, for example solid wall insulation, or the investment in energy schemes not currently being delivered by the private sector, such as district heating.</p>	<p>The Study recommends that the Cambridgeshire authorities should pursue a county-wide fund (the benefits of which are explained in more detail in paragraph 3.2.7 – 3.2.9 of this committee report below).</p>	

<b>CARBON ACCOUNTING (Section 6 of the Stage 2 Report)</b>	
<b>Summary of report findings</b>	<b>Recommendations</b>
This section of the report considers how best to undertake the carbon evaluation element of the fund, i.e. ensuring the projects deliver the level of carbon reduction required. The Allowable Solutions Framework introduces the concept of an Allowable Solutions Verification and Certification Scheme. Such a scheme would help to overcome concerns around local authorities not having the necessary skills to implement their own verification schemes, as well as helping to reduce the administrative costs of a county-wide community energy fund.	The Study recommends that the principle of a national Allowable Solutions Verification and Certification Scheme be supported. The Study has scoped the stages that will be required in any carbon accounting process, which will need to be developed further as part of any national certification scheme.

### ***Advantages of a county-wide Community Energy Fund***

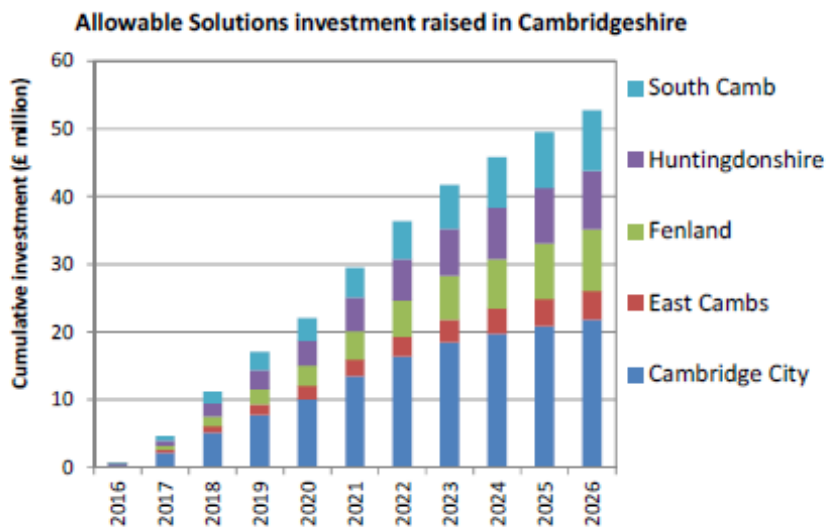
3.2.6 The report also sets out the key advantages of a local fund ‘versus’ a national fund, as well as the benefits of all of the Cambridgeshire authorities pooling their resources into one county-wide fund, as opposed to each district having their own fund.

3.2.7 An important decision will need to be made as work progresses, as to whether Cambridgeshire authorities join a county-wide fund, or develop their own funds at district level. Figure 2 below illustrates the forecast cumulative allowable solutions investment that could be collected across Cambridgeshire between 2016 and 2026, disaggregated by local authority. Of the £55 million that the fund could have collected by 2026, around £23 million would be generated by developments in the city, which is currently experiencing a higher level of growth than surrounding districts. The average amount being invested into the fund each year across the districts would be around £6 million, which is not huge in the context of capital costs of low carbon energy projects (for example, the estimated capital costs of district heating in Cambridge city centre are around £23 million). The relatively limited scale of the fund is considered to be a strong argument in favour of the Cambridgeshire authorities partnering in a joint community energy fund that will invest in the most beneficial projects across the county. A fund at a smaller district level scale would be too limited in terms of the funds available to significantly influence development of large-scale strategic infrastructure projects.

3.2.8 There are a number of other advantages in the development of a county-wide fund, which include:

- A larger-scale fund would be more likely to leverage additional sources of finance, such as bank debt, greatly increasing the overall level of investment in the area;
- Transaction costs will be lower as a percentage of money invested for larger investments;
- Economies of scale will increase efficiency in the fund's management and operational costs; and
- A county-wide fund would have greater scope to develop a pipeline of cost-effective carbon reduction projects.

**Figure 2:** Scale of potential allowable solutions investment across Cambridgeshire by 2026



3.2.9 Proposals to develop a county-wide fund also need to be set against the current proposals contained within the Allowable Solutions Framework for the development of a national fund. It is felt that a county-wide community energy fund holding its own capital would have significant advantages over a national fund as it would:

- Ensure that locally generated development contributions for carbon reduction are invested locally and for the benefit of the local economy, with links to projects identified as part of the CRIF project;
- Influence the delivery of more ambitious carbon reduction projects that are not being brought forward by the private sector;
- Allow for the investment in projects that deliver wider benefits to the local community and economy (e.g. community driven energy projects and increased local employment in the low carbon energy sector).

The Stage 2 report recommends that the Cambridgeshire authorities should use the forthcoming consultation on the Allowable Solutions Framework to make the case for local funds holding their own capital.

### **3.3 Next steps in developing a Community Energy Fund and relationship with the review of the Local Plan**

3.3.1 The Stage 2 report provides the basis to inform the next steps of developing a county-wide Community Energy Fund. It is clear that there is still work required to establish the most appropriate governance and operational arrangements for the fund and that agreement across all the Cambridgeshire authorities will be required if the development of the fund is to be progressed. Officers from the planning policy team will continue to work with colleagues from the other district authorities and county council to progress this work.

3.3.2 A key issue in the development of a fund is the need for a local plan policy to be established to enable a community energy fund to collect developer payments and an agreed list of projects (or infrastructure plan) in which the fund would invest. The Decarbonising Cambridge Study and the Cambridgeshire Renewables Energy Framework (CRIF) project provide some of the content for the infrastructure plan. Appendix 3 of the Stage 2 report provides an example of a possible Local Plan policy. The option of developing such a policy will be included within the Local Plan Issues and Options paper, which the planning policy team are currently developing prior to consultation between June and July of this year.

3.3.3 Work on the development of a Cambridgeshire Community Energy Fund has also been shared with the Department of Communities and Local Government (DCLG). It is the DCLG who have responsibility for developing the national Allowable Solutions Framework for zero carbon policy. Initial discussions have been held to investigate the potential of using the Cambridgeshire fund as a pilot project for allowable solutions, working in partnership with the DCLG and the Zero Carbon Hub. It will be important that the work carried out to date on the county-wide energy fund is used to shape the Allowable Solutions Framework to ensure that such funds can operate on a level playing field with third party allowable solutions providers.

## **4. Implications**

### **Financial Implications**

4.1 There are no direct financial implications arising from this report. Policy recommendations will be considered as part of the review of the

Local Plan, which has already been included within existing budget plans. The governance arrangements for any future Community Energy Fund would need to take into account the need for public money to be managed by an accountable body.

### **Staffing Implications**

4.2 The review of the Local Plan has already been included in existing work plans. As well as staff from within the planning policy team, it is likely that there will be a need for some input from legal and finance officers as work to develop a fund progresses.

### **Equal Opportunities Implications**

4.3 The development of a county-wide community energy fund, which could be used to help deliver energy efficiency and the provision of decentralised renewable and low carbon energy for the benefit of new and existing communities, has the potential to help alleviate fuel poverty amongst residents of Cambridge.

### **Environmental Implications**

4.4 The environmental implications of this report include the reduction of carbon emissions associated with meeting the carbon reduction requirements of new developments. This will help the City in meeting its carbon reduction targets as set out in the Climate Change Strategy and Action Plan. The development of a county-wide community energy fund should, therefore, have a high positive climate change impact.

### **Consultation**

4.5 The Stage 2 Community Energy Fund Report is a technical study and has not been subject to direct public consultation. However, the development of any future planning policies related to a county-wide Community Energy Fund will be subject to public consultation as part of the review of the Local Plan.

### **Community Safety**

4.6 There are no direct community safety implications arising from this report.

## **5. Background papers**

5.1 These background papers were used in the preparation of this report:



- Zero Carbon Hub (July 2011). [Allowable Solutions for Tomorrow's New Homes: Towards a workable framework.](#)

## 6. Appendices

- Appendix A: Cambridgeshire Community Energy Fund Stage 2 Final Report. Element Energy (January 2012).
- Appendix B: Scoping Report: Feasibility of a Carbon Offset Mechanism for Cambridgeshire – Executive Summary. Element Energy (Sept 2010)

**Please note that a printed copy of the executive summary of Appendix A will be made available while the full Appendix A report can be downloaded from the Council's website.**

## 7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Emma Davies  
Author's Phone Number: 457170  
Author's Email: [emma.davies@cambridge.gov.uk](mailto:emma.davies@cambridge.gov.uk)

This page is intentionally left blank

Appendix A - Cambridgeshire Community Energy Fund Stage 2  
Final Report. Element Energy (January 2012). Executive Summary

**elementenergy**

**MANCHES**

the**landscape**partnership

**KINETIX**  
corporate finance  
sustainable thinking

***Cambridgeshire  
Community Energy  
Fund***

Stage 2

**Final report**

for

**Cambridgeshire  
Horizons**

23<sup>rd</sup> January 2012

Element Energy Limited  
20 Station Road

Cambridge CB1 2JD

Tel: 01223 852499

Fax: 01223 353475



Contents

1 Executive Summary.....3  
 1.1 Background .....3  
 1.2 The Allowable Solutions framework proposals .....4  
 1.3 Main conclusions.....6  
 2 Introduction.....11  
 2.1 What is a Community Energy Fund? .....11  
 2.2 Zero carbon policy and Allowable Solutions .....11  
 2.3 The Zero Carbon Hub’s proposed Allowable Solutions framework .....14  
 2.4 Purpose of this study.....21  
 3 Collection mechanisms .....23  
 3.1 Introduction.....23  
 3.2 Collection mechanisms up to 2016 .....24  
 3.3 Collection mechanisms after 2016 .....27  
 3.4 The role of the Community Infrastructure Levy (CIL).....28  
 3.5 Conclusion.....28  
 4 Corporate structure and governance.....30  
 4.1 Introduction.....30  
 4.2 Consultation with local authority legal officers .....30  
 4.3 Structure .....30  
 4.4 Governance and control.....34  
 5 Fund: Scale and management .....39  
 5.1 Scale of Allowable Solutions investment.....39  
 5.2 Fund management .....41  
 5.3 Potential CEF projects.....42  
 5.4 CEF cashflow .....58  
 6 Carbon accounting .....62  
 6.1 Evaluation.....63  
 6.2 Monitoring and verification .....63  
 6.3 Reporting.....63  
 7 Recommendations.....64  
 8 Appendices.....67  
 9 Appendix 1 – Summary advantages and disadvantages of possible legal structures .67  
 10 Appendix 2 – Local Plan progression.....71  
 11 Appendix 3 – Example pre-2016 local plan policy .....74  
 12 Appendix 4 – Notes of meeting held with legal representatives of local authorities ....76

## Authors

This report has been prepared by a consultant team of:

Element Energy

Manches LLP

The Landscape Partnership

Kinetix Corporate Finance

For comments or queries please contact:

[ian.walker@element-energy.co.uk](mailto:ian.walker@element-energy.co.uk)

Tel: 0330 119 0981

## 1 Executive Summary

### 1.1 Background

The UK government is committed to challenging and binding targets for the reduction of greenhouse emissions by 2020 and 2050. Achieving these targets will require aggressive action across all sectors of energy use, to improve the efficiency of energy use and decarbonise the energy supply. As a key part of these efforts, the pressing need to limit the additional CO<sub>2</sub> emissions resulting from new development has been recognised. In response, the zero carbon policy for new homes and non-domestic buildings has been devised.

The current proposals for the zero carbon policy, which is due to be introduced for new homes in England and Wales from 2016 and for non-domestic buildings from 2019, has been a number of years in the making. The early incarnations of the policy proposals envisaged a requirement for new development to be net-zero carbon with respect to CO<sub>2</sub> emissions from total energy usage. Over time, a body of technical evidence has developed that demonstrates the technical difficulty and prohibitive costs of achieving this standard on a broad range of development types. As a result, the definition of zero carbon has evolved to include a requirement for onsite CO<sub>2</sub> emissions reduction, which must be kept below a mandatory threshold, and a requirement for residual CO<sub>2</sub> emissions to be balanced by carbon savings delivered by investment in carbon reduction projects elsewhere.

The potential role for the community energy fund in the decarbonisation of new growth has grown out of this policy evolution and specifically the need for developers to invest in CO<sub>2</sub> reduction projects to mitigate the emissions arising from their developments. The concept is that rather than the developer identifying and directly investing in carbon reduction projects, roles that are well outside their core business and expertise, they would make a payment into a fund which would take on the responsibility for delivering the CO<sub>2</sub> reduction. The developer payments, determined on the basis of the amount of CO<sub>2</sub> to be offset and a price for carbon reduction (£/tCO<sub>2</sub>), would provide the capital for the fund's investments.

The opportunity to establish a public sector-led community energy fund (CEF) to manage these developer payments is highly attractive to local authorities and other local public sector stakeholders. Such a fund would be a not-for profit entity with an investment strategy driven by carbon reduction goals rather than by financial returns. The CEF provides the opportunity to:

- Ensure that the investment raised from development for carbon reduction is invested locally and for the benefit of the local economy.
- Influence the delivery of attractive carbon reduction projects that are not being brought forward by the private sector alone, due to specific barriers that the CEF funding could help to overcome.
- Invest in projects that deliver wider benefits to the local community and economy, such as generating employment in the low carbon energy sector.
- Leverage additional private sector investment into delivery of carbon reduction projects in the area.

The CEF concept also has attractions to developers, as it provides a route to compliance with zero carbon policy without distracting from their core business, while also providing a



greater degree of certainty about the costs associated with achieving the CO<sub>2</sub> reduction obligations.

Cambridgeshire Horizons and the Cambridgeshire local authorities have been actively investigating the potential of establishing a community energy fund in Cambridgeshire for a number of years. An initial feasibility study performed by Element Energy, Manches LLP and Terence O'Rourke, was completed in late 2010. This report included an in-depth analysis of the planning policy required to impose collection of developer payments into a fund and considered the options for how a local authority-led fund might be constituted. The study also considered the types of investments that the fund might make.

This Stage Two report has been commissioned by Cambridgeshire Horizons to provide greater detail on key aspects of the fund structure and operation, particularly in light of changes to the zero carbon policy that have been announced since the first stage report was completed. In particular, the fund structure and governance, the size of the fund, its potential investments, carbon reduction impacts and means of measuring performance are considered in greater detail. Further work on defining the mechanism for collecting developer payments has also been done, in close consultation with the local authorities and with Department of Communities and Local Government.

The zero carbon policy continues to evolve and policy uncertainty remains. During the course of this study, the Zero Carbon Hub published its proposals for an 'Allowable Solutions Framework', which sets out how the developer payments into carbon reduction projects by way of Allowable Solutions might be managed. These proposals include the concept of community energy funds as one of a number of organisations that would make up a market of Allowable Solutions providers from which developers could select their preferred provider. These proposals have potential implications for development of a community energy fund in Cambridgeshire and are summarised in the following section.

## 1.2 The Allowable Solutions framework proposals

Allowable Solutions is the term used to describe the range of carbon reduction initiatives that developers might invest in to meet their remaining carbon reduction obligation under zero carbon policy once the target for on-site CO<sub>2</sub> reduction (known as the Carbon Compliance level) has been met. These Allowable Solutions could include further measures taken on-site, near to the site or off-site (i.e. further removed from the development).

The Allowable Solutions are the final part of the zero carbon definition to be assessed in depth. In July 2011, the Zero Carbon Hub put forward proposals for a consolidated Allowable Solutions framework, which was developed in consultation with industry and sought to set out what a workable framework for managing developer payments into Allowable Solutions might look like. The framework recommendations have been drawn up to inform government policy development and are expected to be the subject of a consultation in late 2011 / early 2012.

The key features of the proposed framework that have implications for the development of a CEF in Cambridgeshire (and elsewhere) are summarised below:

- Local authorities to have the opportunity to develop Allowable Solutions policies in their Local Plan. The existence of such policies will ensure that Allowable Solutions investment is directed to projects identified in the Local Plan.

- Even in the case that the local authority establishes a CEF, developers will have the opportunity to seek out the best value Allowable Solutions, via the CEF or third-party Allowable Solutions providers that are expected to emerge in competition. Provided that the local authority has appropriate policy in place, however, Allowable Solutions projects will have to be selected from the Local Plan, even if delivered by a third-party provider.
- In the case that a local authority does not develop Allowable Solutions policies, it is envisaged that there will be a market of private energy funds vying for the contracts to provide Allowable Solutions to developers. In this case, the private energy fund will not be restricted to developing projects in the local area and it is likely that investment will flow outward to projects identified in the national list.
- Local CEFs and third-party Allowable Solutions providers will be in competition on the basis of the Allowable Solutions price they can offer to developers. It is intended that the price that can be charged will be capped at a nationally imposed price ceiling.
- A key part of the proposed framework is a national body to hold Allowable Solutions funds. This would be a repository for all Allowable Solutions payments. Hence, in this framework the CEF would not hold its own funds. Developer payments would be made to the national fund and the CEF would be issued a credit note as evidence of the funds available – the CEF would use this credit note as a means of arranging further project finance.
- Closely aligned to the national fund would be an Allowable Solutions Verification and Certification Scheme. This body would control investment flow through the national fund – issuing credit notes to energy funds, providing certification to developers that they have made an appropriate payment and triggering release of funds to Allowable Solutions projects when certain milestones have been reached.

While the framework proposals are aligned with Cambridgeshire’s objectives in a number of aspects, notably the ability to use local planning policy to retain investment locally, the existence of community energy funds and the potential for neighbouring local authorities to collaborate in CEFs so as to pool resources and deliver larger scale projects, there are also some concerns. Key among these are the lack of local control over the fund, which raises questions over how the CEF will finance its own operations and whether the CEF will be in a position to reinvest financial returns on its investments, concerns over the competition with third-party providers and whether this will hamper the CEF’s ability to invest in projects that deliver wider public good, and uncertainties over the extent of the fund’s liabilities, particularly in the event that it does not deliver the carbon saving it has contracted for with developers, as this could influence investment strategy and might not be consistent with delivery of additionality.

Following discussion of the Allowable Solutions framework document with Cambridgeshire Horizons and the local authorities, the decision was taken to progress development of proposals for a local community energy fund that acts as a local fund-holding body. This could be used to influence the policy direction during the forthcoming consultation.

Many aspects of the Allowable Solutions framework proposals put forward by the Zero Carbon Hub are consistent with a local fund-holding and are helpful in understanding how an overall framework might operate. These aspects of the proposed framework have informed the thinking on development of the Cambridgeshire CEF.

### 1.3 Main conclusions

This study has focused on four key aspects of the development and operation of a community energy fund, as follows:

- Collection mechanisms – analysis of potential means of collecting developer payments into a local fund.
- Structure and governance – analysis of options for the corporate governance of a community energy fund, its membership, management and operational control.
- Scale of fund and investments – forecasts of the size of the fund and assessment of the kinds of investments it might make and ability to deliver carbon reduction through those investments
- Carbon accounting – assessment of the requirements and possible methodologies for measuring and verifying the carbon reduction delivered

The findings of the work, summarised below, have been developed through detailed desktop research and analysis. Critical aspects of the implementation of a fund in Cambridgeshire have been tested through consultation with local stakeholders, in particular local authority planning and legal officers. The study has also been informed by consultation with Department of Communities and Local Government on the evolving policy framework.

The conclusions of this report have been prepared on the basis that the Cambridgeshire Community Energy Fund will hold its funds locally. The case for a community energy fund as the best vehicle to deliver carbon savings for the benefit of local communities will need to be made in the context of the forthcoming consultation.

#### 1.3.1 Collection mechanisms

The assessment of various options for collecting developer contributions payments for Allowable Solutions has found that neither of the existing mechanisms (Section 106 Planning Agreements and the Community Infrastructure Levy (CIL)) offers an ideal solution when the Zero Carbon Policy and the new Part L of the Building Regulations come into force in 2016.

We therefore recommend that government should be urged to adopt a new and simpler, purpose designed, collection mechanism to enable developers to make payments for Allowable Solutions directly into a local Community Energy Fund or a National Energy Fund.

The two existing mechanisms are unsuitable because:

- Section 106 Planning Agreements are negotiable between the developer and the Local Planning Authority (LPA) but Allowable Solutions payments would be calculated according to a specific methodology and based on a fixed rate tariff. The limit on pooling developer contributions for Section 106 Planning Agreements, which will apply on adoption of the Community Infrastructure Levy (CIL) or from April 2014, would limit the use of this mechanism unless government can be persuaded that it should be relaxed. Although Section 106 Planning Agreements are site specific, as would be necessary for Allowable Solutions, they would not be ideally suited to the collection of fixed rate Allowable Solutions payments.
- The Community Infrastructure Levy (CIL) has been designed to collect developer contributions for area-wide transport and other infrastructure projects according to

an area wide charging schedule. This method of collecting developer contributions is not suitable for site specific payments but it could be used for area-wide carbon reduction and renewable energy projects in a period when economic recession does not constrain project viability. However, it would operate separately to the Allowable Solutions regime.

Section 106 Planning Agreements could provide a short-term mechanism to collect developer contributions toward carbon offsetting if Local Planning Authorities and others wanted to move forward with a Community Energy Fund before 2016 when Zero Carbon Policy will come into force. These contributions could be collected on the basis of a "Merton Rule" style policy that require developers to achieve a higher level of carbon reduction than the minimum required by Building Regulations. Local Planning Authorities would need to consider the feasibility of adopting these policies in the period before 2016.

### 1.3.2 Corporate structure and governance

The first stage report into the Cambridgeshire CEF considered the options for the structure of a locally controlled fund-holding body in some depth. The report concluded that the preferable structure was likely to be creation of a special purpose vehicle (SPV) and that of the structures available, a company limited by guarantee (CLG) was likely to be the most suitable.

As part of this second stage work, these preliminary conclusions were tested through consultation with the local authority legal officers. The preliminary conclusions regarding fund structure were borne out through this consultation. The feedback from participants suggested that an SPV-based structure was likely to work better than a partnership-style, contractual or "trust" structure. This is because an SPV structure presents the opportunity for more cohesive management and control shared between the local authority members – through, for example, agreed control and governance mechanisms contained in the constitution of the SPV.

We remain of the view that the company limited by guarantee (CLG) option appears to be the most suitable type of entity for the CEF vehicle for the following reasons:

- limited liability status and requirement of only a nominal guarantee;
- flexibility of membership arrangements;
- constitutional flexibility;
- familiarity to local authorities in Cambridgeshire; and
- suitability for a not-for-profit, community investment mandate.

Firm conclusions on the governance aspect of the CLG were more difficult to reach at this stage. There is clearly a case that each 'collecting' local authority should be a member of the CLG, as those local authorities will, through the collection mechanisms, be collecting money from developers and paying it over to the CLG as the fund holding body for investment in community energy schemes. It was noted by participants of the legal consultation, however, that no decision has been taken by local authorities to enter into a CEF.

Management and operational control of the CLG would be carried out by its directors. Appointing directors to the Board of the CLG is one of the key rights a member will acquire. The right of a local authority to make an appointment to the Board of the CLG will be regulated by provisions in the CLG's Articles of Association and will be a matter for negotiation and agreement between the local authorities. Participants in the legal

consultation meeting were, understandably, reluctant to express a view about who members should appoint to the board of directors, e.g. officers, councillors etc., feeling the issue to be a decision for the local authorities concerned. In making appointments, the local authorities will need to have regard to the duties of directors, ensuring that the Board has the appropriate mix of skills and experience.

### 1.3.3 Scale of fund and fund management

Based on recent growth plans for the Cambridgeshire local authorities and an Allowable Solutions price of £46/tCO<sub>2</sub> (the value used in recent government policy analysis), the cumulative Allowable Solutions income generated in Cambridgeshire over the period to 2026 is estimated at £55 million. Note that this figure is across all of Cambridgeshire’s local authorities, assuming they are all partners in the CEF. It is also important to note that under the proposed Allowable Solutions framework a competitive market will be established between Allowable Solutions providers, such that the CEF will be in competition for these funds with third-party providers.

To summarise, the scale of the fund is dependent on a number of key factors, as follows:

- The final form of the zero carbon policy – policy changes announced following the 2011 budget have significantly reduced the requirement on developers to invest in Allowable Solutions (approximately halving the investment required compared to the prior definition).
- Allowable Solutions in the non-domestic sector – the form of the zero carbon policy for non-domestic development is less well developed than for the domestic sector. The extent to which developers of non-domestic buildings will be required to invest in Allowable Solutions is uncertain.
- Growth plans – The income into the fund will depend on the amount of development and also the extent to which developers rely on external Allowable Solutions providers, such as a community energy fund, in preference to delivering further onsite reductions
- The Allowable Solutions tariff – the price ceiling is as yet undefined. There is not expected to be a price floor, although the community energy fund will be in competition with other Allowable Solutions providers. Income into the CEF will depend on competitive pricing compared to these other providers.
- Membership – Clearly the scale of the fund will be strongly dependent on its membership.

A key decision for Cambridgeshire’s local authorities will be whether to join a county-wide fund, or whether to develop funds at the district council level. We believe that there are significant advantages to be gained by the local authorities working together in a county-wide scheme. These advantages include:

- The county-wide fund will be able to make larger investments and therefore influence the delivery of larger, strategic projects.
- The larger-scale fund will be more likely to leverage additional sources of finance, such as bank debt, greatly increasing the overall level of investment in the area.
- Transaction costs will be lower as a percentage of money invested for larger investments.
- Economies of scale will increase efficiency in the fund’s management and operational costs.
- The county-wide fund will have greater scope to develop a pipeline of cost-effective carbon reduction projects.

### 1.3.3.1 Fund management

There are two broad approaches to putting in place the expertise needed to run the fund:

- the Board of directors of the CLG could delegate day-to-day operational responsibilities to non-Board executives, who would be employees of the CLG. These employees would include the fund management team, with responsibility for developing the fund's investment strategy, identifying projects and structuring the finance. They would also be responsible for negotiating with developers and setting the Allowable Solutions price. These individuals will have a critical role in the success of the fund. The Board would be responsible for appointing the team and they would report back to the Board. It is unlikely that local authority officers currently have the expertise to undertake this role.
- the Board of the CLG could elect to contract out the day-to-day management of the Fund to a third party fund manager who would work to their strategic objectives.

### 1.3.4 Investments by the fund

There are broadly three ways in which the fund could invest in carbon reduction projects;

- Grants;
- Debt finance, in the form of loans made by the Fund; and
- Equity investments in project vehicles.

The appropriate form of investment will depend on the nature of the project and its financing requirements. Structuring finance will be the job of the fund management team.

A variety of types of project that the fund might invest in have been assessed to understand what levels of CEF finance might be required to unlock projects, the scale of carbon reduction impacts and the cost-effectiveness of carbon saving delivered.

A number of key conclusions can be drawn from this analysis:

- The Allowable Solutions ceiling price will strongly influence the types of investment the fund is able to make. If this price is set too low, either it will become difficult for the CEF to deliver its contracted CO<sub>2</sub> reductions or lead to very 'safe' investments, which may not be consistent with the desire for additionality.
- For example, the ceiling price of £46/tCO<sub>2</sub> used in recent government policy analyses does not seem to be high enough to enable the CEF to invest in low carbon energy generation projects or community heating infrastructure.
- Recycling of project returns into further investments will be very important to increase the scale of the fund's portfolio of projects. This is significant even in the case that the returns on CEF investment are modest.
- Reinvestment of funds should also enable the CEF to drive down the overall cost of CO<sub>2</sub> delivered. This will be important to enable the CEF to compete on price with third-party allowable solution providers. Even in the case that funds are held in a national fund, arrangements will need to be put in place to enable the CEF to recycle returns on investment.
- Leveraging of the CEF investment with bank debt and equity (where available) will be key to enabling the CEF to deliver large-scale projects.

### 1.3.5 Carbon accounting

The Zero Carbon Hub's Allowable Solutions framework proposes that a national Allowable Solutions Verification and Certification Scheme is established. We recommend that the principle of a national Allowable Solutions Verification and Certification scheme be supported. This is not inconsistent with a local fund, as all local authority areas would benefit from having nationally agreed and implemented verification/certification procedures. In our consultation with local authority legal officers, understandable concern was expressed about the prospect of local authorities having to implement their own verification and certification procedures and expertise. A national solution would be appropriate here.

The process that a national Allowable Solutions Verification and Certification would follow to assess carbon savings is not developed in detail in the Zero Carbon Hub report.

The processes established under the Clean Development Mechanism (CDM) to monitor and verify carbon savings are referred to as a potentially useful starting point, although it is recognised that the complexity of these processes is inappropriate for the Allowable Solutions framework.

The key stages in any carbon accounting process are as follows:

- **Evaluation** of carbon emissions that a project is expected to deliver.
- **Monitoring** of necessary data to enable actual carbon saving of the project to be calculated.
- **Verification** of carbon saved, by a process of analysis of the monitored data
- **Reporting** carbon saving to stakeholders

The evaluation stage is clearly critical for CEF managers to assess investment opportunities and to determine the allowable solution price offered. Fund managers would be expected to perform due diligence on investments, potentially involving external expertise. A set of clear, consistent methodologies for determining CO<sub>2</sub> reductions for typical project types would be useful to ensure projects can be evaluated on a consistent basis.

The monitoring and verification procedure will need to be agreed at the point that Allowable Solutions projects are contracted. Project developers should submit a monitoring methodology as part of the project plan, performance of which will be a condition of CEF funding. The appropriate level of detail of the monitoring and verification arrangements will be dependent on what the results are to be used for. For example, if the data is simply to allow the CEF to track the effectiveness of its investments and report on its overall carbon reduction performance, the level of monitoring and verification may be less onerous than if financial liabilities are triggered by underperformance (either for the project or for the CEF). The complexity of the monitoring and verification arrangements should be pragmatic and avoid the development of a potentially burdensome industry around verification of project performance.

This page is intentionally left blank



Appendix B: Scoping Report: Feasibility of a Carbon Offset  
Mechanism for Cambridgeshire – Executive Summary. Element  
Energy (Sept 2010)

## 1 Executive Summary

This study explores the role that a Carbon Offset Fund (COF) could play in delivering low carbon growth within Cambridgeshire.

Delivering high levels of carbon reduction in certain types of site can be technically very challenging and expensive. Where high levels of carbon reduction are difficult and expensive to achieve, a cost-effective alternative would be to allow developers of those sites to pay into a fund, effectively to purchase offset credits, rather than meet their whole carbon reduction obligations through on-site measures. This “Carbon Offset Fund” would then be able to pool these payments and invest the funds that accrue into priority carbon reduction projects in the region. The operation of a Carbon Offset Fund would also deliver higher levels of carbon reduction than would be achieved by the use of on-site measures alone.

Cambridgeshire is expected to experience significant growth in the coming decades. This growth will be split between a limited number of large developments and a dispersion of many small sites. The large developments provide opportunities for large-scale low carbon energy infrastructures that can deliver high levels of CO<sub>2</sub> emissions reduction in a relatively cost-effective manner. However, the high capital outlay and risks associated with these energy projects deter investment and may lead to less optimised solutions being delivered. The Carbon Offset Fund could provide crucial seed-finance to de-risk these large-scale projects for private sector investment, using funds collected from the multiplicity of smaller sites, where high levels of CO<sub>2</sub> reduction are not cost-effective. In so doing, the Carbon Offset Fund would limit the exposure of developers of small sites to the costs associated with meeting carbon reduction obligations, which will be imposed by national and, potentially, local policy.

The activities of the Carbon Offset Fund may not be limited to investment in energy projects in new developments. There are a wide-range of potential CO<sub>2</sub> reduction initiatives that the Carbon Offset Fund could invest in. These are explored in this report.

It is anticipated that the Carbon Offset Fund would encourage private sector investment into low carbon projects for the region. The involvement of private sector partners in joint ventures would significantly increase the ambition of the Fund in terms of the scale of projects it invests in. The prospects for the Carbon Offset Fund to attract private sector investment are also considered in this report.

The key benefits that Cambridgeshire stands to gain from establishing a Carbon Offset Fund are as follows:

- The fund provides a mechanism to direct investment into the most cost-effective CO<sub>2</sub> reduction opportunities in the region.
- It enables high potential projects, in terms of CO<sub>2</sub> reduction, to be taken forward, that would not have been delivered by the private market (due to high risk, large up-front cost or insufficient returns).

- It leverages private sector investment into low carbon infrastructure projects in Cambridgeshire.
- It strengthens the partnership working between public sector partners in Cambridgeshire, facilitating a coordinated approach to prioritization and deployment of low carbon infrastructure projects.
- Successful demonstration of the Carbon Offset Fund provides an opportunity to demonstrate national leadership and influence the direction of policy. This will be necessary for the Carbon Offset Fund to secure significant income from development.
- The Carbon Offset Fund's investments will stimulate local supply chain and generate 'green jobs'.

### 1.1 Interaction with national policy

A carbon reduction obligation on developers is required to create an opportunity for a Carbon Offset Fund. The policy that imposes this obligation must include flexibility on how the obligation is met, in terms of whether it is through on-site carbon reduction measures or through a commuted payment into a fund.

Carbon reduction obligations on new developments can be set by both national regulations, i.e. the Building Regulations, or local planning policy. The Building Regulations set a minimum requirement for the level of carbon reduction that must be achieved, without flexibility for this requirement to be offset by a payment. Local planning authorities, however, have a remit to set targets for sites in their areas in terms of carbon reduction or renewable energy generation, provided these targets are justified by a sound evidence base. The local policy could provide for a payment into an offset fund, rather than meeting the target on-site, if the developer can demonstrate that achieving the target on-site is not technically feasible or jeopardises the commercial viability of the site.

Government is committed to the introduction of zero carbon policy for homes and non-domestic buildings. The zero carbon policy will require that all emissions from a development are eliminated, by reducing energy demand or providing a low carbon supply, or mitigated by other means. The measures that developers can adopt to mitigate the remaining emissions, once energy efficiency and low carbon generation have been accounted for, are collectively described as 'Allowable Solutions'.

The range of measures that will be included as Allowable Solutions is currently being considered by government. In order for the Carbon Offset Fund to have an opportunity to collect investment from developers post the introduction of zero carbon policy – 2016 for domestic buildings and 2019 for non-domestic buildings – it is key that payment into the fund is included as an Allowable Solution.

The previous government consulted on the definition of zero carbon domestic and non-domestic buildings, including what measures should be included as Allowable Solutions. This consultation sought views on whether S106 obligations or Community Infrastructure Levy (CIL) contributions, which could act as mechanisms to collect funds into the Carbon Offset Fund, are appropriate as Allowable Solutions. The consultation responses provided only limited support for the use of planning obligations or CIL as Allowable Solutions and these

mechanisms were not identified in the government’s response to the consultation as measures that had received broad support. Since the change in government, further work has been initiated on the definition of zero carbon (in both domestic and non-domestic sector), including the role and form of Allowable Solutions. Recent government statements have suggested that the concept of local offset funds as an Allowable Solution is being viewed favourably, although no further formal announcements on government policy have been made.

To enable the Carbon Offset Fund to play a significant, ongoing role in carbon reduction in the region, we recommend that Cambridgeshire Horizons and appropriate local stakeholders, lobby government for a broad definition of Allowable Solutions. This should include financial contributions into a locally administered offset fund.

Until the advent of Allowable Solutions and zero carbon policy in 2016, the mechanisms available to enable the payment by developers into a Carbon Offset Fund are limited to those provided under existing Planning law.

- The key role for the offset fund in the longer term will be as an Allowable Solution within the definition of zero carbon homes and non-domestic buildings.
- Once zero carbon policy is in force, developers will be obliged to invest in Allowable Solutions to deal with any residual emissions from their development (i.e. those not avoided through onsite measures). Contributing into the Carbon Offset Fund will not therefore constitute an additional cost on developers, it will simply be a type of Allowable Solution.
- In order to implement a Carbon Offset Fund prior to introduction of zero carbon policy (i.e. before 2016), local planning policy will be needed to create a role for the Fund. This will involve a target on new development to achieve a CO<sub>2</sub> reduction standard that is more onerous than the Building Regulations in force at the time. The policy will allow for a commuted payment into the offset fund in cases that the developer cannot achieve the target onsite.
- Note that in the case of implementation of the Carbon Offset Fund prior to zero carbon policy, it does represent an extra cost on developers as the local planning policy requires a standard that is more advanced than they are required to achieve by regulation.

## 1.2 Planning mechanisms for collection of funds

Following a review of the existing and emerging legislation related to the use of S106 obligations and CIL, the report concludes that either mechanism could be used to collect funds for a Carbon Offset Fund.

CIL is intended to enable the pooling of contributions to provide funding for infrastructure to support the development of an area. The charging schedule that forms the basis of requests for funds from developers must be supported by an evidence base that provides details of specific projects or purposes for which funds are being sought. They should be identified in the integrated development plan and local infrastructure framework. The integrated development plan for Cambridgeshire has been adopted, and currently includes a chapter

related to low carbon development, as well as a clear understanding of the challenges of climate change adaptation and mitigation.

CIL regulations more narrowly define how Section 106 can be used such that contributions sought through this mechanism are generally related to development specific impacts. It is intended that after 2014 or following adoption of CIL by a local planning authority, Section 106 will no longer be able to be used for the pooling of five or more contributions towards a project or type of infrastructure. Given the nature of development in Cambridgeshire, it is considered more likely that S106 will be used to collect funds into the Carbon Offset Fund, where it is not intended to pool such contributions towards specific projects or types of infrastructure. After 2014, however, it will be necessary for each of the local authorities to implement CIL if they are to progress strategic infrastructure projects that contribute towards carbon emissions reductions or wish to pool contributions from a larger number of developments.

The concerns regarding the use of S106 mainly relate to the limitation of the use of obligations following the introduction of CIL. One of the concerns relating to the use of S106 as a mechanism to collect funds is the requirement that planning obligations should be directly related to the development, including a 'geographical or functional link' between the development and the item being provided. Although a functional link between the effect of the development, in CO<sub>2</sub> terms, and the purpose of the fund to reduce CO<sub>2</sub> emissions can be demonstrated, it would need to be argued that geographical proximity is not critical to achieving the aim of the obligation, which is delivering CO<sub>2</sub> emissions.

In order to create the opportunity for the Carbon Offset Fund to generate funds, an appropriate local policy framework must be put in place. This policy framework must not only seek to reduce carbon emissions, but also provide scope for developers to deliver carbon reduction by payment into an offset fund, where appropriate.

All local authority planning teams in Cambridgeshire must be made aware of the potential for a Carbon Offset Fund to be developed in the County, so that this can be taken into account when formulating policy.

Where Local Development Documents (LDDs) are already adopted these should be reviewed and updated at the earliest opportunity, to enable updated policies to be put in place that will enable the collection of funds.

If supported by appropriate policies in the LDF, Supplementary Planning Documents (SPDs) could be used to provide details of a local authorities requirement to contribute to a Carbon Offset Fund.

- We consider that either S106 or CIL could be used to collect contributions into the fund. There are existing precedents for use of S106 to collect contributions into a fund.
- However, the introduction of CIL has narrowed the scope of S106 and this may limit the use of S106 over time. In particular we recommend Counsel opinion is sought as to how the requirement for planning obligations to demonstrate a 'geographic or functional link' between the development and the item being provided should be interpreted with respect to a Carbon Offset Fund.

### 1.3 Structure of the Fund

The vehicle for collecting monies into the Carbon Offset Fund will be the same whether or not the funds are collected by virtue of Allowable Solutions or Planning law.

A variety of potential vehicles for the fund-holding body have been assessed, including the contractual or partnership approach and the special purpose vehicle or SPV approach. The principal advantage of the SPV approach is that the legal entity is separate from its members and can contract in its own name.

The report concludes that the most appropriate vehicle for the Carbon Offset Fund appears to be the company limited by guarantee (CLG). These vehicles are commonly incorporated for non-profit making functions, with no share capital and members rather than shareholders. The CLG offers the advantages of limited liability status, a flexible membership structure and constitutional flexibility, required by the fund vehicle.

- The Company Limited by Guarantee seems to be the most appropriate structure for the fund-holding company.

### 1.4 Scale and impact of the fund

An analysis of potential tariff levels – purchase price of CO<sub>2</sub> offsets (£/tCO<sub>2</sub>) – has indicated that a tariff level of 100 £/tCO<sub>2</sub> provides an appropriate mix of limiting the costs incurred in meeting carbon reduction obligations, while providing an incentive for developers to exploit cost-effective onsite CO<sub>2</sub> reduction opportunities (this assumes that the tariff is paid for 30 years of emissions from the property). This is in the mid-range of capped cost for Allowable Solutions being considered by government.

The greatest opportunity for the fund to generate income will be once zero carbon policy is in effect, assuming that payment into the fund is considered an Allowable Solution. Payments into the Carbon Offset Fund prior to the operation of Allowable Solutions will be generated only where developers contribute to the Carbon Offset Fund rather than achieving a level of onsite CO<sub>2</sub> reduction that must be set within the local authority planning policy framework.

Based on the forecast levels of development and assuming a tariff of 100 £/tCO<sub>2</sub>, the fund is estimated to generate an annual income of £15m to £23m per year over the period from 2017/18 to 2021 (beyond this point the fund income is forecast to drop, but data on the quantity of new completions is expected to be less reliable, i.e. sites that are not currently envisaged in the annual monitoring reports (AMRs) will be brought forward).

The impact of potential fund investments have been assessed, in particular the use of fund investments to improve the investment proposition of district heating systems and the opportunities for energy efficiency improvements.

#### 1.4.1 District heating

The specific opportunity for installation of a biomass fuelled CHP system and a site-wide district heating system at Northstowe, sized to provide net zero CO<sub>2</sub> emissions on site, has been assessed. Prior financial modelling has shown that in order for investment in the district

heating system at Northstowe to make a reasonable financial return (IRR of 7.5%), a connection cost of £14.2k per dwelling is required. An analysis of the cost of compliance with zero carbon policy, in the absence of a district heating network, showed that providing 100% of the town's heat and power on site would be only marginally more costly than providing the 70% necessary to comply with policy. However, the risks associated with investment in DH infrastructure and very modest financial return may deter investment.

The Carbon Offset Fund could provide initial finance to the project, helping to attract further investors and potentially to reduce connection costs. The Carbon Offset Fund could provide finance in terms of a grant, low cost debt or an equity stake.

The onsite carbon reduction delivered by a biomass CHP/DH system at Northstowe providing 100% of the town's heat and power has been estimated at an additional 25,000 tCO<sub>2</sub>/yr. [This would represent a highly cost-effective CO<sub>2</sub> saving for the Carbon Offset Fund, particularly in the case of the low cost loan, as a relatively small overall cost to the Carbon Offset Fund is expected to leverage substantial further investment]. A similar investment model could be used at Cambridgeshire's other large sites, e.g. the urban extensions around Cambridge, where there are opportunities for high levels of CO<sub>2</sub> reduction to be delivered on-site at marginal additional costs. In total, around 25,000 homes are expected to be delivered in these sites, together with substantial supporting uses, so the opportunity for additional CO<sub>2</sub> reduction (beyond meeting policy), is very large.

#### 1.4.2 Energy efficiency

The role of the Carbon Offset Fund in delivering energy efficiency improvements has provoked debate among the local authority partners. In its favour, energy efficiency improvement does provide a highly cost-effective means of CO<sub>2</sub> reduction. On the other hand, there is a view that other support programmes adequately incentivise energy efficiency improvement (particularly the Supplier Obligation). There are also some concerns regarding the use of either S106 or CIL as a mechanism to collect funds for energy efficiency improvement. A decision on this can be deferred until later, when an investment strategy for the Carbon Offset Fund is developed. For the purpose of this study, energy efficiency improvements have been considered as a potential investment opportunity for the Carbon Offset Fund.

The Cambridgeshire local authorities have identified approximately £255 million of potential energy efficiency improvements across their existing stock. Taking the cost of CO<sub>2</sub> saving in Cambridge City Council<sup>1</sup> as a proxy for the cost of CO<sub>2</sub> saving through energy efficiency across the County, this implies the potential or 1.4MtCO<sub>2</sub> saving over the lifetime of measures applied.

The level of grant required from the Carbon Offset Fund to capture these CO<sub>2</sub> savings would not be required to fully fund the measures (i.e. the full £255m). Based on the experience of the Supplier Obligation and CERT, grant levels in the range of 50% to 75% of the capital cost are highly effective at stimulating uptake of simple energy efficiency measures (higher levels of grant are required for 'priority group' households, e.g. those receiving income support).

---

<sup>1</sup> Estimated at £185/tCO<sub>2</sub>, based on data included in the Cambridge Housing Condition Survey

Assuming the full income into the Fund, around £20m/yr, were invested in energy efficiency improvements, an estimated 165,000 tCO<sub>2</sub> (over the lifetime of the measures) would be delivered by the measures applied each year. The opportunity for carbon saving through energy efficiency would reduce over time due to the action of the fund and the cost of remaining CO<sub>2</sub> saving measures would be likely to increase (as low cost measures, such as cavity wall insulation, become saturated).

The opportunity for investment in energy efficiency improvements to be leveraged by, for example, combining with CERT grants should be investigated.

In relation to energy efficiency projects, the Carbon Offset Fund may be constrained by the mechanism used to enable payment by Developers. Energy efficiency projects will not amount to “infrastructure” under CIL and may not be sufficiently directly linked to the relevant development to enable use of s.106. This report recommends that Counsel’s opinion is sought on the scope of use of s.106 in this context (and for other projects proposed by the Carbon Offset Fund).

## 1.5 Implementation Plan

The major next steps required to progress the Carbon Offset Fund have been set out in an indicative programme. The programme will clearly be highly dependent on the decision regarding whether to implement the offset fund prior to zero carbon policy (i.e. prior to 2016) or to wait until zero carbon is in force. This decision will need to be informed by knowledge of local authority growth plans (i.e. how much development will proceed prior to 2016) and a realistic view of the timescales for implementing the required local policy. Ideally, this decision would also be informed by greater clarity from government on the role of Allowable Solutions, although the timescale for this is uncertain.

The critical path in terms of establishing a Carbon Offset Fund is mainly determined by the timescales for developing appropriate local policy (particularly in the case of early introduction of the Fund). However there is significant additional work to be done in developing the detailed design of the fund’s structure, identifying projects and developing an investment plan. These key tasks are identified in the Implementation Plan.





To: Executive Councillor for Planning and Sustainable Transport  
Report by: Head of Planning Services  
Relevant scrutiny committee: Development Plan Scrutiny Sub Committee 17/04/2012  
Wards affected: All Wards

## INTERIM REPORT ON FUTURE HOTEL NEEDS IN CAMBRIDGE

Non Key Decision

### 1. Executive summary

1.1 In February 2012, the Council commissioned consultants to advise it on the performance and existing and future demand and supply for new hotels in the City and immediate surrounding area. This is in order to update the Council's evidence base for the review of the Local Plan and help inform any decisions relating to applications for hotel development in Cambridge. The headline findings of the research are showing: -

- A very strong hotel market with significant levels of growth to 2031
- Exceptional levels of performance by many hotels well above national benchmarks and a number of other heritage destinations
- A significant number of new developments many of which have planning consent and look set to come forward in the short to medium term.
- Strong levels of interest in the City but intense competition from alternative uses and high value land values are among the challenges in securing suitable sites.
- For a world class City and tourist destination Cambridge has a disappointing hotel offer in terms of quality of much of its City centre stock.
- Potential has been identified for a 4 or 5 star luxury hotel in the City centre along with smaller boutique hotels.
- A preference to be in the City centre but there is a shortage of sites here.

- Some potential in the outskirts driven by major planned developments there, which will minimise the need to travel.
  - A significant level of existing commitments which almost meets forecast needs for the next 20 years. The mix of hotel types approved, however, does not match forecast needs.
  - An opportunity to better manage future proposals that better fits with future potential.
- 1.2 The interim study which can be found at Appendix A has also been the subject of a stakeholder consultation on 29<sup>th</sup> March 2012.
- 1.3 Further work is in progress on comparator historic town benchmarking and 'fair share analysis' is exploring the role of the colleges, the bed and breakfast and guesthouse sector in relation to recent expansion of budget provision. Work on this will be concluded by the end of April. As part of the Local Plan review, housing and employment forecasts are being updated and the hotel forecasts will therefore be adjusted accordingly before the report is finalised.

## **2. Recommendations**

- 2.1 This report is being submitted to the Development Plan Scrutiny Sub-Committee for prior consideration and comment before decision by the Executive Councillor for Planning and Sustainable Transport.
- 2.2 The Executive Councillor is recommended:
- To note the findings of the interim report (Cambridge Hotel Futures-by Hotel Solutions) and to support officer engagement in concluding the study and developing the implications within the Council's Issues and Options Consultation planned for the summer.

## **3. Background**

- 3.1 Both decision-making on planning applications and Local Plan preparation should be informed by good evidence of market demand and hotel supply. This should also be kept up to date through plan monitoring. Consultation with hotel developers and operators should be an integral part of the consultation process when developing Local Plans, and their requirements should be reflected to ensure site development is realistic and deliverable.
- 3.2 The City has witnessed a rapid growth in the number of existing and proposed new hotel bedrooms over the last 3 years even with a national economic downturn. The Cambridge area economy remains

very buoyant with relatively low unemployment and continued growth in research and knowledge based industries.

- 3.3 Many recent hotel applications have been accompanied by hotel needs assessments, which vary in approach and quality. There has been some polarisation in provision also with budget and the boutique market prospering and mid-market hotels suffering. The City Council is concerned about the overall quantity and pace of hotel development and whether the number of developments being approved will be sustainable in the longer term. Practice Guidance to Planning Policy Statement 4: Planning For Sustainable Economic Growth (PPS4) encouraged hotel assessments in plan making to provide a district wide framework against which planners can assess development on individual sites.
- 3.4 The National Planning Policy Framework now supersedes PPS4. This carries forward the principles of encouraging sustainable development and requires planners to be positive towards new development where it meets identified needs, established through evidence base, and where it helps economic growth.
- 3.5 Other guidance in National guidance for tourism development was contained in PPG21 until its cancellation in September 2006. It has been replaced by a 'Good Practice Guide on Planning for Tourism'. This document contains a specific appendix on tourist accommodation, dealing principally with general locational principles and guidance relating to particular types of serviced accommodation (major hotels, budget hotels/lodges, rural/pub accommodation).

Some of the key principles include:

- Identifying suitable locations for hotel accommodation should be an integral part of the plan making process, and should involve the tourist industry;
- Major hotel developments should look to the town centre first, because of their transport and regeneration implications;
- Outside the development plan process site selection should follow the sequential approach;
- There is a need to recognise the market being served by different types of hotel when allocating sites and considering applications, as this will affect the optimum location;
- New hotel developments in historic towns and cities need to be sensitive to their surroundings; conversions may also be a realistic proposition subject to impact;
- The potential to convert and re-use historic buildings in the town and countryside should be considered;

- Extensions e.g. to pubs to add bedroom accommodation can help support the viability of these businesses, but need to be proportionate;
- Budget hotels catering for longer staying markets should generally be destination focused i.e. in town centres;
- Lodges catering for stop-over traffic may require a location on a major route way, ideally edge of town rather than in open countryside.

3.6 Hotel Solutions was commissioned to review and update the evidence base, in the Cambridge area for the review of the Local Plan and advise the Council on issues and planning policy options to be considered. The project included 32 interviews with hotel operators and a wide range of stakeholders to assess recent performance levels, trends, and future prospects. An officer workshop, which included officers from across the Council, was held in early February and a stakeholder workshop was held on 29 March 2012 to inform the research and consider draft findings.

3.7 This debated a series of Issues and Options for the future development of Planning Policies. Problems identified with current policies included:

- the lack of information on the quantity of bedrooms need
- the policy does not prescribe the type of hotels needed
- a presumption in favour of residential use within the policy, which may encourage hotel owners to exit the market.
- lack of a policy, which seeks the retention of hotels and guesthouses in the city centre.
- the need to review the boundary of the City centre as it relates to hotel policy.
- some possible emerging issues with serviced apartments and aparthotels with no policy framework to encourage the extension and upgrade of existing hotels
- reconsider traffic and parking assessment and management
- lack of an overall Tourism Strategy and Hotel Strategy
- need for closer working with South Cambridgeshire.

3.8 The draft report is attached for information as Appendix A. Table 2 sets out that Cambridge currently has 32 hotels which provide some 2,104 bedrooms in a mix of 4 star, 3 star, budget hotels 2 boutique hotels 2 star and lower grade hotels, a wide range of quality Guest Houses and B&B accommodation and a new and growing offering of serviced apartments.

3.9 Most 4 star and boutique hotels are located within the city centre. The quality of some city centre hotels is variable with some having seen

little recent investment. Additions to the budget supply have recently occurred at Orchard Park on the outskirts and on Newmarket Road.

- 3.10 Over the past 5 years 4 new hotels have opened in Cambridge adding 381 bedrooms. These comprised 2 boutique hotels in the City centre and 2 budget hotels on Orchard Park, which have doubled the City's budget supply in the last 3 years. Serviced apartments have also increased steadily.
- 3.11 Various extensions and refurbishments are proposed or underway with some hotels upgrading to 4 star and others developing as boutique/spa hotels.
- 3.12 Cambridge has a similar hotel supply to Oxford though Oxford has fewer City centre hotels. It has a smaller supply than Chester and significantly fewer hotels than York. Bath is similar to Cambridge in having a very constrained and historic City Centre. All of these Cities have seen boutique and budget provision expand. It is notable that Cambridge is the only historic city in the competitor benchmark set that doesn't have at least one 5 star hotel.
- 3.13 Expansions in stock can destabilise local markets temporarily and reduce occupancy levels. This was a concern expressed at the stakeholder workshop. This can however work through to a position of balance within a few years. Expansion can help tackle problems of quality. Some supply improvements can be achieved with refurbishments and rebranding rather than new build.
- 3.14 The survey found 4 star and boutique hotels are performing very strongly with frequent turn away business. Occupancy levels have been consistently high over the last 3 years 82-83%. Average occupancy indicating a good match of supply and demand is around 70%. City centre 3 star hotels averaged around 75% occupancy.
- 3.15 Budget hotels have been achieving around 80% occupancy and have been turning trade away in the last three years.
- 3.16 2 star and lower grade hotels trade at lower occupancies 61-68% and room rates.
- 3.17 Even 3 and 4 star hotels on the outskirts are achieving 67-73%.

- 3.18 A number of aparthotels and serviced apartments<sup>1</sup>, have come on stream and achieving a high level of occupancy, in line with national performance.
- 3.19 Nationally Cambridge is 4<sup>th</sup> highest performing city on occupancy ahead of Oxford, Brighton, and Norwich. It the 5<sup>th</sup> highest performer recorded on the revpar monitoring system (net average room revenue per night after deduction of VAT breakfast if charged, discounts and commission charges).
- 3.20 Some 2 star hotels have lost market share to budget hotels but some have seen growth if they have responded to the challenge, invested in the product and actively marketed their offer.
- 3.21 Demand is being driven by international and UK corporate visitors to City centre, companies, the University and Colleges, international tourism and UK leisure guests. The University and Addenbrookes are planning new conference centre hotels. There would be scope to encourage more conference business given a more proactive approach.
- 3.22 Cambridge has 4.1 million tourists though only 835,000 were staying visitors. Overall numbers have declined by around 1% since 2008. 66% of staying visitor trips was from the UK and 34% were from overseas in 2010. UK trips have declined by 7% since 2008 whereas overseas staying trips have increased by about 7%. Newer BRIC markets (Brazil, Russia, India and China) are also stimulating overseas tourist demands.
- 3.23 Whilst overall visitor numbers have remained around the same level between 2008 and 2010 the total visitor spend has increased from £351 million in 2008 to £393 million in 2010.
- 3.24 The current hotel policy tries to increase new hotel provision to encourage longer stays. Leisure break demand is however primarily for one night stays.
- 3.25 Businesses are generating demands for executive and good quality accommodation, including luxury offers.
- 3.26 Contractors working on city projects are stimulating the demand for budget accommodation.

---

<sup>1</sup> Aparthotels and serviced apartments - a new generation of hotel accommodation that combines an element of self catering with hotel services including a reception , daily cleaning, linen and a hotel style booking system

3.27 The following table illustrates that although the quantity of commitments in terms of numbers of bedrooms has a rough fit with the forecast growth in demand there remains a mismatch in some types of provision. Budget hotels are now fairly well catered for under this scenario.

**Table 1 Projected Requirement For New Hotel Rooms**

Standard and Location	Projected Requirements to meet market growth (medium scenario)				Firm Proposals Agreed or in pipeline
	2016 Rooms	2021 Rooms	2026 Rooms	2031 Rooms	
City centre 4 star /boutique	172	255	349	456	296
City Centre 3 star	(12)	(17)	49	86	70
Outskirts 3 & 4 star	135	188	248	316	576
Budget	197	263	337	421	477
Serviced apartments	15	25	39	48	
Total Need cumulative	347	748	1022	1327 <sup>2</sup>	1419

**Table 2 Proposals for New Hotel Rooms with planning approval or pending a decision**

Location	Brand	Standard	No Bedrooms
<b>City Centre</b>			
Doubletree by Hilton extension	Doubletree by Hilton	4 star	31
<b>Edge of City Centre</b>			
Red House CB1	O Calaghan Hotels	3 or 4 star	157
CB1 Station	Unknown	Unknown	200
Ashley Hotel-extension	Ashley	Boutique	19
Eastern Gate Newmarket Road	Travelodge	Budget	219 under construction
Intercell Coldhams Lane	Premier Inn	Budget	121

<sup>2</sup> Table 1 numbers above are cumulative bedrooms needed at 5 year intervals. The numbers in brackets indicate an oversupply at a given point in time. Table 11 in Main Report gives detail.

(Pending)			
<b>City Outskirts</b>			
Cambridge Science Park	Radisson Blu	4 Star	296
Addenbrookes	Unknown	4 star	150
NW Cambridge	Unknown	3 star	130
Total			1323

#### **4. Policy Implications For Local Plan Review**

- 4.1 Policy 6/3 in the current Local Plan supports new hotel provision but does not provide any indication of the number of new bedrooms needed based on an assessment of need. Given the need for more housing, it also favors residential uses, which command higher value than hotels and can put pressure on hotel operators to exit the market. The current policy doesn't provide any locational priority to guide the development of new hotels or provide any certainty regarding the extension of existing hotels. Some City centre schemes have suffered from protracted negotiations to obtain planning permission.
- 4.2 Other policies aimed at design, protection of residential or employment land, S106 requirements, and BREEAM standards can impact on the ability of hotel schemes to stack up and operators may have only narrow windows of opportunity to secure viable sites and development opportunities e.g. during the recent recession when land values and difficulties of bringing forward other mixed uses have enabled them to secure premises. Within City centres mixed-use schemes may be the only opportunity for hotel operators to obtain sites.
- 4.3 At present, the Council does not have an up to date Strategy for Tourism (last one being 2007) and there is an absence of any one body able to initiate improved destination management. The strategy in the past had the benefit of organisations like Horizons and EEDA and a Regional Tourism Board, which have been replaced by private sector organisations like Visit East Anglia. Realistically the private sector is going to be the only source of securing some kind of overall steer of destination management possibly following on from other initiatives such as the Business Improvement District proposal.
- 4.4 Future policies in the Local Plan are needed to better coordinate hotel provision and there is a need to work in a more coordinated way with South Cambridgeshire District Council. A hotel development strategy would provide a better basis to take a more holistic approach and proactively devise a suitable vision to develop a world class hotel offer



that matches the City's other credentials as a centre of excellence and leading international business and academic research centre. If we leave it for the market to decide we may end up with a mismatch in provision that doesn't achieve this vision. The ability of the planning system to meet such aspirations is very limited; planning permission is granted for a hotel use, not a specific type or standard of hotel. Other public sector intervention is likely to be needed, e.g. in terms of robust hotel market and performance information, dialogue with property and hotel developers, and building aspirations into master plans and development briefs, to try to influence hotel development activity in line with destination development objectives.

- 4.5 Other areas to be considered for new policy are to support the expansion and conversion of suitable city centre properties to hotels. There is potential for a 4 or 5 star hotel to be delivered in one of the larger, more characterful public buildings if the public body decide to vacate the premises during the plan period.
- 4.6 Given the desirability and demand for hotels in the city centre and the difficulty in finding new sites, it may be appropriate to consider the need for a retention policy given that hotel sites are so precious, it's the most sustainable location and it's where the market wants to be.
- 4.7 The Issues and Options Report will also need to explore options for addressing the sustainable growth of serviced apartments and aparthotels and what impact this may have on the loss of permanent residential accommodation. There is clearly a demand in Cambridge from academic and corporate and business markets for longer stay accommodation. The Council has also had to take enforcement action following concerns about loss of permanent residential apartments and limitations in planning laws currently to prevent changes of use. This will be an issue the Local Plan Review will have to give clarity on.
- 4.8 The Local Plan should include a locational strategy for new hotels along with guidance on how applications in non-priority locations will be dealt with. There is also a need to ensure closer liaison with South Cambridgeshire in respect of sites on the City fringes. Other matters to consider are traffic and parking impacts and how schemes will deal with these issues. Again, this will need to be explored through the Issues and Options Report.

## **Next Steps**

- 5.1 There are some elements of the work commissioned which have not yet been completed in the short timescale available.

- 5.2 This includes the production of an Executive Summary and technical appendices on the forecasts. More work is also proposed via a fair share analysis to model the impact of new supply on the bed and breakfast and guest house sector.
- 5.3 The consultants have completed a large number of other hotel studies in other historic cities. They will deliver a series of benchmarking outputs, comparing hotel supply and development activity in Chester, Bath, Exeter, Cambridge, York, Stratford-upon-Avon and Oxford by location (city centre/outskirts), standard, size and brand representation. They last delivered this module of work for Bath two years ago. With the baseline data now in place for Cambridge they will be able to provide us with a benchmarking assessment for Cambridge.
- 5.4 The report will be finalised by the end of April and will be brought back to DPSSC in June 2012. Emerging issues arising from the research will be consulted upon as part of the Local Plan Review Issues and Options consultation.

## **6. Implications**

### **Financial Implications**

- 6.1 There are no direct financial implications arising from this report. Policy recommendations will be considered as part of the review of the Local Plan, which has already been included within existing budget plans.

### **Staffing Implications**

- 6.2 The review of the Local Plan has already been included in existing work plans. There are possibly new dimensions to the delivery of the Council's vision and destination management along with economic development activity to proactively target beneficial brands and other research e.g. conference market. This will need to be considered and discussed with partner agencies.

### **Equal Opportunities Implications**

- 6.3 The development of new hotels will need to bear in mind the needs of different ethnic groups within their guests and in particular the needs of the disabled.

### **Environmental Implications**

6.4 The development of an evidence base will enable the locational strategy towards new hotels to have regard to sustainability principles. The construction of hotels will need to follow the Council's sustainable construction guidelines.

### **Consultation**

6.5 The Report is a technical study and has not been subject to direct public consultation. However, the development of any future planning policies related to hotels will be subject to full public consultation as part of the review of the Local Plan.

### **Community Safety**

6.6 There are no direct community safety implications arising from this report.

## **7. Background papers**

7.1 These background papers were used in the preparation of this report:

- Appendix A: Cambridge Hotel Futures –Interim Draft Report
- Best Practice Guide Tourism
- NPPF

## **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Myles Greensmith  
Author's Phone Number: 457171  
Author's Email: [myles.greensmith@cambridge.gov.uk](mailto:myles.greensmith@cambridge.gov.uk)

This page is intentionally left blank

# CAMBRIDGE HOTEL FUTURES Headline Findings Issues & Options

## **Interim Draft Report**

Prepared for:  
Cambridge City Council

**March 2012**



# TABLE OF CONTENTS

	<b>PAGE</b>
<b>1. INTRODUCTION</b>	
1.1 Background to the Study .....	3
1.2 Context.....	4
<b>2. CAMBRIDGE HOTEL SUPPLY</b>	
2.1 Current Hotel Supply .....	5
2.2 Recent Changes in Hotel Supply .....	8
2.3 Planned Development of Existing Hotels .....	9
2.4 Comparisons with other Historic Cities.....	10
<b>3. CURRENT DEMAND</b>	
3.1 Context.....	12
3.2 Occupancy and Achieved Room Rates.....	12
3.3 Performance by Standard & Location of Hotel.....	15
3.4 Comparisons with other UK Historic Cities.....	22
<b>4. GROWTH PROSPECTS</b>	
4.1 Drivers of Growth.....	24
4.2 Future Prospects by Market .....	33
<b>5. FUTURE HOTEL DEVELOPMENT OPPORTUNITIES</b>	
5.1 Projected Market Potential for New Hotel Development in Cambridge to 2031.....	36
5.2 Hotel Development Opportunities by Category of Hotel & Location.....	40
<b>6. HOTEL DEVELOPER INTEREST PROPOSALS AND SITES</b>	
6.1 Cambridge as a Hotel investment Location.....	43
6.2 Barriers to Investment.....	44
6.3 Hotel Proposals – The Supply Pipeline.....	45
6.4 Potential Sites for Hotel Development.....	48
6.5 Matching Demand Supply & Site Availability.....	50

# TABLE OF CONTENTS

## 7. CAMBRIDGE HOTEL FUTURES – THE WAY FORWARD

7.1 Summary of Key Findings .....	53
7.2 National Planning Policy Guidance.....	54
7.3 Current Local Hotel Planning Policy.....	56
7.4 The Need to Plan for Hotels.....	59
7.5 The Hotel Development Strategy for Cambridge.....	61
7.6 Supporting the Expansion and Up-grading of Existing Hotels.....	65
7.7 Support for the Conversion of Suitable Properties to Hotel.....	65
7.8 Allocating Shire Hall for a 4 or 5 Star Hotel?.....	66
7.9 Assessing Hotel Planning Applications in Non-Priority Locations....	67
7.10 Traffic and Parking Impact Assessment & Management.....	68
7.11 Planning Conditions.....	69
7.12 Planning Policy for Serviced Apartments.....	70
7.13 Hotel and Guest House Retention.....	72
7.14 A Joint Approach with South Cambridgeshire.....	73
7.15 Monitoring Hotel Performance.....	74
7.16 Optimising the Potential – Other Recommended Actions .....	74
7.17 The Next Steps.....	81

APPENDIX – Glossary of Hotel Definitions

# 1 - INTRODUCTION

## 1.1 Background to the Study

1.1.1 Hotel Solutions has been commissioned by Cambridge City Council to prepare a Hotel Futures report for Cambridge. The brief sought to identify the scale and nature of new hotel development required to meet the City's future business and leisure tourism needs through to 2031 through a programme of work that has assessed:

- National hotel sector trends
- Current levels of hotel performance in the Cambridge market area
- Current hotel supply
- How the supply of hotels in Cambridge and their performance compares to other historic cities
- Hotel proposals
- Potential sites for hotel development
- Drivers to market growth
- How the hotel market might grow through preparing forecasts at 5 year intervals
- The potential impact of additional hotel development
- The planning response required to deliver the identified hotel development potential.

1.1.2 The findings of the study are to be used to inform the review of the Local Plan currently underway, and one output of the work is a series of Issues and Options in terms of planning policy for the future development of the hotel sector in Cambridge, to be tested through the Issues & Options consultation proposed for Summer 2012.

1.1.3 This Interim Draft Report presents the headline findings of the research and some initial thoughts on the potential planning policy response. It has been used as the basis for consultation with selected stakeholders from both public and private sector interests in Cambridge, discussed at a workshop held on 29<sup>th</sup> March 2012, and subsequently refined to take on board their feedback. A more detailed report, including technical appendices, an historic cities benchmarking report and a fair share analysis demonstrating the impact of



# 1 - INTRODUCTION

new hotel development, will be prepared and finalised by the end of April 2012.

## 1.2 Context

1.2.1 Cambridge is an international visitor destination with strong heritage appeal. Tourism is a significant element within the Cambridge economy, in 2010 contributing over £390 million of spending and supporting almost 10,000 jobs<sup>1</sup>. Of the 4 million visitors to Cambridge, 3.245 million were day visitors, and 835,000 stayed overnight, spending 3.454 million nights.

1.2.2 The table below, prepared in 2009, compares Cambridge with other historic cities in terms of some key indicators. This will be up-dated in the final report as part of the full benchmarking module currently underway.

**Table 1 - Benchmark Cities**

	Bath & NE Somerset	Chester	York	Oxford	Cambridge	Exeter
Population ('000) <sup>a</sup>	169	118	181	134	109	111
Area ('000ha)	35	45	27	4	4	5
Jobs ('000) <sup>b</sup>	95	78	112	115	97	93
Staying visitors (m) <sup>c</sup>	0.8	1.0	0.5	1.0	1.0	0.4
Business /Leisure <sup>d</sup>	35:65	40:60	55:45	50:50	65:35	65:35

Source: The Tourism Company/Hotel Solutions, Bath & NE Somerset Visitor Accommodation Study, 2009

<sup>a</sup> 2001 Census

<sup>b</sup> (NOMIS 2008)

<sup>c</sup> Estimates from destinations

<sup>d</sup> Hotel business/ leisure split.

<sup>1</sup> The Economic Impact of Tourism – Cambridge City – 2010 Results, Tourism South East

## 2 - CURRENT HOTEL SUPPLY

### 2.1 Current Hotel Supply

2.1.1 The competitive supply of hotels in and around Cambridge currently comprises 32 hotels with a total of 2,104 letting bedrooms. There are also a number of hotels in the wider surrounding area beyond the city. As far as we have been able to establish these hotels trade only marginally in the Cambridge hotel market. We have not therefore included these hotels in the competitive hotel supply for Cambridge.

**Table 2 - CAMBRIDGE COMPETITIVE HOTEL SUPPLY – MARCH 2012**

STANDARD <sup>1</sup>	HOTELS	ROOMS	% OF ROOMS
4 star	4	575	27.3
Boutique	3	141	6.7
3 star	7	503	24.0
2 star	2	55	2.6
Upper-tier Budget	1	100	4.7
Budget	6	476	22.6
Lower grade/ non-inspected	5	129	6.1
Serviced Apartments	4	125	6.0
<b>Total Hotels</b>	<b>32</b>	<b>2104</b>	<b>100.0</b>

<sup>1</sup> See Appendix for Glossary of Hotel Definitions and brand examples

2.1.2 The Cambridge hotel supply is split primarily between 4 star, 3 star and budget hotels. The city has a small but growing supply of boutique hotels. Only one upper-tier budget hotel (a Holiday Inn Express) has so far opened in Cambridge. The city has relatively few 2 star and lower grade/ non-inspected hotels. Cambridge has a small but growing supply of serviced apartments.

2.1.3 The city's 4 star, city centre 3 star, 2 star and lower grade hotels are highly variable in quality. A number appear to have seen very little recent investment and look somewhat tired and dated. Some of these hotels frequently receive low ratings on Tripadvisor. For a World-class city and tourist destination Cambridge has a disappointing hotel offer in terms of the quality of much of its city centre hotel stock.

# CAMBRIDGE HOTEL SUPPLY

Table 3 - CAMBRIDGE HOTEL SUPPLY BY LOCATION – MARCH 2012

Location	4 Star		Boutique		3 Star		2 Star		Lower Grade/Not Inspected		Upper-Tier Budget		Budget		Serviced Apartments		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Establs.	Apts.	Hotels	Rooms
City Centre	3	439	2	89	5	292									3	59	13	879
Edge of City Centre							2	55	4	94			2	144		59	8	352
City Outskirts	1	136	1	52	2	211			1	35	1	100	4	332	1	7	10	838
<b>Total</b>	<b>4</b>	<b>575</b>	<b>3</b>	<b>141</b>	<b>7</b>	<b>503</b>	<b>2</b>	<b>55</b>	<b>5</b>	<b>129</b>	<b>1</b>	<b>100</b>	<b>6</b>	<b>476</b>	<b>4</b>	<b>125</b>	<b>32</b>	<b>2104</b>

Notes:

1. There are three serviced apartment letting businesses in Cambridge with apartments spread across the city centre and edge of city centre locations. A precise breakdown of the split of serviced apartments between these two locations is not available – they have therefore been allocated equally to both locations. There are also a small number of individual serviced apartments available in Cambridge. These are not included in the table.

# CAMBRIDGE HOTEL SUPPLY

**TABLE 4 - CAMBRIDGE – CURRENT HOTEL SUPPLY – MARCH 2012**

<b>Hotel</b>	<b>Standard</b>	<b>No. Rooms</b>
<b>City Centre</b>		
Crowne Plaza	4 star	198
Doubletree by Hilton	4 star	122
University Arms	4 star	119
Hotel du Vin	Boutique	41
The Varsity	Boutique	48
Arundel House	3 star	103
Gonville	3 star	80
Lensfield	3 star	30
Regent	3 star	22
Royal Cambridge	3 star	57
CityStay Apartments	Serviced Apartments	29
Quest Apartments	Serviced Apartments	24
YourSpace Apartments	Serviced Apartments	65
<b>SUB TOTAL</b>		<b>938</b>
<b>Edge of City Centre</b>		
Travelodge Cambridge Central	Budget	120
Cityroomz	Budget	24
Ashley	2 star	16
Centennial	2 star	39
Hamilton Lodge	3 star GA	32
Fenners	n/a	22
Helen	n/a	18
Sorrento	n/a	22
<b>SUB TOTAL</b>		<b>293</b>
<b>City Outskirts</b>		
Hotel Felix	Boutique	52
Menzies Cambridge	4 star	136
Holiday Inn Cambridge	3 star	161
Cambridge Quay Mill	3 star	50
Lovell Lodge	n/a	35
Holiday Inn Express Cambridge	Upper-Tier Budget	100
Premier Inn Cambridge A14 J32	Budget	154
Premier Inn Cambridge North (Girton)	Budget	20
Travelodge Cambridge Orchard Park	Budget	138
Travelodge Cambridge Lolworth	Budget	20
Lovell Lodge Apartments	Serviced Apartments	7
<b>SUB TOTAL</b>		<b>873</b>
<b>Beyond the City<sup>1</sup></b>		
Cambridge Belfry	4 star	120
The Red Lion, Whittlesford Bridge	3 star	18
Holiday Inn Express Cambridge-Duxford	Upper-Tier Budget	73
Days Inn Cambridge	Budget	82
Travelodge Cambridge Swavesey	Budget	36
Travelodge Cambridge Fourwentways	Budget	71
<b>SUB TOTAL</b>		<b>400</b>
<b>TOTAL</b>		<b>2504</b>

1. These hotels trade only marginally in the Cambridge hotel market so have not been included in the city's competitive hotel supply

## CAMBRIDGE HOTEL SUPPLY

- 2.1.4 In terms of location the Cambridge hotel supply is split between the city centre and city outskirts, with a lower supply of hotel accommodation in edge of city centre locations. There are no hotels on the western approaches into the city from the M11.
- 2.1.5 Other than the Menzies Cambridge and the Hotel Felix on the north western outskirts of the city, the 4 star and boutique hotel supply is concentrated in the city centre. The 3 star supply is split between the city centre and city outskirts, while the budget hotel supply is located on the outskirts of the city (primarily at Orchard Park) and edge of city centre. There are no budget hotels in the city centre. The city's 2 star and lower grade/non-inspected hotels are to be found primarily in edge of city centre locations.

## 2.2 Recent Changes in Hotel Supply

- 2.2.1 Over the past 5 years, 4 new hotels have opened in Cambridge with a total of 381 letting bedrooms. These have been two new boutique hotels in the city centre (the Hotel du Vin and The Varsity) and budget hotels at Orchard Park ( a Premier Inn and a Travelodge). The city's supply of residential apartments that are let out as serviced apartments has also steadily increased over the last 5 years.
- 2.2.2 Assuming an increase in the supply of serviced apartments of 50 new apartments, the Cambridge hotel supply has increased by just over 26% between 2007 and 2011. The opening of the Premier Inn and Travelodge hotels at Orchard Park has resulted in a more than doubling of the city's budget hotel supply in the last 3 years and an increase in the city's total hotel supply of almost 18%.

# CAMBRIDGE HOTEL SUPPLY

**TABLE 5 - CAMBRIDGE – ADDITIONS TO HOTEL SUPPLY 2007-2011**

<b>Hotel</b>	<b>Standard</b>	<b>New Rooms</b>
<b>2007</b>		
Hotel du Vin	Boutique	41
<b>2009</b>		
Premier Inn Cambridge A14 J32	Budget	154
<b>2010</b>		
The Varsity	Boutique	48
<b>2011</b>		
Travelodge Cambridge Orchard Park	Budget	138
<b>Total New Hotel Rooms 2007-2011</b>		<b>381</b>

2.2.3 In the wider surrounding area, the Holiday Inn Express Cambridge-Duxford (73 bedrooms) opened in October 2010 at Whittlesford Bridge. While not directly competing in the Cambridge hotel market this hotel may have taken some corporate account business from the Cambridge Holiday Inn Express.

## 2.3 Planned Development of Existing Hotels

2.3.1 A number of hotels in and around Cambridge are considering plans for additional bedrooms and/or refurbishment. These include:

- The Doubletree by Hilton has proposals for an additional 31 bedrooms;
- The owners of The Ashley have plans to redevelop and expand the hotel as a 35-bedroom boutique hotel;
- The Gonville has recently completed a full bedroom refurbishment programme and will embark on a programme to upgrade its public areas in 2012. It has already repositioned as a Best Western Plus hotel and is aiming to achieve a 4 star rating once its refurbishment programme is fully completed;
- The Lensfield is currently undergoing a major refurbishment programme, which will include the development of a new spa facility;
- The Cambridge Quay Mill is currently in the middle of a major renovation programme that will see it repositioned as a 4 star hotel by the end of 2012.

## CAMBRIDGE HOTEL SUPPLY

- 2.3.2 In the city centre the Crowne Plaza and University Arms are currently up for sale. It is likely that their new owners will invest in improving these two hotels.
- 2.3.3 Details of hotel planning commitments and applications pending can be found later in this report at 6.3.

### 2.4 Comparisons with Other Historic Cities

- 2.4.1 Cambridge has a very similar number of hotel bedrooms to Oxford and Bath, a slightly smaller hotel supply to Chester and significantly fewer hotel bedrooms than York. Cambridge is the only one of these 5 historic cities that does not have a 5 star hotel.
- 2.4.2 Compared to Oxford, Cambridge has more hotel bedrooms in the city centre and edge of city locations. The bulk of Oxford's hotel supply, particularly in terms of large branded 3 and 4 star hotels and budget hotels is on the outskirts of the city. Oxford has 4 boutique hotels, including a Malmaison (converted from part of Oxford Prison). A new 10-bedroom boutique hotel opens in the city centre in April 2012 and plans for another 22-bedroom boutique hotel in the city centre were approved in January 2012. Plans have also been announced for a new 83-bedroom Travelodge budget hotel on the outskirts of the city. Oxford saw a huge increase in its hotel supply between 1998 and 2003, with the opening of 5 new hotels and an additional 758 hotel bedrooms, representing a 111% increase in this city's hotel supply over this period.
- 2.4.3 Bath's hotel supply is concentrated in the city centre. The city has very few hotels on its outskirts. Bath has two 5 star hotels but only one branded 4 star hotel (a Hilton). Bath has a similar number of 3 star hotel bedrooms to Cambridge. Its 3 star hotel stock is of variable quality. A recent trend in Bath has been the repositioning of some of the city's 2 and 3 star hotels as boutique hotels. Bath has nine large 5 star guest accommodation establishments. Cambridge has no such establishments at present. Bath has two city centre Travelodge budget hotels, including one that was converted from a former 4 star hotel. The city is set to see further expansion in its budget hotel supply, with a proposed 108-bedroom Premier Inn granted planning at

## CAMBRIDGE HOTEL SUPPLY

appeal in January 2012. A planning application for a third Travelodge on the outskirts of the city is also pending.

- 2.4.4 Oxford and Bath are very similar to Cambridge in that city centre hotel development has been constrained for many years due to the lack of available and affordable sites for hotel development.
- 2.4.5 Chester has a similar city centre 4 star hotel supply to Cambridge but fewer city centre 3 star hotels. It has a 5 star hotel (the Chester Grosvenor) and two boutique hotels, with plans for a third to open in 2012. Chester also has a number of city centre budget hotels, including a recently opened 160-bedroom Travelodge. The city also has a fairly large supply of 2 star hotels.
- 2.4.6 York has significantly more city centre 3 and 4 star and budget hotels than Cambridge, including recently opened Premier Inn and Travelodge hotels. A new 5 star hotel opened in York city centre in 2010. York only has one boutique hotel although there are plans for a second in the city centre. There are a number of current proposals for large new hotels on the edge of York city centre at the 3 and 4 star levels, and budget and upper-tier budget levels.
- 2.4.7 More detailed work benchmarking Cambridge with other historic cities in terms of hotel supply, recent hotel development, hotel proposals and hotel performance is currently underway and will be included in the final report.



## 3 - CURRENT HOTEL DEMAND

### 3.1 Context

- 3.1.1 The last 3 years have been a challenge for the hotel sector nationally. The fortunes of the hotel sector are closely linked to the state of the economy and movements in GDP, and with the advent of recession in late 2008, hotel performance also fell back from the previous record highs. At their peak UK provincial hotel occupancies were at 71.4% and Achieved Room Rates<sup>1</sup> at £72.91. In 2009 UK provincial occupancy dropped by 2 percentage points and ARR by over £4. Whilst occupancy has shown a slight improvement in 2010 and 2011, ARRs dropped back further in 2010 and have flat-lined in 2011.
- 3.1.2 Whilst London hotels have seen improving performance in the first months of 2012, provincial hotels are continuing to face challenging market conditions, with increased costs also impacting on profitability.
- 3.1.2 An occupancy of 70% is a level widely accepted by the hotel industry at which demand is beginning to out-strip supply, and at which denied business is being turned away. For many hotel developers and operators it is a minimum target figure for new investment or investment in up-grading and extending existing hotels. On its own it is something of a crude measure, but taken together with ARR and Revpar<sup>2</sup> it provides a broader indication of hotel performance, profitability and the ability to support investment.

### 3.2 Occupancy and Achieved Room Rates

- 3.2.1 Our estimates of average annual room occupancies, Achieved Room Rates and Revpar for Cambridge hotels for 2009, 2010 and 2011 are summarised in the table overleaf. These estimates are based on the information provided to us by the 31 Cambridge hotel managers and owners that we interviewed in March 2012.

---

<sup>1</sup> The net average amount of rooms revenue that hotels achieve per night per room let after deduction of VAT, breakfast (if included), discounts and commission charges.

<sup>2</sup> The net average amount of rooms revenue that hotels achieve per night per available room after deduction of VAT, breakfast (if included), discounts and commission charges

## 3 - CURRENT HOTEL DEMAND

- 3.2.2 Our figures show very strong hotel performance in Cambridge over the last 3 years compared to the national averages for UK provincial 3/4 star chain hotels. Occupancies, Achieved Room Rates and Revpar have all been significantly above the national averages. Later in this report we provide some examples of performance in other comparator cities that demonstrate just how strong the performance of the Cambridge hotel sector is.
- 3.2.3 The overall figures for Cambridge mask significant differences in performance by standard and location of hotel however. The strong Cambridge hotel performance has been driven largely by the strength of city centre 4 star and boutique hotel performance, which has steadily improved over the last 3 years. The performance of city centre 3 star hotels and 3/4 star hotels on the city outskirts has not been as strong, with revpar largely flat-lining, although still above the national averages for UK 3/4 star chain hotels. With hotel operating costs having increased significantly it is likely that profit levels for some of these hotels will have declined over the last 3 years.

### 3 - CURRENT HOTEL DEMAND

TABLE 6 - CAMBRIDGE HOTEL PERFORMANCE 2009-2011

Standard of Hotel/Location	Average Annual Room Occupancy %			Average Annual Achieved Room Rate £			Average Annual Revpar £		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
<b>National</b>									
UK Provincial 3/4 Star Chain Hotels <sup>1</sup>	67.9	69.5	69.6	68.86	68.01	68.40	46.76	46.88	47.61
<b>Cambridge</b>									
City Centre 4 star/ Boutique <sup>2</sup>	82	81	83	105	110	113	84	88	92
Boutique (Citywide) <sup>3</sup>	81	74	75	117	119	120	95	88	90
City Centre 3 star <sup>4</sup>	76	75	73	67	68	72	51	51	52
City Centre 3/4 star/ Boutique	80	79	80	92	95	99	73	75	79
City Outskirts 3/4 star <sup>5</sup>	67	70	73	72	72	70	48	50	51
Budget (Citywide) <sup>6</sup>	80	79	80	n/a	n/a	n/a	n/a	n/a	n/a
2 Star/ Lower Grade/Non-inspected <sup>7</sup>	68	65	61	54	53	52	37	34	32
Serviced Apartments <sup>8</sup>	n/a	n/a	78	n/a	n/a	n/a	n/a	n/a	n/a
All Hotels (Citywide)	76	76	77	77	79	81	59	60	62

Source: Hotel Solutions – Survey of Cambridge Hotel Managers – March 2012

Notes:

1. Source: TRI Hotstats UK Chain Hotels Market Review, 2011
2. Sample: Crowne Plaza, Doubletree by Hilton, University Arms, Hotel du Vin, The Varsity (from 2010)
3. Sample: Hotel du Vin, The Varsity (from 2010), Hotel Felix
4. Sample: Arundel House, Gonville, Lensfield, Regent, Royal Cambridge
5. Sample: Cambridge Menzies, Holiday Inn, Quay Mill
6. Sample: Holiday Inn Express Cambridge, Premier Inn Cambridge North (Girton), Travelodge Cambridge Central
7. Sample: Ashley, Centennial, Hamilton Lodge, Helen, Sorrento
8. Sample: CityStay, Quest Apartments, YourSpace Apartments

## 3 - CURRENT HOTEL DEMAND

### 3.3 Performance by Standard and Location of Hotel

3.3.1 We comment in more detail in the following paragraphs on the performance of Cambridge hotels by standard and location over the last 3 years.

#### City Centre 4 Star and Boutique Hotels

3.3.2 City centre 4 star and boutique hotels in Cambridge are achieving very high average annual room occupancies, achieved room rates and revpar figures. Achieved room rates are very high, particularly when you consider that most city centre 4 star and boutique hotels make an additional charge for car parking.

3.3.3 The current quality of two city centre 4 star hotels constrains their ability to reach even higher achieved room rates than they might otherwise achieve with a better quality product.

3.3.4 4 star and boutique hotels in Cambridge have seen a steady growth in their occupancy, achieved room rate and revpar figures between 2009 and 2011. They appear to have been largely unaffected by the new hotel supply in the city and the national economic climate.

3.3.5 City centre 4 star and boutique hotels consistently fill on Tuesday, Wednesday and Saturday nights and frequently deny business on these nights for much of the year. This business is displaced to city centre 3 star hotels or 3/4 star hotels on the outskirts of Cambridge.

3.3.6 Monday, Thursday, Friday and Sunday occupancies are not quite as strong although city centre 4 star and boutique hotels generally still trade well on these nights.

3.3.7 City centre 4 star and boutique hotels frequently deny lower-rated business as they know that they can hold out for higher rates.

## 3 - CURRENT HOTEL DEMAND

- 3.3.8 Weekend demand is primarily for one-night stays, particularly on a Saturday night. City centre 4 star and boutique hotels do not appear to be able to hold out for two-night stays and have had limited success in promoting two-night weekend break packages.
- 3.3.9 City centre 4 star and boutique hotels occupancies and room rates are at their highest between May and September, dipping in August when corporate and University demand reduces and is only partially replaced by leisure business, generally at lower room rates. Demand is very strong during graduation weeks in June. All Cambridge hotels achieve very high occupancies and room rates at these times and deny significant levels of business.
- 3.3.10 There are clearly distinct markets that specifically want to be in Cambridge city centre and that are prepared to pay high rates for hotel accommodation here. They include:
- Corporate demand from companies based on Cambridge Science Park, Cambridge Business Park and the other business and research parks around the city. Many of the companies in these locations have a high number of international visitors that they usually want to accommodate in city centre hotels so that they have the opportunity to go out in the evenings. UK visitors to these companies that may be in Cambridge for 2-3 days also often prefer to stay in the city centre for this reason;
  - Corporate demand from city centre companies;
  - Demand generated by the University and Colleges. Some of this demand is more price-sensitive however, and will opt for city centre 3 star hotels, guest houses or B&Bs;
  - Leisure break guests that particularly want to stay in the city centre;
  - Overseas tourists.
- 3.3.11 Some of the corporate business from Cambridge Science Park and the other business and research parks around the city undoubtedly comes into the city centre because of the lack of branded 4 star hotels in these locations. It is evident however that a high proportion of this business specifically wants to

## 3 - CURRENT HOTEL DEMAND

be in the city centre and is likely to continue to opt for this location even if new branded 4 star hotels open on the business and science parks.

3.3.12 Two of the city centre 4 star hotels are trading well in the residential conference market, attracting demand linked to the Colleges, from some of the research, medical and pharmaceutical companies in Cambridge and some footloose corporate conference business, particularly from London companies. Cambridge is seen as a prestige destination for the top end of the corporate meetings market. Residential conferences are generally relatively small, typically for 15-20 delegates, and lasting for 2-3 days (requiring accommodation for 2 nights). City centre 4 star hotels do not generally have the bedroom availability to cater for larger residential conferences alongside their core corporate clientele.

3.3.13 One city centre 4 star hotel reported a sharp decline in residential conference demand in the last 3 years and no sign of any recovery in this market – as did some of the city centre 3 star hotels and 3/4 star hotels on the city outskirts.

### City Centre 3 Star Hotels

3.3.14 At an overall level city centre 3 star hotel performance in Cambridge is slightly above the national averages for UK provincial 3/4 star hotels. This suggests strong 3 star hotel performance in the city bearing in mind that the national figures include data for 4 star hotels. Performance varies substantially between Cambridge city centre 3 star hotels with two hotels reporting high and improving average annual room occupancy, achieved room rate and revpar results in the last 3 years. Other city centre 3 star hotels are not trading as well and reported a significant downturn in performance in 2010 and for one hotel also in 2011.

3.3.15 The key reasons for the differences in city centre 3 star hotel performance appear to be to do with the following factors:

- The quality of hotels;
- The size of hotels;
- Marketing and management;
- Bedroom configuration.

## 3 - CURRENT HOTEL DEMAND

- 3.3.15 The new budget hotels at Orchard Park may have also had an impact on some of the city centre 3 star hotels but do not appear to have been a significant factor, bearing in mind that some city centre 3 star hotels have seen a steady improvement in their performance despite the opening of these hotels. The new Travelodge on Newmarket Road and proposed Premier Inn here (if it is granted planning permission) are likely to have a greater impact on city centre 3 star hotels however.
- 3.3.16 Those city centre 3 star hotels that are trading more strongly only occasionally deny business on Tuesday, Wednesday and Saturday nights. All city centre 3 star hotels achieve very high occupancies and room rates during graduation weeks in June and turn significant levels of business away at this time or year.

### **Boutique Hotels**

- 3.3.17 At an overall level Cambridge boutique hotels trade at a slightly lower level of occupancy to city centre 4 star hotels but a slightly higher level of achieved room rates. The Varsity is however still a relatively new hotel and has not yet achieved its full trading potential.
- 3.3.18 Occupancy and revpar figures dropped overall for the city's boutique hotel sector in 2010 and recovered only slightly in 2011. This was due to the opening of The Varsity.
- 3.3.19 In terms of total roomnight demand the boutique hotel market in Cambridge has grown by just over 40% since 2009, compared to a 51.9% increase in supply.

## 3 - CURRENT HOTEL DEMAND

### 3/4 Star Hotels on the City Outskirts

- 3.3.20 3 and 4 star hotels on the outskirts of Cambridge have traded at occupancy, achieved room rate and revpar levels slightly above the national averages for UK provincial 3/4 star hotels over the last 3 years. Their overall occupancy, achieved room rate and revpar results were very similar to the overall results for city centre 3 star hotels in 2011.
- 3.3.21 Occupancies have steadily improved for the 3/4 star hotels on the city outskirts between 2009 and 2011 but achieved room rates have reduced slightly. This has been due to one hotel driving occupancy growth by reducing rates and targeting lower-paying markets. This hotel saw a significant drop in its occupancy in 2009 as a result of the opening of the Premier Inn at Orchard Park. Another hotel reported a loss of some weekend business to the Premier Inn and Travelodge at Orchard Park although minimal impact on its midweek business.
- 3.3.22 Hotels on the outskirts of the city show a similar pattern of demand to city centre hotels in terms of strong occupancies on Tuesday, Wednesday and Saturday nights. Hotels on the outskirts of the city report similar difficulties in attracting any more than one-night stays at weekends.
- 3.3.23 The hotel market is more seasonal on the outskirts of the city, with hotels here reporting lower occupancies between October and April, especially at weekends. Hotels on the outskirts of the city report a similar downturn in business in August.
- 3.3.24 Hotels on the outskirts do not command the high corporate rates that are achieved by city centre hotels. The corporate business that they attract comes primarily from Cambridge Science Park, Cambridge Business Park and other local business parks. There appear to be a series of micro corporate markets around the city that are served by hotels in their immediate vicinity. Corporate demand on the outskirts of the city is primarily from UK business visitors and for 1-2 night stays. International business visitors and those staying for 2-3 nights or more tend to stay in city centre hotels.



## 3 - CURRENT HOTEL DEMAND

- 3.3.25 3/4 star hotels on the outskirts of Cambridge attract very little residential conference business. This is a market that has reduced substantially in recent years as a result of companies cutting back on meeting and training budgets, developing their own in-house conference and training facilities and making greater use of video and teleconferencing technology.
- 3.3.26 Weekend leisure demand is primarily driven through special offer rates, particularly in the winter. Hotels on the outskirts of the city take group tour business, generally at relatively low rates. This contributes to their lower achieved room rates compared to city centre hotels.
- 3.3.27 3/4 star hotels on the outskirts of the city are only occasionally denying midweek business, other than during graduation weeks, and rarely turn business away at weekends. One hotel reported more consistent and significant midweek denials however.

### **Budget Hotels**

- 3.3.28 Cambridge budget hotels are achieving high average annual room occupancies and high room rates by national standards. Budget hotel occupancies have remained high in Cambridge over the last 3 years, although dropped slightly for some established budget hotels in 2011 following the opening of the Travelodge at Orchard Park.
- 3.3.29 New budget hotels have quickly achieved high occupancies. They appear to have taken some business from existing budget, 2 and 3 star and non-inspected hotels and guesthouses. Lower quality hotels and guesthouses that appear to have taken little action to combat the increased competition from budget hotels appear to have been most affected. Some good quality hotels and guest houses that trade at a budget hotel price point have still traded well and in some cases seen occupancies and room rates increase despite the new budget hotel supply. One hotel reported that it had benefited from overflow business from a nearby budget hotel.
- 3.3.30 This suggests that the new budget hotels that have opened at Orchard Park have largely met budget hotel demand that was previously being displaced

## 3 - CURRENT HOTEL DEMAND

from Cambridge and have generated new business to the city as a result of their brand strength, customer base, loyalty schemes, corporate account customers, referrals from sister hotels and national marketing.

- 3.3.31 It is unclear at this stage what impact the new Travelodge at Orchard Park is having on the Cambridge hotel market as it only opened in September 2011. A number of budget and lower-priced hotels reported a slow start to 2012, which could in part be attributable to this latest increase in the city's budget hotel supply.
- 3.3.32 Budget hotels are still filling in Cambridge in 2012 and continue to charge premium rates on peak nights. The Premier Inn at Orchard Park and Travelodge Cambridge Central are frequently fully booked on Tuesday, Wednesday and Saturday nights.

### **2 Star and Lower Grade/Non-Inspected Hotels**

- 3.3.33 At an overall level 2 star and lower grade /non-inspected hotels in Cambridge have seen a sharp drop in occupancies over the last three years and a gradual decline in achieved room rates and revpar performance. With increased operating costs, most hotels at this level in the market are likely to have seen reduced levels of profit. The increased supply of budget hotels in the city is likely to have been a factor behind the weaker performance of 2 star and lower grade hotels. Some hotels have however traded more strongly and seen an increase in occupancy although not necessarily in room rates. Those hotels that have been hardest hit appear to be those that have not taken any steps to combat the increased competition from budget hotels in terms of investing in their product, improving their service and more proactive marketing, particularly in terms of selling through Internet booking sites.
- 3.3.34 Additional work is currently underway preparing a fair share analysis that will model the potential impact of new hotel development on the Bed 7 Breakfast and Guest House sector.

## 3 - CURRENT HOTEL DEMAND

### Serviced Apartments

- 3.3.35 Serviced apartment operators in Cambridge are currently achieving high levels of occupancy, in line with the national average of 78.5%. They do not generally deny business other than during University graduation periods.
- 3.3.36 One serviced apartment operator reported a decline in occupancy levels in 2011 as a result of the increased supply of serviced apartments in Cambridge. Another reduced its stock of serviced apartments in 2010 in line with market demand.
- 3.3.37 The core market for the city's serviced apartment operators is corporate long stays. Companies use serviced apartments as an alternative to taking short hold tenancies for their long stay corporate visitors or purchasing an apartment for the use by such visitors. Serviced apartments will also open to short lets from business and leisure tourist markets to infill between corporate lets, competing for such business with hotels

### 3.4 Comparisons with Other UK Historic Cities

- 3.4.1 On the basis of the data that is available from the PKF hotel consultancy Cambridge was the 5<sup>th</sup> highest performing UK city in terms of revpar performance in 2010 after London, Bath, Edinburgh and Oxford.

**TABLE 7 - HOTEL PERFORMANCE – UK HISTORIC CITIES – 2010**

City	Average Annual Room Occupancy %	Average Annual Achieved Room Rate £	Revpar £
London	82.7	144.64	119.57
Bath	78.4	87.00	68.24
Edinburgh	75.3	88.00	66.24
Oxford	73.4	87.20	63.97
Cambridge	73.8	82.12	60.58
Brighton	66.9	87.27	58.40
York	78.1	71.50	55.88
Norwich	72.6	62.85	45.61

Source: PKF Hotel Britain 2011/ PKF (data supplied for Cambridge)

## 3 - CURRENT HOTEL DEMAND

- 3.4.2 The Hotel Futures Studies that Hotel Solutions has previously undertaken in Bath (2009) and Oxford (2007) showed similarly high city centre 4/5 star and boutique hotel performance. Hotel occupancies for hotels at these levels were not as high in Oxford city centre as for Cambridge city centre hotels, although clearly the Oxford city centre hotel market may have strengthened since we undertook the study here in 2007. At the time of the study we did not find the same strength of demand for city centre hotels in Oxford from international corporate visitors as we have found in Cambridge.
- 3.4.3 Bath and Oxford are both widely seen as being undersupplied with hotels and neither city has seen any significant new hotel development for some years.
- 3.4.4 Achieved room rates are high in Brighton. Hotels here achieve lower occupancies however due to the lack of midweek corporate business. Hotel Solutions undertook a Hotel Futures Study here in 2006. At that time all Brighton hotels were holding out for minimum 2 night stays at weekends and needed to do so because of the weakness of midweek demand. The 2010 performance figures for Brighton suggest that this is likely to still be the case.
- 3.4.5 Hotel occupancies are high in York but achieved room rates here are not as strong. This is probably due to the larger hotel stock in the city and a more competitive hotel market here.
- 3.4.6 The Norwich hotel market is nowhere near as strong as the Cambridge hotel market.

## 4 - GROWTH PROSPECTS

### 4.1 Drivers of Growth

4.1.1 With its strong, dynamic, prosperous and expanding economy, Cambridge is recognised as a significant engine for growth for the wider sub-region. Its strengths as a world-renowned centre of excellence for innovative industries and education, together with its competitiveness in high tech research, academia and professional services, is complemented by one of the world's finest cultural environments, which has played no small part in creating a world class visitor destination.

4.1.2 The broad **vision** for the future growth and development of Cambridge and the associated spatial strategy is set out in the adopted Local Plan. It envisages:

- A thriving and accessible historic core, a focus for the two Universities, civic activity, retail, leisure and city centre living;
- The development of a mixed use City-District around the Station area, with an enhanced transport interchange;
- The development of four mixed-use centres to the north, south, west and east of the City as a focus for future employment and residential expansion, and to accommodate the growing needs of the University and Addenbrookes Hospital.

4.1.3 Cambridge is to experience significant **levels of growth** over the next 20 years. Whilst still to be refined, the current targets (to be tested through the review of the Local Plan) for Cambridge for housing and employment growth through to 2031<sup>1</sup> are:

- 14,000 homes
- 20,000 jobs

Over the same period, the population of Cambridge is forecast to increase by 32,700 (2009-2031), from 119,000 to 151,800 (Cambridgeshire County Council).

---

<sup>1</sup> Cambridgeshire Development Study 2009

## 4 - GROWTH PROSPECTS

4.1.4 These forecasts are in the process of being up-dated; the revised figures will be incorporated into the full report at the end of April.

4.1.5 The Cambridge Cluster at 50 Study outlines the five main roles that Cambridge plays:

- Technology-based business – 900 businesses employ 37,000 people in this sector, almost a quarter of all jobs in Cambridge. This sector will continue to grow and network, locally, with London and globally;
- Research – the University of Cambridge, amongst the top 5 universities in the world, and various research institutes, which have seen substantial investment and with further development planned, most notably at Addenbrookes and North West Cambridge;
- The city centre economy – Cambridge as a regional retail and business centre, boosted by the development of Grand Arcade and Cambridge Leisure Park;
- A regional public sector hub – despite the abolition of many regional institutions, jobs in health and education remain important to the city, representing 30% of total employment;
- An international visitor destination – for both business and leisure visitors which impacts upon the city's profile, nationally and globally, and makes a significant contribution to the local economy, including the Colleges and the commercial sector.

4.1.6 Whilst all the above roles have a part to play in the city's future, they will sometimes compete for land and resources. The core Cambridge Cluster – high tech firms, the University of Cambridge, the research institutes and Anglia Ruskin University - is identified as being the key priority for the future economic development of the area, and the main source of wealth creation. It has a role to play also in national economic recovery, and needs to remain competitive at an international scale. However, this sector needs to be supported by the right destination infrastructure, which includes improved connectivity between the city centre, station and key employment sites, and more and better social spaces for doing business. The hotel sector clearly has a role to play in helping deliver this latter requirement.

## 4 - GROWTH PROSPECTS

4.1.7 Some of the key projects that will drive growth in hotel demand are detailed below.

4.1.8 **North West Cambridge**

Impact – 3000 houses, 2000 student rooms, 3770 jobs, hotel, conference centre

- A new University Quarter on land between Madingley Rd and Huntingdon Rd, which is the subject of an adopted Area Action Plan. Development proposed here will be primarily to meet the long term development needs of the University of Cambridge, including key worker housing for University staff, student housing, new faculty buildings, research facilities, and significant levels of housing plus associated community facilities. The make-up of the outline planning application includes:
  - 3000 new homes (50% key worker housing for University staff)
  - Accommodation for 2000 students, either in new colleges or via the expansion of existing colleges;
  - 100,000 sq m of academic and employment space – 60,000 sq m for higher education uses, including academic faculty development and a University Conference Centre; 40,000 sq m of University related research institutes and commercial research uses;
  - A local centre that could include some B1 office use;
  - 5300 sq m retail floorspace, including a supermarket;
  - 6500 sq m Senior Living accommodation
- A hotel is also proposed on this site as an initial enabling development within the local centre- 130 rooms, likely to be positioned at 3 star level.
- NW Cambridge is likely to generate corporate, academic, conference and VFR<sup>1</sup> related business for hotels. A master plan for the whole NW Cambridge area has been drawn up and an outline planning application is currently pending decision.

---

<sup>1</sup> Visits to friends and relatives

## 4 - GROWTH PROSPECTS

### 4.1.9 West Cambridge Campus South Of Madingley Road

Impact – 1960 jobs

- A focus for University-related research and technology linked businesses. Still to be developed here is 30,000 sq m of commercial research space, 22,000 sq m of research institutes, and 46,000 sq m of academic uses. Potential to generate additional corporate/academic related hotel demand.

### 4.1.10 Cambridge Southern Fringe/Addenbrookes

Impact – 4000 houses, 8000 jobs, hotel, conference centre

- Development to accommodate the needs of an expanding Addenbrooke's Hospital, and to provide more housing close to this growing employment area.
- Key sites include:
  - Addenbrookes – an expansion of the current 70 acre site to 140 acres to create the largest bio-medical campus in Europe. New clinical facilities will include a proposed Children's Hospital and the relocated Papworth Hospital, plus world class research facilities and laboratories. The plans include a conference centre, a hotel, staff accommodation, a private hospital and a new link to the M11. The plans are designed to establish Addenbrooke's as an international centre of excellence, bringing clinical care, teaching and research together in the Cambridge Biomedical Campus, creating at least 8000 jobs, doubling the amount of employment here.
  - The conference centre (2700 sq m) is aimed at serving the research and teaching roles of the campus; initial forecasts envisage it catering for conferences up to 150 delegates (once a month) and 50-70 delegates 2-3 times a week. Most recent proposals are for 3 conference spaces with capacities of 600, 250 and 180.
  - At this stage it is envisaged that the hotel will have 150 bedrooms and be positioned at a 4 star level.



## 4 - GROWTH PROSPECTS

- Trumpington Meadows – 1200 homes (40% affordable), a school and community facilities, a 60 ha country park and play/sports facilities;
  - Clay Farm and Glebe Farm - an urban extension for 5800 people, 2300 new homes, new schools and neighbourhood facilities, as part of a new gateway to the city;
  - Bell School – 347 homes and 100 bed student accommodation for Bell Language School.
- Developments here have potential to generate corporate, research, conference, and VFR related demand as well as demand from patient families.

### 4.1.11 The Station Area

Impact – 500,000 sq ft offices, 331 houses, 2500 jobs, 2 hotels, 1250 student units

- A new gateway to Cambridge is being created through the comprehensive redevelopment of the Station Area to deliver a high density mixed use residential and commercial district around a state of the art transport interchange and new public square. The CB1 scheme being developed by Brookgate will deliver:
- 500,00 sq ft of grade A office space;
  - 331 residential units;
  - 1250 student accommodation units for Anglia Ruskin University;
  - A 200 bed hotel, likely to be mid-scale;
  - 50,000 sq ft of retail;
  - Station Rd along with Hills Rd is becoming established as the professional quarter of the city, and an area of emerging office focus. Mills & Reeve have taken 50,000 sq ft here at Botanic House. Microsoft Research is relocating from a more out of centre location off Madingley Road; their new 85,000 sq ft offices are currently under construction as part of CB1.
- A second hotel is also proposed here.
- The station area development will generate new corporate demand for hotels.

## 4 - GROWTH PROSPECTS

### 4.1.12 Cambridge North Eastern Fringe

- Options for an employment-led mixed use development around Chesterton Sidings that will involve a new railway station will be tested and taken forward through the review of the Local Plan. The site takes in the sewage works which it is proposed will not now be relocated. This has the potential to generate additional corporate demand for hotels.

### 4.1.13 North of Newmarket Rd and Cherry Hinton Rd (East Cambridge)

Impact – 1900 houses

- Whilst the main Airport may not come forward for development prior to 2031, land North of Newmarket and North of Cherry Hinton could. This could include up to 1500 new homes on land north of Newmarket Rd and 400 on land north of Cherry Hinton. Hotel related demand is likely to be VFR (visits to friends and relatives).

### 4.1.14 Northstowe

Impact – 10,000 houses, 5000 jobs

- A major new town being promoted by Gallagher and the Homes & Communities Agency, to be built 5 miles NW of Cambridge between Longstanton and Oakington, with 10,000 homes supported by community and commercial facilities for an estimated population of 25,000. There will be an employment element to the development with office and high technology research and development space in a business hub linked to the town centre, and a further employment area located adjacent to the park and ride. £20m will be spent on improvements to the A14 as part of Phase 1. A hotel could form part of business hub/town centre development. VFR and corporate demand potential.

## 4 - GROWTH PROSPECTS

### 4.1.15 Further development of Cambridge Science Park

- This is a 152 acre site with over 100 companies and 5000 employees. Whilst mostly built-out, there are proposals to redevelop some of the phase 1 sites and intensify their use which could further increase employment numbers, and generate additional corporate demand for hotels.

### 4.1.16 NIAB

Impact – 2693 houses

- 1593 homes are to be developed on the main NIAB site, plus 1,100 additional homes at NIAB2, NW Cambridge, between Huntingdon Rd, Histon Rd and the A14. New housing developments have the potential to generate VFR demand for hotels, and stays related to functions and parties.

### 4.1.17 Orchard Park

Impact – 1100 houses

- The former Arbury Park site located to the west of Cambridge's northern fringe is a new mixed use development that fronts the A14. Development began in 2005 and much of the site is now built out. 1100 new homes on completion. Includes a 138 bedroom Travelodge Hotel a 154 bedroom Premier Inn and a new school. 6 parcels of land remain which could include some commercial use development.

### 4.1.18 The Expansion of the Universities

5420 additional students

- The University of Cambridge forecasts an increase in student numbers from 22,750 to 27,380 by 2025. Anglia Ruskin forecasts growth from 7500 students to 8290.
- This will likely drive additional visits from parents and for University open days, graduations and other events, and will potentially boost academic-related hotel stays.

## 4 - GROWTH PROSPECTS

### 4.1.19 A Conference Centre for Cambridge

- A feasibility study was undertaken in 2008<sup>1</sup> for a potential multi-use facility that could be used as a conference/convention centre and concert hall, similar to the Sage at Gateshead. Options included:
  - A new bespoke 600 capacity conference centre with breakout but no exhibition space, plus expansion and up-grading of the Corn Exchange
  - A multi-purpose facility with conference centre capacity of 1200, but no exhibition hall
  - A multi-purpose facility with conference capacity of 1200 and an additional flexible auditorium for exhibitions, breakout meetings, banqueting and concerts.
- Estimated costs were £40m; it is unclear how the facility would be funded. A site at Cambridge East was the preferred location, but given the delay in delivery here, would not be an option in the near future.
- Conference centres are included in the proposals for both the Southern Fringe and North West Cambridge developments.
- Clearly conferences will generate business for hotels, with most conference delegates seeking to stay in close proximity to the venue. The location of any future venue/s therefore could have an impact on preferred hotel locations.

### 4.1.20 A Community Stadium

- A feasibility study was undertaken in 2008<sup>2</sup> to look at the options for a 10,000 seat community stadium that could provide a new home for Cambridge United alongside Cambridge City FC and Cambridge Rugby Union FC. Sites at Milton, Cambridge East and Cowley Rd were shortlisted for consideration. The likelihood of the stadium proposal happening is likely to be linked to some form of enabling development. Developers Grosvenor are now promoting a site for this

---

<sup>1</sup> A Feasibility Study of a Large Scale arts and Cultural Facility for the Cambridge Sub-Region, Tourism UK for Cambridgeshire Horizons, March 2008

<sup>2</sup> Cambridge Community Stadium Feasibility Study, PMP for Cambridgeshire Horizons, July 2008

## 4 - GROWTH PROSPECTS

use at Hauxton Rd, close to junction 11 of the M11. If developed the stadium could generate some event-related demand.

### 4.1.21 Infrastructure Works

- The major developments proposed in and around Cambridge will need to be supported and enabled by significant infrastructure works, particularly in terms of transport improvements. These could include improvement to the A14; interchange facilities at Chesterton Sidings ; an improved transport hub at Cambridge station; improved cycle, pedestrian and public transport links into the city; new access roads to open sites up; and improvements to existing roads to increase capacity. This is likely to generate additional demand for hotels from contractors and construction teams. The Council has commissioned a separate Infrastructure Study and is developing its proposals for a community infrastructure levy (CIL).

### 4.1.22 The Development of Cambridge Airport

- The Marshall Group is currently in the process of developing its future plans for Cambridge Airport. At this stage they are looking at:
  - Growth in air passenger services and traffic, both business and leisure;
  - An increase in business aviation traffic;
  - Growth in light cargo, medical and equine flights (racehorses being transported to Newmarket for races and bloodstock sales);
  - The development of a pilot training centre providing training for 500-600 pilots per year.
- The growth of air traffic through the airport is likely to generate increased demand for high quality hotels in Cambridge from inbound business and leisure visitors and high net worth air passengers, together with demand for more mid-priced hotel accommodation from aircrew and pilots being trained at the airport.

## 4 - GROWTH PROSPECTS

### 4.2 Future Prospects by Market

- 4.2.1 **Corporate demand** for hotel accommodation in Cambridge is likely to see strong growth across the city given the projected increases in office and business park development. The strength of Cambridge in high-tech research, bio-medics, pharmaceuticals, professional services and knowledge-based businesses, as well as the national and international status of many of these companies, is a particular advantage as they are very productive for hotel demand. This demand will be linked to the development of the growth areas and major development projects, including CB1, Addenbrookes and NW Cambridge, and to the expansion and intensification of existing employment clusters at West Cambridge, Cambridge Science Park and Cambridge Business Park. This will also generate additional demand for city centre 4 star and boutique hotels, particularly from international corporate executives who want to be in the historic city centre and are willing to pay a premium for this.
- 4.2.2 In terms of **university-related demand**, the expansion of the city's two universities will result in an increase in hotel demand, in terms of visiting academics post graduate researchers, and parents of undergraduate students, and demand generated by open days and graduations. There is also potential for the University to increase its term time conference business through working with hotels across the city, particularly if hotels become hungrier for this business as the city's supply increases.
- 4.2.3 Whilst the **residential conference market** nationally is decreasing, there is some potential in Cambridge to expand this market, linked to the growth of the economy and the University – a high proportion of residential conferences currently are linked to local companies and the University. Hotels may also be able to target London for top end corporate meetings, given the fast train links, and the perceived status of Cambridge as a prestige conference destination. New conference centres at Addenbrookes and NW Cambridge and the Trinity Conference Centre/Radisson Blu facilities should enable additional residential conference business to be attracted if supported as proposed by on site hotels. They could also generate some additional hotel

## 4 - GROWTH PROSPECTS

demand for other hotels in and around the city, although the lack of a cluster of hotels in close proximity to any one venue is a limitation, as the market ideally prefers to stay within walking distance of the venue.

- 4.2.4 Hotel demand related to **patients and their families at Addenbrookes** is likely to increase as the hospital expands. The re-location of Papworth Hospital to the Addenbrookes campus together with the development of a private hospital as part of The Forum will further expand this market.
- 4.2.5 The **contractor market** is likely to grow given the number of major development and infrastructure projects planned in and around the city. This should generate increased demand for budget, 2 star and lower grade hotels. Professionals associated with construction projects – architects, engineers and designers – could generate an element of demand for 3 and 4 star and boutique hotels.
- 4.2.6 There is good scope for growth in the **leisure break market** in Cambridge, particularly given the ‘staycation’ trend for UK residents to holiday in the UK. Cambridge has strong destination appeal which can be capitalised on. Additional promotion of the city for 2 and 3 night stays, perhaps as a base for the city and surrounding area, would help extend length of stay in this market, which currently is frequently only for a one night stay.
- 4.2.7 In terms of **overseas visitors**, Cambridge should be able to benefit from the forecast growth in in-bound tourism to the UK, as a leading international tourist destination. There is a particular opportunity for the city to capitalise on opportunities presented by the expanding BRIC markets (Brazil, Russia, India, China), many of whom will be first time visitors to the UK. Cambridge has sufficient international profile to be able to attract this market, alongside similar historic cities such as Oxford, Bath, York and Chester.
- 4.2.8 There is potential for growth in the **group tour market**. As lower-rated business, many of the hotels have been closed to this market, and there is significant frustrated demand for Cambridge. As additional hotel supply comes on stream and the city’s hotel market becomes more competitive, hotels may choose to take more of this business.

## 4 - GROWTH PROSPECTS

- 4.2.9 The **weddings market** is likely to continue to grow with the increase in the city's population and student numbers. Alumni frequently return to the city and their colleges to marry.
- 4.2.10 Opportunities for increased hotel **demand related to the airport** include in-bound premium business and leisure travellers, looking for top quality hotels, most probably in the city centre. Planned increases in the level of business aviation will also generate additional demand for top quality city centre hotels. Aircrew demand is also likely to see growth, primarily for mid-range hotel accommodation close to the airport. The plans for a pilot training centre could also generate demand for a mid-range hotel close to the airport.



## 5 - FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

### 5.1 Projected Market Potential for New Hotel Development in Cambridge to 2031

5.1.1 In order to provide an indication of the number of new hotel bedrooms that might be needed in Cambridge over the next 20 years as the city's hotel market grows, Hotel Solutions has prepared projections of possible future growth in hotel demand in and around the city at 5-yearly intervals from 2011 to 2031. These projections are based on the intelligence that we have gathered about the current demand for hotel accommodation in Cambridge and our assessment of the prospects for future growth in each of the main markets for hotel accommodation in the city.

5.1.2 We have prepared projections for the following categories and locations of hotel:

- City centre 4 star and boutique hotels
- City centre 3 star hotels
- 3/4 star hotels on the outskirts of Cambridge
- Budget hotels across Cambridge
- Serviced apartments across the city

5.1.3 The projections use our estimates of 2011 business and leisure roomnight demand at each level in the market as their baseline. We have then applied assumed Low, Medium and High growth rates to our baseline roomnight figures, based on the latest employment forecasts for Cambridge, the projected increase in student numbers at Cambridge and Anglia Ruskin Universities and national forecasts for domestic and inbound tourism. We have assumed that business demand for hotel accommodation will grow at a higher rate than the employment forecasts due to the nature of new companies that are likely to be attracted to Cambridge (national and international high tech, research and pharmaceutical companies), which are likely to be productive in terms of generating demand for hotel accommodation. There could also be some growth in residential conference demand related to the growth of the city's economy. Our assumed growth rates are summarised in the table overleaf.

## 5 - FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

**TABLE 8 - CAMBRIDGE HOTEL DEMAND PROJECTIONS 2011-2031  
ASSUMED GROWTH RATES**

Type of Demand	Average Annual Growth Rate %		
	Low Growth Scenario	Medium Growth Scenario	High Growth Scenario
Business and University Demand	1	1.5	2
Leisure Demand	2	3	4

5.1.4 In preparing the projections we have also made the following assumptions:

- The business that city centre 4 star and boutique hotels are currently denying will be balanced out against business that such hotels will lose to any new 4 star hotels that are developed on the outskirts of Cambridge.
- City centre 3 star hotels will lose 25% of their current business to the new budget hotels on Newmarket Road, any new 3 star hotels that are developed on the outskirts of the city and city centre 4 star hotels trading down at quiet times.
- New 3 and 4 star hotels on the outskirts of the city will take 20% of corporate business from city centre 3 and 4 star and boutique hotels.

5.1.5 Our projections for budget hotels have factored in estimated levels of business that the city's existing budget hotels were denying in 2011, based on the information that we obtained through our interviews with budget hotel managers.

5.1.6 We have assumed that future growth in demand for serviced apartments will be primarily from the long stay corporate market. We have thus only applied the business growth rates to serviced apartments.

5.1.7 The growth projections do not include any quantification of supply-led growth that new hotels might generate because of their branding and marketing. Nor do they attempt to quantify the potential hotel demand that might be

## 5 - FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

generated by the Trinity Centre and proposed conference centres at Addenbrookes and NW Cambridge if they are supported by on-site hotels, as we did not have access to any projections for these conferences centres to allow us to do this in a meaningful way. The projections do not take account of the proposal for a major conference centre in Cambridge as this project is not currently being actively progressed.

5.1.8 Having calculated the potential future roomnight figures for each category and location of hotel we have then worked out the number of hotel bedrooms that the future roomnight demand would support assuming that all hotels achieve an average annual room occupancy of 70%. These are levels of occupancy that would support new hotel development and allow existing hotels to continue to trade well. Comparing these figures to the baseline supply in 2011 we have then calculated the number of additional bedrooms that might be needed to meet market growth for each category of hotel in each location.

5.1.9 The results of our calculations are summarised in the table overleaf. These figures include any pipeline hotels that are already under construction (the Travelodge on Newmarket Road), all proposed hotels and hotel extensions and in the case of budget hotels the Travelodge at Orchard Park (which opened in September 2011).

## 5 - FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

**TABLE 9 - CAMBRIDGE**  
**PROJECTED MARKET POTENTIAL FOR NEW HOTEL BEDROOMS - 2016-2031**

Standard of Hotel/Location/Year	Projected New Rooms <sup>1</sup>		
	Low Growth	Medium Growth	High Growth
<b>City Centre 4 Star/Boutique</b>			
2016	146	172	198
2021	199	255	316
2026	256	349	454
2031	318	456	619
<b>City Centre 3 Star</b>			
2016	(21)	(12)	(3)
2021	(2)	(17)	38
2026	17	49	85
2031	39	86	141
<b>3/4 Star – City Outskirts</b>			
2016	119	135	152
2021	152	188	226
2026	188	248	314
2031	228	316	418
<b>Budget</b>			
2016	177	197	218
2021	218	263	310
2026	263	337	419
2031	312	421	547
<b>Serviced Apartments</b>			
2016	11	15	18
2021	18	25	33
2026	27	39	52
2031	33	48	65
<b>TOTAL NEW HOTEL ROOMS<sup>2</sup></b>			
2016	432	507	583
2021	585	714	923
2026	751	1022	1324
2031	930	1327	1790

Notes:

1. In addition to hotel bedrooms currently under construction (Travelodge, Newmarket Road), the Travelodge Orchard Park (which opened in September 2011) and all proposed hotels and hotel extensions.
2. Figures are cumulative

## 5 - FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

### 5.2 Hotel Development Opportunities by Category of Hotel and Location

5.2.1 Assuming that the Cambridge hotel market continues to expand in line with our projections and based on our assessment of the likely future growth in demand for hotel accommodation in Cambridge and what will drive this, our research and projections suggest the following opportunities for hotel development in Cambridge over the next 20 years:

- Scope for another 2-3 boutique hotels in the city centre, possibly including one at a 5 star level, developed through the repositioning of existing hotels and/or the conversion of suitable properties.
- Potential for a large new internationally branded luxury 4, or even 5 star hotel in the city centre. This is likely to be a longer-term opportunity if the Radisson Blu goes ahead at Cambridge Science Park.
- No scope for a new 3 star hotel in the city centre unless the current city centre 3 star hotel supply reduces as a result of the existing hotels upgrading to 4 star or boutique hotels or closing. While our research has shown strong demand for mid-priced hotel accommodation in Cambridge city centre, some of the city centre 3 star hotels are likely to get squeezed by the new budget hotels on Newmarket Road, the proposed 3 star hotel at NW Cambridge and the city centre 4 star hotels trading down during quiet periods if the 4 star hotel supply increases in the city centre and on the city outskirts. The Gonville Hotel is planning to upgrade to a 4 star level later in 2012 and the Royal Cambridge has plans for a major refurbishment, which could see the hotel taken out of the 3 star market. There could therefore be an opening for a new, modern, branded 3 star hotel, possibly at the station.

## 5 - FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

- In the outer areas of Cambridge there would appear to be scope for new 3 or 4 star hotels linked to established and developing business parks and other existing and developing drivers of demand for hotel accommodation at:
  - Cambridge Science Park/Cambridge Business Park;
  - Addenbrookes;
  - West Cambridge;
  - Cambridge Airport – in the longer-term.

Proposed 4 star hotels have already been granted planning permission at Cambridge Science Park (the Radisson Blu) and Addenbrookes and a 3 star hotel is proposed as part of the NW Cambridge scheme. Our growth projections suggest that these hotels will need to generate significant new business in terms of residential conferences, leisure business, new corporate demand and other business to ensure their viability and lessen their impact on existing hotels, particularly those in the outer areas.

- Our growth projections show no need for any further budget hotels in addition to the Travelodge Orchard Park, the Travelodge that is under construction on Newmarket Road and the Premier Inn proposed on Newmarket Road (assuming it is granted planning permission). These hotels will more than meet the requirements that we are projecting for budget hotel accommodation in Cambridge for the next 20 years. Our projections suggest that Cambridge will have an oversupply of budget hotels for some years to come. New budget hotels are likely to have a significant impact on existing budget hotels, 2 and 3 star hotels, lower grade/non-inspected hotels and guest houses and B&Bs. It seems likely that some of the existing stock at these levels, particularly the poorer quality stock, may wish to exit the accommodation market as a result. Having said this, Cambridge could still see the development of a further budget hotel, potentially at the station. Our research shows continuing strong demand for budget hotel accommodation in Cambridge city centre despite the

## 5 - FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

new budget hotel supply on the city outskirts. A budget hotel operator may therefore feel that they would still be able to trade well from a new hotel at the station. Much will depend on the impact on the market of the new Travelodge and proposed Premier Inn on Newmarket Road.

- Our growth projections for serviced apartments show scope for a gradual increase in the supply of serviced apartments in Cambridge. We would anticipate the city's serviced apartment supply growing primarily through the letting of further residential apartments on a serviced basis. There might also be scope for a small purpose-built serviced apartment block of say 30-40 apartments.
- There may be scope for a 4 star aparthotel (of say around 75-80 apartments) to meet some of the projected future requirement for additional 4 star hotel accommodation and serviced apartments. An aparthotel would trade largely in the city's hotel market but also to some extent in the serviced apartment market.

## 6 - HOTEL DEVELOPER INTEREST PROPOSALS AND SITES

### 6.1 Cambridge as a Hotel Investment Location

6.1.1 Whilst testing hotel developer, operator and investor interest in Cambridge did not form part of the brief for the Cambridge Hotel Futures Study, Hotel Solutions undertook a programme of hotel developer testing work for the East of England region, which covered Cambridge, in 2008<sup>1</sup>. Cambridge came out of this testing with exceptionally strong credentials as the 'wannabe' destination in the region, ahead of all others by a significant margin.

6.1.2 To quote from the report:

*"The strongest location by far, and on the target list of virtually all the national brand developers consulted (unless they already had representation here) was Cambridge. 30 brands were seeking to develop in Cambridge, some of these with interest from multiple franchisees (35 expressions of interest in total). The strong interest here is a function of a number of factors – awareness of significant levels of under-supply, the difficulty of securing sites and therefore long-term frustrated demand, the quality of the destination and affluence of the local population, the prestige of the University and the business this and the technology sector generates, plus the strong international tourism market all combine to make the city a winning investment location" (p9).*

6.1.3 In terms of the nature of hotel represented by these hotel developers and operators, Cambridge had interest from large 4 stars, mid-market and budget brands, plus boutique offers and aparthotels. There was also interest from innovation brands, new to this country, which is a further indication of the perceived strength of the market here – with hotel companies being prepared to launch such new brand in Cambridge without the support of a wider network and awareness in the UK marketplace.

6.1.4 Clearly, the market has fallen back since 2008, both in terms of national hotel performance and the ability to raise funding for hotel schemes. A re-refresh of this testing work would give a fuller picture of the current state of play.

---

<sup>1</sup> East of England Hotel Developer Survey, 2008, East of England Tourism/EEDA



## 6 - HOTEL DEVELOPER INTEREST PROPOSALS AND SITES

6.1.5 Nonetheless, this feedback spells out quite clearly the broad appeal the city has as a hotel investment location, and the levels of pent-up demand amongst hotel companies wanting to get representation in the city, but kept out by a number of barriers.

### 6.2 Barriers to Investment

6.2.1 By far the biggest obstacle to investment identified by hotel developers, investors and operators in historic cities such as Cambridge is the difficulty of securing sites, with the main problems being:

- Availability of land – a tight city centre with limited ability to develop to any significant height;
- A sensitive fabric, making conversion often difficult and expensive;
- Competition from other uses – particularly residential but also retail and office, albeit that demand has dropped back during the current downturn;
- Site values and expectations – particularly in the light of strong competition from other uses and the values these generate, which hotels often struggle to compete with;
- Timing in terms of when identified sites might come forward, particularly when they form part of areas of major change, where they might be contingent upon a major development scheme happening for associated infrastructure or delivering business for them.

6.2.2 Hotel companies are increasingly prepared to consider being part of a mixed use city centre scheme, but recognise that there are a number of pitfalls in terms of:

- A lack of control over ownership, development and operation;
- The length of time they take to come to fruition;
- The difficulty of keeping the vision and commitment together that means they can fall apart at any time;
- The complexity of development;
- The fact that the hotel at a lower value often gets pushed into a less favourable/visible location within the mix, or squeezed out of the development altogether.

## 6 - HOTEL DEVELOPER INTEREST PROPOSALS AND SITES

- 6.2.3 Congestion and availability of parking are recognised as difficulties for hotel developers in historic city centres, but if the market is strong enough and there is a perceived under-supply of rooms, this will not necessarily put investors off – rather most felt this was something that could be overcome, through for example shared parking with complementary users, negotiating space in public car parks, and valet parking.
- 6.2.4 The difficulty of securing planning, both for new hotel developments and extensions to existing hotels, is a further challenge to hotel developers. Historic cities are beautiful often timeless places that present a very sensitive environment in which to develop. Hotel developers accept that, dependent on the setting, standard hotel models are often not appropriate in these situations, and are happy to discuss design solutions that have empathy with this sort of environment. However, hotels are not high value uses compared to uses such as residential or retail, and viability is often fragile. Making them stack up can be a challenge. The burden of additional costs, in terms of design requirements, S106 agreements, travel plans, parking arrangements and BREEAM standards can easily tip a marginal hotel scheme over the edge.

### 6.3 Hotel Proposals – The Supply Pipeline

- 6.3.1 The past few years has presented a window of opportunity for hotel developers in and around Cambridge, as evidenced by the new supply that has come on stream, particularly at budget level.
- 6.3.2 This has occurred at least in part because of the recessionary climate that has seen residential and other commercial schemes stall, and site value expectations fall. Hotels have been one of the few types of development where there has remained some activity, and in some cases developers have looked to substitute hotel use for example for residential – particularly when evaluating the impact of affordable housing requirements. In a stronger market, it is likely these hotel schemes would have struggled to stack up. The fact that developers and investors are often looking for lease deals has worked in favour of budget hotel operators Travelodge and Premier Inn, who are two of few that have the strength of covenant for funding purposes.

## 6 - HOTEL DEVELOPER INTEREST PROPOSALS AND SITES

6.3.3 The other significant factor for Cambridge is the growth agenda, the release of land for major development around the city, including a review of the Green Belt, and the opportunity this has presented to plan for future needs in these areas from scratch.

6.3.4 As a result, both Cambridge City Council and South Cambridgeshire District Council have seen an increase in the number of hotel-related planning applications, and the renewal of extant permissions, for sites in and around the city. The table overleaf summarises those hotel proposals with planning permission and those in relation to which planning is pending.

6.3.5 To summarise:

- There are 6 hotel schemes in and around Cambridge with planning permission with the potential to deliver almost 1100 rooms. 801 of these are within the City Council boundary;
- There are 5 hotels schemes (with a total of 341 rooms) with planning permission in the wider area surrounding Cambridge;
- A further 4 schemes in and around Cambridge (all within the City Council boundary) are currently in the planning process awaiting determination, which between them propose an additional 301 rooms;
- In addition, we are aware of pre-application discussions on a further 4 hotel proposals with the potential for a further 300-400 rooms;
- Despite this apparent large number of proposals (over 2000 rooms), it is unlikely they will all be delivered. A number are speculative or without an operator, and several have been around for some time and not come forward;
- These proposals are at different stages, with some more advanced than others.
- In the short term, Travelodge Eastern Gate is under construction (opening 2013), and the proposed Radisson Blu timetabled by the developer for a 2014 opening. These two schemes will deliver 517 rooms;
- The proposals awaiting planning put forward by the Doubletree by Hilton, the Ashley and Premier Inn all have live operators, and if granted it is reasonable to assume these could happen (171 rooms);

## 6 - HOTEL DEVELOPER INTEREST PROPOSALS AND SITES

TABLE 10 - HOTEL PROPOSALS – CAMBRIDGE AND SURROUNDS

NAME OF SITE	LOCATION	DEVELOPER/ OPERATOR	NO. OF ROOMS	STANDARD
<b>WITH PLANNING</b>				
<b>Cambridge City &amp; Outskirts</b>				
<b>Mill Lane</b>	City centre	NK	75	NK
<b>Eastern Gate</b>	City edge	Travelodge	219	Budget
<b>Red House</b>	City edge	O'Callaghan Hotels	157	3 / 4 star
<b>CB1</b>	City edge	Brookgate	200	Budget
<b>Addenbrookes</b>	Out of centre	NK	150	4 star
<b>Cambridge Science Park</b>	Out of centre	Steeltower Radisson Blu	296	4 star
<b>Sub-Total</b>			<b>1097</b>	
<b>Wider Surrounding Area/Beyond the City</b>				
<b>Cambridge Research Park</b>	Out of centre	NK	112	NK
<b>Meridian Golf Club</b>	Beyond city	Owner	29	NK
<b>Comfort Café, Four Wentways</b>	Beyond city	NK	60	Budget
<b>Sawston Hall</b>	Beyond city	Owner	41	Boutique with spa
<b>Whitefields, Great Shelford</b>	Beyond city	Mandarin Oriental	99	5 star
<b>Total with Planning</b>			<b>1438</b>	
<b>PLANNING PENDING</b>				
<b>Hilton Doubletree</b>	City centre	Hilton	31	4 star
<b>Ashley Hotel</b>	City edge	Owner	19	Boutique
<b>Intercell site</b>	City edge	Premier Inn	121	Budget
<b>NW Cambridge</b>	Out of centre	NK	130	3 star
<b>Total Planning Pending</b>			<b>301</b>	
<b>COMBINED TOTAL</b>			<b>1739</b>	

## 6 - HOTEL DEVELOPER INTEREST PROPOSALS AND SITES

- 6.3.6 The hotel schemes that are linked to areas of major change – Addenbrookes, NW Cambridge and the two station area sites, also seem likely to happen (637 rooms) subject to funding; Addenbrookes and NW Cambridge may take longer to bring on stream given the complexity of the associated development schemes and their reliance on elements of these wider schemes to generate demand for the hotels.
- 6.3.7 In terms of location, over half (53%) of these proposals would deliver rooms out of centre or beyond the city. Only the Doubletree by Hilton and the Mill Lane site are in the city centre, which between them could deliver just over 100 rooms (6%). Proposals on the edge of the city centre amount to 716 rooms (41%). This reflects the difficulty of securing sites for hotel development in a tight city centre with a high level of demand from competing uses.
- 6.3.8 The schemes proposed beyond Cambridge are unlikely to have a significant impact on trading in the Cambridge market. They are too far out, and are primarily destination offers that would generate demand for their offer, spa, golf, as well as serving business needs more local to them.

### 6.4 Potential Sites for Hotel Development

- 6.4.1 The availability and deliverability of sites for hotel development in Cambridge has been identified as one of the key obstacles to investment by hotel developers. Any forward strategy will need to address this, and for this reason an element of sites assessment has been built into this study. The assessments have specifically focused on market potential and fit with operator requirements in each case, but where available information on planning status and suitability, likely timeframe to delivery and details of any specific site proposals have been built into the assessment framework.
- 6.4.2 In addition to the 13 sites (above) in the planning system on which hotel schemes are proposed, a further 24 sites - we might term them more speculative sites - were identified by stakeholders and the consultancy team during the consultation process that could offer potential for hotel development.

## 6 - HOTEL DEVELOPER INTEREST PROPOSALS AND SITES

6.4.3 Observations on these speculative sites include:

- A small number are currently the subject of interest by developers or hotel operators, and so have live interest, and from this viewpoint are commercially sensitive;
- Two have been the subject of previous hotel applications that have been refused; their deliverability would be dependent on the ability to overcome these reasons for refusal;
- A significant proportion of these sites are prioritised for other uses, particularly residential. Some have been allocated for this use;
- A number are being considered as part of the SHLAA submissions, and so could also be prioritised for housing;
- On one or two sites there could be issues in planning terms with loss of employment or R&D land;
- Student accommodation is also a potential use on several sites;
- Green Belt is an issue for one or two of the sites.

6.4.4 In terms of location, the city centre is again under-represented, with only 8 of the 37 sites and proposals here, compared to 14 in edge of centre locations and 15 out of centre or beyond the city.

6.4.5 From the above we can infer that there are a considerable number of challenges to bringing these sites forward for hotel use, both in terms of planning priorities (most notably for housing and employment) as well as commercial deliverability, given higher value competing uses. Some positive intervention may be needed.

6.4.6 In addition to the above sites, a further option to deliver some of the potential for hotel development identified in the growth forecasts could be through the re-positioning, redevelopment and extension of existing hotels. Again, relatively few are located in the city centre itself, with a small number located around the ring road that defines the central area. These are precious sites in hotel use that offer the walkability to the central area so much in demand by the market. Some have looked to extend, but planning has been a real challenge for many.

## 6 - HOTEL DEVELOPER INTEREST PROPOSALS AND SITES

### 6.5 Matching Demand Supply and Site Availability

6.5.1 Without more detailed information on the proposed content of all the proposed hotel schemes – and particularly the CB1 proposal and the Red House hotel scheme – it is difficult to accurately match the forecast demand at each level in the market with hotel developments that are likely to come on stream. The matching process is further complicated by the fact that a number of existing hotels are considering redevelopment, expansion and re-positioning.

6.5.2 Nonetheless, there are some key messages coming out of the analysis of growth in the market, hotel proposals and potential sites:

- The firm proposals for 4 star and boutique hotels in Cambridge city centre fall short of the forecast levels of demand, combined with which there are fewer potential sites for hotel development here than in edge of city and out of centre locations. This points to action to bring further sites and schemes forward;
- There is no clear potential for a new 3 star hotel currently, unless one or more of the existing 3 star hotels chooses to re-position which could open up an opportunity. A hotel of 3 star standard has however been mooted for the Red House site;
- If all the hotel proposals for 3 and 4 star hotels on the outskirts of the city go ahead, this will more than meet the requirement identified in the forecasts. They will need to generate significant levels of additional business through supply-led growth, particularly from leisure markets, and conference centre demand - which has not been factored into our calculations;
- At budget level, the two Travelodge hotels at Orchard Park and Newmarket Road meet the medium level growth rate projections for budget hotel demand through to 2031, and will be operational in 2013. If the Premier Inn at Intercell House is also to go ahead, the market would need to expand at the high growth rate to meet this requirement. A budget level hotel could also be proposed for the station area, at CB1.

## 6 - HOTEL DEVELOPER INTEREST PROPOSALS AND SITES

- 6.5.3 Whilst at an overall level, therefore, the numbers of proposed rooms and forecast demand have some fit between the medium growth rate and the high growth rate projections, the mix being delivered could be slightly at odds with this, in terms of the standard and location of hotel development and what the market is seeking.
- 6.5.4 In the final section of this report, we look at what can be done influence this in both the short and longer term.



## 6 - HOTEL DEVELOPER INTEREST PROPOSALS AND SITES

**TABLE 11 - CAMBRIDGE  
PROJECTED MARKET REQUIREMENTS COMPARED TO PROPOSED FUTURE SUPPLY  
2016 – 2031**

Standard of Hotel/ Year	Projected New Rooms Required Medium Growth	Projected New Rooms Required High Growth	Firm Hotel Proposals <sup>1</sup> - New Rooms
<b>City Centre 4 Star/ Boutique</b>			
2016	172	198	Doubletree -31 Ashley -35 Gonville – 80 Station <sup>2</sup> – 150 <b>Total New Rooms - 296</b>
2021	255	316	
2026	349	454	
2031	456	619	
<b>City Centre 3 Star</b>			
2016	(12)	(3)	Gonville -(80) Station <sup>2</sup> – 150 <b>Total New Rooms - 70</b>
2021	(17)	38	
2026	49	85	
2031	86	141	
<b>3/4 Star – City Outskirts</b>			
2016	135	152	Radisson Blu – 296 Addenbrookes -150 NW Cambridge -130 <b>Total New Rooms - 576</b>
2021	188	226	
2026	248	314	
2031	316	418	
<b>Budget</b>			
2016	197	218	Travelodge Orchard Park -138 Travelodge Eastern Gate -219 Premier Inn Intercell -120 <b>Total New Rooms - 477</b>
2021	263	310	
2026	337	419	
2031	421	547	
<b>Serviced Apartments</b>			
2016	15	18	
2021	25	33	
2026	39	52	
2031	48	65	
<b>TOTALS</b>			
2016	507	583	<b>Total New Rooms - 1419</b>
2021	714	923	
2026	1022	1324	
2031	1327	1790	

Notes:

1. Hotel schemes with identified hotel operator interest that have planning permission granted or pending.
2. There is no information available on the standard of the hotels that are proposed at the station. We have assumed a 3 and a 4 star hotel, both at 150 bedrooms.

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

### 7.1 Summary of Key Findings

#### 7.1.1 The research has shown:

- A strong hotel market in Cambridge and potential for significant levels of growth to 2031;
- Exceptional levels of performance in many of the hotels, well above national benchmark figures for hotels and a number of the city's competitor heritage destinations;
- A significant number of proposals for new hotel development, many of which have planning, and several of which look likely to come forward in the short to medium term;
- Strong levels of additional interest from hotel developers and operators not currently represented in Cambridge, over and above the firm proposals;
- Some sites that could offer potential for hotel development, but intense competition from alternative uses and high value expectations which are amongst a number of challenges to securing hotel sites in and around the city;
- A preference amongst a large part of the market to be in the city centre, but a particular paucity of sites/development opportunities here, particularly for boutique hotels and a large luxury 4 or 5 star hotel;
- Potential to cater for the growth in demand driven by major developments on the outskirts of the city by locating hotels there thus minimising the need to travel. These hotels will need to generate significant levels of new supply-led demand;
- Firm proposals that fit loosely between medium and high growth rate forecasts for market growth through to 2031, but would deliver a mix that is out of sync with the identified potential;
- An opportunity for the city to try to manage and influence current proposals and to create a future planning framework to fit with the forecast potential and to maximise the benefit of these schemes to Cambridge.

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

### 7.2 National Planning Guidance

7.2.1 National planning guidance on the development of hotels comes in the form of the '**Good Practice Guide on Planning for Tourism**', which contains a specific appendix on tourist accommodation, dealing principally with the location of accommodation.

7.2.2 The guidance covers general locational principles and guidance relating to particular types of serviced accommodation (major hotels, budget hotels/lodges, rural/pub accommodation). Some of the key principles include:

- Identifying suitable locations for hotel accommodation should be an integral part of the plan making process, and should involve the tourist industry;
- Major hotel developments should look to the town centre first, because of their transport and regeneration implications;
- Outside the development plan process site selection should follow the sequential approach;
- There is a need to recognise the market being served by different types of hotel when allocating sites and considering applications, as this will affect the optimum location;
- New hotel developments in historic towns and cities need to be sensitive to their surroundings; conversions may also be a realistic proposition subject to impact;
- The potential to convert and re-use historic buildings in towns and the countryside should be considered;
- Extensions e.g. to pubs to add bedroom accommodation can help support the viability of these businesses, but need to be proportionate;
- Budget hotels catering for longer staying markets should generally be destination focused i.e. in town centres;
- Lodges catering for stop-over traffic may require a location on a major routeway, ideally edge of town rather than in open countryside.

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

- 7.2.3 The issues surrounding tourism and hotel development were also addressed to some degree in **PPS 4**. PPS4 builds on the objectives for the planning system set out in PPS1 providing the tools for Local authorities to plan effectively for economic growth. It requires Local authorities to adopt a positive and flexible approach to economic development (which includes tourism and leisure development). It also emphasises the importance of an evidence base to understand industry/sector needs, using relevant market and economic information, particularly where proposals are not specifically supported by plan policies. In addition, it states that Local authorities should limit the designation of sites for single or restricted use classes and promote mixed use developments in appropriate locations.
- 7.2.4 The associated **Practice Guidance** on need, impact and the sequential approach 'Planning for Town Centres' includes an Appendix on its application to hotels. It sets out an approach to assessing future need through gap analysis by location and standard/type of hotel, refined using performance data and forecasting techniques, to provide an evidence base against which individual hotel schemes can be assessed.
- 7.2.5 The **National Planning Policy Framework** was published at the time of writing this report which provides new guidance for the Planning system. Key threads of relevance to developing the hotel sector and some of the issues identified in this study include:
- Retention of the presumption in favour of sustainable development;
  - A continued significant focus on supporting economic growth, also reflecting local circumstances;
  - Encouragement to plan positively, meeting objectively assessed needs with flexibility to adapt to change;
  - A streamlined and speedy approach to decision-making on schemes that accord with the development plan;
  - Retention of requirements relating to the setting of local car parking standards, reflecting local levels of ownership, and encouragement of sustainable modes of transport;
  - Policies should seek to address potential barriers to investment;

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

- The sequential test remains important in ensuring the vitality of town centres;
- Pro-active engagement with applicants is a key strand in positive planning and pre-application discussions encouraged;
- Joint working is expected between local authorities on cross-boundary issues, in relation to which there is a duty to co-operate;
- A 12 month transitional period to up-date plans to conform with the national framework, but a requirement to treat these policies as a material consideration when deciding on planning applications with immediate effect.

### 7.3 Current Local Hotel Planning Policy

7.3.1 Current policies for hotel development are contained in the 2006 **Cambridge Local Plan**. The strategy seeks to manage rather than promote tourism, but recognises the contribution that visitors have to make to the economy and character of the city as a destination. The need for an adequate supply and range of visitor accommodation is identified, as is the potential to locate hotels in mixed use schemes and in urban extensions.

#### *6/3 Tourist Accommodation*

*Development which maintains, strengthens and diversifies the range of short-stay accommodation will be permitted. Provision should be made for disabled visitors. In the case of change from residential use, part of the accommodation must be retained as permanent residential accommodation.*

*Development will not be permitted which would result in the loss of existing short-stay tourist accommodation unless the change is to permanent residential accommodation or community facilities for which there is a need in Cambridge.*

*6.9 An adequate supply and range of accommodation is needed to encourage staying visitors. Hotels may be acceptable as part of mixed use development sites and in the urban extensions. The needs of disabled people should be considered in all applications for new tourist accommodation, or for alterations to existing. Accommodation with over six guest bedrooms should have at least one accessible room. Hotels or guest houses with over ten bedrooms should have between 6% and 10% of accessible rooms. These rooms should meet the Visit Britain Stars standards which the Tourist Office promotes.*

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

6.10 *The appropriate balance has to be achieved between protecting residential properties and meeting the needs of visitors. For proposals involving the loss of residential, the retention of private residential accommodation to be occupied by the proprietor will be secured by planning condition to ensure there is no loss of residential units.*

6.11 *Planning permission will not normally be required for the use of two rooms only of a dwelling house as guest bedrooms, the rest of their house remaining in family occupation.*

7.3.2 We offer a number of observations on the current policy as it stands:

- No quantum of rooms needed is identified, nor an indication of the type and standard of hotel required;
- The policy and text refer to developments that 'strengthen and diversify' the city's hotel offer, without explaining what this means, and there is no mechanism or source of expertise in place to evaluate any hotel proposal on this criteria;
- There appears to be a presumption in favour of residential use over hotel use, with an element of any residential conversion to hotel being required to remain in residential use, and hotels being permitted to convert to residential. This could put pressure on hotels to exit the market, especially as residential values are so much higher than anything hotels can generate;
- The policy does not specifically refer to the extension of existing hotels, for additional bedrooms or facilities such as restaurants, leisure, spas and conference/function rooms, yet there has been a fair amount of interest in such development from existing hotel operators and issues in securing permission;
- Two sites were allocated for hotel use in the Plan - Mill Lane and Intercell House; neither has yet been delivered.

7.3.3 Other policies also impact upon the ability to deliver hotel development, including the protection of employment land and buildings, limiting the potential to convert office buildings for hotel use or develop hotels on business parks. The priority given to housing needs and also HMO use could also put pressure on operators to exit hotel use, especially given their higher

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

associated value. Policies to retain residential accommodation are also restricting their conversion to hotel, including in association with existing hotels where an adjacent residential property might be a route to expansion.

7.3.4 Policies relating to transport/parking, urban design and conservation will have implications for hotel location/access, design and associated costs, potentially impacting on scheme viability.

7.3.5 In terms of the workability of current policies relating to hotel development, some difficulties and frustrations have been identified by the Planning Team:

- Having no independent evidence base against which to assess hotel applications;
- Hotel needs assessments submitted by applicants and agents many of which present contradictory evidence and which are extremely variable in quality and coverage;
- A grey area in terms of the emergence of aparthotels and serviced apartments let to the tourism market on a short stay basis, and how these should be dealt with in planning terms;
- Concern at the limited ability to influence the type of hotel delivered within a scheme, as C1 hotel use covers everything from a budget hotel to a luxury offer;
- A trend to the delivery of large hotels, likely driven by the need to offset additional site and development costs, which might not be the most appropriate scale for the sensitive historic core of Cambridge where these costs are highest.

7.3.6 The area around the Cambridge City boundary falls within **South Cambridgeshire District**. South Cambridgeshire District Council has granted permission for some major hotel schemes in the past 5 years, including the Premier Inn (154 rooms) and Travelodge (138 rooms) budget hotels at Orchard Park, and the Radisson Blu at Cambridge Science Park (296 rooms). This is very much part of the Cambridge market area; the Science Park in particular generates a lot of business for the city's hotels. The District Council's approach to hotel development has essentially been reactive, and no evidence base has been produced to identify the scale of hotel need. In

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

many cases no needs assessment has been submitted as part of the planning applications. Cambridge City Council has been a consultee on these applications, but there does not appear to be a joined up approach to considering schemes in the light of the scale and location of hotel development needed in and around the city. In order to inform any such joined up approach, South Cambridgeshire District Council should undertake an appropriate assessment.

### 7.4 The Need to Plan for Hotels

7.4.1 The research has demonstrated that the Cambridge hotel market is strong and growing; there are numerous proposed hotel schemes, many already with planning permission; and there continues to be strong hotel development interest in the city. Given this scenario, why plan for hotels? Why not just leave delivery to the market?

7.4.2 There are a number of implications of adopting this sort of 'hands off' approach:

- There is no guarantee that the granted hotel proposals will be delivered. Several of those with permission have stalled for funding and other reasons, and some have been on the cards for some time;
- Leaving it to the market might well deliver hotels that don't have best fit with key sites and types of hotel that will be of greatest destination benefit;
- An undersupply of hotels will constrain the development of both business and leisure tourism:
  - Hotels are part of the basic economic and social infrastructure of a place; they are part of what makes a city a good place to do business, and as such they support future business development, which our analysis of drivers has shown will see considerable expansion in Cambridge;
  - Much of leisure tourism spend is discretionary and if the right accommodation is not available at the right price then some of this will go to other places. Different hotel products and brands can also help stimulate new demand.



## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

- As tourism is one of the 5 identified clusters around which the city's future growth will be focused, the sector will not be able to deliver to its full potential;
- There is always the danger that people may still visit Cambridge but stay elsewhere, adding to congestion without bringing wider economic benefits.
- An opportunity will be lost to create employment and add to economic diversity.

7.4.3 While hotel schemes have been granted permission on the outskirts of Cambridge and at Cambridge station, linked to existing and planned new drivers of demand in these locations, hotel development and investment is only slowly coming forward in the city centre, where there is a clear market demand for additional supply. Some proposals to expand and develop existing hotels in the city centre have had difficulty in securing planning permission. There is also a severe lack of available and affordable hotel sites and conversion opportunities in the city centre. There is a need therefore to look at what can be done to ensure that future planning policy is as enabling and supportive as possible to allow city centre hotel development, extension and upgrading schemes to be progressed in Cambridge.

7.4.4 A number of hotel schemes have been granted planning permission in priority locations where there are existing or planned new drivers of demand for hotel accommodation. It would seem sensible to strengthen the deliverability of the granted hotel schemes in these locations by focusing planning policy on these priority locations unless a clear case can be made for hotel schemes in other parts of the city.

7.4.5 There is also a need for future planning policy for hotel development in Cambridge to give greater clarity as to how the following issues should be addresses:

- Assessing and managing the traffic and parking impact of new hotel schemes;
- The planning status of serviced apartments;

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

- Whether hotel and guest house retention policies are warranted in Cambridge to resist the loss of hotels and guest houses in the city centre;
- The case for a joint approach to hotel development policy for Cambridge and its outskirts between Cambridge City Council and South Cambridgeshire District Council.

7.4.6 It is often the case that the existing hotel industry in any destination will be resistant to new supply coming on stream, particularly when hotels have been trading well; any fall back in business will understandably be of concern. However, in reality the room for manoeuvre in planning terms in stopping new hotel development, especially in city centres, is limited. Whilst the Council could turn down applications for specific sites on various planning grounds, given the scale of demand and existing status of Cambridge as a tourist destination, a policy blocking new hotel development is unlikely to be successful or appropriate. A more likely scenario is that high land values, planning constraints and competition from other uses will constrain new hotel development.

7.4.7 Planning for hotels, based upon an informed evidence base, presents an opportunity to try and manage the growth of the sector in a sustainable way, and at a level that will not impact significantly on the performance of existing supply.

### 7.5 A Hotel Development Strategy for Cambridge

7.5.1 This section of the report looks at a series of policy options for the development of hotels in and around Cambridge, both in terms of the further development of existing hotels and the development of new supply through conversion and new build.

7.5.2 However, we would advocate that the starting point for the future planning framework for the hotel sector should be the development of a hotel development strategy within which each of these policies play their part. This will ensure a holistic and more integrated approach to hotel development, which incorporates both a locational strategy and one that clearly identifies

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

the quantity and quality of hotels to be developed, and the role of hotels in aiding the delivery of the wider vision for the city.

- 7.5.3 In preparing this quantified and qualified hotel development strategy for Cambridge, it is important that it is not used as a straight-jacket to limit or cap the development of the hotel sector. The strategic approach is about directing hotel development to locations that can best support demand drivers, and at the same time minimise traffic movements. The Cambridge Hotel Futures Study provides an indication of the scale and nature of hotel development that future market growth is likely to support in Cambridge over the next 20 years. The growth projections that were prepared as part of the study do not however include any quantification of supply-led growth that new hotels might generate because of their branding and marketing. Nor do they attempt to quantify the potential hotel demand that might be generated by the Trinity Centre and proposed conference centres at Addenbrookes and NW Cambridge if they are supported by on-site hotels. In reality therefore Cambridge may be able to support a greater level of new hotel development than the growth projections show. It is not possible at this point to anticipate all the potential options for delivering hotels that could come forward over a 20 year period. There needs therefore to be some flexibility to respond to opportunities that emerge that are 'outside the box', provided that they are evidenced and can demonstrate no negative impacts on achieving the wider strategic approach. Monitoring the demand-supply balance will be a requirement to enable an informed view to be taken on this.
- 7.5.4 The strategy should also seek to identify other tools that can work alongside the planning process to influence potential schemes and pro-actively target the right hotel investments to the optimum sites.
- 7.5.5 In refining the hotel development strategy, beyond the broad quantity and quality of hotel space required, our research identified a policy vacuum in terms of the vision for Cambridge as a visitor destination over the plan period to 2031. A clearly articulated tourism strategy that identifies target markets and their requirements would enable more detailed guidance to be given as to the 'best fit' hotel offers to meet these needs and help grow the desired

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

markets. As an example, an aspiration to attract a younger, affluent market might point towards delivering the potential identified for boutique hotel development via cool, hip and funky brands like Bespoke, Malmaison, ABode and Hotel Indigo. The nature of some elements of the business tourism market, involving companies at the leading edge of technology developments, might point to targeting some 'tech-savvy' lifestyle brands and innovative offers new to the UK such as Aloft and Hyatt Place, and some of the budget boutique brands. As part of the forward strategy, this vacuum needs to be filled if Cambridge is to make the most of what tourism has to offer it, and to ensure that the city gets the hotel offer it deserves.

7.5.6 Any future strategy for hotel development in Cambridge should be designed to:

- o Deliver a World-Class hotel offer in Cambridge city centre to match the city's credentials as a leading international centre of academic, research, technological and clinical excellence and aspirations as a leading international tourist destination.
- o Meet anticipated future business and leisure tourist demand for hotel accommodation in the city:
- o Achieve an environmentally acceptable and economically sustainable growth in the city's hotel supply;

7.5.7 In order to meet these objectives, the Cambridge Hotel Futures Study suggests that the priorities for further hotel development in Cambridge over the next 20 years should be to:

- a) Achieve a high quality and distinctive hotel offer in Cambridge city centre in terms of national and international branded 4 star hotels, boutique hotels, good quality 3 star hotels and possibly a 5 star hotel – through the upgrading and expansion of existing hotels and the conversion of suitable properties.
- b) Direct new-build hotel development to locations on the edge of the city centre and city outskirts where there are existing and/or potential

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

future drivers of corporate and conference demand for hotel accommodation and frequent bus services into the city centre:

- The Station Area;
- Cambridge Science Park/Cambridge Business Park;
- Addenbrookes;
- NW Cambridge
- Cambridge Airport – in the longer term.

7.5.8 This broad hotel development strategy would:

- Drive up the quality of the city centre hotel offer;
- Focus new hotel development on locations where there are existing and new drivers of demand;
- Support the development of the growth areas;
- Enable existing and proposed conference centres at the Cambridge Science Park, Addenbrookes and NW Cambridge to secure conference business;
- Reduce unnecessary car traffic movements by hotel guests by providing hotel accommodation at the locations where people are doing business or attending conferences and encouraging hotel guests to use bus services to access the city centre.

7.5.9 Financially viable and environmentally acceptable new-build hotel development will be very difficult to achieve in Cambridge city centre given the lack of available and affordable sites; the competition for sites from higher value uses; and the scale that new-build hotels would need to be developed to in order to ensure their commercial viability. Budget hotel development will also be very difficult to achieve in Cambridge city centre for these reasons. This makes a different vision for the centre difficult to achieve - eg a family friendly and accessible city centre with affordable hotel accommodation – without a greater level of intervention. The economics of hotels and the strong competition for sites in the city centre point towards more exclusive and bespoke hotel offers here.

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

### 7.6 Support for the Expansion and Upgrading of Existing Hotels

7.6.1 The Cambridge Hotel Futures Study identifies both a need and an opportunity to encourage and support the expansion and upgrading of city centre hotels in Cambridge. The growth projections suggest market potential for further 4 star and boutique hotel provision in the city centre, while other aspects of the research suggest a possible opportunity for a city centre 5 star hotel and continuing demand for good quality mid-priced hotel accommodation in the city centre. Given the challenges of securing sites and conversion opportunities for new hotels in the city centre it would seem logical to try to meet some of these requirements through the expansion and/or upgrading or repositioning of existing hotels. This suggests a requirement for an explicit planning policy that recognises this opportunity and is sympathetic to the improvement and development of established hotels in the city centre (whilst not over-riding other plan policies). It will be for the City Council to determine how far it wishes to go in articulating a more flexible policy approach for existing city centre hotels.

7.6.2 The principle of supporting the development and improvement of existing hotels might also sensibly apply to the rest of the city.

### 7.7 Support for the Conversion of Suitable City Centre Properties to Hotels

7.7.1 The Cambridge Hotel Futures Study identifies market potential for a further 2-3 new boutique hotels in Cambridge city centre over the next 20 years together with possible scope for a new luxury 4 or 5 star hotel. While some of this requirement could be met through the repositioning and upgrading of existing city centre hotels, there is likely to be a requirement for further sites or conversion opportunities to fully satisfy the identified market opportunities. With no easily identifiable sites for new-build hotel development in the city centre, the conversion of suitable properties looks likely to provide the most realistic way forward for delivering the required new hotels in the city centre. There will however undoubtedly be pressure for the redevelopment of any

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

suitable properties that may come forward from other, higher-value uses, e.g. residential, that a hotel use would not be able to compete with – although some properties may lend themselves more to conversion as boutique hotels.

- 7.7.2 An explicit policy that is sympathetic to the conversion of suitable city centre properties to hotels might therefore be appropriate. Another option could be to identify certain key city centre properties for conversion to hotels as a preferred or even allocated use e.g. one of the properties or sites at Mill Lane, the Guildhall or the Shire Hall. This would require further discussion to determine how desirable and achievable this would be as an option for such properties. Engagement with the Colleges as landowners will be important in moving this forward, and the potential for smaller properties for which the alternatives may be more limited, to be considered for boutique Guest Accommodation, as has been developed in Oxford and Bath.

### 7.8 Allocating the Shire Hall for a Luxury 4 or 5 Star Hotel?

- 7.8.1 The Cambridge Hotel Futures Study suggests that Cambridge can support a large new luxury 4 or 5 star hotel within the next 20 years even if the Radisson Blu hotel proceeds at Cambridge Science Park and a 4 star hotel is developed at the station, albeit that the opportunity may be more in the longer-term if these hotels proceed. The CB1 development may attract a 4 star hotel but probably not a deluxe 4 star property and is unlikely to be a location that would attract a 5 star hotel.
- 7.8.2 The only realistic site for a luxury hotel in the city centre is the Shire Hall, given its location, the attractiveness of the building, the setting and the availability of parking here. The site is likely to be equally attractive for other uses, including residential, which may command a higher value than a hotel use. There may therefore be a case for a policy that specifically articulates a desire to see the Shire Hall converted to a luxury 4 or 5 star hotel, should the County Council decide to vacate and dispose of it, possibly expressed through a Development Brief for the site or site allocation for a luxury hotel. This would clearly require further discussion with the County Council.

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

### 7.9 Assessing Hotel Planning Applications in Non-Priority Locations

7.9.1 The proposed hotel development strategy for Cambridge suggests focusing hotel development in the city on those locations where there is evidence of current shortages and/or deficiencies (in quality terms) of hotel supply or there are existing or planned new drivers of hotel demand that are well serviced by public transport i.e.:

- The city centre;
- The Station Area;
- Cambridge Science Park/Cambridge Business Park;
- Addenbrookes;
- NW Cambridge;
- Cambridge Airport – in the longer-term, if the airport expands and there is associated business park development here.

7.9.2 If this strategy is accepted, the issue then is how strictly the City Council might wish to enforce the strategy in planning policy terms and whether hotel schemes could be considered in other locations should they come forward in the future. Planning permission has already been granted (or may shortly be granted) for sufficient hotels in most of the above locations (apart from the city centre and Cambridge Airport) to meet the projected market requirements for new hotels through until 2031. It does not seem unreasonable therefore for the City Council to seek to restrict hotel development in other locations until hotels have been delivered in these priority locations, where permissions for hotels have already been granted. Any hotel schemes that may come forward in other parts of the city would thus need to be supported by a strong case and evidence base for why they need to be sited in a different location.

7.9.3 If the suggested locational strategy for hotel development in Cambridge is accepted the boundaries of the city centre will need to be more clearly defined, possibly as a City Centre Hotel Development Zone, to give developers and Development Control Officers clarity about where hotel development can be considered in the city centre.



## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

### 7.10 Traffic and Parking Impact Assessment and Management

7.10.1 It must be recognised that any new hotel or hotel extension will generate additional traffic in terms of delivery and staff vehicles and guests arriving by car, taxi or company minibus. Very few hotel guests arrive on foot or by bus. Guests arriving by train or air will generally use taxis to reach their hotel. The traffic generation impact of proposed hotel schemes will thus need to be carefully considered. Where appropriate applicants may be required to provide traffic impact assessments for hotel development schemes.

7.10.2 New hotels and hotel extensions will also generate additional demand for car parking. A high proportion (typically 40-50%) of midweek guests for Cambridge city centre hotels arrive without a car (usually arriving by taxi or company minibus). A greater percentage of weekend guests (typically 80%) arrive with a car however, and require somewhere to park. This suggests that any new hotel development or extension scheme will need to demonstrate adequate provision for guest and staff parking in terms of:

- On-site parking;
- Valet parking arrangements using a nearby car park with available capacity;
- Arrangements with nearby public or private car parks that have spare capacity to accommodate guests' vehicles.

7.10.3 It does not seem unreasonable for the City Council to require a car parking plan for any new hotel scheme.

7.10.4 In such a congested city as Cambridge it is important to try to minimise hotel guest use of vehicles (private cars and taxis) during their stay and encourage use of buses and bikes to access the city centre. This is one of the key rationales behind siting new hotels on existing and planned business parks and alongside existing and planned conference centres, to lessen the need for business visitors and conference delegates to travel to and from city centre hotels during their stay. It will also be important to ensure that new

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

hotels are well served by frequent bus services into the city centre and possibly that new hotels include some measures to encourage guests to cycle into the city centre, perhaps by implementing or subscribing to some form of cycle hire scheme. The City Council will need to decide how strongly it wishes to express such a policy and the extent to which it would wish to refuse proposed hotel schemes that are not served by bus services.

- 7.10.5 We understand that the County Council is preparing a Transport Strategy for Cambridge that will include looking at parking, and would suggest that the needs of the hotel sector are fed into this review.

### 7.11 Planning Conditions

- 7.11.1 If the City Council recognises the need for additional hotel supply in Cambridge and the challenges to achieving commercially viable hotel schemes in the city, it will also need to recognise the impact that overly onerous planning conditions can have on the viability of hotel projects, particularly in terms of Section 106 agreements, building design and requirements to meet BREEAM standards. While it will clearly be important to ensure that new hotel buildings blend with the historic environment of Cambridge city centre and deliver high standards of architectural design in other locations, Development Control officers need to recognise the additional cost burdens they may be placing on hotel schemes and the impact they have on commercial viability. This is not to suggest that hotel schemes should be exempt from the type of planning conditions that may be applied to other types of development, but that a reasonable approach is needed to avoid pushing otherwise desirable hotel projects to a point where they cannot be commercially progressed. Use of the Community Infrastructure Levy might be one route, through relaxation to aid scheme viability.

### 7.12 Planning Policy for Serviced Apartments

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

7.12.1 The new generation of hotel accommodation that combines an element of self-catering with some service is causing a blurring of the boundaries between uses in planning terms. In general they are intended to serve extended stay corporate demand, but may also let their units for shorter stays to business and leisure tourist markets. Extended stay hotels operate under several banners, brands and models but generally fall into one of 4 categories:

- All-suite hotels;
- Apartment hotels or aparthotels;
- Purpose-built serviced apartment blocks;
- Residential apartments let as serviced apartments by letting agencies.

7.12.2 From a planning point of view, aparthotels, all-suite hotels and purpose-built serviced apartment blocks would fall within the C1 hotel use class, whereas residential apartments that are let out as serviced apartments would fall within the C3 residential use.

7.12.3 The distinction in use class terms between aparthotel and serviced apartments appears to revolve around a number of aspects. Aparthotels offer:

- A higher level of service – cleaning, laundry, food hampers, toiletries, towels provided
- Letting on a daily short term basis, although some might require a minimum 2-3 night stay;
- Reception facilities;
- A hotel style booking system

7.12.4 If C3 residential units intended for permanent residential or second home use are subsequently let out as serviced apartments, there is no planning distinction between the uses, and planning will already have been granted without any occupancy conditions. The situation is further blurred if some units within a block are let for tourism use and others not. If a whole block becomes given over to tourism lets there may be a case for change of use. However in reality, residential apartments are often let as serviced apartments

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

for variable periods of time dependent upon the owners' objectives. They may not therefore remain as serviced apartments on a permanent basis. Requiring a change of use may not therefore be practically possible to enforce.

- 7.12.5 It must also be recognised that residential apartments that are let out as serviced apartments for extended corporate stays are primarily competing in the residential lettings market rather than the hotel market. The alternative option for companies to house their long stay visitors is to take a short hold tenancy on a residential property or possibly to buy a property as a company house or apartment. Serviced apartment letting agencies will trade to a much lesser extent in the hotel market, using demand from business and leisure tourists to infill between long corporate lets.
- 7.12.6 In Cambridge there have been a number of cases of residential apartments moving in and out of the serviced apartment market. With minimal servicing, and minimum letting terms, i.e. not available on a daily basis, legal advice indicated their letting on a shorter term basis does not constitute a material change of use.
- 7.12.7 Moving forward, it would be good to give some clarity to this element of the market by having a policy for serviced apartments and aparthotels. The policy would recognise there is some limited potential for the development of aparthotels and serviced apartments and make clear that both aparthotels and purpose-built serviced apartment blocks would be treated as a hotel use class, limiting permanent occupation, and therefore retaining their use for the tourist market and extended stay leisure and business markets. Occupancy conditions could be applied as part of the planning/legal agreement.
- 7.12.8 If the loss of permanent residential accommodation and the under-cover creep of residential property into the hotel market are issues of strong concern to the Council, It would be possible to also have a local policy preventing without planning permission the change from permanent residential accommodation to use for short term letting, whether serviced or not, and to impose conditions on the granting of planning permission. Greater London Authority have a General Powers Act which facilitates some

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

London Boroughs to operate policies to tackle this, though an alternative approach is to consider applying for a license to let on a short term basis, defined as less than 90 days. Licensing might well be a less cumbersome means to control this activity, and if a chosen route forward, should be developed in association with the serviced apartment industry.

### 7.13 Hotel and Guest House Retention

- 7.13.1 The research has shown quite clearly a strong demand for many leisure and business visitors to be in the city centre, a limited number of sites identified for new hotel development in the city centre, and real challenges to bringing these sites forward. The existing hotel supply located here therefore is precious, and given the difficulty of securing other city centre sites, there is a strong argument for retaining these hotels, particularly in the face of pressure for higher value residential use.
- 7.13.2 One option to deliver some of the potential for hotel development identified in the growth forecasts could be through the re-positioning, redevelopment and extension of existing hotels. Indeed, a number of hotels have identified an interest in doing this, moving from 3 to 4 star, or repositioning as boutique hotels. Some of the central and inner ring road hotels have been criticised on Trip Advisor on quality and for a lack of investment. However, in many cases their general location and aspect is good, and as such they present opportunities for re-positioning that could deliver rooms at the right level in the market with walk-ability to the central area, so much in demand by the market.
- 7.13.3 One option for future planning policy therefore could be to introduce a policy that seeks to retain hotels in the city centre, resisting their change of use, including to residential. The definition of 'city centre' needs to be clearly articulated; some of the existing hotels with potential are located around the inner ring but on the opposite side of the road to the city centre boundary. We understand that there is also some wider debate about extending the city centre boundary that could include the station area.

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

- 7.13.4 A hotel retention policy would not be intended to present existing hotels with a stranglehold on their future development. Such policies are common in resorts, which often define a hotel zone where loss would be resisted. However, where the case can be made that the hotel is not and cannot be made viable with investment, exit can sometimes be negotiated. Guidelines would need to be developed to clearly articulate these conditions and the evidence that would be required, in terms of marketing for sale and viability calculations.
- 7.13.5 With the level of new budget supply coming on stream in the short term, ahead of market forecasts, we expect that there may be some guest houses and small hotels that might seek to exit the market. Outside the core city centre/fringe zone, there might be more flexibility to permit this, and those properties that are less well-located and of poorer quality might be lost without too much detriment to the overall supply.

### 7.14 A Joint Approach with South Cambridgeshire

- 7.14.1 There is currently no joint strategy for hotel development in and around Cambridge between the two Councils, or any sort of formalised approach to consultation on hotel-related schemes, particularly on the city outskirts, where they fall into South Cambridgeshire. Clearly, hotels on the outskirts of Cambridge trade in, and have an impact on the Cambridge city centre hotel market, so it is a cross border issue. As with Cambridge City Council, South Cambridgeshire is currently commencing a review of its LDF; this process and the development of the emerging Local Plans presents an opportunity to consider putting such a joint hotel planning policy framework and strategy in place for Cambridge and its surrounds.

### 7.15 Monitoring Hotel Performance

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

7.15.1 This Hotel Futures report presents a snapshot of the market at a particular point in time. It has forecast potential growth in the hotel market to 2031 based upon the best available data, in line with growth forecasts for the Cambridge economy, University expansion and tourism. Clearly we have had to make some assumptions about which hotel schemes and sites are most likely to come on stream; the potential impacts of new supply; and the likely movement of business between the city centre and the city outskirts. The growth projections also do not factor in any additional demand that new hotels might generate themselves or the potential hotel demand that existing and proposed conference centres on the outskirts of the city might generate if they are supported by adjacent hotels. Many factors affect the hotel market, locally, nationally and globally, not all of which can be predicted.

7.15.2 Monitoring hotel performance on a regular basis, and particularly as new hotels come on stream, would be a valuable means to keeping a finger on the pulse of the market, also ensuring an up-to-date evidence base is in place against which to assess individual planning applications and needs assessments.

### 7.16 Optimising the Potential – Other Recommended Actions

7.16.1 The hotel development strategy for Cambridge is not just about planning for hotels, but working with many other aspects of destination development and management to fully optimise the potential of the sector and the part it can play in delivering the wider destination vision. Below we identify a series of other actions that would support this process and the potential for new hotel development in Cambridge.

#### 7.16.2 **Articulating a Vision for the City**

- Articulating a vision for Cambridge as a destination is critical to identifying the nature of the hotel offer that can best contribute to that vision. This requires a Destination Management Plan that can spell out the aspiration for what Cambridge will look like as a visitor destination in 2031 and how to get there. Central to this is the markets that the

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

city wants to target – their requirements will help shape the nature of the hotel offer to be developed. There is a need for the City Council to work with its partners across both the public and private sectors to develop a vision for Cambridge as a visitor destination and a joined up approach to delivering Destination Management. The CBBid (Business Improvement District) currently being worked up may be one route to progressing this.

### 7.16.3 Pro-Active Targeting of Hotel Brands and Offers

- Having identified ‘best fit’ hotel offers, pro-actively targeting the developers and operators of these hotel products and brands gives the city its best chance of delivering the vision, and attracting added value business. From our understanding to date of the City Council's approach and the market potential, those offers that could add value might include:
  - Luxury brands e.g. Four Seasons, Waldorf Astoria
  - International brands e.g. Marriott, Wyndham, Sheraton
  - National boutique brands e.g. Malmaison, ABode
  - Innovation and leading edge offers e.g. Hyatt Place, Aloft

We know that Cambridge is high on the target lists of most hotel developers and operators. An approach from a prestige city that wants to make development happen will be well-received. There is an opportunity then to engage with their professional staff, get their input into specific site opportunities, and better understand their requirements.

### 7.16.4 Supporting the Search for City Centre Sites

- The availability of suitable city centre hotel sites has been identified as a major barrier to investment. We have seen that there is strong demand for 4/5 star hotels and boutique hotels in the city, and relatively few sites likely to come forward, given the challenges of strong competition for space and value. To promote the delivery of a luxury 4 or possibly 5 star hotel and additional boutique hotel offers in



## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

the city centre, the City Council may well need to intervene in one or more ways:

- Inform key landowners of the potential for boutique and luxury hotel development and encourage them to bear this potential in mind in reviewing their estates;
- The College Bursars are an important target in this respect, in terms of the land and buildings they control, much of which will be central and characterful, even quirky. Unusual buildings might convert well to boutique hotels where other uses might be more of a challenge; smaller properties possibly to boutique Guest Houses;
- Buildings and sites in the ownership of the City and County Council offer the additional advantage of public sector control. Both the City and County Council Estates Teams should be approached to identify potential opportunities;
- The Shire Hall offers a unique opportunity to develop a luxury, even 5 star hotel, for Cambridge, particularly given its setting. The potential to include a luxury hotel as part of the mix for the future of this site should be explored at the earliest opportunity;
- The Guildhall could also present an opportunity for hotel development such as a boutique Malmaison. Oxford City Council secured the Malmaison in the Oxford Prison buildings by allocating it for hotel development;
- Hotels can make successful upper floor uses, often requiring limited ground floor presence. Combining an upper floor hotel with a branded ground floor restaurant would be one way to get more value out of a site/development and is worthy of discussion with site owners and the developers of mixed use schemes.

### 7.16.5 Engaging with Hotel Developers and Site Owners

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

- In addition to trying to identify additional sites in the central area, there is an opportunity to engage with hotel developers and operators in relation to schemes that already have permission but have not yet been delivered. There is a lack of clarity about the nature of the hotels to be delivered in the station area: the Red House has been associated with a 3 / 4 star hotel operation; CB1 with an operator of multiple hotel brands from budget to 4 star. There is an opportunity to approach the companies concerned, find out more about their brand proposals, and if required to try and influence these schemes in line with market potential and vision for Cambridge as a visitor destination.

### 7.16.6 Making Hotel Market Performance Information Available

- Part of the influencing process, we believe, is to make quality, up-to-date market performance information available to hotel developers and operators, to help inform their decision-making on hotel opportunities. We would recommend condensing the key data into a Cambridge Hotel Market Fact File, that can be used to respond to hotel developer and operator enquiries, but could be pro-actively sent to those behind current hotel proposals as a way of engaging them in discussion with the City Council.

### 7.16.7 Communicating the Findings to the City's Existing Hotels

- The city's existing hotels are a key element of the tourism offer, and a number offer potential for upgrading, re-positioning and expansion to meet the future market needs of the city. Key performance data and detail of the opportunities identified for re-positioning should be communicated to them. Ideally this would form the basis for a closer working relationship that might explore what potential there could be, particularly for key sites in the city centre and around the inner ring road. Many have had difficulties with the planning system and would welcome a more co-operative rather than confrontational approach to moving their hotel forward.

### 7.16.8 Communicating the Findings to Planning Teams

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

- Planning Policy and Development Control Teams in both the City and South Cambridgeshire District Councils need to be made aware of the potential identified in this study. Arrangements for joint working and consultation on hotel schemes need to be put in place, under the umbrella of a joint hotel strategy for the city and its outskirts. This needs to be fed into the Issues & Options process for the development of both Local Plans. If required, a presentation to joint planning teams could be delivered.

### 7.16.9 Leisure Marketing

- Cambridge is undoubtedly a very strong leisure tourist destination yet its hotels are primarily only attracting one-night leisure break stays and have spare bedroom capacity on Friday and Sunday nights as well as some Monday and Thursday nights, particularly during the winter, and during August when corporate demand reduces. There is a clear case therefore for more proactive marketing of Cambridge as a UK leisure break, overseas tourist and group tour destination. This will become even more important as the city's hotel supply increases and the Cambridge hotel market becomes more competitive on trough nights and during quieter periods.
- There is merit therefore in the City Council coming together with the city's hotels, the Colleges, tourism-related businesses and neighbouring local authorities, to mount more proactive leisure marketing campaigns to boost demand at the times that the city's hotels and other businesses most need additional business.
- Further research will be needed to more precisely identify which leisure markets can best deliver the sort of business that the city needs.

### 7.16.10 Marketing Cambridge as a Conference Destination

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

- There is also a case for more proactive and co-ordinated marketing of Cambridge as a conference destination, particularly as the city's hotel supply increases and its conference venue product develops. Many of the Colleges have spare conference room capacity during term time that they may be able to fill by working more proactively with the city's hotels. Cambridge is a highly sought after conference destination. There is undoubtedly more conference business that the city can win if it wants to.

### 7.16.11 Assessing the Conference Market Potential

- There could be merit in undertaking research to more clearly understand the conference market potential of Cambridge to help inform:
  - The development and marketing plans for the Trinity Centre and the proposed conference centres at Addenbrookes and N W Cambridge;
  - Proactive conference marketing for the city.
- Such research should seek to identify the potential target conference markets for Cambridge; their venue and accommodation requirements; and how best to reach them through marketing communication.
- Such research might be progressed by the City Council working in partnership with the Colleges, the Trinity Centre, the backers of the conference centres at Addenbrookes and NW Cambridge and the city's hotels. A well co-ordinated piece of research should prove more cost-effective for all parties and could be a good starting point for achieving a well planned conference product development and marketing strategy for the city.

### 7.16.12 Managing and Planning for Hotel Guest Traffic and Parking

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

- The parking needs of guests staying at existing and potential new city centre hotels need to be considered as part of the County Council's emerging transport strategy. This will require some consultation with city centre hotels to understand where they are currently directing their guests to park if they do not have sufficient on-site parking and whether the public car parks that they are sending their guests to have the capacity to cope with demand. It will also require an assessment of the extent to which potential new city centre hotels might add to hotel guest demand for public car parks in the city centre.
- Some hotels mentioned to us in the course of our discussions with them that there is no overnight coach parking in Cambridge. This constrains the potential for city centre hotels to cater effectively for group tour business. While few of them want to attract this market at present, some of the existing and potential new hotels in the city might want to target this market in the future in a more competitive hotel market. Addressing the requirement for overnight coach parking may therefore need to be given further consideration in the future.
- There could be merit in developing some form of cycle hire scheme for hotel guests as a means of encouraging them not to drive or take taxis into the city centre. Cycling in and around the city could then be promoted as a key part of the Cambridge visitor experience for hotel guests.

### 7.16.13 **Helping the Independent Hotel, Guest House and B&B Sector to Adjust to a New Market Environment**

- As the city's supply of budget and other hotels increases there may be a need for some form of intervention in terms of marketing and business management advice and training to help independent hotel, guest house and B&B owners to adjust to a more competitive market environment. Assistance with Internet and social media marketing and adapting to taking online bookings may be particularly useful.

### 7.17 **Next Steps**

## 7 - CAMBRIDGE HOTEL FUTURES – MOVING FORWARD

- 7.17.1 The Hotel Futures study has identified a series of actions involving not just planning teams but action that crosses local authority departments and boundaries. Unfortunately, hotels are rarely identified within local authorities as anyone's 'responsibility'. However, in our experience, effective implementation of recommendations such as those made here will require leadership – which can be at Officer or Member level – and in addition possibly some 'champions' or 'ambassadors' to act as advocates for moving the hotel sector forwards in the city.
- 7.17.2 The required actions will need co-ordinating and resourcing. They cannot all be achieved at once, and in some cases there will be a natural sequence to the way that the recommendations are progressed. Ideally this requires action planning and prioritisation. We appreciate that these are difficult and uncharted waters that might require some additional hotel expertise to move forward.
- 7.17.3 There is clearly a process to go through to test the hotel development strategy proposed here, involving widespread consultation and debate. We would be happy to further support the City Council in the implementation process as required.

**APPENDIX**

**Glossary of Hotel Definitions**

# CAMBRIDGE HOTEL FUTURES – APPENDIX

## GLOSSARY OF HOTEL DEFINITIONS

---

### **Budget Hotel/Lodge**

A limited service hotel usually with bedrooms in a block (40-60 rooms) separate from or attached to a pub/restaurant. AA definition also refers to these products as; 'travel accommodation'. They are often located on major routeways on the approaches to towns and cities, but many brand operators also locate these offers now in town and city centres, where they will tend to be larger units of 100+ rooms and may locate in mixed use schemes, above restaurants and retail, in converted office blocks, and close to railway stations. Generally they offer a good quality room with en-suite facilities and TV; some also have optional Wi-Fi, but generally they do not offer meeting rooms or other additional facilities and services.

Brand examples include Travelodge, Premier Inn, Ibis, Etap.

### **Upper Tier Budget**

A limited service hotel that offers a higher specification room (3 star equivalent) than a budget hotel, with an integral bar/restaurant and limited meeting rooms; also sometimes a small gym/fitness room. They tend to be larger hotels of 80-120 rooms and will locate both on the approaches to towns if close to business/leisure drivers, in town/city centres, and close to major communications drivers such as airports.

Brand examples include Express by Holiday Inn, Ramada Encore, Hampton by Hilton.

### **3 Star**

A full service hotel that offers a restaurant and bar also open to the public, usually function/conference/banqueting facilities, and often leisure. Branded offers would tend to be 120-150 rooms+, but independent hotels may be smaller in size. Will locate in city centres and out of town where there are significant drivers of demand such as business parks.

Brand examples include Village (De Vere), Courtyard by Marriott, Hilton Garden Inn, Ramada Hotel, Days Hotel, Holiday Inn.



## CAMBRIDGE HOTEL FUTURES – APPENDIX

### **4 Star**

A full service hotel but with a higher specification and larger bedrooms than 3 star hotels, usually offering bath and shower, telephone, internet connection, and a wider range of services including full room service and portage, and 24 hour reception. A quality restaurant, bar, a range of meeting rooms and business services, and a health and fitness centre. These tend to be large hotels, over 150 rooms, and sometimes up to 250 rooms+. Major city centres are the preferred locations.

Brand examples include Marriott, Holiday Inn Crowne Plaza, Hilton, Radisson Blu.

### **5 Star**

A luxury, full service offer, with highly personalised service/high staffing levels, fine dining and luxury throughout the offer.

Brand examples include RF Hotels, Radisson Edwardian

### **Boutique Hotel**

Relatively small (30-50 rooms), high quality, individual hotels that feature contemporary design and a good food offer. They are often independent hotels or part of small chains that bear the signature of their founder. However, national brands are beginning to emerge that are larger format units (100+ rooms) and compete with 3 and 4 star hotels but achieve a premium on their rate due to their style and service.

Brand examples include Malmaison, Hotel du Vin, Abode, Bespoke, Apex.

### **Budget Boutique**

A hotel with similar qualities to a traditional boutique hotel, particularly in terms of being design-led, but pitched at the mid-market and with less emphasis on levels of service.

Brand examples include Sleeperz, Hoxton Urban Lodge.

## CAMBRIDGE HOTEL FUTURES – APPENDIX

### **Townhouse Hotels**

Small, luxury hotels of individual and distinctive style located in cities or large towns that offer a small number of luxury rooms, high quality fittings and a high guest to staff ratio. May offer a high quality restaurant or room service equivalent.

Brand examples include Eton Townhouse Hotels.

### **Country House Hotels**

A quality hotel, often a building of character, set in extensive grounds in a rural setting. Most are luxuriously appointed and the rooms frequently have special features often targeted at the leisure rather than the business guest. Some may have health and fitness facilities, swimming pools and spas and may be able to offer or arrange country sport activities such as clay pigeon shooting and fishing. The atmosphere of a country house hotel should be one of relaxation, comfort and style.

### **Golf Hotels and Resorts**

Hotels attached to or developed with a golf course that can range considerably in their standard and the facilities on offer. Usually they would be at least 3 star in standard, and can be developed to 4 star and luxury standards, especially if in association with a championship course. As with country house hotels and other destination hotel offers that are more remotely located, most would usually offer, restaurants, bars, function/banqueting rooms, full leisure centres, often spas, and may also have other specialist facilities such as golf academies. Some also have shared ownership lodges in their grounds.

Brand Examples include De Vere Hotels, MacDonald Resorts, Marriott Hotels & Country Clubs.

## CAMBRIDGE HOTEL FUTURES – APPENDIX

### **Aparthotels and Serviced Apartments**

A new generation of hotel accommodation that combines an element of self-catering through the provision of a kitchen in each unit, together with hotel services, including reception, daily cleaning, linen, toiletries and a hotel-style booking system. They are generally aimed at the extended stay market, and whilst they can offer rooms from one night upwards, most request a minimum stay. Some are purpose-built units in one ownership; others are individually owned and managed by an agency. Brands such as Staybridge Suites will also provide a limited food offer eg buffet style breakfast.

Brand examples include Staybridge Suites, Bridge Street Worldwide, SACO.

### **Occupancy Rate**

The percentage of all rooms sold as a proportion of all rooms available in that period.

### **Achieved Room Rate (ARR)**

The net average amount of rooms revenue that hotels achieve per night per room let after deduction of VAT, breakfast (if included), discounts and commission charges. Hotel rooms revenue divided by the number of rooms sold.

### **Revpar**

Revenue per available room. The net average amount of rooms revenue that hotels achieve per night per available room after deduction of VAT, breakfast (if included), discounts and commission charges

This page is intentionally left blank