



To: Executive Councillor for Housing (and Deputy Leader): Councillor Catherine Smart
Report by: Alan Carter – Head of Strategic Housing
Relevant scrutiny committee: Community Services Scrutiny Committee 28/6/2012
Wards affected: All Wards

CAMBRIDGE CITY COUNCIL AFFORDABLE HOUSING AT CLAY FARM Key Decision

1. Executive summary

- 1.1. Through 'self-financing' the Housing Revenue Account (HRA) provides the opportunity for Cambridge City Council (the Council) to consider owning and managing the Affordable Housing, up to 104 dwellings, on the Council's land at Clay Farm. Approval in principle is required to allow this opportunity to be included in the procurement process to select an organisation to dispose of and develop the General Fund's land at Clay Farm.
- 1.2. If the Affordable Housing to be delivered on the Council's Clay Farm site was not owned and managed by the Council the organisation selected to develop the site would seek bids from the Registered Provider market to purchase the Affordable Housing.
- 1.3. Different financial scenarios showing how the Council could purchase the Affordable Housing at Clay Farm are shown in Section 4 (a) below, which include various funding options.

2. Recommendations

The Executive Councillor is recommended:

- 2.1. To approve, in principle, for the Council to own and manage up to 104 Affordable Housing dwellings at Clay Farm.
- 2.2. To delegate authority to the Director of Customer and Community Services, in liaison with the Director of Resources and in consultation with the Executive Councillor for Housing and relevant Spokesperson, to approve an Affordable Housing scheme that meets the Council's required housing standards and is financially viable.

- 2.3. To delegate authority to the Director of Customer and Community Services, in consultation with the Executive Councillor for Housing and relevant Spokesperson, to execute the necessary legal documentation in respect of the Affordable Housing with the preferred partner, selected from the proper procurement process.

3. Background

- 3.1. Cambridge City Council General Fund owns the freehold of approximately 2.73 hectares of land within the wider Clay Farm development area on the Southern Fringe. This land will provide up to 209 dwellings. At the Strategy and Resources Committee on the 4 July 2011 the Executive Councillor for Customer Services and Resources approved that the Council will deliver a development of high quality design, with high levels of sustainability and 50% Affordable Housing on the Clay Farm site. This report seeks approval for the 50% Affordable Housing, up to 104 dwellings, to be owned and managed by City Homes under the HRA. The ownership and management of these dwellings has been made possible through the new 'self financing' regime.
- 3.2. In order for the Council to manage the possible 104 dwellings, an organisation must be selected to build the dwellings and deliver the rest of the development to the requirements of the Council. An Official Journal of the European Union (OJEU) compliant procurement process has begun to select an organisation to deliver the Council's requirements on the Council's land at Clay Farm. Executive Councillor for Housing approval is sought to enter into the necessary legal documentation in respect of the Affordable Housing, including a development agreement and a build contract, with the preferred partner, selected from the procurement process.
- 3.3. This report also seeks to gain approval, via delegated authority, to approve an Affordable Housing scheme, which is financially viable to the Council. This will require the HRA to purchase the Affordable Housing dwellings from the organisation selected through the OJEU process. This will affect the land value the General Fund will receive from that organisation. Therefore at the Strategy and Resources Scrutiny Committee on July 9 2012 the Executive Councillor for Customer Services and Resources will be requested to approve the principle of the Council owning and managing up to 104 Affordable Housing dwellings at Clay Farm. This will be subject to independent valuation that the price the HRA will pay for the Affordable Housing is

the market price, to ensure that the General Fund receives best value for its land.

4) Implications

a) Financial Implications

Initial financial modelling has been undertaken to understand the possible variations for the Council to provide the Affordable Housing at Clay Farm. Various scenarios have been modelled with the assumptions, funding routes and financial outcomes shown below. This initial modelling will inform the delegated decision as to how to finance the Affordable Housing scheme at Clay Farm.

i) General Assumptions

- Build cost: £1,450 per square metre
- Affordable Housing S106 (planning gain agreement) payment per unit: £18,552.94
- Market value of the sale dwellings: £3,767 per square metre
- The Council will retain a proportion of the capital receipts from Right to Buy completions from years 2012/13, 2013/14 and 2014/15, a total of 34 units (as forecast in the Asset Management Plan), and use this to fund 30% of the build cost of 34 new dwellings.
- The Council will borrow the balance of funding required.

ii) Rent Assumptions

The following rents, excluding service charges, have been assumed for the below scenarios:

Affordable Rent

1 bedroom flat:	£109.52 per week
2 bedroom flat:	£121.53 per week
3 bedroom flat:	£143.07 per week
2 bedroom house:	£121.53 per week
3 bedroom house:	£147.22 per week
4 bedroom house:	£195.19 per week

The above rents are approximately 65% of market rents.

Social Target Rent

1 bedroom flat:	£84.35 per week
2 bedroom flat:	£94.45 per week
3 bedroom flat:	£105.81 per week
2 bedroom house:	£98.22 per week
3 bedroom house:	£108.57 per week

4 bedroom house: £125.69 per week

The above social target rents have been based on Council properties in Trumpington ward. These are not new build properties, therefore it would be likely that these target rents could be increased to achieve a quicker pay back in Scenario 4 below.

iii) Scenarios

(1) Scenario 1

- 104 dwellings at Affordable Rents with 50% dwellings receiving £17,500 Homes and Communities Agency (HCA) grant per unit.

Funding

- | | |
|----------------------------|------------|
| ▪ HCA Grant: | 910,000 |
| ▪ Right to Buy Receipts: | 1,124,467 |
| ▪ Council Borrowing: | 11,360,189 |
| ▪ Shared Ownership Income: | 0 |

Financial Outcomes

- Breakeven: Year 1
- Payback: 34 years

(2) Scenario 2

- 104 dwellings at Affordable Rents with 100% dwellings receiving £33,550 HCA grant per unit.

Funding

- | | |
|----------------------------|-----------|
| ▪ HCA Grant: | 3,489,200 |
| ▪ Right to Buy Receipts: | 0 |
| ▪ Council Borrowing: | 9,905,456 |
| ▪ Shared Ownership Income: | 0 |

Financial Outcomes

- Breakeven: Year 1
- Payback: 30 years

(3) Scenario 3

- 78 dwellings at Affordable Rents with 52 units (the same as Scenario 1) receiving £17,500 HCA grant per unit.
- 26 dwellings as Shared Ownership properties
- Shared Ownership properties will be purchased at 50% of the market value and pay rent on the balancing 50%.

Funding

▪ HCA Grant:	910,000
▪ Right to Buy Receipts:	0
▪ Council Borrowing:	8,711,636
▪ Shared Ownership Income:	3,773,020

Financial Outcomes

- Breakeven: Year 1
- Payback: 30 years

(4)Scenario 4

- 52 dwellings at Social Target Rents
- 52 dwellings at Affordable Rents with 100% of these dwellings receiving £17,500 HCA grant per unit.

Funding

▪ HCA Grant:	910,000
▪ Right to Buy Receipts:	1,124,467
▪ Council Borrowing:	11,360,189
▪ Shared Ownership Income:	0

Financial Outcomes

- Breakeven: Year 9
- Payback: 38 years

(b) Staffing Implications

There will be a minimal requirement on the Enabling and Development team as the dwellings are being developed, with potential for a greater impact on City Homes, and Estates & Facilities once the dwellings have been built.

(c) Equal Opportunities Implications

An EQIA has been undertaken for the Council's new build programme as a whole which mainly highlighted the benefits of the Council retaining direct control of new housing development itself, to ensure a focus on the delivering of housing that meets a diverse range of housing needs.

(d) Environmental Implications

+M: to indicate that the proposal has a medium positive impact. This is due to the Council requiring sustainable standards to be above and beyond required through policy.

(e) Consultation

Please state what you have done / are planning to do by way of consultation

Consulted with City Homes South and Estates & Facilities.

(f) Community Safety

Not Applicable

5. Background papers

None

6. Appendices

None

7. Inspection of papers

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

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