



To: Executive Councillor for Housing (and Deputy Leader): Councillor Catherine Smart
Report by: Sabrina Walston: Enabling & Development Officer
Relevant scrutiny committee: Community 16/1/2013
Services
Scrutiny
Committee
Wards affected: Trumpington

**SCHEME SPECIFIC APPROVAL – QUAD (COUNCIL LAND AT CLAY FARM)
Key Decision**

1. Executive summary

This report presents the final scheme submitted for planning approval on the Quad development at Clay Farm; the cost of the Affordable Housing (AH) and how it can be funded.

The report highlights the options available for funding the AH scheme through Homes and Communities Agency grant, the opportunity to invest capital receipts from the Right to Buy (RTB) programme and borrowing.

In addition to the funding of this AH scheme, shared ownership is introduced as a tenure within the AH to create a mixed and balanced community.

2. Recommendations

The Executive Councillor is recommended:

- a. To note the scheme submitted for the planning application.
- b. To note the cost of the AH and approve the total budget for the scheme.
- c. To approve that Shared Ownership will comprise no more than 25% of the AH delivered on the Quad development.
- d. To approve delegated authority be given to the Director of Customer and Community Services following consultation with the Executive

Councillor for Housing, Chair and Spokes to agree the final funding structure for the delivery of the Affordable Housing on the Quad development, once there is more certainty regarding anticipated future Right to Buy receipts and the availability of HCA grant funding to the Council.

3. Background

Members have clearly expressed their expectations that the ownership of the land at Clay Farm presented the opportunity to deliver a development of quality design, with exemplar sustainability standards by achieving level 5 of the Code for Sustainable homes and BREEAM excellent on the commercial element, and a scheme that delivers 50% of the housing as AH. The procurement process to select a developer ensured that these goals will be achieved.

The Council has a conditional contract to sell the land at Clay Farm to Hill Residential Limited (Hill), which is now known as Quad. Please see Appendix 1 for the Masterplan of the site and an aerial view of the proposed development. The land is accounted for under the General Fund. At the June 2012 Community Services Scrutiny Committee the Executive Councillor for Housing approved that the Affordable Housing will be delivered by the Council and will be managed by City Homes.

It is proposed that 75% of the AH dwellings on Quad will be Affordable Rent and 25% of the AH dwellings will be Shared Ownership in line with the Council's Affordable Housing Supplementary Planning Document. Shared Ownership is a tenure that allows a household to purchase an equity share, an average of 44% in Cambridge City, of a dwelling. In this case the Council will retain the remaining equity and a rent will be paid to the Council on the unsold equity. The mix of tenure between rented and intermediate AH, together with the private dwellings, provides a good range for a mixed and balanced community.

4. Implications

(a) Financial Implications

The tender to select Hill fixed the cost of AH flats at £1,680 per square metre and houses at £1,400 per square metre. Therefore the build cost of the AH will be £13,408,640 plus £1,929,506 for the S106 payments and £871,492 for other fees. The budget required for the scheme is therefore £16,209,638.

Please see the tables below for the rent levels assumed in the financial modelling for the AH. These rents will part fund the repayment of any borrowing taken on by the Council. Both sets of rents have been inflated to 2015/16 levels. The Local Housing Allowance (LHA) figures are those at November 2013, therefore this is a slightly inaccurate comparison but no future LHA data is available. The final rents for the scheme will not be above Local Housing Allowance level.

Affordable Rent (AR) Levels

Dwelling Size	Rent per week	November LHA
1 Bed Flat	£129.53	£120.00
2 Bed Flat	£141.88	£137.97
3 Bed Duplex	£167.78	£160.37
4 Bed House	£222.07	£207.69

Shared Ownership Rent Levels

Dwelling Size	Equity Share Bought	Rent on Unsold Equity (70%)
1 Bed Flat	30%	£61.08
2 Bed Flat	30%	£90.33
3 Bed Duplex	30%	£117.45
4 Bed House	30%	£155.45

Quads AH Funding

There are several options to fund the AH on the Quad development. A proportion of the funding will be through borrowing. As the Council now has the ability to use RTB receipts to re-provide AH, these receipts can fund up to 30% of new build AR dwellings, but this funding is not available for Shared Ownership dwellings. The maximum RTB receipt that could be used to part fund the cost of delivering the AH is £3,580,546 on the Quad development, although obviously this figure is not certain as some costs are still estimated. At the end of September 2013, the Council has £2,422,617 of RTB receipts that are not yet committed to other schemes and are therefore available to be attributed to this project. Using RTB receipts at this level and borrowing the balance, ie scenario 2 below, is how this project has been accounted for in the Housing Revenue Account Budget Setting Report. Right to buy receipts continue to be received, and the Housing Revenue Account Budget Setting Report recognises that the any new receipts received will also be attributed to this project up to the estimated maximum of £3,580,546, as demonstrated in scenario 3.

The HCA has announced there will be an Affordable Housing Programme (AHP) 2015-18, which will allow Registered Providers (RP) to apply for grant funding. Cambridge City Council is an RP and therefore has the opportunity to bid for grant funding. The HCA has announced that it will publish the prospectus for the AHP 2015-18 bid round by the end of 2013, with bids to be made by April 2014. Once the Council has had sight of the prospectus a paper will be brought to the Community Services Scrutiny Committee for the Executive Councillor for Housing to decide if the Council should bid for grant funding. This scheme has the potential to benefit from any grant funding available and for the purposes of this report grant rates of £15,000 per AR dwelling and £10,000 per Shared Ownership dwelling have been assumed, which totals a maximum of £1,430,000 grant funding.

RTB receipts and grant funding cannot be used on the same dwellings, ie if RTB receipts can help fund 60% of the AH at Quads, then grant funding could only be attributable to 40% of the AH at Quads.

Some example funding scenarios are shown below. These are based on 75% AR and 25% Shared Ownership, where a 30% equity share has been bought, with the capital receipt for the sale of the share equating to £2,199,000 of the required funding in the early years of the project. Scenario 2 has been included in the Budget Setting Report for approval, with recognition that scenario 3 will be applied if further receipts are received. All scenarios within the below table are based on a cost of £16,209,638.

1. 100% borrowing
2. Currently available RTB receipts and the balance borrowing
3. Maximum RTB receipts and borrowing the balance
4. A mix of currently available RTB receipts, HCA grant on the remainder and borrowing the balance
5. Maximum HCA grant and borrowing the balance

Scenario	Borrowing £000	Shared Ownership Receipts, £000	RTB Receipts £000	HCA Grant £000	Payback (years)	Break even (years)
1	£14,011	£2,199	£0	£0	41	13
2	£11,588	£2,199	£2,423	£0	33	4
3	£10,430	£2,199	£3,581	£0	29	3
4	£11,223	£2,199	£2,423	£365	32	4
5	£12,581	£2,199	£0	£1,430	37	8

The basis of 30% equity share purchased is a pessimistic scenario. Therefore further funding scenarios have been modelled based on a 44% (the average equity share bought in Cambridge) and a 47% (the average equity bought at Clay Farm thus far) equity share purchase. This has the

effect of reducing the number of years taken to payback and breakeven for the project from the figures shown in the above table. These scenarios are available on request.

If a project has a payback period of 35 years or below it is considered to be an acceptable project in financial terms.

(b) **Staffing Implications** (if not covered in Consultations Section)

City Homes South will add 104 dwellings to their management.

(c) **Equal Opportunities Implications**

An EQIA has been carried out for the Council's new build programme overall.

(d) **Environmental Implications**

The Quad development will achieve a high standard of environmental sustainability at better than level 5 of the Code for Sustainable Homes.

(e) **Procurement**

The Council undertook a fully EU compliant procurement to select a developer that would be capable of delivering an exemplar scheme on the land at Clay Farm. Hill was selected as the developer and is now in a conditional contract to purchase the site.

(f) **Consultation and communication**

The Quad design was shown and a presentation given at the Sothern Fringe Community Forum. The residents' consultative group and Affordable Housing Member steering group have also been kept informed of the progress of the scheme on a number of occasions.

(g) **Community Safety**

Secured by Design will be achieved on Quads.

5. Background papers

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

Funding scenarios

EQIA

Housing Revenue Account Budget Setting Report

Shared Ownership Review

6. Appendices

Appendix 1: Quad site plan and elevations

7. Inspection of papers

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

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