



To: Leader of the Council – Lewis Herbert
Report by: Alan Carter – Head of Strategic Housing
Relevant scrutiny committee: Strategy 13 July 2015
and
Resources
Scrutiny
Committee
Wards affected: All

Title – Housing Development Agency Key Decision

It is recommended that the committee resolves to exclude the press and public during any discussion on the exempt section of the report by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006, as it contains commercially sensitive information.

1. Executive summary

This report proposes the establishment of a shared housing development service with the City Deal local authority partners (Cambridge City Council, South Cambridgeshire District Council and Cambridgeshire County Council).

The Housing Development Agency is proposed as an operational model through which the City Deal partners' collective resource in terms of land, finance and staff skills can be applied to complement the market driven housing development process and to smooth the peaks and troughs of market delivery.

As well as efficiency, there is the opportunity for the Housing Development Agency to deliver additional housing by working up schemes and partnerships around land and funding that would not otherwise happen.

The Business Case proposes a transition from existing small in-house teams managed independently by local authority partners to a single shared service model that will quickly deliver robust team capacity corralled to achieve a common purpose.

A target date to achieve a shared service is April 2016. In the interim it is proposed to establish a senior officer Board to oversee the transition that and that subsequently fit with the governance structure for shared services that is emerging across the local authorities as outlined in the separate report on shared services to this Committee (albeit that in this case the local authority partners are Cambridge City Council, South Cambridgeshire District Council and Cambridgeshire County Council as the concept of the shared service has evolved under the City Deal). Subject to the approval of the local authority partners it will be the intention to work collaboratively from August 2015 to bring together a shared list of projects that current staff can begin to work on while the due diligence is undertaken in respect of consultation with staff that may be affected.

2. Recommendations

The Leader of the Council is requested to approve the establishment of the Housing Development Agency under shared governance with the City Deal local authority partners (Cambridge City Council, South Cambridgeshire District Council and Cambridgeshire County Council)..

3. Background

The City Deal Board has approved in principle to pump-prime the funding of a Housing Development Agency (HDA).

The purpose of the HDA is to be a shared service, governed by the local authority partners to the City Deal (Cambridge City Council, South Cambridgeshire District Council and Cambridgeshire County Council) that will bring together a team with the required skills; knowledge and experience to efficiently and effectively;

- a. Make best use of land and funding made available by the City Deal partners to deliver new housing
- b. Acquire new housing land and deliver additional housing through innovative partnership and funding mechanisms

Appendix 1 shows the full Business Case for the HDA.

The HDA is not intended to own assets. However, there is the potential for a whole range of joint venture arrangements and development agreements to emerge led and facilitated by the HDA. These would combine the City Deal partners' resources to attract private finance investment and potentially involve other landowners, house-builders and developers and Registered Providers. As well as efficiency, there is the opportunity for the HDA to

deliver additionality by working up schemes and partnerships around land and funding that would not otherwise happen.

The establishment of a the HDA now will also ensure the City Deal partners are well placed to utilise and apply quickly any new resource or financial freedoms that may emerge in future.

The housing development process is market led with much affordable housing tied to the delivery of market housing through Planning policy. In the negotiations prior to the City Deal it was highlighted that to rely solely on private developers and house-builders and partner Registered Providers (housing associations) to deliver the Local Plan housing numbers, was a risk to further economic growth and therefore a risk to the City Deal. The complete collapse of new market house-building and consequential lack of provision of Affordable Housing during the 2008 economic downturn is evidence of this point.

The housing 'asks' argued through the City deal process were not agreed. Despite this, and continuing efforts to lobby for greater financial freedoms, the concept of a Housing Development Agency has evolved as an operational model as a response to the continuing pressures in the local housing market.

The Business Case proposes the following objectives for the HDA;

- a. To deliver the commitment contained within the City Deal to deliver an additional 1,000 dwellings on exception sites by 2031.
- b. To deliver the new homes identified in Cambridge City Council and South Cambridgeshire District Council approved Housing Revenue Accounts new build strategies – approximately 2,000 new homes.
- c. To deliver new homes for Ermine Street Housing, the new private limited company created by South Cambridgeshire District Council, subject to the approval of its long term plan – potentially approximately 1,000 new homes. (The City Council is also currently considering the investment of General Fund capital in Intermediate Housing)
- d. To act on land and funding opportunities proposed by the County Council and the University and Colleges meeting aspirations to retain a long term stake in any development and the draw down of revenue income streams.

4. Implications

(a) **Financial Implications**

There are three inter-related factors that will dictate the operation and financing of the HDA. Operational (revenue) costs can be covered by fees charged to each (capital) development scheme. The operational income will therefore be dependent on the number of schemes that the HDA is managing. The number of schemes that can be managed will, in turn, be dependent on the HDA team capacity (skills, knowledge and experience) available. An understanding of this circular relationship between number of schemes; fee income and Agency team staff capacity is fundamental to the Business Case and how the HDA is sustainable in the long term.

It should be noted that in practice a variable fee structure will apply depending on the type of scheme and the input required by the HDA to manage the scheme's delivery. For the purposes of the Business Case a flat rate 3% fee has been assumed.

The Business Case assumes the HDA will deliver a minimum of 4000 new homes to 2031 which equates to the completion of an average 250 per year.

The completion of 250 new homes a year would generate an annual income for the HDA of £1,350,000 based on the following assumptions;

Unit Cost - £180,000 per unit
Annual Capital Cost - £45m
Fee – 3% of Capital Cost

It is important to be clear that the control of each project specification, budget and approval remains with the land owning partner unless it is agreed otherwise. The authority of the land owning partner to proceed will be required at different stages of the development process. The 'milestone' decisions will vary from scheme to scheme and will need to be agreed as part of the Development Brief for each scheme. Each authority will only fund the HDA for schemes that the HDA delivers for each authority.

(b) **Staffing Implications**

The following HDA team is proposed to deliver at least 250 new homes a year. The HDA team would need to operate flexibly over the Greater Cambridge area but it is anticipated that each City Deal partner would have a senior person in the HDA as their 'account' manager.

Managing Director – overall managerial responsibility for the delivery of the City Deal objectives

Assistant Director – assist the Managing Director to develop and manage the HDA and assist with new business opportunities. Lead the delivery of some projects.

2 x Housing Development Managers – lead the delivery of teams and projects

3 x Housing Project Officers and Planning Officer – project manage schemes with the assistance of Trainees as directed by the managers.

3 x Trainee Project Officers – assist the project management of schemes

Commercial Director – lead on the marketing and sales of intermediate housing and where applicable market housing products delivered through the HDA.

2 x Sales and Development Administrator - peripatetic administrative support for the HDA

Helpfully the authorities are not starting from a zero base in terms of schemes, fee potential and staff. The Business Case for the HDA proposes a transition from existing small in-house teams managed independently by local authority partners to a single shared service model and how £400,000 pump-priming funding from City Deal facilitates this transition.

The Business Case details different options through which the HDA could be governed. The recommendation is to move as soon as possible to the shared service model. The recommendation is made on the basis that this will be the quickest route to establish the robust team capacity needed to achieve a common purpose and will minimise the due diligence in respect of human resource and legal work that would be required if it was decided to immediately set-up of a new legal company structure.

A target date to achieve a shared service is April 2016. In the interim it is proposed to establish a HDA Board made up of senior officers from the partner local authorities to oversee the transition to the full shared service. The HDA Board will subsequently fit within the wider governance structure for shared service that is emerging across the local authorities as outlined in the separate report on shared services to this Committee (albeit that in this case the partners are Cambridge City Council, South Cambridgeshire District Council and Cambridgeshire County Council as the concept of the shared service has evolved under the City Deal). Subject to the approval of the partners it will be the intention to work collaboratively from August 2015 to bring together a shared list of projects that current staff can begin to work

on while the due diligence is undertaken in respect of consultation with staff who may be affected. This will include consideration to the secondment of staff into the shadow HDA structure and to buy in other resource on a temporary basis to deliver existing projects and programmes.

The HDA Board will subsequently ensure that an annual business plan for the HDA is produced; monitor performance and spend against the operational budget; monitor and manage risks; and oversee the development of the service.

(c) Equality and Poverty Implications

There are no specific equality and poverty implications as a consequence of this proposal. Schemes that the HDA manages will be the subject of EQIAs.

(d) Environmental Implications

There are no specific environmental implications as a consequence of this proposal. These will be considered as part of the specification for each scheme that the HDA manages.

(e) Procurement

The HDA will be a public body and will therefore be subject to the same procurement regulations as each City Deal local authority partner.

(f) Consultation and communication

Consultation and communication has been mainly with City Deal partners and interested organisations such as Cambridge Ahead and the Local Enterprise Partnership.

(g) Community Safety

Community safety issues will be considered as part of the specification for each scheme that the HDA manages.

5. Background papers

None

6. Appendices

Appendix 1 - BUSINESS CASE FOR THE FORMATION OF THE GREATER CAMBRIDGE CITY DEAL HOUSING DEVELOPMENT AGENCY.

7. Inspection of papers

N/A

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

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