

Housing Scrutiny Committee

17 January 2018



NEW SOCIAL HOUSING ON MARKHAM CLOSE GARAGE SITE

To:

Councillor Kevin Price, Executive Councillor for Housing

Report by:

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Wards affected:

Queen Edith's

Key Decision

1. Executive Summary

- 1.1 A core objective for Cambridge City Council is increasing the supply of affordable housing in Cambridge.
- 1.2 The City Council has agreed a devolution deal with government to deliver 500 new Council homes over 5 years. These will be delivered as rented housing, let in accordance with the Council rent policy (where rent and service charges together do not exceed Local Housing Allowance levels). Homes will be owned and managed by Cambridge City Council and let on Cambridge City Council tenancies.
- 1.3 In 2016 the Strategy and Resources Scrutiny Committee approved the setting up of the Cambridge Investment Partnership (CIP) as a

mechanism for the Council to bring forward assets for development to provide sites for the delivery of new homes. This partnership brings with it the advantage of the experience and resources of the development partners and was established in January 2017.

- 1.4 At the Strategy & Resources Scrutiny Committee held on 9th October 2017 a mechanism for the development and delivery of sites with CIP was agreed and is being adopted for a number of sites.
- 1.5 The City Council has alternative procurement and delivery options which it is currently exploring and utilising for the delivery of affordable housing on sites in the City.
- 1.6 This report provides details of the indicative capacity of the site at 1-12 Garages, Markham Close. Originally highlighted on the Development Rolling Programme (updated HSC June 2017) it was estimated that this site has the potential to deliver 2 affordable homes. Following a more detailed inspection this has now been revised to 4 No. 1 bedroom flats.
- 1.7 The site is to be brought forward in the Council's New Housing Development programme and will be included in the Housing Revenue Account (HRA). It is recommended the site is delivered with CIP as the Council's development partner (following the decision flow process as agreed by Strategy and Resources Committee in October 2017) as part of the overarching housing Investment Programme which includes the delivery of the 500 new homes under the devolution deal.
- 1.8 The report seeks approval of a capital budget for the HRA based on the indicative capacity study which has been undertaken for the site and the outline appraisals referenced in this report.

2. Recommendations

The Executive Councillor is recommended to:

- 2.1 Note the indicative mix of the proposed scheme
- 2.2 Approve the indicative capital budget of £855,190 to cover all construction costs, professional fees and associated fees to deliver a scheme that meets an identified housing need in Cambridge City. This sum has been allocated in the most recent publication of the Budget Setting Report (January 2018).

- 2.3 Approve that the site is offered to CIP to progress for development to deliver a scheme which will meet the strategic aims of the Council in the delivery of new social housing. The scheme will be developed in accordance with the CIP process which was approved at S&R Committee on 9th October 2017.
- 2.4 Note that the Executive Councillor has a delegated authority to approve the transfer of land to CIP for the redevelopment of the site at a later date. This will be subject to CIP demonstrating that its development proposal meets the Council's strategic aims for the site and the development and delivery milestones are in accordance with the CIP Approvals Process agreed at S+R Committee on 9th October 2017.

3. Background

- 3.1. Tackling the City's housing crisis is a corporate objective. As the main provider of social and affordable housing in Cambridge, the Council has established a new build programme to:
- a) Provide additional social housing to meet housing needs in Cambridge and to replace social housing sold through the Right to Buy.
 - b) Replace some of the Council's existing social housing that no longer meets current day housing expectations and is becoming less popular with residents due to size and often being hard to heat (increasing the impact of fuel poverty)..
 - c) Build new house types that will better meet the overall mix of Affordable Housing needed in the future.
 - d) Improve the energy efficiency of the Council's housing.
- 3.2 As part of the Cambridgeshire and Peterborough Combined Authority devolution deal, the Council now has funding to deliver 500 Council rented homes. Some of these homes will be delivered on sites which already include existing Council housing or garages, whilst others will be delivered on larger mixed-use sites, including homes for private sale and commercial premises.

Officers have identified potential sites which could be developed to provide social housing and have categorised new schemes opportunities in terms of land ownership as follows;

- a. Housing Revenue Account (HRA) land with existing housing
- b. HRA garage and small in-fill sites
- c. General Fund sites
- d. Sites owned by other public sector bodies
- e. Sites in private ownership

As part of the devolution deal Cambridge City Council has committed to providing 500 new homes over 5 years; developing the site at Markham Close will deliver affordable housing which will contribute to reaching the target. The site is identified in the 3 Year Rolling Programme under category b) above. The new social housing which it is proposed will be delivered on the site has been assessed as being for rent at Affordable Rents set at rent no greater than the Local Housing Allowance levels.

- 3.3 The site at Markham Close has been identified as suitable for development due to long term garage voids. If the garages are not let and are not generating any rental income, the ongoing repairs and maintenance costs will be treated as a sunk cost and cannot be offset against rental income. In recent years garages in older blocks have become less popular for the storage of vehicles due to the smaller sizes of these garages which makes them less suited to larger, modern vehicles. Development on this site does not require any redevelopment of existing housing.

The site consists of 12 No. garages, all of which are available for rent from the Council; currently 7 No. are vacant and 5 No. are let to residents within 1km of the site. Vacant possession of garage sites can be achieved relatively quickly with a notice period of 2 weeks minimum required.

Appendix 1 provides a location plan of the site.

- 3.4 Local Housing Need

There is a recognised need for more affordable housing across the city. The table below demonstrates the number of households on the Housing Needs Register as of October 2017. There are currently 1639 households in need of a 1 bedroom property, progressing this scheme will help in meeting the needs of those on the waiting list.

| Cambridge City | 1bed | 2 bed | 3 bed | 4 bed |
|----------------|------|-------|-------|-------|
| | 1639 | 736 | 216 | 58 |

This site is situated adjacent to existing housing in City Council ownership and provides an opportunity for the Council to deliver one bedroom accommodation in an area of high need where there is already a high proportion of family homes.

4. Site Details

4.1 Site Constraints and Opportunities



- The 0.07 hectare site contains garages along the southern boundary with the remainder of the site providing hardstanding and additional parking.
- To the north, beyond the site boundary is a footpath and large commercial unit.
- The site is otherwise surrounded by existing houses and flats. Those hatched purple on the above plan are in CCC ownership and those hatched green are privately owned.
- The existing access is narrow but has been functioning as an access to the garages.

4.2 The following surveys and investigations have been undertaken as part of the feasibility work for investigating the viability of the site for development:

Asbestos
Flood Risk
Contamination
Ecology
Party Wall matters
Ground Contamination

The key issue identified from these investigations confirm the need for further invasive ground and soil investigations (previous experience on garage site developments has shown evidence of soil contamination). Following early identification of this issue there are strategies in place to manage and mitigate the impact on timescales and costs.

4.3 Planning Feedback

Early advice was sought from planning consultants in relation to the planning opportunities and constraints on this site including, but not limited to flood risk, highways, residential amenity and heritage considerations.

Issues arising from the planning appraisal undertaken are noted below:

- Proximity to adjacent properties to avoid overlooking issues and shadowing
- Existing access use that serves neighbouring properties
- Impact of narrow access to be considered and taking account of existing access points

It is concluded that overall, through considerate design it would be possible to address the planning concerns and achieve a deliverable scheme in this location.

Following Pre-app meetings held between the HDA team and the planners the following feedback has been received:

- Layout of indicative capacity scheme is acceptable
- Consideration needed for existing access road and possibility of increased width

The HDA team is working with County Council Highways officers to explore the issues and options available for the access road and will negotiate with City Homes for additional garden land to accommodate greater width or a passing space, if required.

4.4 Site Options

As part of the feasibility study and options analysis work undertaken in assessing the viability of delivering affordable housing on the site, a number of options were considered which are set out below.

4.4.1 Retain existing garages

- Low demand can be attributed in part to the small size of garages that are not suitable for large modern cars.
- Located in a secluded area with limited overlooking and natural surveillance that often leads to increased risks of anti-social behaviour.
- Continuing management challenges and rising maintenance costs would not be commercially viable with the limited rental receipts, therefore making retention a less financially attractive option.

4.4.2 Demolish and leave for parking

- Secluded location with limited natural surveillance is likely to lead to limited use for parking by local residents.

- Risk of anti-social behaviour and fly-tipping would bring additional costs.
- There will be no rental receipt to support this expenditure.

4.4.3 Disposal for capital receipt without planning permission

- Agreeing a valuation for the site and a potential capital receipt which could be achieved by the City Council if it were to dispose of the site for development without planning consent will require the procurement of further professional advice with associated costs and timescales.
- Capital receipt will be lower without a planning permission.
- Receipt from land sale will not deliver 4 new affordable homes that could otherwise be delivered on this site.

4.4.4 Disposal for capital receipt with planning permission

- Agreeing a valuation for the site and a potential capital receipt that could be generated if the City Council were to obtain planning consent prior to disposal will require the procurement of further professional advice with associated costs and timescales.
- Capital receipt will be higher on a site with planning permission; however there are no guarantees on sale timescales and this route will not deliver 4 new affordable homes.
- Consideration needs to be given to the costs and timescales of achieving planning and a sale receipt.

4.4.5 Develop for HRA housing

- Addresses the housing need identified in an area of existing housing stock, delivering units which will contribute towards the devolution funded new build programme with the delivery of 4 No. 1 bed new affordable homes.
- Increased housing stock and rental receipts provides a financial platform to support future development opportunities for the City Council's HRA stock.
- The HDA team's development work is ongoing with design and planning matters progressing, realistically a start on site could be achieved in Summer 2018 subject to the current programme milestones being maintained.

From the options considered in this section, option 4.4.5 is the most viable and supportable and responds directly to the corporate objective of tackling the city's housing crisis and delivering our planning objectives.

4.5 Design and Sustainability

An affordable housing scheme would be based on the Council's adopted design standards and the Cambridge Sustainability Housing Design Guide (link [here](#)). CIP has adopted these design requirements as its minimum standard.

5. Financial Implications

Developing for HRA Housing

5.1 Development and Delivery Options

As part of the scheme viability appraisal, consideration has been given to the alternative options available to the HRA in order to achieve the delivery of new affordable housing as identified in 4.4.5 above.

5.1.1 Procurement of a contractor through a traditional tender process to be employed on a JCT Design and Build Contract

In accordance with Cambridge City Council's procurement requirements, a tender process would be conducted through Due North.

- It is anticipated that this will take in the region of 6 months from receipt of a planning approval until a contractor is identified and appointed.
- The milestones and costs associated with obtaining a planning approval will need to be allowed for.
- Planning Permission is expected to take a minimum of 3 months from submission and validation. It is unlikely that work will start on site for a further 4- 6 weeks after the appointment of the contractor, to allow for the discharge of pre-commencement planning conditions and contractor's mobilisation.
- Assuming a planning submission was made in January 2018 and factoring in the timescales referred to above a realistic start on site would be November/December 2018.

5.1.2 Procurement of a contractor using the South Cambridgeshire District Council Framework

SCDC have a framework in place of approved contractors that could be approached to tender for this development opportunity. However, timescales are likely to be similar to procuring through Due North.

5.1.3 In-house construction by Estates and Facilities

Estates and Facilities are currently constructing 2 No. 2 bed houses on a site at Uphall Road. The scheme is nearing completion and is expected to be handed over early in 2018. An additional site at Kendal Way has been identified and works are expected to start at this scheme in spring 2018.

Utilising this delivery mechanism for the site at Markham Close would have the following advantages:

- Using in house staff retains skills and provides opportunities for personal development.
- Expectation of a reduced lead in time over traditional procurement, however detailed design and specification documentation is still required.

However;

- The process of achieving planning permission would still be up to 3 months and would be managed by the with professional input and associated additional professional fees.
- Assuming a planning application was made in January 2018 a start on site could possibly be achieved in September 2018.
- This delivery option is not considered to be appropriate for the Markham Close site due to the existing commitments of the Estates & Facilities team on other HRA developments at this time. This is a lightly larger scheme than the projects currently being undertaken. In addition an independent professional review is required for the pilot projects to assess costs and programme delivery against a matrix of criteria to ensure value for money and timely delivery. Consideration will also need to be given to

assessing the future resourcing capacity and capability of the team in undertaking additional projects.

5.1.4 Offer the site to CIP for development

In accordance with the CIP Process approved at S+R Committee on 9th October 2017, sites can be considered for development with the Council's Investment Partner, subject to Executive Councillor approval. The benefits of this process are highlighted below.

- It is anticipated economies of scale will be achieved when multiple sites are developed in succession/concurrently and delivered as a bundle of sites with a phased delivery. CIP is currently working on the development of 5 other HRA sites, adding this site to the delivery programme will contribute to a reduction in overheads and prelims costs across the programme.
- There are programme benefits to be considered as schemes developed with CIP will utilise existing supply chains and reduce delivery timescales.
- Developing schemes with CIP shares risk and creates an opportunity to progress detailed design whilst a scheme is still in the planning system.
- A target date for the submission of a planning application for the site is January 2018. Based on a planning determination period of 8 weeks from validation it is likely that a start on site can be achieved in August 2018. However; subject to the progression of the 5 sites in the CIP delivery programme through the planning process there is scope for this scheme to be on site earlier in the summer.
- Time constraints and the need to expend both Right to Buy receipts and progress with Devolution funded development create significant programme and delivery challenges. Working with CIP to deliver the scheme provides a development and delivery vehicle which will mitigate potential programme risks and expedite the financial spend.

5.2 Budget

The indicative capital budget of £855,190 is allocated for the development of the site at Markham Close in the most recent publication of the BSR (January 2018).

In addition to the construction costs this sum includes pre and post statutory planning fees, professional consultant fees, survey and site investigation costs and other associated costs, including HDA fees and SDLT.

The Housing Revenue Account Mid-Term Financial Review captures the funding available for the ongoing social housing programme. It is proposed the budget for this scheme will utilise funding of £256.557 (30% of the total indicative scheme costs) from Right to Buy receipts, which must be expended to prevent them from being lost. It is then proposed to utilise devolution grant to fund the remaining 70% of the total indicative scheme costs.

5.3 Value for Money / CIP Programme Delivery

The cost plan produced for the scheme by CIP has been reviewed and analysed by an independent cost consultant as part of an exercise to review and assess the costs for the CIP delivery programme of sites. The costs have been benchmarked against current market conditions to assess whether delivery with CIP will demonstrate value for money.

This review was high level, the following points were noted:

- Inflation and contingency costs could be challenged – however, it was accepted that the scheme is at an early stage in the design process which is reflected in the risk pricing for elements of the cost plan. As the detailed design for the scheme is progressed certain categories of costs may reduce as design risks are either mitigated or designed out
- CIP overheads and prelim costs for delivering the scheme as part of a programme of sites are in line with industry norms. In the event that further schemes are added to the programme there is the possibility of achieving further efficiencies as overhead and prelim costs are spread across a greater number of developments. There are future schemes in the pipeline that if added to the programme could contribute to achieving further economies of scale.

There is an overriding focus on achieving an effective and timely spend on both the devolution funding and RTB receipts. The offer of this site

to the CIP delivery programme will provide the opportunity to manage development with an established team to contribute to the overall target of 500 new homes.

6. Implications

(a) Staffing Implications

The schemes will initially be managed by the Housing Development Agency following liaison with City Homes; the Estates and Facilities Service and the Legal Services Team.

Subject to approval and in accordance with the principles for developing a site through the CIP process which are set out in earlier sections of the report; all matters relating to the development of this scheme are managed by CIP including the provision of staff. The costs associated with this are managed as part of the CIP business. Staff from both investment partners (CCC and Hill Investment Partnership) work collaboratively to achieve successful outcomes for the partners. A benefit of the Investment Partnership is the provision of experienced professional resources from both partners to support delivery and meet the partners' objectives.

There are no other significant staff implications.

(b) Equality and Poverty Implications

A series of EQIAs have been undertaken for the Council House Programme, the Housing Development Service and for individual schemes. The EQIAs mainly highlight the benefits of the Council retaining direct control of new housing development itself to ensure a focus on the delivery of housing that meets a diverse range of housing needs. Part of the assessment underlines the need for Affordable Housing to help those most likely to suffer poverty as well as ways in which new Affordable Housing will directly save money for tenants, such as energy saving measures.

(c) Environmental Implications

The social housing will be built in accordance with the Cambridge Sustainable Housing Design Guide, which equates to the equivalent of code Level 4 for sustainable homes.

(d) Procurement Implications

It is proposed that the site will be offered to Cambridge Investment Partnership for development in accordance with the agreed process. This

provides an opportunity to achieve delivery in a timely manner using a programme approach to manage spend of devolution and RTB monies in accordance with prescribed timescales.

(e) Community Safety Implications

There are no recognised implications on Community Safety with the proposed developments.

6. Consultation and communication considerations

This scheme does not involve the redevelopment of existing residential accommodation. However, neighbouring residents whose homes adjoin the site have been made aware that the Council is considering the site for redevelopment. The Council will propose to work closely with neighbouring residents to ensure they are well informed of the development proposals.

Internal communication will be structured around the established groups that meet every Committee cycle and oversee the Council's social housing programme, namely; an officer group; a residents consultative group; and the Members Steering Group.

7. Background papers

None

8. Appendices

Appendix 1 – Site Location plan and red line of proposed transfer

9. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Nicola Hillier, Assistant Managing Director - Housing Development Agency, tel: 01223 - 457923, email: nicola.hillier@cambridge.gov.uk.

Appendix 1 – Site location

