

CROMWELL ROAD PROJECT UPDATE



Cambridge City Council

Item

To: Executive Councillor for Housing
Report by: Fiona Bryant Strategic Director
Relevant scrutiny committee: Housing Scrutiny Committee 27/09/2018
Wards affected: Romsey

Strategic Development of Cromwell Road Site

'Appendix 3 attached to this report contain exempt information during which the public is likely to be excluded from the meeting subject to determination by the Scrutiny Committee following consideration of a public interest test. This exclusion would be made under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.'

Key Decision

1. Executive Summary

1.1 A core objective for Cambridge City Council is tackling the housing crisis in Cambridge. 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 replace social housing lost through Right to Buy.
- b) Replace existing council social housing that no longer meets current standards or is becoming less popular with residents due to factors relating to space and the impact of fuel poverty.
- c) Build new house types that will better meet the overall mix of Future Affordable Housing needs.
- d) Improve the energy efficiency of the Council's housing stock.

- 1.5 In 2016 the Strategy and Resources Scrutiny Committee approved setting up the Cambridge Investment Partnership (CIP) as a mechanism for the Council to bring forward assets for development including sites for the delivery of new homes under the devolution programme. The CIP was established in January 2017. The partnership brings with it the advantage of the experience and resources of the development partners which is beneficial on large and complex sites such as the Cromwell Road site.
- 1.6 The principles governing the approvals process for sites which are developed with CIP were approved at Strategy & Resources Scrutiny Committee on 9th October 2017 and are set out in Appendix 2
- 1.7 At the Strategy & Resources Committee on 19th March 2018 the Executive Councillor for Finance & Resources approved a recommendation for the submission of a bid of not more than £27M for the Council to buy the land at Cromwell Road. Approval was also given for CIP to develop the site in accordance with the principles set out in the CIP process report.
- 1.8 Outline planning permission was granted for the site in February 2018.

- 1.9 In accordance with the principles set out in Appendix 2 and the CIP Board approval of a Project Plan; this report outlines the key elements of the CIP development proposal including a summary investment plan. The paper makes recommendations for CIP to develop the site for housing delivery as part of an overall programme to deliver the 500 new Council homes.

2. Recommendations

The Executive Councillor is recommended to:

- 2.1 Note the update on the purchase of the land at Cromwell Road.
- 2.2 To note the addition of the land at Cromwell Road as a development site in the Housing Investment Programme as proposed in the report on the programme presented to this committee
- 2.3 Approve the Strategic Development Brief for Housing Development and Delivery on the site. The land will be developed in accordance with CIP's strategic development brief for the site, the Council's strategic and corporate objectives and with the output from the public consultation and pre application planning process. The land will be transferred to CIP for development by appropriate lease in line with the development land transfer model approved by Executive Cllr following Strategy and Resources Scrutiny Committee in October 2017.
- 2.4 Note the requirements in the S106 Agreement and set out in section 4.10 of this report which were approved as part of the Outline Planning Approval for the site relating to Early Years provision; and also note CIPs intention to explore providing a flexible nursery space which could also be used for community purposes.
- 2.5 Approve CIPs intention to submit a new planning application in relation to the site.

- 2.7 The Executive Councillor for Housing and the Executive Councillor for Finance and Resources are recommended to:

Approve the indicative proposed investment plan for Cromwell Road outlined in confidential Appendix 3, with the high level commitments associated with the General Fund and HRA. The investment plan will be refined in line with final project plans post planning permission determination and approval by the CIP Board, with the Council's funding built in to the relevant Budget Setting Report.

3. Background and Context

- 3.1. The Cromwell Road site comprises 3.31ha off Coldhams Lane. The site abuts Cavendish Road and is adjacent to the northern boundary of the Mill Road Area of the Central Conservation area. The site was previously in the ownership of the Ridgeon's family and was used as a Builders' Merchant's yard until the site was vacated in January 2018.
- 3.2 In March 2018 the Executive Councillor for Strategy and Transformation approved a recommendation for CIP to act as the Council's agent in submitting a bid to a maximum value of not more than £27M, with associated purchase costs, for the purchase of the land at Cromwell Road. The intention was that if the bid was successful the site would be included in the Housing Investment Programme and would be developed as a site which would contribute to the overall programme target of 500 Council homes.
- 3.3 The bid was based on the Council achieving vacant possession and completing the purchase of the site by the end of June 2018; and delivering a minimum of 245 housing units based on the outline planning consent approved at Planning Committee in February 2018.

- 3.3 The 3.31 hectare Cromwell Road site is a proposed allocation in the Draft Local Plan 2014 (site R12). The draft allocation identifies the site as being suitable for housing. A draft Planning and Development Brief Supplementary Planning Document (SPD) was approved by the Development Plan Scrutiny Sub-Committee in July 2016 and forms the basis for the development of the site.
- 3.4 The purchase of the site was completed on 22nd June 2018 at a cost of £27M which was funded by a £10.8M contribution from HRA and £16.2M from General Fund reserves, with associated purchase costs including VAT.

4. CIP Development Proposal

- 4.1 Tackling the City's housing crisis is a corporate objective; maximising the development opportunity of sites in the Council's ownership for viable delivery of social rented homes is a key strategic aim. CIP has worked with the Council to address these objectives and incorporate them into the strategic brief for the scheme and the development of the site.
- 4.2 In July 2018 CIP appointed architects Pollard Thomas Edwards "PTE" with a view to developing an appropriate scheme. Working with the Council, stakeholders and the Local Planning Authority a scheme is being developed for public consultation that addresses the SPD objectives and exceeds the requirements where possible.
- 4.3 CIP is working with PTE and Carter Jonas (CIP Planning Consultants) to develop options for the site as part of the process to finalise a proposal which will be planning policy compliant and will meet the strategic development brief for the site.
- 4.4 CIP and the Council propose holding a public consultation on the design and development proposals for the site in October 2018. The output

from the consultation process will inform the final proposals submitted for planning approval.

- 4.5 CIP is developing a pre planning programme based on the submission of a demolitions application at the end of September 2018 and a reserved matters planning application in December 2018.
- 4.6 The Cromwell Road SPD established a framework for the development of the site. This was then interpreted in an illustrative master plan and outline parameter plans within the approved outline application for 245 homes. These plans proposed a minimum of 0.6 hectares of open space, buildings of up to 6 storeys' and 40% affordable housing. Key features to note:
 - 245 dwellings providing a mix of sizes and types for market sale and affordable housing
 - Main vehicular access into site from Cromwell Road
 - Secondary pedestrian and cycle access from Cromwell Rd and Cavendish Rd
 - Design and layout of blocks of housing based on primary frontages around a central open space with a central spine road
 - 3 storeys along the eastern and southern boundaries
 - 6 storeys along the western boundary adjacent to the railway line

4.7 CIP Indicative Development Proposal

The Development Proposal is currently subject to scheme viability factors and pre planning/design development factors. The scheme is currently at early Concept Design Stage:-

- Up to 295 new homes of which a minimum to be 40% for Council rent (defined locally as rents at no greater than Local Housing Allowance levels). The new housing stock will be owned and managed through the Council's Housing Revenue Account (HRA) and will be let as secure local authority tenancies.
- A financial model demonstrating appropriate viability for proposed scheme

- HD A Team Strategic Development Brief (provided in conjunction with Housing Management Team input) informs design development
- Quality open space representing 28% of the total site area
- Car Storage at a ratio between 1.0 and 0.65 per dwelling, in line with local area ratios, including some basement and on street parking (including disabled provision)
- Cycle parking and Chisholm Trail
- The design criteria underpinning the development proposal are in line with Cambridge Sustainable Housing Design Guide, and the proposed development will exceed the criteria where possible
- Additional sustainability features likely to include, for example, rainwater gardens and planted swales, energy efficient communal heating and solar panels

4.8 To meet the needs profile of applicants on the Housing Register and to achieve an increased number of affordable units on the site it will be necessary to deliver an increased ratio of 1 and 2 bed units.

4.9 The proposed development options currently being modelled have a higher-than-usual proportion of one and two bedroom affordable units included. This deviates from Cambridge City Council's Draft Affordable Housing Supplementary Planning Document, May 2014. One of the fundamental reasons for this is to try and address increasingly unmet need from the housing needs register. The following figures illustrate this:

- 65% of applicants on the housing register are seeking one bedroom properties (63% of these – 964 - are in 'reasonable preference categories' i.e. bands A, b or C)
- 25% of applicants are seeking two bedroom properties and 51% (300 households) of these are in reasonable preference categories.

Although many with one bed entitlement are in band C, this group provides the lion's share of the Council's homeless applicants, which suggests that many band Cs are in very insecure housing situations as illustrated below:

- 58% of those making homeless applications are seeking one bedroom accommodation

- 25% of those making homeless applications are seeking two bedroom accommodation

The gap between need and supply is most stark in terms of one bedroom properties; one beds only account for 26.47% of the Council's current housing stock.

- 4.10 There is a risk associated with having a high proliferation of 1 bedroom properties on larger sites such as Mill Road and Cromwell Road; proportionally, more vulnerable households are in one bedroom need categories. The Council intends to mitigate this risk by introducing a local lettings plan at first tenancy lets as a minimum. This could possibly include a requirement to insist that a high percentage of those allocated have at least one household member in work. The housing register statistics suggest that this is achievable with 60% of 1 bed lead applicants and 64% of 2 bed lead applicants in work.

In terms of the current breakdown of Cambridge City Council housing stock one beds only account for 26.47% of current stock.

4.11 S106 Community Provision

The agreed S106 for the outline scheme requires

- that the scheme makes provision for early years nursery facilities on site or by a financial contribution towards offsite provision
- that there is provision for circa 286sqm of community space which is to be secured either on site or by a contribution towards offsite provision; potentially to the Mill Rd Depot site
- A sum of £367,186 plus indexation is identified

CIP is working with the Council and community stakeholders to develop the proposals for the site in accordance with the Community Centre Strategy and S106 requirements and focussing on the early year's provision which needs to be designed and delivered in a manner which maximises the flexibility of the space. The S106 requirements will be adjusted with the scheme design changes.

In line with the strategy the proposal is for the main provision of community space to be provided through the in-perpetuity facility to be developed at the Mill Road Depot site. In total S106 funding circa £700,000 has been allocated for the development of this facility through the current S106 agreements for both the Cromwell Road and Mill

Road sites alongside a sum of £75,000 which was approved by the Executive Councillor for Communities following the June 2018 Environment and Community Scrutiny Committee. Officers are currently reviewing the final proposals for this facility in line with the amended scheme for the front part of the Mill Road Depot site and the proposed scheme for this site at Cromwell Road.

5.0 The Project Plan and Funding Package

- 5.1 In line with the strategic objectives for the site and the Council's wish to maximise affordable housing delivery on the site, CIP modelled a number of options for the development.
- 5.2 The Project Plan was approved by the CIP Board on 18th September 2018 and will be updated as required through the CIP governance structure.

5.3 The Financial Model

The CIP financial model for the development is based on the following assumptions:

- An independent valuation of the land based on RICS Red Book valuation was undertaken as part of the due diligence for the purchase of the site. A further valuation will be commissioned as part of the final viability and appraisal modelling
- 40% of the costs will be met by CIP partners (20% Council and 20% Hill Investment Partnership)
- The residual 60% will be met by borrowings, as agreed by partners
- Income derived from sales will be assigned to partners in line with their inputs
- Surplus shared 50:50

- 5.4 The indicative investment plan included with the project plan contains commercially sensitive information and therefore is included as a confidential paper in Appendix 3.

6.0 Risks

Officers have considered the risks associated with the development and delivery of the proposed scheme and have identified the following:

Description of risk	Likelihood	Impact	Mitigation
Not achieving the 500 homes target: This scheme contributes significantly to meeting the target which is a key Council priority	Low- Current programme has a large proportion of these homes identified.	Med- impact would be delivery of a lower number of much needed homes and reputational risk in the Council's ability to deliver and therefore attract grant in the future.	The H DA is working with partners to bring forward schemes in line with programme requirements. Quarterly reports on progress will be submitted to the HSC and, following scrutiny committee, to the Combined Authority in line with programme reporting frameworks
Increased Costs above budget: Indicative costs are set out in the confidential appendices to the report. Further work including site investigations have been commissioned by CIP and will inform the final cost plan. Market conditions in the construction industry can also impact on estimated costs.	Med- further investigations could uncover unknown issues	Med-. Delays to start on site and contract negotiations leading to the potential increase in costs and reducing the surplus for CIP partners	Ensure all site surveys are as accurate as they can be. CIP has implemented a survey tracker and is working with a Planning Consultant and Technical Advisers. CIP has engaged an Employers Agent to scrutinise costs and to manage quality assurance processes which have an impact on life-cycle costs.
Planning not achieved for a viable scheme: The planning application will be subject to the observations of consultees, the assessment of	Med- proposals above existing outline permission, current scheme has been through a number of Pre Application discussions with	High- Potential change in unit mix and reduction in numbers	The indicative scheme will continue to be developed in response to the comments received from the pre-application discussions with the LPA which have been carried out. Further discussions will be carried

planning officers, and ultimately the decision of the Planning Committee.	Planning		out.
Scheme being unviable: the viability of the scheme is reliant on assumptions on cost and income. Any change in this may render the scheme unviable. T	Med- subject to planning and final costs. Income for the affordable housing is fixed however sales are subject to changing market conditions.	High- if the scheme is not viable delivery may not be achieved without further interventions.	Sales value assumptions are based on local market research and utilising the expertise within our CIP partner Hill. Pre app meetings have taken place with the planning department.

7.0 Next Steps

- 7.1 Subject to approval of this report and the outcomes of the consultation process in October 2018, CIP will finalise a detailed full planning application with the intention of making a submission to the Planning Authority in December 2018. An earlier application for Demolitions will be submitted at the end of September 2018.
- 7.2 It is anticipated that a planning decision will be determined in March 2019.

8.0 Implications

(a) Financial Implications

All information regarding the financial implications is included in the confidential Appendix 3

(b) Staffing Implications

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 Cromwell Road 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.

(c) Equality and Poverty Implications

Development of new Council Housing in sustainable locations supports people in housing need to settle and participate in Cambridge society. Many of these people are vulnerable and their wider needs are supported by this process. The development framework for new housing delivered by the Council was approved at the Housing Scrutiny Committee in March 2017 and was informed by an EQIA. This development does not require any tenants to decant and/or relocate.

(d) Environmental Implications

The redevelopment of this site is subject to a full planning application and will be subject to planning conditions with specific regard to environmental assessments and implications. There are no environmental implications relevant to the proposed transfer of the land to CIP.

(e) Procurement Implications

As set out in Appendix 2, Cambridge City Council approved the establishment of the Investment Partnership in January 2017. The development process managed by the CIP Investment Team utilises Hill Group procurement framework and existing supply chain to achieve best value. The CIP model is robust in its governance and decision making processes and provides a sound model for more accelerated development and delivery of its Council partner's assets.

(f) Consultation and Communication

A full consultation strategy will be put in place this will include a community consultation in October to get initial public feedback to the proposals.

(g) Community Safety Implications

There are no community safety implications for this report.

9. Background papers

No background papers were used in the preparation of this report.

10. Appendices

- (a) Appendix 1 – Scheme proposals
- (b) Appendix 2 – Cambridge Investment Partnership (CIP)
- (c) Appendix 3 – Confidential

11. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Fiona Bryant, tel: 01223 – 457325 email: fiona.bryant@cambridge.gov.uk.

Appendix 2

The Cambridge Investment Partnership (CIP)

In July 2016 Cambridge City Council Strategy and Resources Committee approved a recommendation to establish an Investment Partnership. The Leader approved setting up an Investment Partnership to optimise the use of the Council's property through investment in commercial, residential and other uses to achieve both social and financial returns.

After an assessment by a panel of external consultants and internal officers from the Council, Hill Investment Partnerships (HIP) was selected from a shortlist of companies to form the Cambridge Investment Partnership (CIP) with the City Council.

The Partnership is an equal, 50:50 Limited Liability Partnership (LLP). The investment partnership model provides an opportunity for the Council to benefit from the experience and additional resource that a development partner can bring. Each partner shares the outputs (financial and social) in proportion to the value of its input, and therefore the model allows the partners to share the development risk and the development uplift arising from a scheme. A higher percentage of development uplift in a scheme procured through an alternative single developer route, would be paid directly to the developer

The agreed objectives of CIP as set out in the Members Agreement are:

- Investment in the development of land to create successful new places that meet both the financial objectives (primarily a revenue return) and social objectives of the Cambridge City Council (particularly housing that is affordable and is needed locally), provided always that the individual sites may be developed to meet either financial or social objectives;
- Improve the use of Council assets and those of other Public Sector Bodies in the Cambridge, or Cambridge wide, area;
- Maximise financial return through enhanced asset value,(with reference to the first bullet above)
- Provide a return to the Investment Partners commensurate to their investment and the level of risk in respect to such investment.

The business of CIP is conducted in accordance with the governance processes and procedures which are set out in the Members Agreement. Cambridge City Council is represented on the CIP Board by Executive Councillor for Finance and Resources and the Executive Councillor for Housing, Hills Investment Partnership is represented by two Directors of Hill Investment Partnership.

The process by which schemes are identified and offered to CIP for development was approved in a Report which was presented to Strategy + Resources Scrutiny Committee on 9th October 2017.