



Item

**PRINCIPLES FOR THE NEW BUILD HOUSING
PROGRAMME: 2022-2032**

To:

Councillor Richard Johnson, Executive Councillor for Housing
Housing Scrutiny Committee 24/09/2020

Report by:

Fiona Bryant, Strategic Director

Tel: 01223 - 457325 Email: fiona.bryant@cambridge.gov.uk

Claire Flowers, Head of Housing Development

Tel: 01223 - 457928 Email: claire.flowers@cambridge.gov.uk

Wards affected:

All

Key Decision

1. Executive Summary

- 1.1 The Council has led the implementation of the 2017-22 housing development programme, which will deliver over 900 additional homes in the city, with 546 of those being new Council rented homes. The original target was to achieve 500 council rented homes.
- 1.2 Given the housing pressures for the City, an ambition to develop 1000 net additional council homes over the ten -year period following the current programme has been established by the current administration.
- 1.3 The principles of the new programme have been worked on within the following parameters:

- An aspiration to deliver 1000 net additional council rented homes during the period 2022-2032.
- To enable and achieve the business plan assumptions, the total homes to be developed for the new programme will include just under 2000 in number, with the extra circa 900 being made up of other affordable tenures, re-provided council homes and private homes.
- Whilst the Code for Sustainable Homes has been replaced, the Local Plan includes the need to attain code 4 (or equivalent) for energy to be Plan compliant. The Council's current housing programme has increased its sustainability levels over the 5 years and the vast majority of the 500 programme goes beyond Code 4 for energy – surpassing the current Local Plan and part L requirements.

The work we have commissioned on the proposed new programme is based on an aspiration to achieve the best possible standards on sites, ideally aiming towards Passivhaus or net zero carbon where possible. The MTFs report indicatively models the programme at Passivhaus level at this stage. Further detailed work will be established on a site by site and programme basis, but it should be noted that site constraints and site availability as well as financial and other constraints will have an impact on the total programme standards. It is therefore improbable that all homes on all sites can achieve the highest standards.

- Whilst the above work focusses on the homes standards, we are also updating the Cambridge Sustainable Housing Design Guide to ensure the developments undertaken by the City Council continue to look at sustainability in its broadest sense- not only considering carbon but also the wider environment, biodiversity and place making. This may impact on choices on a site by site basis.
- To base the programme's proposed tenure type on the demands and needs analysis completed by the Housing Strategy Manager and the reviewed Greater Cambridge Housing Strategy once available.
- To continue to optimise the use of current and acquired land within the City and adjacent environment.
- To consider a range of funding options, with the objective of maximising grant opportunities to achieve the objectives of the programme.
- To build a new programme based on lessons learned and experience of the current programme, alongside experiences from other partners/Local Authorities.

- 1.4 This report sets out key issues for the committee to consider in formulating a new Housing Programme. The report outlines the strategic objectives of the programme, the key assumptions that have been used as a starting point and steps to investigate potential opportunities to move the programme forward. The report is in line with the provisions and assumptions in the HRA MTFS report.

2. Recommendations

The Executive Councillor is recommended to:

- 2.1. Approve the bringing forward of a development programme to provide new housing 2022-32 by the Council.
- 2.2. Approve the strategic guidance for the aims of the programme set out in Section 4 of this report.
- 2.3. Approve the allocation of £1m to the 2020/21 budget and £2m to the 2021/22 budget to allow early investment in feasibility, site investigation and land assembly from the overall resource incorporated in the MTFS for the delivery of this programme.
- 2.4. Approve the proposal to report progress on development of the new programme to Housing Scrutiny Committee in January 2021.

3. Background

- 3.1 The City Council has now identified and secured planning permission (Resolution to Grant) on its existing development programme as detailed in Appendix 2. Over the past 6 months there has been significant work undertaken to consider options for further housing development by the City Council, alongside work to review the Sustainable Housing Design Guide and future desired standards as well as needs analysis and business planning viability options appraisals. This work has informed the MTFS and will be developed further and presented to this committee in due course.
- 3.2 The council's Local Plan identifies a forecast of housing need in the City of around 14,000 new homes between 2011 and 2031. This is being reviewed as part of the work to inform the proposed new Greater Cambridge Local Plan.

3.3 The housing strategy manager has completed a needs analysis for a new housing programme (Appendix 1). The review by the strategic housing team includes 27 recommendations. Key points from these recommendations include:

- Council rented homes should be given the highest priority.
- A focus on one and two bedrooms, with some provision of larger homes.
- Intermediate tenure should also be considered.
- Rent levels should be assessed based on up to date affordability evidence.
- Specialist housing for people with disabilities **above and beyond** the M4(2)/M4(3) standards agreed (e.g. supported housing for those with learning disabilities) should only be considered where a specific requirement for that type of accommodation has been identified. We will progress further work on the percentage numbers proposed for the programme. The current proposals include at least 5% at M4(3) standards. Further information is provided in section 8c.
- The potential for other forms such as build to rent where need is demonstrated.

3.4 This will need to be reviewed regularly. Even as the preparation of this report was completed it has become clear that there is an additional need arising from the emergency Covid-19 rehousing of rough sleepers who will need a home as well as support.

4. The role of the City Council in direct development

4.1 The delivery of new housing in the City on market sites with affordable housing as part of a S106 agreement will not deliver sufficient affordable housing to meet current need. As part of their work in reviewing the Council's own developments, Arcadis research shows that there is a shortfall against the Objectively Assessed Housing Need target of 1,340 completions. This is despite overall housing delivery in the City being very high. The implications for the City Council are that there is a strong case for direct intervention through its own delivery as well as supporting RP partners with their programmes.

Table 1: Number of new affordable homes delivered and projected.
Cambridge City

	2015/16	2016/17	2017/18	2018/19	2019/20	Projected 2020/21*
Council rented homes	62	75	143	34	12	73
Affordable rented homes (non-Council) on strategic growth sites	137	236	238	93	106	105
Affordable rented homes on other sites	0	104	50	0	22	0
Total	199	415	431	127	140	178

Source: Strategic housing key facts, from information supplied by Registered Providers

- 4.2 Table 1 above shows that around 1,300 affordable homes were delivered between 2015/16 and 2019/20, around one third of which were built by the council. With around 1,600 applicants on the housing register this clearly demonstrates the importance of the council's role in bringing forward new affordable homes.
- 4.3 The Council has successfully delivered new housing schemes and has a dedicated team in the Housing Development Agency- 10 members of staff. We are well resourced to continue development and as a Council will continue to learn and mature in the area project by project. We have set up the Cambridge Investment Partnership which has successfully delivered a significant part of the current 500 programme. A review of the options for delivery of different types of schemes for a new programme will be presented to a future committee.
- 4.4 Government has now enabled further house building by Local Government through the removal of the borrowing cap on the HRA- providing financial freedom and capacity to fund new housing.
- 4.5 The Government has also indicated an intention to support delivery of increased levels of affordable homes. The details are still to be determined, but the intention would be to request additional funding as part of the programme package through appropriate grants where possible. If the level of grant assumed in the Councils business plan is not achieved then there will be a need to reconsider the balance of cost to the HRA which would impact on the numbers of homes developed and potentially on choice of tenure and standards assumed.

5. Key issues in the development of the programme

5.1 To create a framework for a programme, assumptions have to be built into the Medium-Term Financial Strategy. At this stage, the programme cannot provide assurance on the detail, and so we are building in assumptions which are deemed to be a reasonable starting point.

5.2 Key assumptions that have been built into the emerging model are:

- **A notional programme of 1,000 additional net Council rented units to be delivered over 10 years.** Changes to all the following assumptions and other issues could affect the Council's ability to deliver this total or to meet the cost of doing so.
- **Higher sustainability standards.** The current programme has consistently moved ahead of Local Plan standards. We have commissioned Buro Happold to look at options and implications for the new programme which include moving beyond the local plan compliance to a "local plan plus" standard, as well as to Passivhaus and to net zero carbon standards. The work also considers the benefits and impacts on issues such as capital costs, tenant costs, repair and replacement costs, as well as the carbon impacts. A planned trajectory to the net zero carbon standard based on a rising scale in standards would help manage costs, and support likely technology advances over the period, and there will need to be an options analysis on a site by site basis. Based on the current assessment, a standard of net zero carbon on all units would increase the uplift in build costs by circa 30-40%. It should be noted, however, that even if finance was not an issue, there are likely to be technical and physical challenges in delivering these standards on some sites or for all the homes on any given site, and therefore viability issues will also vary from site to site. An additional £500 per sq. metre has been included within the build costs assumed in the MTFs at this point, based on an assumed Passivhaus standard across the programme. This provides an initial cost envelope.
- **A strong focus on small units (one and two bedroom),** as this reflects need as shown by the Housing Register; change towards an increased number of larger homes would affect unit costs.
- **Rents to be set at pre-COVID rent LHA levels with an inflation assumption built in.** A move to an alternative rent setting policy would increase or diminish resources.

- In line with current programme, an aspiration to deliver **100% council rented housing on HRA sites (where the site proposals and wider social context support this level) and at least Planning Policy compliant affordable housing on other sites (40%).**
- **Use of HRA/Other sites.** The working assumption is that up to a third of the gross number of homes developed may be on HRA sites with the remaining on land acquisitions/joint ventures/S106 schemes. **This is based on current experience and consideration of the opportunities available.** However, further, more detailed work to look at options on a site by site basis still needs to be done.
- The programme will be based on **current and future national minimum space standards**, alongside emerging market demands which may arise following impacts of the pandemic.
- In order to achieve net 1,000 council rented homes overall the model shows the **programme will need to include shared ownership or other intermediate tenure and private sales/private rental schemes to cross subsidise the affordable homes as well as to replace any Council homes redeveloped as part of any given scheme.** Therefore, the total programme size is estimated at 1,933 homes, which will need to be delivered by the Council. This is required even with grant. If assumed grant funding is not achieved at the predicted level, then there would be a need for more tenure diversification/more cross subsidization to support Council rented delivery.
- **Tenure of the affordable housing and its viability** will need to be assessed on a site by site basis taking into account planning policy, existing stock make up, viability and also the social/community context.

5.3 Development Financing: A number of considerations will need to be taken into account.

- **Debt-financing.** PWLB borrowing rates, for example, are still at historically low levels, and could increase, adversely affecting the programme.
- **Cross- Subsidisation:** The lack of availability of sites for delivery at Planning Policy levels of affordable housing may reduce the potential for cross-subsidy. The market value of homes sold will vary and affect

the level of cross-subsidy available. Future changes to the planning system would also impact on this.

- **Access to Grants/other loan funds:** As the Cambridge market has driven a high affordability gap for housing, and a high need for housing, the business case is potentially clear for further funding. Modelling is being carried out on various possible options, suggesting that a grant of circa 13.8% of total scheme costs may be built in, but clearly the availability of grant and the level of grant secured will affect both the number and type of homes for delivery.
- **Balance of new build and refurbishment** If higher priority is given to refurbishment this will affect the availability of HRA funding for new development. It will also affect the availability of HRA sites which have the capacity to accommodate additional homes.

5.4 This list of factors is not exhaustive, but it indicates the extent to which the modelling assumptions require further development and evolution over the programme period. Some factors are within the Council's control while other factors are not. The factors also have the potential to be interdependent.

5.5 Detailed work will be required to refine and develop the assumptions and to explore the options which are available. A further report will be brought forward to the January HSC to take this forward. This work will continue over the life of the programme in response to decisions taken by the Council and external factors. This report creates a starting point and releases funds to ensure that the programme can commence.

6. The opportunities

6.1 There are a number of ways in which new housing by the Council can come forward. The possible types of schemes are as follows, assumed % of each scheme type has been put into the MTFS:

- HRA land.
- General Fund land which can either be vacant or currently used.
- Land in private ownership to be acquired.
- Purchase of existing properties.
- Purchase of affordable housing on another developers' scheme (S106).

6.2 The opportunities available are often not on vacant land but on land which already holds homes, businesses or another use. Strategies to

relocate existing occupiers, residential, business and community users, will be required. The Council has policies for consultation and implementation of such procedures.

- 6.3 Cambridge has a geography constrained by its boundary. The Housing Strategy and the analysis for the Local Plan both consider a wider housing market beyond the City's administrative boundaries. It is highly likely therefore, that schemes within the wider Greater Cambridge area will be required, where it can be demonstrated that there are good transport links to the City.
- 6.4 Opportunities to purchase land and property in the private market are continually investigated. The recent buying back of the leasehold interest in the land at Fen Road, East Chesterton is an example.
- 6.5 Officers are reviewing long lists of potential infill/redevelopment opportunities for assets held within the HRA. As part of the January report an initial list of sites for the rolling programme may be put forward. Initial requests have been made to Ward Members asking them to suggest possible sites, and discussions have taken place on a number of potential opportunities. Ward Members will be informed of any sites in their ward being put forward to the rolling programme.
- 6.6 We will be developing feasibility and options analyses and completing early site investigations to establish the pipeline of sites to be considered as part of the programme. Options will include reviewing the potential for refurbishment as well as redevelopment to ensure that investment proposals are focussed on the appropriate route for any individual scheme. A budget has therefore been requested within the MTFs to cover this, along with land assembly costs. The Executive Councillor will remain fully engaged prior to and during this process, and we will alert Ward Councillors where this involves on-site investigations.

7.0 Schemes in the pipeline

- 7.1 Whilst there has been significant work commissioned to underpin the programme level, we still have work to do to develop further details on possible schemes. We do have other sites, however, already in the pipeline, which have a strong rationale for coming forward now. Three sites are included as separate items on the agenda. These are:

- **Orchard Park L2**- CIP purchased site in 2020/21. This site currently forms a contingency for the current 500 programme, and is being progressed to planning application stage.
- **Colville Phase 3**- There is an opportunity to link with Colville phase 2 development.
- **Histon Road**- There is a developer opportunity available now with planning.

These schemes could be used to reduce the risk on the current programme target deadlines, if required, but may also form early sites under the new programme. Where this is the case, they will be assessed under the principles for the new programme.

8. Implications

a) Financial Implications

The new housing programme 2022- 2032 requires an immediate budget of £1m this year and £2m in 2021/22 to do further development. It is forecast that the total programme build costs may be circa £658m, which includes the cost of provision of all housing units. This is the total gross cost including build cost for council rented, market and intermediate or other tenure units. Total borrowing required (net figure) is estimated to be in the region of £325m. This estimate has been profiled ahead of 2022 due to the time it takes from schemes to be identified to works starting on site. The cost reflects the option used for the initial assumption in MTFS which is based on 1000 new council rented homes at assumed Passivhaus level standards, although this will depend on site constraints/delivery route.

b) Staffing Implications

The new housing programme will be managed through the Council's Housing Development team. The team are funded primarily through capitalisation of a fee through the projects being developed. Additional resource and expertise are provided through the Cambridge Investment Partnership.

As the programme develops and schemes come forward a review will take place if additional resource is needed.

The additional HRA funded Development Officer post has been recruited to and the officer started on 1st September 2020.

c) Equality and Poverty Implications

An Equality Impact assessment will be completed and will be attached as a Background Paper to the Report on the new programme envisioned to be brought forward to the January HSC.

We will work to ensure we are providing housing for a range of needs. This will include accessible homes. We will expect to achieve M4 (2) accessibility standards on all new housing and M4 (3) adapted on at least 5% (plan compliant) of the homes. We will work with the allocations and housing strategy team to identify the most appropriate homes. As mentioned in paragraph 3.3, any requirements above these standards will be assessed on a needs basis.

d) Environmental Implications

The new housing programme includes a proposal for a new Sustainable Housing Design guide. The modelling has been based on uplift on current costs to achieve higher standards. Carbon reduction and lower bills to residents will be key considerations in this. A further report on the new guide will be brought to a future committee.

e) Procurement Implications

Procurement for the delivery of schemes within the programme will be considered on a scheme by scheme.

f) Community Safety Implications

Community safety will be considered as part of each new housing scheme.

9. Consultation

There will be specific consultations in relation to each project within the programme and the new Housing Sustainability Design Guide standards.

10. Background papers

None.

11. Appendices

Appendix 1: Council new build programme needs analysis

Appendix 2: Summary of current programme

11. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Claire Flowers, Head of Housing Development, tel: 01223 - 457928, email: claire.flowers@cambridge.gov.uk.