

## Item

### NEW COUNCIL HOUSING, L2 Orchard Park



**To:**

**Councillor Richard Johnson, Executive Councillor for Housing**

**Report by:** Jake Smith, Development Officer, Housing Development Agency

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**Wards affected:**

none- South Cambridgeshire

## Key Decision

*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.*

### 1. Executive Summary

- 1.1 Parcel L2, Topper Street, Orchard Park was purchased by Cambridge Investment Partnership (CIP), Cambridge City Council's joint venture with Hill, in February 2020. The site will deliver a return to the partners along with affordable housing for the Council's HRA.
- 1.2 The report seeks approval for a capital budget to purchase 30 affordable units from CIP, to be let as Council rented homes.

- 1.3 The design of the affordable units being purchased attains a 35% reduction in Carbon emissions on 2013 building regulations which goes beyond the current Local Plan and the Cambridge Sustainability Housing Design Guide (SHDG) target of 19%. Consideration is given to the design impacts on carbon, energy, running costs and tenant bills and a fabric first approach ensures low tenant bills due to low energy consumption. Energy is to be gas free and electric from Air Source Heat Pumps. This continuous improvement in sustainability standards for Council dwellings will further inform the review of the SHDG for all future council housing schemes to ensure there is a clear roadmap towards zero carbon, taking into account capital costs, running costs and impacts on tenant bills.
- 1.4 The report sets out the General fund investment and potential returns on this investment.
- 1.5 CIP have held a virtual public consultation on the proposed plans and stakeholder engagement has taken place with Friends of Marmalade Lane and local residents regarding the neighbouring green space and murals for the hoarding.
- 1.6 In accordance with the principles set out in Appendix 2 and the CIP Board approved Project Plan, this report outlines the key elements of the CIP development proposal including a summary of the investment plan.

## **2. Recommendations**

The Executive Councillor for Housing is recommended to:

- 2.1 Approve the purchase of 30 new Council homes on the site at the cost of £5,850,000 and include an overall budget in the HRA for the scheme Orchard Park L2 of **£6,207,000**.

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

- 2.2 Approve the indicative proposed investment plan for L2 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 determined and approved by the CIP Board with the Councils funding built into the relevant budget setting report.

### **3. Background**

3.1 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 which will better meet the overall mix of Future Affordable Housing needs.
- d) Improve the energy efficiency of the Council's housing stock.

3.2 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 and network of contacts which has led to the acquisition of this site on the open market.

3.3 The principles governing the approvals process for sites which are developed with CIP were approved at Strategy & Resources Scrutiny Committee on 9<sup>th</sup> October 2017 and are set out in Appendix 2.

3.4 The approval to fund the purchase and development costs for the site at L2 was made in a key decision report presented to the Executive Councillor for Finance and Resources in December 2019.

### 3.5 Local Housing Need

There is a recognised need for more affordable housing across both the city of Cambridge and in South Cambridgeshire, where the site lies. The table below demonstrates the number of households on the Housing Needs Register as of end of July 2020. There are currently 1,455 households in need of a 1- or 2-bedroom property across the city, with a further 965 applications pending; progressing this scheme will help in meeting the needs of those on the waiting list.

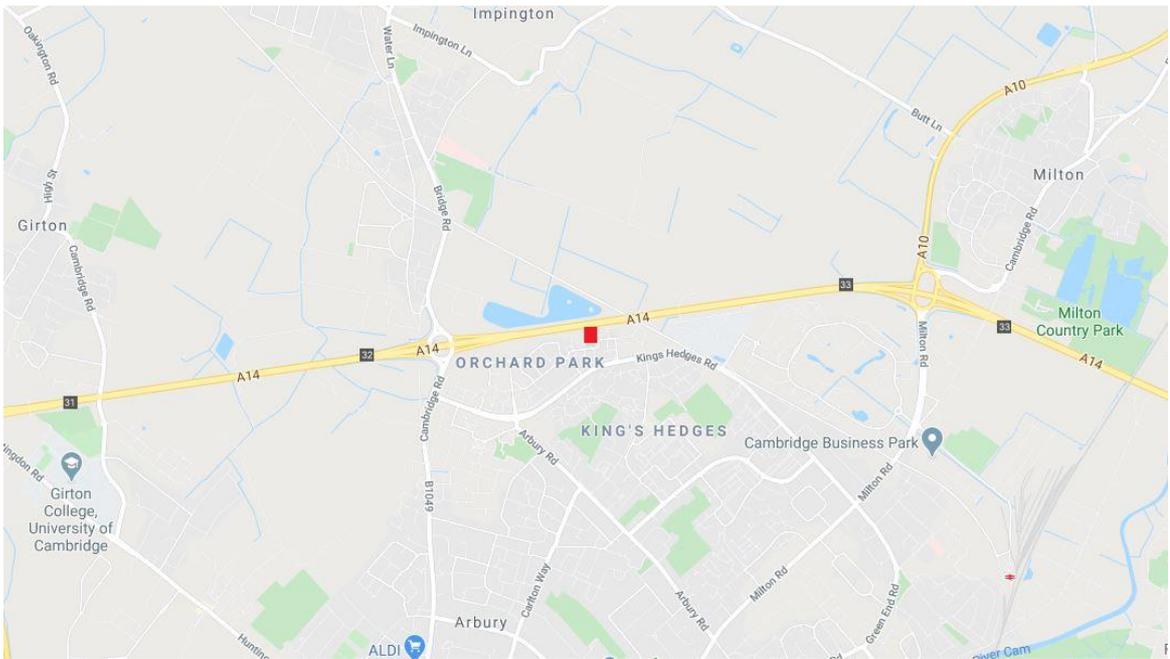
Cambridge City	1bed	2 bed	3 bed	4+ bed
	1014	441	233	45

As the site is in South Cambridgeshire, but will be owned by Cambridge City Council, it is likely that the new homes will be let to residents from both the City Council and South Cambs District Council housing registers. It is understood that there are approximately 1,700 people on the South Cambs affordable housing register. The Head of Housing is in discussion with South Cambs DC in respect of the lettings and nominations. The current proposal is for a Local Lettings Plan agreement will be made between the two councils on the number of tenants housed from their respective housing registers at least 3 months before the properties are advertised for letting.

The Head of Housing supports the mix of homes and for all the affordable homes to be Council rented.

## 4. Site Details

4.1 The site is at Parcel L2, Topper Street, Orchard Park. A location plan of is shown overleaf.



4.2 L2 is one of the last undeveloped parcels of Orchard Park comprising circa 0.7 acres of land immediately to the south of the A14.

4.3 The site is currently an unoccupied, undeveloped piece of land, which was purchased by CIP with planning permission to build 64 units, including commercial units, a gym and underground parking.

## **CIP Development Proposal**

- 4.4 CIP has appointed a project team led by Mole Architects and reviewed the existing planning permission and is working on a new proposal for a planning application on the site.
- 4.5 The proposals for the site is to deliver a scheme of 75, including 30 Council rented flats (40%), and 45 additional flats for private sale at market value. The new affordable housing stock will be owned and managed through the Council's Housing Revenue Account (HRA) and will be let as secure local authority tenancies.
- 4.5 CIP also proposes to improve the neighbouring green space, owned by Orchard Park Community Council, with the input of local residents to provide a cohesive natural environment for both new residents and neighbours.
- 4.6 The new planning application will be submitted in August 2020. Work onsite is likely to start in April 2021, subject to planning approval.
- 4.7 Due to its location (on the guided bus route/cycle route) and the type of homes on the site, the car parking proposed is at 0.35 spaces per home. There are 124 bike spaces and provision for 6 EV charging spaces.
- 4.7 Outline proposals are attached as Appendix 1.

## **5 Sustainability**

- 5.1 In line with Campkin, Colville and the Meadows developments, the design of this affordable housing scheme goes beyond the current Local Plan and the Cambridge Sustainability Housing Design Guide (SHDG) and consideration is given to the design impacts on carbon, energy, running costs and tenant bills.
- 5.2 The proposed standards will mean a fabric first approach ensuring low tenant bills due to low energy consumption. Energy to be electric from

Air Source Heat Pumps. This will mean a 35% reduction in Carbon emissions on 2013 building regulations, which is ahead of the current local plan of 19%.

Additional sustainability measures include:

- EV charging
- Green Roofs
- Solar PV
- MVHR
- Car Club and reduced car parking overall (0.x)
- Bicycle parking
- Enhancement of neighbouring green space

## **6. Stakeholder and Community Engagement**

- 6.1 CIP have held a virtual public consultation and stakeholder engagement.
- 6.2 Friends of Marmalade Lane were also approached to provide a mural for the hoarding which surrounds the site, and an artist from the area has provided this with input from local children. The mural can currently be seen at L2.
- 6.3 CIP will be engaging with local residents further on the neighbouring green space and will work closely with them on the design for this space going forward, to ensure that it meets their needs.

## **7. Programme**

- 7.1 The indicative programme for the development provided by CIP is as follows:

Submission of Planning Application: August 2020

Planning Permission Granted: November 2020

Start on Site: April 2021

Completion: November 2021

## 8. Financial Implications

### The Project Plan and Funding Package

#### 8.1 The Financial Model

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

- An actual land purchase cost supported by a RICS valuation and funded 50/50 between partners.
- 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.
- Affordable housing purchased by the City Council.

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

## 9. HRA Funding

9.1 The total indicative capital cost of the L2 affordable housing is estimated at **£6,207,000**. This includes the purchase price of the dwellings and all associated internal and external fees.

9.2 It is currently proposed that the investment will be wholly met from HRA resources for the purchase of the affordable homes on the site. All retained right to buy receipts are also currently committed to other schemes within this timeframe, but if any of these schemes slip, then right to buy receipts will instead be applied to this scheme to avoid payment of any penalty to MHCLG.

9.3 The housing capital budget will be **£6,207,000**

9.4 The payback to the HRA for this scheme in isolation is 48 years. It should be noted however, that this scheme is currently assumed to be 100% funded by the HRA, with no Devolution funding, RTB receipts or Homes England grant anticipated.

9.5 Although this scheme in isolation is outside of our standard pay back parameters, the cost per unit demonstrates value for money, particularly as the land is not HRA land and this scheme should be considered in the context of the wider new build programme, where schemes which have significant grant and RTB receipts attached will have significantly shorter pay back periods.

9.6. **GF Debt and Equity Funding**

The Council will also provide funds to the CIP to support the development of the whole of the L2 site, both as a partner in the CIP joint venture and potentially as a lender to the partnership. These funds will be interest-bearing and are likely to be required from April 2021 to August 2023. Based on current projections, the council's funding of the scheme (equity and debt) is likely to peak at approximately £7m in October 2022.

**10. Implications**

**(a) 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 L2 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.

**(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 and reducing the impact of fuel poverty. An Equalities Impact assessment has been carried out for this scheme including the impact of these proposals on the existing residents.

### **(c) Environmental Implications**

The Council housing will surpass the current Cambridge Sustainable Housing Design Guide (SHDG) and meet approximately 35% reduction in carbon emissions compared to 2013 Building regulations and the learning from this scheme will feed into the review of the SHDG for all future council housing schemes to ensure there is a clear roadmap towards zero carbon taking into account capital costs, running costs and impacts on tenant bills.

### **(d) 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.

### **(e) Community Safety Implications**

There are no recognised implications on Community Safety with the proposed developments. The scheme will be built in accordance to Secure by Design guidelines

## **20. Risks**

Overleaf is a table setting out key risks associated with the project:

<b>Description of risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>
Scheme not starting on site by March 2022 and therefore not contributing to 500 homes target.	Low- Current programme has identified 546 this scheme is anticipated to start in 2020	Med- impact would be delivery of a lower number of much needed homes and reputational risk in the Councils ability to deliver and therefore attract grant in the future. If this scheme was not part of this programme funding would need to be identified from other sources	This project is a contingency project for the existing programme, based on the current position it is unlikely to be needed however current programme would mean it can achieve SOS by Mar 22 subject to planning.
<b>Design Risk – spatial constraints</b>	Low – positive design has been achieved through design team meetings and stakeholder engagement. Lower car parking levels	Potential that targeted unit numbers cannot be met	Close monitoring of the evolving masterplan to ensure it is space efficient and makes the most of the available land given the site constraints. Use the capacity study as a benchmark.
<b>Planning Risk – Building heights</b>	Low – there are existing buildings with the same height in the area.	Planning application for reduced unit numbers.  Reduced number of	Reference guidance given at the pre-acquisition pre-app, where there was a positive response to 5 storey

		affordable units.  Reduced number of private units and lower margin.	elements. Flat rooves on buildings. Ensure high quality of design.
<b>Market Risk</b>	Low	Lower than anticipated sales values, and slower sales rates.	Target a 17.5% margin through the design process. Ensure the scheme is designed to be cost efficient to build.

## 21. Background papers

20/5/SRb Purchase of land: Urgent decision.

## 22. Appendices

Appendix 1 – Scheme proposals

Appendix 2 – The Cambridge Investment Partnership

Appendix 3 – Confidential

## 23. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Jake Smith, Housing Development Agency, tel: 01223 457515, email: [jake.smith@cambridge.gov.uk](mailto:jake.smith@cambridge.gov.uk)