

Item

REPORT ON NEW COUNCIL HOUSING, Fanshawe Road

To:

Councillor Gerri Bird, Executive Councillor for Housing

Report by: Benedict Binns, Interim Assistant Director, Development Housing
Development Agency

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Wards affected: Coleridge

Appendices 1 and 2 to the report contains 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 This report seeks approval to proceed with Option B of the paper [Report on proposed development Scheme at Fanshawe Road](#) which was approved at HSC on 21 June 2022. This consists of a mixed tenure scheme at 12-30b Fanshawe Road, with a mixture of affordable homes and market homes on the site, with enhanced open space, as well as improvements to the community pavilion on neighbouring Coleridge recreation ground.
- 1.2 HSC approval was given in June 2022 to proceed with a scheme of 100% affordable homes at Fanshawe Road. Option B of this paper was to provide a mixed tenure scheme of 47% market and 53% affordable.
- 1.3 The council's Sustainable Housing Design Guide 2021 states that:
- 1.3.1 "Developments must be socially inclusive, diverse, and cohesive, with a mix of homes reflecting the needs of people of different ages and abilities and the council's housing requirements"
- 1.3.2 "Developments, particularly larger ones, should look for opportunities to provide a diverse mix of homes. By bringing together homes from apartments to small and large family houses, we aim to enable inclusive, economically, and socially sustainable, mixed-income, and multi-generational living. This includes families, extended families, older people, young people and students, and people with physical disabilities or mental health needs"
- 1.4 At the same time, the council has to balance financial viability, the likelihood of successful Homes England grant applications and development costs over a 10-year housing programme. The programme relies on a mix of schemes and the update report shows the current balance of the programme

10 Yr New homes programme	Totals	%
Total Homes	534	
Replacement homes	153	28.65%
Intermediate (80% of market rents)	169	31.65%
Market Sale	56	10.49%
Net new Affordable homes	156	29.21%

- 1.5 To maintain the balance of overall tenure delivery across the ten-year programme, it is now recommended that Fanshawe Road be taken forward as a mixed tenure scheme. Mixed tenure schemes provide greater opportunities for mitigating against risks and costs than a 100% affordable scheme. Sales values can offset potential build costs increases and overall risk exposure is shared through the Cambridge Investment Partnership
- 1.6 The design proposal for Fanshawe planning submission includes 45 (53%) affordable homes and 39 (47%) market homes. This more than doubles the number of affordable homes compared with the existing site.
- 1.7 The site is currently occupied by 30 households, of which 10 are leasehold and the remaining 20 are council tenants. The unit mix is 30 no. 2 bed flats. Initially 2 Council owned houses were identified for demolition within the site further however design development showed that it would be of little benefit to the scheme to demolish these houses. The gardens of these 2 homes will be reduced to allow space for new homes to be built.
- 1.8 The design ambition is to deliver the affordable element of the scheme at as close to Passivhaus level of sustainability but at least at a minimum of 35% below 2013 building regulations and for the whole development to be gas free.
- 1.9 All affordable Homes will be owned and managed by Cambridge City Council and let on Cambridge City Council tenancies. The indicative mix of the proposed scheme (see Appendix 2) will provide 45 Council rented homes, with an overall net gain of 25 Council rented homes.
- 1.10 The scheme is indicative and subject to planning approval.
- 1.11 Nine pre-application planning consultation meetings have been carried out with the Greater Cambridge Shared Planning Service and the current design proposals have been reached with significant input from planners.
- 1.12 A planning application has been drafted and will be ready for submission by Autumn 2023.
- 1.13 The amended and reduced budget of £13,000,000 from £28.587,000 including decant costs and other on costs, assuming a discounted purchase price for the affordable housing units.
- 1.14 The council will receive a land value as detailed in the appraisal.
 - 1.14.1 40% of the total development costs will be met through equity investment by CIP partners (that is 20% Council and 20% Hill Investment Partnership). This equity investment by the council will be subject to formal approval in the forthcoming November 2023 General Fund Medium Term Financial Strategy.

- 1.14.2 The residual 60% being met by borrowings, as agreed by partners. If the council are to finance this scheme this will be to be subject to formal approval in the forthcoming November 2023 General Fund Medium Term Financial Strategy. The indicative interest is 5.65% (5-year PWLB rate), but the rate will be fixed once planning permission has been made. The current appraisal has 5% for equity finance and 7% for debt financing.
- 1.14.3 Profit in the appraisal is 17.5% shared 50:50 meaning the council is able to discount the affordable housing agreement recognising this in an HRA land site.
- 1.15 The appraisal assumes a cost per unit to be paid by the Council's HRA for purchased homes to ensure relevant value provision to HRA, which will then be discounted as identified above.

2 Recommendations

The Executive Councillor is recommended to:

- 2.1 Approve that a mixed tenure scheme be brought forward in line with the design proposals set out in this report.
- 2.2 Authorise the Assistant Director for Assets and Property in consultation with the Executive Councillor for housing to approve variations to the scheme including the number of units, tenure, mix of property types and sizes outlined in this report.
- 2.3 Authorise the Assistant Director for Assets and Property in consultation with the Executive Councillor to approve the transfer of the land known as 12-30b Fanshawe Road and shown edged red on the attached plan in Appendix 2, to Cambridge Investment Partnership (CIP) for redevelopment. This transfer will be at a value provided by a further independent valuation, which will also be approved by CIP Board as detailed in the financial appraisal set out in Appendix 1. The HRA land receipt will be incorporated at the minimum value suggested in the appraisal until final valuation has been received.
- 2.4 Authorise the Assistant Director for Assets and Property in consultation with the Executive Councillor to approve the Affordable Housing Agreement with CIP for the 45 affordable homes. This agreement will be at a value provided by an independent valuer, to be approved by CIP Board as detailed in the financial appraisal set out in Appendix 1. This will mean an amended and reduced budget of £13.0m from £28.5m including decant costs and other on costs. This budget to be brought forward in the forthcoming November 2023 Mid Term Financial Strategy.

3 Background

- 3.1 In June 2022 HSC:
 - 3.1.1 Approved that the scheme be brought forward and included in the Housing Capital Programme, with the latest capital budget being £28,587,000 to cover all site assembly, construction costs, professional fees and further associated fees, to deliver a 100% affordable housing scheme which meets the identified need in Cambridge City. Budget will be drawn down from the sum already ear-marked and approved for investment in new homes.
 - 3.1.2 Authorised the Strategic Director in consultation with the Executive Councillor for housing to approve variations to the scheme including the number of units and mix of property types, sizes and tenure as outlined in this report.
 - 3.1.3 Authorised the Strategic Director in consultation with the Executive Councillor for housing to adopt option b; to deliver a minimum of 44 (approx. 47%) affordable homes for Council rent and the balance as market homes for private sale, should grant not be available once the scheme is at a deliverable point, subject to continued financial viability.

- 3.1.4 Approved that delegated authority be given to the Executive Councillor for Housing in conjunction with the Strategic Director to enable the site to be developed through Cambridge Investment Partnership (CIP) subject to a value for money assessment to be carried out on behalf of the Council.
- 3.1.5 Delegated authority to the Strategic Director to commence Compulsory Purchase Order (CPO) proceedings on leasehold properties to be demolished to enable the development, should these be required.
- 3.1.6 Delegated authority to the Strategic Director to serve initial Demolition Notices under the Housing Act 1985.
- 3.1.7 Delegated Authority to the Head of Housing to amend the local lettings plan for Cromwell Road to allow for the proposed decant from Fanshawe Road to be accommodated.
- 3.2 The approved budget will be revised to reflect the change in costs from a 100% affordable scheme to a mixed tenure scheme. It is proposed the council will now sell the land to CIP and purchase the 45 units through an affordable housing agreement as stated in 2.3 and 2.4
- 3.3 Recommendations 2.1 and 2.2 are clarifications on the delegated authority provided in 3.1.2 in the original HSC report.

4 Design development

- 4.1 Since June 2022, concept design of the site has progressed and a planning application for 84 new homes has been drafted.
- 4.2 Design has been carried out by the Cambridge Investment Partnership in collaboration with Mole Architects, Carter Jonas planning consultants, the Greater Cambridge Shared Planning Service and internal client services at the Council.
- 4.3 Given the constraints on the site including a number of category A and B trees as well as 0.45 hectares of protected open space, in addition to a street scape consisting of 2 storey houses, the density of previous proposals including 93 homes has been reduced to 84.
- 4.4 The reduction in density was based on feedback from planners and the design review panel, which consists of independent planning consultants who critique schemes based on their expertise and provide feedback in order to ensure planning proposals objectively meet design requirements.
- 4.5 The proposal is for the Fanshawe redevelopment to be approved as a mixed tenure scheme comprising 53% council rented homes and 47% market sale homes.
- 4.6 Proposed Site Layout



4.7 Proposals for the mixed tenure option consist of 84 new homes, 76 of these homes will within 4 x blocks of apartments, split as follows:

CCC Freehold		
Tenure	Building	Total
Affordable	W1	28
Proposed Market	W2	14
Proposed Market	E1	17
Affordable	E2	17
		76

4.8 There are also 8 x houses proposed on the eastern and western fringes of the site.

Market Freehold		
Tenure	Building	Total
Proposed Market	W3	3
Proposed Market	E3	5
		8

- 4.9 The current proposals consist of 4 x M4(3) wheelchair accessible homes for council tenants. This is above planning policy requirement of 5%.
- 4.10 The breakdown in tenure is proposed to be 45 at affordable rent (11 homes at 80% of market rent, 34 at LHA (60% of market rent)) and 39 for market sale.
- 4.11 All affordable homes are designed to Passivhaus standard of energy efficiency to provide homes that are cheap to run in terms of energy bills.
- 4.12 A net biodiversity gain of >20% is targeted.

5 Reasons for the change in tenure

- 5.1 The council's Sustainable Housing Design Guide 2021 states that:
- 5.1.1 "Developments must be socially inclusive, diverse, and cohesive, with a mix of homes reflecting the needs of people of different ages and abilities and the council's housing requirements"
- 5.1.2 "Developments, particularly larger ones, should look for opportunities to provide a diverse mix of homes. By bringing together homes from apartments to small and large family houses, we aim to enable inclusive, economically, and socially sustainable, mixed-income, and multi-generational living. This includes families, extended families, older people, young people and students, and people with physical disabilities or mental health needs"
- 5.2 At the same time, the council has to balance financial viability, the likelihood of a successful Homes England grant application and development costs over a 10-year housing programme.
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- 5.4 To maintain the balance of overall tenure delivery across the ten-year programme, it is now recommended that Fanshawe Road be taken forward as a mixed tenure scheme. Mixed tenure schemes provide greater opportunities for mitigating against risks and costs than a 100% affordable scheme. Sales values can offset potential build costs increases and overall risk exposure is shared through the Cambridge Investment Partnership

6 The Project Plan and Funding Package

- 6.1 The Project Plan will be subject to approval by the CIP Board and assumes:
- 6.1.1 Independent valuation of the land based on RICS Red Book valuation standards. The current value is in the appraisal. An independent valuer – see appendix 2 - has valued the land and it is believed the valuers report provides comfort that the CIP land value is reasonable.
- 6.1.2 40% of the costs being met by equity provided by the CIP partners (that is 20% Council and 20% Hill Investment Partnership). This equity investment by the council will be subject to formal approval in the forthcoming November 2023 General Fund Medium Term Financial Strategy.
- 6.1.3 The residual 60% being met by borrowings, as agreed by partners. If the council are to finance this scheme this will be to be subject to formal approval in the forthcoming November 2023 General Fund Medium Term Financial Strategy. The indicative interest is 5.65% (5-year PWLB rate), but the rate will be fixed once planning permission has been made. The current appraisal has 5% for equity finance and 7% for debt financing.
- 6.1.4 Profit in the appraisal is 17.5%, shared 50:50
- 6.2 The appraisal assumes a gross cost of per unit to be paid by the Council's HRA for purchased homes to ensure relevant value provision to HRA, discounted by the Council's share of the above profit, recognising this is an HRA land site.
- 6.3 As this is a land purchase on an HRA site the CIP Board will be approving an AHA agreement that includes the council's share of the projected CIP profit to be deducted from the AHA payments. In the event the profit is not realised then the Council (via the HRA) will, in the agreement, be liable to pay up to the full AHA amount. The council will seek legal advice to ensure this arrangement is appropriate.
- 6.4 The indicative investment plan included with the project plan contains commercially sensitive information and therefore is included as a confidential paper in Appendix 1 and 2

7 Decanting

- 7.1 Since HSC approval in June 2022, significant work to decant existing residents has been carried out by the development team and the site is nearly ready for development.
- 7.2 A demolition notice was served on the site on 23rd June 2023.
- 7.3 Once the site is empty, it will be made secure to reduce the risk of anti-social behaviour at the locality. This is likely to be through use of hoarding or early demolition but is subject to review.
- 7.4 Property guardians have been considered to make use of empty properties until work can commence, however the Council has decided against this due to:
 - 7.5 Reduced Council control over the standard of Council properties being let out
 - 7.6 Homes would not be let to those on the housing register
 - 7.7 Terms of tenancies and tenants' rights do not meet the Council's usual standards. For example, tenants can be removed at 28 days' notice.

8 Next Steps

- 8.1 Subject to approval of this report, CIP will finalise a detailed full planning application with the intention of making a submission to the Planning Authority in September 2023.
- 8.2 It is anticipated that a planning decision may be achieved in March 2024. Subject to approval, works will start on site in September 2024.
- 8.3 The target date for completion of all works on site is Summer 2026.
- 8.4 Indicative Programme below:

Action	Date
Planning Submission	Autumn 2023
Planning Approval	Winter 2024
Start on Site	Summer 2024
Completion	Summer 2026

9 Implications

(a) Staffing Implications

The development scheme will be managed by the Housing Development Agency which will also provide the Council's staffing contribution to the development of the scheme. The scheme will be developed by the Cambridge Investment Partnership (CIP) which is a 50-50 partnership.

(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.

(c) Environmental Implications

A scheme specific Climate Change Rating Tool has been completed and is awaiting approval. The overall impact is expected to be Net Low Positive.

(d) Procurement Implications

The package of schemes will be delivered by the Cambridge Investment Partnership (CIP). The report on the New Programme being presented to this meeting of the Housing Scrutiny Committee sets out the proposed approach to delivery of the programme. These schemes will be the first Passivhaus homes the Council will deliver. The Council will both draw on the experience which Hill can bring to CIP of delivering Passivhaus projects and will ensure that the learning is captured. The project will be subject to an independent Value for Money assessment by the Employers Agent for the Council.

(e) Community Safety Implications

The scheme will be built in accordance to Secure by Design guidelines as set out within the City Councils Design Brief.

10 Risks

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

Description of risk	Likelihood	Impact	Mitigation
Design Risk – constraints	Med – There is a risk in balancing preserving the open space, height and massing and sustainability. Pavilion design for low cost may cause delays if design not agreed	Delays to planning submission or planning rejected	Regular meetings with LPA, council officers, members, and residents throughout the design process. Consider a simple design option that may not use so much developable area.
Passivhaus – challenging to achieve the accreditation, very stringent requirements	High – Achieving the levels of insulation required is demanding on all elements of the supply chain. Errors can have significant cost and delay implications.	High Reputational risk if not achieved. Higher energy costs for tenants.	Training, draw on Hill experience of Passivhaus pilots to get to as close to passivhaus certification as possible. To employ specialist consultant (Qoda) to make a final decision at pre-planning on the financial viability of certification.
Decant and leaseholder buy-back delays	Med - There is a limited risk on costs against the assessment that has been made; the risk of delay is minimised with the new Regeneration policy	Med – CPO and NOSPs can take time and delay the project.	Officer in place to manage the decant process and to liaise between all relative parties. The Council has a policy in place in relation to home loss. There is a statutory process through a CPO should negotiations not be successful
Cost: Market conditions in the construction industry can also impact on estimated costs.	High- further site investigations could uncover unknown issues; current supply chain issues may mean rising costs continue into the 2023	High-. If costs go beyond approved budget this could lead to delays to start on site and contract negotiations leading to the potential increase in costs.	The HDA will engage an Employers Agent to scrutinise costs. CIP will be tasked in providing information on impact on life-cycle costs.

Description of risk	Likelihood	Impact	Mitigation
Planning: The planning application will be subject to the observations of consultees, the assessment of planning officers, and ultimately the decision of the Planning Committee.	Med- current scheme has been through a Pre-application discussions with Planning. There is a need to balance planning policy and views of the local people and ward members.	Med- Potential change in unit mix and reduction in numbers	CIP 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 out.

11 Background papers

19/42/HSC Approval for CIP scheme delivery routes

21/48/HSC: Report on progress toward HRA estate regeneration programme.

June 22 HSC REPORT ON NEW COUNCIL HOUSING AT FANSHAWE ROAD

12 Appendices

Appendix 1 – CIP Appraisal contains 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.

Appendix 2 – Land valuation contains 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.

Appendix 3 - Site plan

13 Inspection of papers

To inspect the background papers or if you have a query on the report please contact Benedict Binns, Housing Development Agency, email: ben.binns@cambridge.gov.uk