

Appendix 3: Portfolio approach for the rest of the Ten Year New Homes Programme

1 Recommendation

The Executive Councillor for Housing approve the formal adoption of a Portfolio approach to the Council's ten year development programme which takes into account the Council's ambitions in line with Corporate objectives, HRA Business Plan, the Local Plan and the Greater Cambridge Housing Strategy.

2 Background

This appendix reviews the overall progress in the four years since the **Ten year new homes programme** was approved at HSC in 2020. It outlines the significant achievements and sets out the adjustments required to sustain the programme over the second half of the ten-year period.

3 The decision of September 2020 and review of progress

At the Housing Scrutiny Committee in September 2020 the Executive Councillor took the following decision:

- 3.1 *Approve the bringing forward of a development programme to provide new housing 2022-32 by the Council.*
- 3.2 *Approve the strategic guidance for the aims of the programme set out in Section 4 of this report.*
- 3.3 *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.*
- 3.4 *Approve the proposal to report progress on development of the new programme to Housing Scrutiny Committee in January 2021.*

4 Progress to date and proposed Portfolio approach

The 2020 report set out a series of parameters for the programme. These are shown below followed by commentary on progress what the proposed approach is.

- 4.1 *to deliver 1000 net additional council rented homes during the period 2022-2032.*
- 4.2 *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.*

4.2.1 Progress to date and proposed Portfolio approach

Status	Total Homes	Council Homes	Net Council Homes
To date:	695	516	437
Handed over or onsite	259	259	210
Submitted for planning	436	257	227
Rest of ten year programme proposed	1835	929	495
Total	2530	1445	932

4.3 *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.*

4.3.1 Progress to date and proposed Portfolio approach

Sustainable Housing Design Guide target	Progress to date	Proposed Approach for all sites
Gas Free	100%	100%
Using the PHPP (Passiv Haus Planning Package).	100%	100%
Passivhaus certified	21	CamStandard
Biodiversity Net Gain 20%	3 out of 10 sites met 20%; 4 made 10%	to meet 20%
Water lpppd: 90	3 out of 10 sites met 99; 4 made 100	99 or less
Car Park Ratios 0.5	0.5 average	0.5 or less

4.3.2 Appendix 4: *Passivhaus Pilot Study Initial Report* refers to the learnings from the Passivhaus pilots and makes a recommendation to adopt the CamStandard and to come back to HSC in 2025 with recommendations on attaining Net Zero as outlined in Appendix 4

4.4 *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.*

4.4.1 Progress to date and Portfolio approach

Status	Total Homes	Council Homes	Social Rent	60%	80%	Shared Ownership	Market
Greater Cambridge Housing Strategy 2019-24	695	516	174	131	211	0	179
Handed over or onsite	259	259	124	31	104	0	0
Submitted for planning	436	257	50	100	107	0	179
Greater Cambridge Housing Strategy 2024-							
Rest of 10 year programme proposed	1835	929	140	555	234	0	906
Totals	2530	1445	314	686	445	0	1085

4.5 *To continue to optimise the use of current and acquired land within the City and adjacent environment.*

4.5.1 Progress to date and proposed Portfolio approach

Status	Total Homes	Council Homes
To date	695	516
HRA sites	436	397
GF sites	0	0
Purchased sites for CIP	228	88
Purchased sites for HRA	31	31
Rest of ten year programme proposed		
HRA sites	1011	622
GF sites	100	25
Purchased sites for CIP	688	246
Purchased sites for HRA	36	36
Total	2530	1445

4.6 *To consider a range of funding options, with the objective of maximising grant opportunities to achieve the objectives of the programme.*

4.6.1 Progress to date and proposed Portfolio approach

	Homes England		Brownfield Release Fund	Refugee Funding	Other
	Strategic Partnership	CME			
2021-to date	unsuccessful	£17m	£0.6m	£5.8m	£1m
Rest of the ten year programme ask	£208.5m			£1m	£2m

4.6.2 A 2020 bid to become a Homes England Strategic Partner for the 2021-2026 round was well received but was ultimately unsuccessful. This was the first time Local Authorities had been eligible to bid and none were accepted. Work with Homes England has continued and funding has been secured on a scheme-by-scheme basis.

4.6.3 However, the success in delivering the 500 and the current Ten Year Programme to date will strengthen a bid for the next programme period post 2026 provided a programme is in place.

4.6.4 Last year Cambridge City Council, through its partnership with Hill, delivered, according to Inside Housing, the second largest number of direct build council homes in England and a significant majority of the affordable housing within the city.

4.6.5 With £208.5 million grant the Council could accelerate a pipeline of over 1,100 new and re-provided affordable homes and over 1,100 market homes.

4.6.6 This assumption requires an ‘ask’ of government that rather than funding through Continuous Market Engagement or Strategic Partnership under the Affordable Homes Programme, a more Strategic Partnership model or a funding regime similar to that provided through the Greater London Authority should be extended to councils, so that more strategic allocations of funding can be obtained for use flexibly across development programmes.

4.6.7 The authority requests a move towards fewer, flexible funding allocations which amalgamate the various funding sources for investment in housing into 1 or 2 “pots”, specifically addressing both investment in existing homes and new home delivery.

4.6.8 This approach would unlock regeneration sites in the city and on its fringes to deliver an increase in affordable homes and improve existing stock through partnership with the council, RPs and developers. Grant is needed to fund regeneration costs (buy backs and land assembly), retrofitting costs and to deliver higher sustainability standards on mixed tenure sites.

4.7 *To build a new programme based on lessons learned and experience of the current programme, alongside experiences from other partners/Local Authorities.*

4.7.1 Progress to date

4.7.2 The following councils have visited Cambridge City Council asking to learn more about the Cambridge Investment Partnership model: London Borough Camden; London Borough Lambeth; London Borough Enfield; Gravesham District Council; Oxford City Council; Harlow District Council;

5 Changes to the ten year programme being proposed.

- 5.1 Progress has been made in relation to the Ten Year Programme and in the MTFHS HSC report also coming to this Committee the council has stated its ambition to provide significant levels of net new social and affordable housing over the next 10 years, recognising that Cambridge is a fast-growing city of economic importance to the UK, where the Council has already successfully delivered more homes than other local authority providers.
- 5.2 In the current economic climate of continued high interest rates and increased build costs, the Council alone is unable to finance this level of housing development in a financially sustainable way.
- 5.3 To address this, the authority has developed a potential new portfolio approach to the delivery of new homes which will allow affordable housing targets to be exceeded across the city as a whole, whilst reducing the cost of development to the HRA.
- 5.4 It is proposed to seek approval for the formal adoption of a Portfolio approach to the Council's ten year development programme which take into account the Council's Ambitions in line with Corporate objectives, HRA Business Plan, Local Plan and the Greater Cambridge Housing Strategy as outlined below.
- 5.5 The revisions necessary to deliver the remainder of the ten year programme are summarised below:
- 5.6 The reduced capacity of the remaining HRA sites to increase the number of dwellings compared to sites that have been delivered
- 5.7 The need to address HRA sites where conditions are particularly poor even if the capacity to increase numbers is limited
- 5.8 The increased reliance on non-HRA sites which are only viable, if at all, at 40% affordable
- 5.9 The requirement to provide 3 and 4 bedroom homes when, in the great majority of cases these are replacing 1 and 2 bedroom flats.
- 5.10 *A mixed tenure approach to development. These changes are due to:*
 - 5.10.1 The need to reduce the financial exposure of the Council to capital cost risks on 100% affordable sites.
 - 5.10.2 To reduce planning risk in providing a more balanced community with a diversity of tenures which is better for placemaking.

- 5.11 Increase in the size of the total size of the Ten Year New Homes Programme from the original estimate of just under 2,000 to 2,700.
- 5.12 To adhere to the approved 2024 Greater Cambridge Housing Strategy noting that in this report it recommends the Exec Cllr for Housing to exclude Home Ownership options from the provision of affordable housing as outlined in 7.4
- 5.13 To provide a programme that is ambitious and deliverable to the Secretary of State for MHCLG to attract grant funding of £208.5m to deliver c 1100 council homes and 1100 market homes

6 The portfolio approach for approval

- 6.1 To make this revised approach viable a portfolio approach for the rest of the ten year programme is required.
- 6.2 The ten year programme is set out below. Schemes that have not yet started on site will form the portfolio, that is, including and from East Barnwell onwards
- 6.3 A portfolio approach will allow for flexibility across sites within the portfolio from East Barnwell onwards with a target of at least 50% affordable housing across the programme while always maintaining the delivery of 40% in its running total. The current programme below suggests 53% affordable housing can be achieved within the programme.
- 6.4 Some sites may fall below 40% but the sequence of sites will ensure that the running total of the affordable percentage does not fall below 40%. The current programme below shows that running total does not fall below 53%.
- 6.5 This will be monitored and updated through the HSC quarterly outturn reports. It will be monitored at planning application, start on site and completion.
- 6.6 This will be supplemented with regular monthly officer reviews.
- 6.7 Individual sites whether they are existing HRA sites, land acquisitions, off the shelf purchase opportunities and joint venture developments will still be brought forward for decision to be considered by HSC and approved by the Executive Councillor. The reports seeking approval will note any implications for the programme. The reports will also note any implications for the Council's Housing Strategy.

7 Greater Cambridge Housing Strategy and Cambridge City Council HRA Rent Setting Policy

7.1 The proposed Portfolio Approach to the Ten Year Programme has been informed by the Greater Cambridge Housing Strategy and Cambridge City Council HRA Rent Setting Policy

7.2 Greater Cambridge Housing Strategy: the Portfolio approach commits to the provision of Affordable Housing at Social Rent, 60% rent and 80% rent.

7.2.1 *Annex 1; 7.3 – affordable provision aimed at those on low to median incomes.* This is addressed directly through the ambition of the proposed programme to deliver rent tenures across three distinct levels

- Social Rent
- Affordable rent at 60% of market rent, but capped at LHA
- Affordable rent at 80% of market rent as an intermediate offering targeting families with Local worker connections

7.3 Greater Cambridge Housing Strategy: The Portfolio approach is currently forecast to have 27% of council homes to be let at Social Rent

7.3.1 *Annex 2: Para. 2.6: “75% of the 40% affordable housing requirement to be Affordable/Social Rent. On S.106 sites above 15 homes at least 10% (of the 75%) to be allocated for Social Rent.* Currently the Council programme proposed c27% of total affordable housing delivery as Social rent. This is significantly above the level set out in the strategy and will remain a target. It is important to note that this delivery is significantly subsidised through the delivery of a complementary component of homes at 80% of market rent which subsidize the reduced revenue.

7.4 Greater Cambridge Housing Strategy: The Portfolio approach is commits to 80% Affordable Rents for Local Workers an alternative to shared ownership or other routes of home ownership as defined by the Housing Strategy.

- 7.4.1 *Annex 2: Para. 2.6 “25% of the 40% affordable housing requirement will typically be for shared ownership where it is sufficiently affordable to meet local needs, although other types of tenure may be considered on individual schemes on a case-by-case basis. (Para. 2.7) Where other tenure types are considered, either alongside or in place of shared ownership, this must align with the National Planning Policy Framework (NPPF) requirement for at least 10% of the total number of homes to be for affordable home ownership, unless an exemption can be demonstrated.*
- 7.4.2 This is subsidised by *Annex 4, Para 3.8: New homes brought forward either in addition to the 40% affordable housing requirement in the Local Plan, or in place of intermediate tenures, which are to be let through Cambridge City Council’s Lettings Policy may, in some circumstances, be offered at up to 80% of market rent to particular groups who are more likely to be able to afford a slightly higher rent, such as local workers. This is subject to agreement with Cambridge City Council and will be considered on a case by case basis. Creating a mixed and balanced community will be a key consideration.*
- 7.4.3 In regard to the link to the NPPF, the council stance is that the provision of Affordable Rented Homes, when let and subject to Right to Buy Legislation still offers a route to home ownership. Tenants of affordable rented housing can purchase their property and progress to full home ownership.
- 7.4.4 With more than 10% of the homes proposed across the council’s development portfolio being provided as Affordable Rented Housing, the programme therefore complies with paragraph 66 of the NPPF. Paragraph 66 of the NPPF additionally notes that the proposed provision of 10% of homes being made available for affordable home ownership does not apply if this would significantly prejudice the ability to meet the identified affordable housing needs of specific groups. This prejudicial consideration of the 10% target is justified in the face of the Savills report which informed the Structuring of the 10 year new homes programme tenure proposals, clearly delineating a gap in the housing market which can be met through rents falling between social/LHA and intermediate Shared Ownership offering.
- 7.4.5 The proposed Portfolio approach of the council delivering social rent, 60% and 80% rents is compliant with the June 2024 Greater Cambridge Housing Strategy.

7.5 Greater Cambridge Housing Strategy: The proposed Portfolio approach commits to delivering houses across the portfolio of sites, a range of 1bed to 4bed homes and to prioritising social rents on larger family homes order to respond to specific housing demand

7.5.1 *Annex 2, para 4.2: For three bedroom or larger properties in Cambridge City and South Cambridgeshire, including on fringe sites, we will expect the affordable homes to be provided as houses.* This ambition is included in the current programme, subject to location of housing delivery and presence of houses. As an additional step, the proposed Portfolio approach commits to prioritising social rents on larger family homes order to respond to specific housing demand.

7.5.2 A revised affordable housing size mix has now been adopted (Annex 2, para 3.3). This has now been programmed into the councils portfolio for delivery. Additionally, maximal occupancy is sought and will be accounted for in scheme design.

	1Bed	2Bed	3Bed	4bed
Affordable housing (rented)	35-45%	30-40%	15-25%	0-10%

7.6 The need to align Cambridge City Council HRA Rent Setting Policy with the Greater Cambridge Housing Strategy

7.6.1 The HRA Rent Setting Policy was last updated and approved in September 2022. The policy outlines that affordable rented homes will be re-let at no more than 60% of market rent or the current Local Housing Allowance, whichever is the lower, or at no more than 80% of market rent depending upon the category of housing they were built as. This is compliant with both current government policy and the 2024 Greater Cambridge Housing Strategy.

7.6.2 The delivery of these local worker homes has been adopted as an “intermediate” housing product which can be held within the HRA, but it remains an Affordable rented product in terms of its definition.

- 7.6.3 However, the current HRA Rent Setting Policy assumes the delivery of affordable rented homes by the Council targeting Local Workers (at 80% of market rental) only on properties being delivered above the level required by planning, that is, over 40% affordable provision
- 7.6.4 Therefore the HRA Rent Setting Policy requires an amendment to reflect the 2024 Greater Cambridge Housing Strategy which states that intermediate housing - 80% Affordable Rent for Local Workers in this case - should target 25% of the affordable homes provision through the planning process, that is, within the 40% provision
- 7.6.5 To this end, the Council has proposed that on three schemes being considered by planners the “intermediate component be delivered as local worker housing. (These are at Newbury Farm, Eddeva Park and the ATS/Murketts Site on Histon Road.) Should successful planning resolution be granted, there will be a requirement to bring forth to this Committee a revision of the HRA Rent Setting Policy to align the ambitions of the Greater Cambridge Housing Strategy and the adopted delivery of Local Worker Housing within the housing delivered as a planning requirement on mixed tenure sites.