REPORT TITLE: Development Loan to Cambridge Investment Partnership

To: Cabinet

23 September 2026

Report by:
Jody Etherington, Chief Finance Officer
Tel: 01223 458130 Email: jody.etherington@cambridge.gov.uk

Wards affected:
All

Director Approval: Chief Finance Officer Jody Etherington confirms that the report author has sought the advice of all appropriate colleagues and given due regard to that advice; that the equalities impacts and other implications of the recommended decisions have been assessed and accurately presented in the report; and that they are content for the report to be put to the Cabinet for decision.

1.	**Recommendations**
1.1	It is recommended that the Cabinet: 1. Recommend that Full Council increase the maximum development loan amount to be drawn down by Cambridge Investment Partnership LLP in respect of Newbury Farm, ATS/Murketts Histon Rd, and Fanshawe Road, by £12 million. 2. Recommend that Full Council approves a corresponding increase of £12 million to the total investment counter-party limit with CIP in the Treasury Management Strategy.
2.	**Purpose and reason for the report**
2.1	The council has been approached by representatives of the Cambridge Investment Partnership (CIP) with a request to advance further development loan financing totalling a maximum of £12 million to support the housing schemes currently under development at Newbury Farm, ATS/Murketts Histon Rd, and Fanshawe Road.

2.2	Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, the advancement of loans for capital purposes is to be treated by local authorities as capital expenditure. The council's constitution requires any allocation of council resources to capital purposes in excess of £1 million to be considered by Full Council. Whilst this is usually done as part of the annual budget-setting process, CIP's cash flow projections show that the financing is required in the current financial year, therefore an out-of-cycle decision is required.
3.	**Alternative options considered**
3.1	The council could choose not to advance further loan financing. In these circumstances, there are likely to be two courses of action available to CIP: • Slowing down of development on one or more sites, which will delay the handover of council homes; and/or • Seeking finance from an alternative provider – this may be challenging in the timescales required given the lack of formal credit rating and security over CIP assets already given to the council. As a result of these factors it is also likely that any alternative finance would be at higher interest rates, with a knock-on impact on the return generated by the schemes, of which 50% belongs to the council.
3.2	In addition, if the council chose not to proceed, there would be an opportunity cost to the General Fund. The agreed interest rates receivable on the loans to CIP are higher than the rates that are currently being obtained on the remainder of the council's investment portfolio.
4.	**Background and key issues**
4.1	Cambridge Investment Partnership LLP (CIP) is a 50:50 joint venture arrangement between the council and property developer Hill. The partnership has to date delivered over 700 new council homes within the city. Many of CIP's developments, including the three schemes under consideration in this report, are mixed tenure, meaning that the provision of council homes is supported by the sale of private units on the same

	development.
4.2	In October 2025, Full Council approved the establishment of new development loan facilities totalling £18.5 million from the council to CIP in respect of three ongoing developments at Newbury Farm (£6 million), ATS/Murketts Histon Rd (£7 million) and Fanshawe Road (£5.5 million). Alongside this, Full Council approved an equity investment of £4.7 million, with Hill also putting in an equivalent amount of equity.
4.3	Development on the site is proceeding well, and the equity has now been drawn down along with £11.4 million of development loans.
4.4	The recent and ongoing war in Iran has meant that build cost inflation has increased and sales rates have slowed. Acknowledging this, construction programming has been reviewed and the council's payments for the affordable housing has been reprofiled in line with new handover dates. This, along with a more conservative estimate of sales rates, has led to an increase in the project's cash financing requirement during the development phase.
4.5	There is strong evidence to suggest that the units remain ultimately highly saleable. The Cambridge property market has proved extremely resilient to past economic events, including Covid-19 and recent increases in interest rates. To date, across the three schemes, 20 units have already been sold or reserved.
4.6	CIP have therefore asked for the maximum development loan facilities already in place to be increased by a total of £12 million, to £30.5 million. This breaks down on a scheme-by-scheme basis as £3.9 million for Newbury Farm, £4.5 million for ATS/Murketts Histon Rd, and £3.6 million for Fanshawe Road.
4.7	The amount of £12 million is based upon planned project expenditure of £11.1 million between October and December, rounded up to provide some contingency. This therefore assumes a 3-month delay to sales income. The facility is provided on a flexible drawdown basis – it is in CIP's interest to only drawdown the amount which is actually required to finance the project, therefore the total amount drawn down may in fact be less

	than the maximum should sales proceed at a faster pace.
4.8	The additional amounts would be subject to the same security and protections as the original loans, namely: • A covenant to the effect that the loans are only to be used for the purposes of housing delivery, including regeneration activities, new build development and delivery of affordable housing. • Loans are secured against the assets of CIP and can only be drawn down against capital work-in-progress as certified by the council's employer's agent.
4.9	Other terms and conditions would also remain the same, including the interest rate which is set at 3.50% above the 5-year treasury gilt rate on a quarterly variable basis. This provides sufficient margin to the council to reflect the risk involved and provide some protection against future interest rate movements.
5.	**Corporate plan**
5.1	The recommendation supports the following priorities within the [Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council]:- Priority 3: • increasing the delivery of homes, and in particular affordable housing, including council homes, to meet housing need • diversifying the housing market and accelerating housing delivery • working with key partners to innovate and maximise available resources Priority 4: • run our services in an efficient way, generating income where appropriate to reinvest into other council services
6.	**Consultation, engagement and communication**
6.1	Specialist external tax and legal advice was sought upon agreement of the original loan

	facilities which confirms the council’s approach to setting interest rates. In addition, development scheme approvals were subject to the usual consultation and planning process.
7.	**Anticipated outcomes, benefits or impact**
7.1	The primary purpose of advancing loans to CIP is to facilitate the development of housing within the city, including affordable housing. There is a secondary benefit in respect of additional interest income to the General Fund, and the development profit generated by CIP, of which 50% also accrues to the General Fund.
8.	**Implications**
	Relevant risks
8.1	As with any loan there is an inherent risk of default on repayments – however this is significantly mitigated by the loan security, requirement for drawdown to be against certified work-in-progress, and the council’s 50% participation in the CIP joint venture.
	Local Government Reorganisation (LGR)
8.2	The loan agreements contain a specific provision for the loans to be transferred to a successor authority in the case of local government reorganisation.
	Financial Implications
8.3	The loans are likely to generate additional interest income for the General Fund. This is hard to quantify as the exact timing and amounts of drawdowns under the facility are unknown. The loans are advanced at a margin of approximately 2.70% above Public Works Loan Board rates, which provides some protection for the council even should it need to borrow to fund future drawdowns.
	Legal Implications

8.4	Legal advice supports the council's approach to both facilitation of loan and applicable interest rates.
	Equalities and socio-economic Implications
8.5	The loans will facilitate the provision of social housing within the city which will have positive socio-economic implications.
	Net Zero Carbon, Climate Change and Environmental implications
8.6	The housing to be supported by the loans will be delivered to 'Cam Standard', which exceeds minimum energy efficiency requirements and therefore supports the council's environmental objectives.
	Procurement Implications
8.7	None.
	Community Safety Implications
8.8	None.
9.	**Background documents** Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985
9.1	Establishment of new loan facilities for Cambridge Investment Partnership – report to Cabinet, September 2025
	To inspect the background papers or if you have a query on the report please contact Jody Etherington, Chief Finance Officer, tel: 01223 458130, email: jody.etherington@cambridge.gov.uk