



Report To: Leader and Cabinet
Lead Officer: Director of Planning and New Communities

10 July 2014

Northstowe: Investment and Delivery

Purpose

1. To present emerging options for the future delivery of Northstowe including a Joint Venture with the Homes and Communities Agency and Cambridgeshire County Council; approve guidelines for the use of shared branding for Northstowe; and endorse work on public service and town centre proposals.
2. This is a key decision because the proposed work may lead to a further decision with significant implications including the authority incurring significant expenditure and having a significant effect on more than two wards. It was first published on 5 June as a supplement to the Council's Notice of Key Decisions published on 21 May 2014.

Recommendations

3. It is recommended that Cabinet:
 - (a) Approve the development of detailed proposals and a business case for the proposed Northstowe Joint Delivery Vehicle, subject to the decision of the Homes and Communities Agency Investment Board at its meeting on 10 July, and the Cambridgeshire County Council General Purposes Committee at its meeting on 1 July.
 - (b) Note the delivery and disposal options for Northstowe that will be presented to the Homes and Communities Agency Investment Board on 10 July 2014.
 - (c) Endorse work to develop options for the design and delivery of services in Northstowe town centre, to be the subject of a further report in January 2015.
 - (d) Approve the use of shared branding for Northstowe, subject to the guidelines in para 32(a).

Reason for Recommendations

4. To ensure that Cabinet can consider any corporate and financial implications arising from the proposals for a Joint Venture with Cambridgeshire County Council and the Homes and Communities Agency, the design of public services for the Town Centre and the use of shared branding.

Background

Joint Delivery Vehicle

5. On 3 June 2013, Cabinet authorised officers to work with the Homes and Communities Agency (HCA) and Cambridgeshire County Council to develop Heads of Terms for a joint venture to invest in and develop Northstowe; and authorised the principle of investment of £25 million from the Housing Revenue Account in the joint venture vehicle.
6. The County Council Business Plan identifies a total of £15m to be invested in Northstowe in three instalments of £5m from 2016 onwards. This money would be obtained through prudential borrowing. The Business Plan originally identified a potential investment of £25m, but £10m was subsequently allocated to bring forward the planned secondary school to meet existing need.
7. Outline planning consent for the first phase of Northstowe was granted on 22 April 2014. Phase 1 will include 1500 homes, with associated infrastructure, a school and local centre. Phase 1 will be delivered by Gallagher Ltd, and work is anticipated to start on the B1050 road improvements later this year. All future phases will be led by the HCA who are in the process of taking over options on the remaining land required from Gallagher Ltd.
8. The County Council owns land to the north west of the B1050 that will be developed as a later phase of Northstowe. The process of transferring the options held by Gallagher on this land to the HCA is currently underway.
9. The HCA has prepared a financial appraisal of the outstanding remaining development of Northstowe (8,500 homes). This shows that Northstowe will generate a surplus overall but that a substantial initial investment will be required to bring forward the infrastructure, with a significant negative cashflow for a number of years. The projected long term returns are, however, positive. The investment by the two Councils would significantly assist in bringing forward the remaining phases of Northstowe.
10. The HCA is evaluating a preferred method of delivery.
11. The HCA has asked both SCDC and the County Council to confirm support in principle for investment in a proposed Northstowe Joint Venture.

Town Centre

12. Pre-application discussions are well-underway for Phase 2 of Northstowe. In July, the HCA is expected to submit a Phase 2 outline application for 3,500 homes with a substantial part of the town centre, access roads, a secondary school and other facilities.
13. Northstowe, with the creation of a new town, provides unique opportunities to redesign public services and service delivery. Cambourne was planned in the 1990's, and at that time its plan for public services involved primary schools, the co-location of the Library and Health Centre at Sackville House, and community facilities at the Hub. SCDC moved its offices from Cambridge to the Business Park, and later a police station opened. At Clay Farm on the south of Cambridge, there will be a shared building that will provide a library, primary health services and a community centre.

14. In 2007, when the previous Northstowe planning application was submitted, it was expected that the town centre would include a Civic Hub with primary health services, library, community centre and town council offices. In the early years, Northstowe will have a young demographic. This informed the public service vision endorsed by Cambridgeshire County Council Cabinet in November 2011. That report focussed on using the schools as the first community hubs – with the primary school serving families with younger children, and the secondary school serving teenagers and adults. Over time, the Northstowe demographic will become more balanced.

Identity and Branding

15. In 2013, the HCA commissioned a Branding and Identity Strategy on behalf of Gallagher, Cambridgeshire County Council and SCDC. This work was informed by workshops with and presentations to the Northstowe Joint Development Control Committee and Northstowe Parish Forum, and through member briefings. The Branding and Identity Strategy is intended to help Northstowe become a point of destination using branding that is not linked to any particular interest or party, and that will stand the test of time.

Considerations

Joint Delivery Vehicle Considerations

16. The Council has two objectives in investing in Northstowe:
- To facilitate and influence the deliverability and quality of development at Northstowe, at the same time as bringing forward much needed housing.
 - To make a return on the money invested.
17. Discussions have been taking place with the HCA and County Council about the form that a Joint Venture could take. This has crystallised into two options:
- *Option 1 A contractual joint venture.* This would not be a true joint venture but would be governed by a Memorandum of Understanding between the partners. Individual contracts would be entered into between partners relating to use of land and buildings in discrete development projects. The councils would have first refusal of investment but would be under no obligation to invest.
 - *Option 2 A corporate joint venture.* This would establish a separate legal entity. All three parties would transfer their land and assets into the JV. Each partner would be represented on the JV board with voting rights and profit share proportional to the investment of land and other assets.
18. The choice between the two options, or indeed whether to invest at all, depends on the relative weight given to the two objectives set out above and the Council's appetite for risk and reward.
19. Option 1 would allow the Council to appraise each investment decision and thus would limit risk and give greater certainty of reward. However as this would not give the HCA or Government any certainty over the level of investment from the Council it would do little to facilitate the development of Northstowe. The Council would have no opportunity to influence the development overall, other than through the planning and other regulatory processes.

20. Option 2 would probably give a greater return overall than Option 1, although the full return would take longer to be realised and thus the Council would be exposed to a greater level of risk. This up-front commitment to Northstowe by the Councils would support the HCA in seeking investment from Government and thus would facilitate the development. As a full partner in the Northstowe JV the Council would have a say in all investment decisions and in the shaping of Northstowe.
21. As Northstowe developed and moved into surplus the Council would have the option to either withdraw its stake for investment elsewhere or retain a share in the completed development in order to receive an ongoing longer term return.
22. The Council is not committed to enter into either or any JV option. It is too early for meaningful financial evaluation of the JV options, although the authorities have provided potential investment options and the HCA shared an indicative cashflow, in confidence. The three agencies are all working to a shared timetable, with the HCA presenting a new Northstowe business case to its Investment Board on 10 July and the County Council presenting a report to its General Purposes Committee on 1 July.
23. This work has been facilitated and supported by ATLAS, the HCA's consultancy unit, which has considerable experience in this field.

Town Centre Considerations

24. Northstowe provides a unique opportunity to both relocate and redesign public services for a new town centre which has high speed, high quality public transport to Cambridge.
25. The town centre will be developed during Phase 2. The planning application for this phase is due to be submitted July 2014, and determined July 2015. Over the next six months, a strategy for delivery of public services will be developed by the District and County Councils and the NHS with other parties. The strategy will consider proposals for relocating services to Northstowe and reshaping services; the need for new civic buildings and outline the role of public services in place-making.

Branding and Identity Considerations

26. As stated above, in 2013, the HCA commissioned Branding and Identity Guidelines for Northstowe. A key outcome from this work is the design of an 'N' (see **Appendix 1**), that can be used in many ways and formats to signify Northstowe.

Options

Northstowe Delivery Options

27. The HCA Investment Board at its meeting on 10 July will consider the following options, in accordance with the requirements of the Government's Green Book Option Appraisal Process. The Investment Board will be asked to support further work on a Joint Venture with the Local Authorities. The HCA options are:

- a. Disposal – Sell Now
 - b. Disposal – Sell after Planning Permission
 - c. Procure strategic delivery partner, using a similar approach to that currently being undertaken by the Defence Infrastructure Organisation (DIO) for Waterbeach Barracks
 - d. Joint Venture with the Local Authorities, jointly or singly, with a Contractual Joint Venture or Corporate Joint Vehicle
 - e. HCA act as master developer, delivering Northstowe in a similar way to Gallagher Ltd.
28. Directors from the County and District Councils have worked with the HCA to identify two options for a Joint Delivery Vehicle: Contractual Joint Venture or Corporate Joint Venture. The Council could invest in either type of JV from three sources: Housing Revenue Account, the Housing Company and prudential borrowing. At this stage, the options are:
- a. The Recommended Option is to authorise further work, subject to the decisions of the HCA and County Council, to develop a detailed business case with recommendations for investment, rate of return, qualitative objectives and delivery model;
 - b. An alternative option is to continue with the current arrangements whereby the Local Authorities influence through planning and other regulatory functions; and services at Northstowe are provided in the usual way.
29. The Council has obtained independent legal advice on the two options, which have summarised key factors to consider in exploring the Contractual and Corporate Joint Venture models. This advice will be used in the development of the business case, as appropriate.

Town Centre

30. Currently, there is a particular opportunity to consider the principles that the Council wishes to apply to its first town centre; and the way that public services are delivered there. The options at this stage are:
- a) The Recommended Option is to authorise further work, with the County Council and other agencies including the NHS, to develop proposals for the development of public services in the town centre across later phases of Northstowe, with a further report in January 2015. The aims will be to develop new models of service delivery that are high quality with low capital and revenue costs in the short and longer term, and that stimulate independent self-sustaining communities.
 - b) An alternative option is to rely upon the HCA as the developer to define the principles for the development of the town centre, and for the local authorities and NHS to set out their requirements for s106 payments in the usual way.

Branding and Identity

31. The Council has its own logo and communication guidelines, and does not have separate branding for Northstowe. On occasion, logos from the different planning applications or documents such as the Development Framework Document have been used on leaflets and newsletters. The HCA has developed branding guidelines, including the 'N' in appendix 1, for use by the local authorities, promoters,

housebuilders, businesses and others, such as a future Town Council. The branding has been welcomed and liked by those consulted. The options, at this stage, are:

- a. The Recommended Option is for the Council to use the branding in newsletters and other informal consultative or promotional material; but not to use it in connection with formal consultations on planning related matters.
- b. An alternative option is to not use the 'N' at this stage, and to review this decision after the Northstowe Phase 2 application has been determined.

Implications

32. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

Financial

33. Independent legal and financial advice will be required to help develop a business plan for the Joint Delivery Vehicle. This will be funded from approved budgets. A business plan will fully assess the financial implications of a Joint Delivery Vehicle, including required levels of investment, potential risks and returns.

Legal

34. Initial legal advice has been obtained on the Delivery Vehicle options, which highlights implications against a range of factors. Further specialist advice will be required in order to safeguard the Council before entering any Joint Venture partnership.

Risk Management

35. The risks associated with the development of a business plan are not significant. The risks arising from a Joint Delivery Vehicle will be carefully assessed as a business plan is developed.

Consultation responses (including from the Youth Council)

36. The Northstowe Joint Development Control Committee and the Northstowe Parish Forum have been consulted on the Branding and Identity for Northstowe, and both were supportive.

Effect on Strategic Aims

Aim 3 – Wellbeing: Ensure that South Cambridgeshire continues to offer an outstanding quality of life for our residents

37. This report has three components: Joint Delivery Vehicle options, Town Centre services, and Branding for Northstowe. All three support the corporate objective to establish successful and sustainable new communities.

Background Papers:

- SCDC Cabinet on 3 June 2013: Northstowe Delivery and Drainage Requirements
- Cambridgeshire County Council Cabinet December 2011: Delivery of Public Services for Northstowe

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