

Report to:	Scrutiny & Overview Committee	23 June 2022
Lead Cabinet Member:	Cllr Bill Handley (Cabinet Member for Communities)	
Lead Officer:	Anne Ainsworth (Chief Operating Officer)	

Northstowe – Update and Recommendations

Executive Summary

1. This report provides an update on a range of issues related to Northstowe and makes a number of recommendations related to provision of community buildings; development of the Enterprise Zone; and funding, including the Section 106 (s106) shortfalls.
2. The report recommends that the Council invest more than £12 million in funding and move forward on its commitment to deliver high-quality community facilities for Northstowe residents.
3. This would include the growing new town’s Sports Pavilion and Community Centre on phase one, and Civic Hub and additional Sports Pavilion on phase two.
4. The report also recommends pausing further development work on the Enterprise Zone, to allow time to focus on the community facilities; and proposes the creation of a Member Governance Group to oversee progress on the buildings the Council is responsible for delivering.

Key Decision

5. Yes

The key decision was first published in the June 2022 Forward Plan.

Recommendations

6. It is recommended that Overview and Scrutiny Committee:
 - a) Consider the proposed report, attached as Appendix A and make any recommendations to Cabinet as appropriate.

Reasons for Recommendations

7. The Council has an obligation as set out in Appendix A to deliver community facilities at Northstowe. These recommendations would enable the Council to move forward with the development of these buildings.

Details

- 8 Please see attached Appendix A.

Implications

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

Financial

- 10 The report recommends increasing the Capital Programme allocation for Northstowe to £34.6m of which £12.85m to come from Council Capital receipts and £21.75m from existing s106 agreements.

Staffing

- 11 Any additional staffing resources or skill-sets that may be required in the next phase of delivery at Northstowe will be discussed with the Member Governance Board.

Risks/Opportunities

- 12 There is a comprehensive risk register which is updated and monitored weekly by the project manager. The risk register is shared with the Senior Responsible Officer and project board weekly. The risk register reflects the risks detailed in the report to include, but not limited to, the rising increase in costs and the mitigation for these. The risk register also highlights the opportunities such as place making, adherence to the Council's Section 106 obligations and the achievement of the Council's goal of making Northstowe a Healthy New Town.

Equality and Diversity

- 13 The community buildings specifications have been altered to include disabled-adapted facilities now required by law. This ensures access for all and encourages inclusivity. The cost of this is included in the project budget.

Climate Change

- 14 SCDC are committed to tackling the climate crisis. Some of the increased costs associated with the delivery of the Community Buildings are as a result of design decisions made with regard to the heating, cooling, and ventilation of these buildings. Buildings have been designed to include renewable technologies, including air-source heating, solar pv, waste-water heat recovery and increased air-tightness levels. A decision not to fund the full request, would likely impact the renewable technologies that could be included.

Health & Wellbeing

- 15 As with any new development, many people moving to the town will be forming new social circles and creating links that will support positive health and wellbeing outcomes. Good quality community spaces play a key role to ensure a sense of community and a place to meet. The plans also include statutory services, such as primary care, which are essential to the success of any new town.

Consultation responses

- 16 Building-specific community and stakeholder consultations have been undertaken in relation to the Phase 1 sports pavilion and the Phase 2 Civic Hub. Consultation on the Phase 1 Community Centre has formed part of the wider consultation on the draft masterplan for the EZ and Local Centre.
- 17 Pre-planning consultations for the Phase 1 sports pavilion were carried out with Cambridgeshire FA, Cambridgeshire RFU, Longstanton Parish Council and Meridian Trust. Early designs were presented at the Northstowe Community Forum and Drop-in.
- 18 Full statutory consultation on the Phase 1 sports pavilion was undertaken as part of the planning process.
- 19 The Phase 2 Civic Hub has also been subject to stakeholder consultation. Consultants Civic have carried-out extensive consultation across a wide range of stakeholders, including dedicated session with Cambridgeshire County Council and Cambridgeshire and Peterborough Care Commissioning Group who will provide statutory services from the building. Subject to approvals regarding the proposed delivery of this facility, community consultation on the proposals will follow.
- 20 As part of the work in developing the draft Enterprise Zone Masterplan into its current state we have held several consultation events:
- 21 The phase 1 Consultation took place between June-August 2021 with the main aim to introduce the project to the public, uncover local aspirations and needs,

and gain insights into stakeholders' views about the masterplan opportunities for the area.

- 22 Phase 2 consultation took place between September – November 2021, with the main objective being to provide a project update, present outcomes from phase 1 consultation, present key objectives for the masterplan and gather feedback for the masterplan.

Alignment with Council Priority Areas

Growing local businesses and economies

- 23 The Community Centre, Local Centre and wider Enterprise Zone (employment area) development is vital to support and catalyse commercial growth in Northstowe. The complementary aspects of a Local and Community Centre integrated within the wider EZ will serve as a best in class example of modern, green and integrated placemaking. With employment land scarce across our District, it is important to develop this site into an exciting place where people want to work and play and where businesses want to be seen.

Housing that is truly affordable for everyone to live in

- 24 SCDC's Asset Management Strategy recognises that as a housing provider we are about more than just bricks and mortar – we look to build communities that can thrive and grow. Our Business Plan 2020-25 reflects this and commits to delivering in Northstowe the community facilities that will support housing delivery, including the phase 1 sports pavilion and community centre, and the phase 2 civic hub and pavilion.

Being green to our core

- 25 SCDC'S Business Plan 2020-25 commits to identifying and delivering opportunities to reduce carbon emissions from our estate. The designs for the Community Buildings account for the use of renewable technologies.

Background Papers

- Report to Cabinet: Northstowe Phase 1 – Section 106 Funding: February 2014
- Report to Cabinet: Northstowe Phase 2 – Community Infrastructure Delivery & Requirements: July 2015
- Report to Cabinet: Property Acquisition – Northstowe Enterprise Zone: November 2019
- Report to Cabinet: Town Centre Development – Northstowe Phases 1 and 2: March 2020

- Report to Cabinet: Northstowe EZ & LC: September 2020
- Report to Cabinet: Northstowe EZ & LC Procurement: December 2020
- Report to Cabinet: Acquisition 60 Affordable Homes and Commercial Unit at Northstowe 2 B – Restricted Item: February 2022
- Report to Council: Northstowe Acquisition of Interim Community Facilities - Restricted Item: March 2022

Appendices

Appendix A: Northstowe Report – Update and Recommendations

Appendix B: Community Development

Appendix C: Revised EZ Masterplan

Appendix D: Development of the EZ – History and the current masterplan process

Appendix E: Market Conditions and Market Engagement

Restricted Papers

Report Author:

Anne Ainsworth – Chief Operating Officer

Telephone: (01954) 712920

Appendix A

Northstowe – Update and Recommendations

Key sections of the report are identified below:

1. Recommendations to Cabinet and Council 1

2. Background 1

3. Milestones 2

4. The role(s) of the District Council..... 4

5. Community buildings – funding shortfall 9

6. Section 106 funding..... 13

7. Enterprise Zone (EZ) Development 15

8. Household Waste Recycling Centre (Parcel 5) 22

9. Member Governance Group 22

10. Appendices..... 23

11 Private Appendices 30

The report asks Cabinet to make the following recommendations to Council:

- i. Approve additional funding for the Phase 1 community buildings of:
 - a.£1.53m for the Sports Pavilion (including an allocation of £300k from the Renewable Energy Reserve)
 - b.£6.5m for the Community Building funded from Capital Receipts.
- ii. Approve an amendment to the Capital Programme to increase the allocation by £1.38m for the Phase 2 Civic Hub funded by the s106 to reflect the total allocation after indexation.
- iii. Approve an additional £2.82m allocated to the Civic Hub programme funded from Capital receipts.
- iv. Note that the Phase 2 Sports Pavilion is likely to be underfunded, but that delivery is not expected until 18 months after the 500th occupation on Phase 2. Although an exact amount cannot be estimated at this time, it is proposed an additional allocation of £2m be made in the General Fund Capital Programme, funded from Capital Receipts, for this project.

- v. Create a further provision of £433,000 (£219,000 plus indexation) for the Phase 1 Section 106 shortfall.
- vi. Create a provision for Phase 2 Section 106 commitments of £1.6m
- vii. Request that officers undertake a further review of infrastructure prioritisation in the S106 agreement for phase 2 in light of this report and report the matter back to the Planning Committee for consideration.
- viii. Agree to the Community Centre and Local Centre being built on Parcel 6 via a Direct Delivery or Development Manager model.
- ix. Pause the wider Enterprise Zone development (on Parcels 1,2, 3 and 4) for an initial period of 12 months.
- x. Agree the approach to Parcel 5 taking into account the option agreement set out in the exempt section of this report

And in addition:

Cabinet is recommended to:

- xi. Establish a member governance group for Northstowe

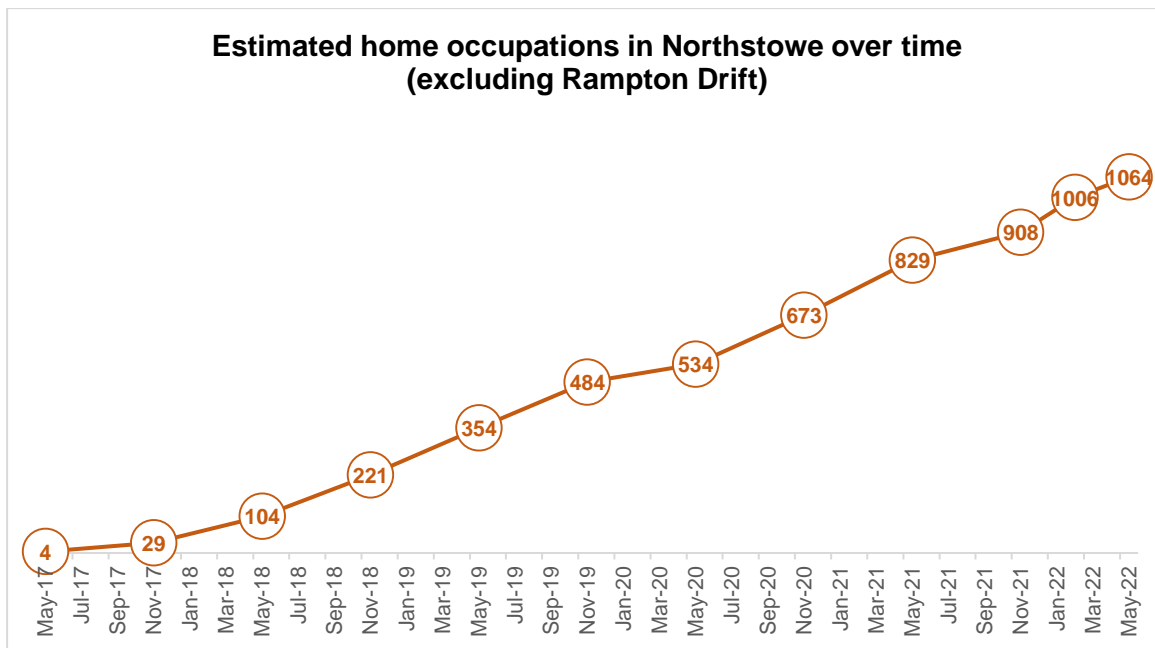
Background

1. Northstowe is a new town based around the former RAF Oakington Barracks and airfield which, prior to the establishment of a Town Council in 2021, formed part of the Parishes of Longstanton and Oakington. Once completed, the town will have around 10,000 homes, with an anticipated population of around 25,000.
2. The site has been in development for around 15 years, and it is likely to take another 20 years until the development is completed.
3. Much of the land was acquired by English Partnerships in 2006 (English Partnerships later became the Homes and Communities Agency and are now known as Homes England). The other main landowners are Gallagher Estates (which is now part of L&Q). Both Homes England and L&Q are the lead developers of the site.

Milestones

4. Northstowe has an extensive planning history, including applications in 2005 and 2007 that for various reasons did not result in permission being granted. In addition to the adoption of an Area Action Plan in 2007, the following are considered key milestones:
 - February 2012 - A Development Framework Document was adopted by the District Council as Local Planning Authority.

- April 2014 – Outline planning permission granted for Phase 1 (Ref: S/0388/12/OL). The approved development includes 1,500 homes, a primary school, road improvements, a local centre and a community centre.
- April 2016 – Residential construction begins in Phase 1.
- 2016 – Northstowe was announced as a Healthy New Town, and a Healthy Living Strategy adopted for the town in December 2017.
- January 2017 - Outline planning permission granted for Phase 2 (Ref: S/2011/14/OL). The approved development includes a further 3,500 homes, a town centre, 3 more schools including a secondary school education campus and a link road to the A14, plus a road linking the town to the Guided Busway. The homes in Phase 2 could not be occupied until a major upgrade to the A14 was completed which started in 2016 and was completed in early 2020.
- May 2017 – First new homes in Northstowe occupied.
- 2018 – Homes England invested £55m to provide the link road to the A14 and other infrastructure to allow more homes to be built – Expected completion 2022
- 2020 - Homes England submitted a Town Centre Strategy (approved under application reference S/2423/19/DC), setting out the principles for a new town centre to be developed for Northstowe. The Strategy proposes a shift away from a reliance on retail on its high street and instead focuses on the potential of creative industries, leisure, education, high-quality food, and small-scale manufacturing.
- May 2021 – First Town Council is elected.
- February 2022 – Outline planning permission granted for Phase 3A (Ref: 20/02171/OUT). The approved development includes up to 4,000 homes, two primary schools, a local centre, mixed use zones, sports pitches and open spaces.
- March 2022 – Outline planning permission granted for Phase 3B (Ref: 20/02142/OUT). The approved development includes up to 1,000 homes, a primary school, mixed use zone and open space.



Of these homes 1050 are from Phase 1 and 14 are Phase 2.

The role(s) of the District Council

5. SCDC is a major stakeholder in the development of Northstowe and is involved in a number of ways with the overall project. These include:
 - The role of the Local Planning Authority
 - Landowner
 - The deliverer of a number of Community Buildings and facilities
 - Arrangements for the Interim Community Space
 - Community Development work
 - The establishment of a Market
 - Purchaser of Social Housing
 - Social Housing Innovations

Local Planning Authority

6. The District Council is, of course, the local planning authority for Northstowe.
7. The Strategic Sites team leads on dealing with development proposals for Northstowe (as well as other growth sites within the District). This role includes offering pre-application advice to developers, through to determination of planning applications and monitoring implementation.
8. The service encourages applicants to enter into a Planning Performance Agreement (PPA), which is a project management tool allowing all parties to

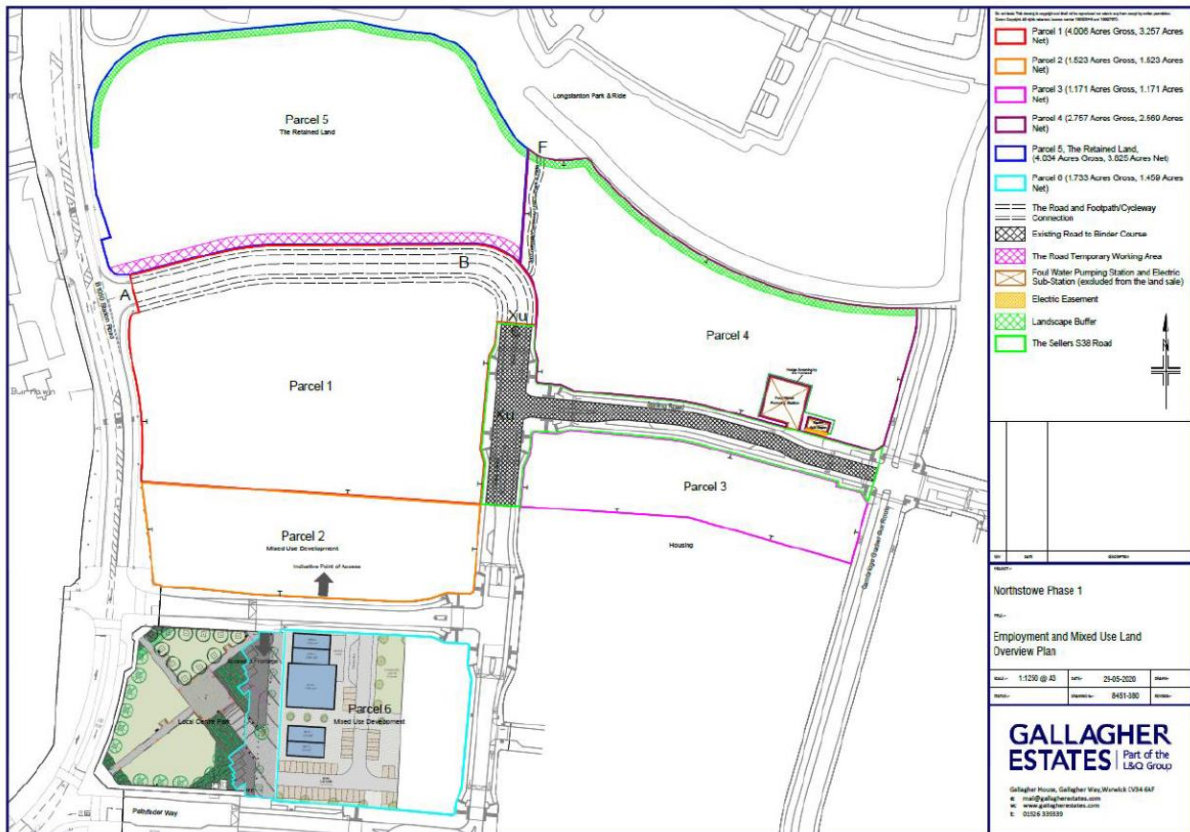
agree timescales, actions and resources for handling planning applications. The Council had a PPA with Homes England for Phases 3A and 3B, covering up until the planning decisions were issued.

9. The Council is currently in discussion with Homes England about further PPAs to cover continuing work across Phases 2, 3A and 3B.
10. The Council was also responsible for writing and monitoring the Section 106 (S106) Agreements for Northstowe. These are legal agreements between Local Authorities and developers when it is considered that a development will have significant impacts on the local area that cannot be moderated by means of conditions attached to a planning decision; these are linked to planning permissions and can also be known as planning obligations.

Landowner

11. In March 2021 the Council purchased an area of land in Phase 1 of Northstowe that was designated as employment land, together with the adjacent land allocated for the local centre and the option to buy another parcel of land if this is not needed by the County Council, for a Household Waste Recycling Centre. (HWRC).
12. The purchased area is around 11.19 acres, divided into parcels 1, 2, 3, 4 & 6, with an option to purchase parcel 5 should a decision be made by Cambridgeshire County Council not to locate the HWRC here. Parcel 5 totals 4.03 acres.
13. Parcels 1,3,4 & 5 sit within a designated Enterprise Zone and have been earmarked for employment land. The local centre sits on parcel 6 and parcel 2 is designated as mixed use. The Council is obliged to build a community centre on Parcel 6 and would require a new application to deliver the Community Centre on Parcel 2.
14. The parcels are shown on the following plan:

Enterprise Zone Land Parcels



Delivery of Community Buildings

15. The s106 agreements for Phase 1 and Phase 2 allowed the developer, subject to specific payments, to pass the responsibility for delivery of four community buildings to the District Council, and this work is now being led by the New Build Team within the Housing Service.

16. The buildings that the Council has responsibility to deliver are:

- **Phase 1 Sports Pavilion** – based close to the sports pitches. This is a facility that provides changing facilities for teams and officials using the adjacent sporting facilities together with a multi-use club room and catering facilities. This also includes a car park.
- **Phase 1 Community Centre** – based in or close to the local centre in Phase one, this is intended to be a multi-use facility for community use.
- **Phase 2 Civic Hub**. The Civic Hub is intended to be the landmark building within the Town Centre. This will be a building of around 5 or 6 floors and will offer space for community activity and development, a library service, a GP surgery and other similar services.
- **Phase 2 Sports Pavilion**. This is likely to be similar to the Phase 1 Sports Pavilion, but details have not yet been finalised.

17. There are funding arrangements within the s106 agreements that were intended to cover the construction costs of these facilities, along with a detailed specification for each one. However, it is clear that the s106 funding is inadequate to cover the full costs of construction. Section 6 of this reports deals with this shortfall.

Interim Community Buildings

18. The permanent community facilities have been delayed for several reasons, including the Covid-19 pandemic when many public services were diverted to the crisis.

19. An area of Pathfinder Primary School, known as the Wing, has been used as an interim community space since early in the town's development. This was always planned. As the number of pupils at the school has grown, the Wing is now needed for educational purposes.

20. The Council has already agreed to invest in an alternative interim space and have announced the purchase of two show homes and the marketing office near the heart of the development. Subject to planning permission, this will be converted for community use. This facility is expected to be available in early 2023 and agreement has been reached with the secondary and primary school for community groups to utilise space at the schools until the new interim facility is ready for use.

Community Development

21. SCDC's Communities Team provide a generalist community development support function at Northstowe, facilitating the formation of the social networks and community groups that assist new arrivals to integrate with the new community and overcome the challenges of relocating to a new town that, at five years old, is still at a very early stage in its development.

22. Historically, this early community development support has been shown to be vital to establish a flourishing and cohesive new community. For more information on the work of the Team, please see Appendix A

Northstowe Market Development

23. For Northstowe, where there is no current retail provision, SCDC has been working with the Town Council to devise and implement a short-medium term markets programme.

24. This has included developing and providing our Markets Toolkit (now available on our website) and securing £8000 of Cambridgeshire and Peterborough Combined Authority CPCA Enterprise Zones Programme funding to help the Town Council with the initial costs of setting up a market. This will be used to fund outlay of gazebos, storage, insurance, NAMBA membership etc.

25. SCDC have supported on a community survey to establish if a local market would be utilised in Northstowe. The survey had a good response with 555 responders and 96% of those wanting to see a regular market in Northstowe.
26. The Northstowe Town Council Events and Markets Committee have drawn up an Action Plan which outlines next steps for the market. The Town Council are keen to start a pilot market this Summer, though a firm date has not been set.

Purchaser of Social Housing

27. Planning obligations on the Northstowe Developments mean that developers must ensure that a percentage of the properties are affordable. This can include rented properties, shared ownership properties and discounted market sales. The developer delivers these properties by procuring a Registered Social Landlord (RSL) through a competitive process.
28. The Council is actively seeking such opportunities to purchase more, much needed, affordable homes at Northstowe. The Council has agreed, but are not yet in contract, to purchase 60 affordable homes from Keepmoat (Phase 2B).
29. In addition to the affordable homes on Phase 2B, the Council have agreed with Keepmoat (subject to contract) to purchase the commercial space which forms the ground floor of a proportion of the apartments. This will deliver c.200sqm of retail space with benefit to the community. The indicative timeframe for the retail space to be delivered is 2024.

Housing Innovations

30. Within Northstowe, Phase 2 planning permission means that 40% of new homes in that phase will be classed as starter homes. This decision was based on the proposals set out within the Housing & Planning Act 2016 which introduced the concept of starter homes. However, this was subject to secondary legislation which was never produced. As a consequence, although starter homes were not implemented nationally it was agreed between the Council and Homes England to develop a bespoke Northstowe 'Starter Homes' model that ensures monies deriving from the discount are reinvested locally for affordable housing, rather than lost to the market.
31. The Northstowe Starter Homes are a discounted market home that are aimed at First Time Buyers. To qualify households must not have owned a property previously and have a household income of less than £80,000. The properties are sold with at least a 20% discount of the open market value and capped at £250,000 (subject to indexation). For example, a home valued at £312,500, will be discounted by 20%, meaning the purchaser would need to obtain a mortgage for £225,000 assuming a 10% deposit.
32. The First Time Buyer criteria and discount only applies for the first 5 years, after which the property can be sold at 100% open market value or the owner may wish to 'staircase up' (ie make a payment to increase the owned share of the property). At that point, the Council and Homes England will receive the capital equity of the discount to reinvest into affordable housing in the District. In the

example above, if the property value of £312,500 is sold on the open market after 5 years at a 5% increase, the home will be sold for £328,135, with 20% (£65,625) return to the Council and Homes England.

33. In total, there is the potential for 1400 Northstowe 'Starter Homes', with a review mechanism after the delivery of the first 700. For every 100 homes sold at open market value, the capital realised could be in the region of between £5m - £6.5m to be reinvested locally for affordable housing provision in the District. A steering group will be established for the administration of the funding, comprising two representatives from SCDC and two from Homes England.

Community buildings – funding shortfall

34. The s106 Agreements for Phase 1 and Phase 2 of Northstowe gave the option for the developers to pass the obligation for delivery of the community buildings to the Council.
35. Since the s106 agreements were signed (which was 2014 for Phase 1) the costs associated with building have risen exponentially owing to a number of national and global factors: Brexit, the Covid-19 pandemic, rising inflation, the fuel crisis and its repercussions on global material production exacerbated more recently by Russian sanctions.
36. As a result of the above factors, a significant funding shortfall has been identified in the Community Buildings.
37. For clarity this applies to four buildings.
1. **Phase 1 Sports Pavilion** – The amount in the s.106 agreement was £1.1m. Allowing for indexation the cost of this is now £1,469,518.
 2. **Phase 1 Community Centre** – The amount in the s106 agreement was £1,522,500. Allowing for indexation the value of the contribution is now £2,047,666.
 3. **Phase 2 Civic Hub** – The amount in the s106 agreement was £14,548,805. In March 2020 the Council accepted a payment of £16,460,261 from Homes England which represented the value with indexation at that time. The amount available is therefore £16,460,261.
 4. **Phase 2 Sports Pavilion** – The amount allocated in the s106 agreement is £1,500,000. The specification is yet to be confirmed but based on the tender returns from the Phase 1 Sports Pavilion there is likely to be a shortfall.
38. The costs within the s106 agreement cover not only construction costs, but whole project costs inclusive of all professional fees (design, planning, legal, etc).

A The Phase 1 Sports Pavilion

39. This will be the first community building to be delivered in Northstowe and is the most advanced in terms of delivery. Planning permission was granted in November 2021 but work has been ongoing since 2018. Activity to date includes:
- a. The Design Contract was awarded in November 2018;
 - b. During the specification, design, and tender process, extensive consultation was undertaken with stakeholder organisations, including Sport England, Cambridgeshire FA, Cambridgeshire RFU, and Longstanton Parish Council (Northstowe Town Council had not been established);
 - c. Community consultation was also undertaken, with the Design Team attending meetings of the Northstowe Community Forum and Drop-in sessions;
 - d. SCDC's Cabinet were also consulted, the result of which was a request that the design should be as environmentally sustainable as possible, while acknowledging the need to manage costs;
 - e. During the design process, and prior to the submission of the planning application, considerable value-engineering of this project was undertaken, within the constraints of the design specification included within the S106 Agreement;
 - f. Some gains made in reducing space were offset by the legal requirement to include a "Changing Places" fully-accessible WC and changing area;
 - g. Some flexibility with space was retained in order to safeguard the opportunity for additional funding/ cost recovery to be recouped from S106 monies for offsite sports contributions from adjacent developments, including Northstowe Phase 3B, the "Endurance Estates" site (REF:20/03598/OUT), and potentially any future applications consented within the boundary of Northstowe;
 - h. The final design approved at Planning Committee on 10 November 2021 is for an internal space of c.870m²;
 - i. In January 2022 SCDC launched the tender for a construction partner on a design and build basis to deliver the Northstowe Phase One Sports pavilion;
 - j. On 28 February 2022 this tender closed and 6 valid bids were returned, with contracts assessed on the basis of 60% quality and 40% price;
 - k. Clarification interviews with bidders were held on 17 March 2022;
 - l. Moderation of scoring took place on 17 March 2022, and the highest scoring bidder was identified;
 - m. The contract sum of the highest scoring bidder returned a construction cost significantly in excess of the s106 budget.

Costs

40. With an indicative cost of £3m against a cost cap of £1,469,518 there is a shortfall of £1.53m needed to build the Sports Pavilion.
41. There are a range of reasons why the costs are higher than allowed in the Section 106 agreement. Some factors are industry wide, and others related to the site. These include:
- a. The costs within the agreement seem optimistically low and were not independently reviewed by a quantity/cost surveyor. Nor do the costs reflect changes in standards, and expectations of the past 8 years.

- b. There has been significant cost increase in construction costs over recent years, these include shortages of both materials and labour that have been made worse by external factors such as Brexit and more recently the war in Ukraine and the weakness of sterling. For example, in March 2022 British Steel increased prices by 25% overnight, citing the increased cost of electricity.
- c. Groundwork surveys by the Council's Structural Engineers suggest that piled foundations are needed rather than traditional strip foundations for the Pavilion. This is owing to the site being "made ground" which is necessary for the drainage of the adjacent sports pitches. The requirement to use piling in this project has increased the cost significantly.
- d. The building design is for a steel-framed building with traditional blockwork construction. Modern Methods of Construction (MMC) were explored, however given the considerable restraints on the site (the building location is somewhat predetermined by the location of the existing footpath, bowling green and artificial 4G pitch), there was little scope for repetitive design elements that have the potential to lower costs/increase delivery speed.

Renewable Energy Reserve

42. At the request of members, and reflecting the Council's Carbon reduction policy, the final design of the Pavilion includes a number of energy-saving measures that were not considered when the s106 agreement was signed in 2014.

43. These measures include:

- a) Air source heat pump system for heating and hot water
- b) Photo-voltaic array
- c) EV chargers and ducting including to future points
- d) Waste-water heat recovery
- e) LED lighting costs (fittings)
- f) The cost of the SUDS draining system
- g) The costs for permeable paving
- h) The costs of any LED light fittings to the car park

44. The Council holds a renewable energy reserve with a current balance of £4.6million. It is proposed that £0.3m is used from this reserve to fund the energy saving measures at the Pavilion.

Recommendation to Cabinet and Council; Approve additional funding for the Phase 1 Community Buildings of £1.53m for the Sports Pavilion.

This funding would come from the Council's existing approved Capital Programme.

B The Phase 1 Community Centre

45. The Community Centre is intended to be a community facility for Phase 1 and will be based on or close to the local centre, which is land now owned by the District Council.
46. The Initial Specification for the Community Centre includes a large and small hall, meeting rooms and a café space. The centre is intended to be multi-functional and adaptable to the needs of the community, which have changed considerably since the s106 was signed. A detailed specification is yet to be developed but will look to reflect the needs of the community as they are now, and the Town Council and wider community will be engaged in this process.
47. The Council's purchase of the local centre and Enterprise Zone in 2021 has afforded opportunities to explore alternative delivery options with the potential to improve the relationship of parcels and functions to one another. For instance, officers and consultants have been looking at options for the preferred location of the community centre and the degree to which it is integrated into the surrounding EZ and/or other facilities within the local centre. The community have been engaged in this process through dedicated sessions and presentations at the Northstowe Community Forum and further engagement will take place. Further information can be found in paragraphs 85-93 of this report.

Recommendation to Cabinet and Council; Approve additional funding for the Phase 1 Community Buildings of £6.5m for the Community Building.

This would be funded from Capital Receipts from the recent sale of an asset.

C The Phase 2 Civic Hub

48. The Civic Hub is intended to be a landmark building located in Northstowe town centre and accommodating a range of services including a library and health facilities.
49. The amount in the s106 agreement was £14,548,805. In March 2020 the Council accepted a payment of £16,460,261 from Homes England which represented the value with indexation at that time.
50. The Council have been working with Civic to produce a blueprint for the Civic Hub and a range of operational and management models. Following receipt of the blueprint, SCDC will engage with formal stakeholders (Homes England, Cambridgeshire County Council, and CCG) via the Civic Hub Steering Group. Community engagement and feedback will also be sought by SCDC's Communities Team; this will include the Town Council and utilise existing community engagement structures, including the Community Forum.
51. Civic has priced their draft proposal at £17.3m (but this is based on assumptions for build costs and has not been tested) which is around £0.9m more than the payment received.

52. The final version of the blueprint is now overdue, but this should contain more accurate costing. [THIS SECTION TO BE UPDATED ONCE INFORMATION IS RECEIVED]

Recommendation to Cabinet and Council; Approve an amendment to the Capital Programme to increase the allocation by £1.38m for the Phase 2 Civic Hub funded by the s106 to reflect the total allocation after indexation.

AND

Approve an additional £2.82 allocated to the Civic Hub programme funded from Capital receipts.

D The Phase 2 Sports Pavilion

53. The amount allocated in the s106 agreement is £1,500,000. Specification yet to be confirmed but based on the tender returns from the Phase 1 Sports Pavilion there is likely to be a shortfall

Recommendation to Cabinet and Council; note that the Phase 2 Sports Pavilion is likely to be underfunded, but that delivery is not expected until 18 months after the 500th occupation on Phase 2. Although an exact amount cannot be estimated at this time, it is proposed an additional allocation of £2m be made in the General Fund Capital Programme, funded from Capital Receipts, for this.

Section 106 funding

Phase 1

54. As part of the planning permission from Phase 1 of Northstowe, granted in April 2014 (Ref: S/0388/12/OL), there were a number of obligations placed on the developer to provide the infrastructure required for a development the size of Northstowe. Note that while there was an expectation that Northstowe would become a town of circa 10,000 homes, the success of any future application could not be predetermined, and for that reason the Phase 1 s106 agreement only addressed the requirement of the 1,500 homes permitted in that phase.

55. The delivery obligations for Northstowe Phase 1 are set out in the s106 Agreement, signed by all parties in April 2014. In some cases there was a requirement for the master-developer (Gallagher Estates) to carry out the work, and in others the developer made a financial contribution for the work to be carried out by a third party, in this case either the County Council or the District Council.

56. When these obligations were passed to the County or District Councils the payments were made based on estimated costs of provision not actual costs. If the actual costs were greater than these estimates the designated councils needed to cover this difference from within their own resources. It was agreed that the Councils would apportion the costs between them through an agreed percentage split.

57. Within Phase 1, it was also agreed that the Council and County Council would cover a shortfall between the contribution made by the developer and the overall cost of provision. SCDC committed to contribute and set up a reserve to cover an amount of £726, 095.
58. Since then the Developer have provided some funding to Anglian Water to take on and maintain the Sustainable Urban Drainage System. As this sat outside of the cost cap there is now a further shortfall for the items the councils are responsible for under the terms of the s106 agreement.
59. Using the agreed percentage split between SCDC and Cambridgeshire County Council, SCDC will need to provide an additional £432,870 (£219,449 plus indexation) to ensure all items can be provided. This will need to be added to the established reserve.

Phase 2

60. There is also a funding shortfall for Phase 2 S106. This is a scheme of up to 3,500 homes, where Homes England is the master developer. The level of infrastructure contributions is £80,315,499 plus off-site flood mitigation works and sustainable drainage contingencies, with a cap on contributions at £73m (as above, all figures exclude indexation).
61. The requirement of the s106 is that once the cap is reached the Local Planning Authority (the District Council) or County Council would have to find alternative funding to ensure the obligations are met or to seek a deed of variation to change the obligation. The Council is not considering a deed of variation at this stage.
62. As in Phase 1 when these obligations were passed to the County or District Councils the payments were made based on estimated costs of provision not actual costs. For the schemes that were contained within the cost cap, if the actual costs were greater than these estimates the designated councils needed to cover this difference from within their own resources or identify alternative funding sources. For SCDC this applies to the Civic Hub and the Sports Pavilion.
63. There are a number of unfunded commitments that are the responsibility of the District Council. The Planning Committee resolved at its meeting on 22 July 2020 to reorder some of the existing obligations. This had the effect of potentially increasing contributions by SCDC towards infrastructure and revenue in Phase 2.
64. However, unlike Phase 1 there is no agreement to ‘apportion’ costs and savings between the District and County Councils. Each would be responsible to their own obligations:
- For funded obligations – any cost over the original sum would be met by the responsible council, and
 - For unfunded obligations - the responsible council will need to identify alternative funding to meet their obligation, or to seek a deed of variation to remove the liability. It should be noted that the latter would involve submitting an application, which would be assessed impartially by the planning authority.

65. It is also relevant that many of the obligations that fall outside the cost cap and are therefore unfunded, are revenue contributions towards projects where the capital costs were met from within the cost caps. This will impact on the District Council as some of the revenue shortfalls will impact on services that are currently planned to be offered from the community buildings.
66. In contrast to Phase 1, where a report was presented to members who agreed to establish a Northstowe Reserve, the Phase 2 report was agreed only by Planning Committee and no reserve was established.
67. There is therefore a need to establish a reserve for Northstowe Phase 2, of £1.6m. There is some urgency to this because the Council is obliged to make some payments that are unfunded during the current financial year.

Recommendation to Cabinet and Council: Request that officers undertake a further review of infrastructure prioritisation in the S106 agreement for phase 2 in light of this report and report the matter back to the Planning Committee for consideration, and;

Create a further provision of £433,000 (£219,000 plus indexation) for the Phase 1 Section 106 shortfall and;

Create a provision for Phase 2 Section 106 commitments of £1.6m

Enterprise Zone (EZ) Development

68. In September 2020, Cabinet approved the purchase of EZ land at a cost of £5.4m, acquiring 11.19 gross acres, which includes the future site of the Phase 1 local centre, community centre and employment land¹.
69. The 2020 financial appraisals suggested a total EZ build cost of £55.3m and a developer profit of £3m (5.53% return).
70. Since then, a number of factors have contributed to an increase in estimated costs, not least inflation, increased borrowing and macro-economic matters affecting global construction supply chains.
71. Furthermore the masterplan (see Appendix B) has almost doubled the developable space (from 201,000 ft² – as reported to Cabinet in September 2020 - to 393,000 ft² - as proposed in the proposed masterplan).
72. The impact of SCDC's ambition to build an exciting, environmental friendly and exemplar EZ, befitting of Northstowe's healthy new town ambition, alongside the

¹ Cabinet also approved the recommendation contained in the September 2020 report of the Option Agreement to purchase an additional 4.03 acres of land for £2.0m should the County Council decline the S106 option on the land for the construction of a Household Waste and Recycling Centre (HWRC). The HWRC is discussed later in this report.

increase in scheme square footage and the external factors outside of SCDC's control means the updated financial appraisal to develop this scheme in its entirety has increased the projected costs significantly.

73. Different financial models and routes to market for this site bring varying degrees of risk and opportunity for the Council. These are presented in the attached exempt appendices.

Strategic Aims for the EZ and the Masterplan Process

74. The development of a contemporary masterplan initiated in May 2021 re-examined the strategic aims for Northstowe referenced in Appendix C resulting in a need to restate them as follows (not presented in order of any particular priority):
- a. A new net zero sustainable enterprise community.
 - b. Providing space that can act as an incubator of talent, ideas, and enterprise.
 - c. Provide transitional space that provides amenities for the EZ and this part of Northstowe to support placemaking, activation and vibrancy but without detracting or competing with the proposed Northstowe Town Centre.
 - d. Targeting quality business space in an integrated, connected, and sustainable environment but not being overly prescriptive on the exact use or types of business that locate within the EZ.
 - e. Ensuring that a delivery structure enables SCDC to support the delivery of the community centre given the estimated funding gap of estimated through this process to be circa £3.2m for the delivery of the building itself, plus £760k for the delivery of the shared surface community street and the pressing need to deliver this.
 - f. Ensuring that the EZ is realising its potential, can attract investment, occupier interest and development, and that investment can be mobilised quickly.
 - g. Creating a legacy at the EZ where interventions and actions can be measured.
 - h. To provide a coherent and comprehensive masterplan for the long-term delivery of the EZ, including consideration of the impact of the Household Waste Recycling Centre (HWRC) which is subject to an active option arrangement in favour of SCDC at a sum of £2.0m.
75. The revised masterplan process has resulted in several important masterplan 'fundamentals' that should be considered a 'red-line' for future development and placemaking activities. These can be summarised as:

- a. Prioritise connectivity to the wider Northstowe community and the Guided Busway.
 - b. Green and blue infrastructure.
 - c. Sustainable performance of buildings targeting net zero sustainable performance.
 - d. High quality public realm and connections.
 - e. Successful integration with the wider Northstowe community.
76. To ensure masterplan principles are realised in any resulting delivery structure, that structure, should, as a minimum, be capable of meeting the above strategic priorities and enshrining the masterplan fundamentals through the Planning process. This is to ensure they are protected and observed for the benefit of SCDC and the wider Northstowe development by any delivery party or partner and that SCDC can retain suitable oversight through the chosen delivery structure.

Delivery of the EZ

Allowing the market to shape the future uses at the EZ

77. Since the September 2020 Cabinet report there have been three significant shifts in delivery approach, the reasons for which will be explored in more detail throughout this section:
- a. The Council should no longer work on the assumption that SCDC will deliver the development directly. This is in part on the basis that the perceived market failure which led to SCDC establishing a case to acquire the EZ land no longer exists (i.e. Covid impact was creating market inertia at the time). Furthermore, there are considerable financial and reputation led risks associated with this model including the absence of a council team/department expert in large-scale infrastructure development.
 - b. Targeted soft market engagement undertaken with a variety of investors, developers alongside the development of the masterplan has established that many of the fundamentals of the EZ would in fact be attractive to the investors, developers, and operators. There is now evidence that significant pent-up demand exists from investors and developers who are looking to secure strategic space within the complex Cambridge market.
 - c. Further scrutiny of the strength of the cleantech sector proposition for the EZ and the market demand for space within this sector provides too narrow a focus. The focus should instead shift to achieving the more expansive strategic and economic objectives for the EZ.

78. The departure from cleantech to a less prescriptive approach, relying instead on meeting the strategic objectives and masterplan fundamentals, will give the site broader market appeal and will accelerate delivery.

79. Accordingly, the masterplan has looked at two likely scenarios:

- **Business Park office space**, which is considered a base level demand requirement from the market given the lack of supply. There is a market requirement for space that is more affordable and can potentially provide support services to occupiers within the more prominent research and science parks. The specific potential occupiers of this space are numerous and have not been pre-determined; rather it is expected that any investor / developer who takes the scheme forward will be targeting a specific sector or have a key anchor tenant who will drive demand within the EZ, thus avoiding some of the pitfalls that have seen other business parks become less successful.
- **Mid-Tech**, which is hybrid industrial accommodation that offers some of the comforts and higher specification seen within an office building. The aim of a mid-tech building is to provide amenable space for occupiers who require manufacturing areas but also want the higher quality of an office building, and the ability to flex the configuration of office and manufacturing space. Noting the frequent reference to mid-tech within recent reports for Northstowe and its increasing requirement amongst occupiers and investors, it is suggested that the EZ has the space and layout to accommodate mid-tech buildings and that this space is not always available at existing and emerging parks within the Greater Cambridge area. We have therefore run a mixed-use office and mid-tech scenario as one of the options.

80. While detailed financial appraisal models are available for both of the above scenarios, scenario b is the least cost intensive and more befitting of commercial requirements post covid i.e. arguably significant risks associated with 100% office proposition with home/remote/hybrid working likely here to stay.

81. Ultimately, we can't predict what the market will want near time of construction and with, for example, a recently reported £20bn in uninvested life sciences² investment regionally due to a lack of available land, it will be for the market to lead on how the site will develop in detail, whilst adhering to any red line parameters SCDC set down.

82. While costs for building the site overall are significant, it is important to emphasise that different delivery models have different degrees of risk including capital/outlay requirements on SCDC's part. If, for example a development partner model is used, there would be lesser upfront costs required on SCDC's part vs. for example a direct delivery model where SCDC would have to find all funds for all build stages. Please see the exempt appendices of this report.

² <https://www.growthbusiness.co.uk/investors-have-20bn-to-invest-in-much-needed-lab-spaces-2560247/>

83. Focusing on achieving SCDC's strategic objectives and in particular embedding enhanced environmental sustainability into EZ development is now a core focus of the new masterplan and embodies itself as part of SCDC's strategic objectives and masterplan fundamentals i.e. striving for exemplary sustainable performance of the EZ, regardless of the ultimate users.
84. For information regarding market conditions and our recent market engagement, please see Appendix D.

Build Out and Delivery Options

85. Taking all of the above EZ context into account, Cabinet input and approval is requested for significant decisions which are explained in an exempt Appendix to this report; firstly the approach to the build out, and secondly, the delivery vehicle/method. There are 4 potential build out options to consider in the context of the approach and delivery method.

- Option 1: Agreement to build out **Community Centre only on parcel 6 (current masterplan)** and agree delivery model (Development Manager option recommendation)
- Option 2: Build out **Community Centre and Local Centre only**, agree parcel location and delivery model (Development Manager option recommended)
- Option 3: Build **Community Centre, Local Centre and EZ concurrently**, agreeing locations and delivery model (ODA model option recommended)
- Option 4: **Sell EZ land parcels 1-4 retaining parcel 6 only for Community Centre and Local Centre build purposes**

86. For location details and further information, see draft masterplan at Appendix B.

There are **four delivery mechanisms**:

- i. **Direct Development** by the Council
- ii. Council acquires a **Development Manager**
- iii. Council enters into a **Joint Venture**
- iv. **Overarching Development Agreement**

Next Steps and Recommendations related to Development and Build Sequencing

87. Given the current financial climate is daily increasing build costs, we recommend the build of the Community Centre as a priority. This will fulfil the S106 obligation and respond to the needs of the local community in Northstowe.
88. In order to proceed with this recommendation, we seek Cabinet's preference on whether to:

- A. Build only the Community Centre (subject to wider consideration being given as to whether it is built on parcel 2 as contained in the evolving draft masterplan, or parcel 6 per current consent. The latter, on balance, is most preferable)
- B. Build the Community Centre and Local Centre concurrently/contiguously (subject to wider considerations being given on where best to site – parcel 2 or 6. Per above, the latter, on balance, is most preferable)

89. The decision as to where to site the community centre has the following broad implications:

Location of Community Centre	Advantage	Disadvantage
Parcel 2	<p>Placemaking Flagship building for entry into Northstowe from B1050. Forms a cohesive relationship between EZ & Community of Northstowe.</p> <p>Larger site so can encompass outside space within footprint.</p>	<p>Lose some of the potential economic value of parcel 2 (adjoining parcel 1) which could impact the value of return for the Council (the difference in values is set out in the overall costing tables above). More expensive to build out a stand- alone building vs. interpolated with local centre.</p> <p>New planning consent required.</p>
Parcel 6	<p>Economies of scale by developing at the same time as the local centre. Parcel has current consent for locating the community centre and local centre</p>	<p>Requires the local centre to be built out by SCDC concurrently, or, via procurement of a development vehicle whereby the local centre is built in partnership with SCDC building out the community centre. Potentially less outside space available. Lose flagship & placemaking status.</p>

Note: While there are valid placemaking considerations for locating the Community Centre on Parcel 2, building it alongside a Local Centre on Parcel 6 could deliver greater economies of scale whilst minimising land value erosion/loss of commercial opportunities on Parcel 2 more broadly. Overall, our recommendation is to build on parcel 6.

90. Whilst Cabinet is presented with costings for building out the EZ in its entirety, we recommend pausing next steps for the wider development of the employment zone (for at least 6 months) given recent 20-30% inflation rises (materials) coupled with current land and property value inflation as investors divest from

stock markets and seek perceived 'safer' investments and of course increased borrowing costs. In the meantime, we seek Cabinet approval to continue to explore all further partnership options to bring the site to fruition, including the potential sale of EZ parcels 1,2, 3 and 4, where the Community Centre/Local centre are not located etc.

Recommended Option

Option B: Build out the Community Centre and the Local Centre on Parcel 6.

91. Through this approach we will we jump start the place-making vision for the EZ as a whole, whilst also supporting early commercial development befitting of wider resident needs. There are no current retail/food & beverage amenities at Northstowe despite being frequently requested by current residents. Although we have interim market- based provision in development, building a cohesive narrative around community facilities and commercial amenities, indeed, building them contiguously and/or adjoining will further serve to accelerate business growth and start to attract future potential anchor tenants and/or development partners for the commercial aspect of EZ development.
92. Revised masterplan work (Appendix B) has been developed to demonstrate a clear vision and framework for the evolution of the EZ but without being overly prescriptive on the types of uses that will be delivered on the plots but whilst respecting the strategic aims of SCDC and the masterplan fundamentals.
93. The Masterplan in its evolving guise has been shared at a high level with local members and the community as part of 2021 Northstowe Community forums. It has also been discussed informally with planning colleagues and is ready to go for a formal outline planning application for the Principle of Development stage. The recommendation is that aside from this preparatory work, no further activity is undertaken with respect of the Enterprise Zone but the focus is initially on building the Community Centre and Local Centre.

Recommendation to Cabinet and Council: Agree to the Community Centre and Local Centre being built on Parcel 6 via a Direct Delivery or Development Manager model.

Recommendation to Cabinet and Council; Pause the wider Enterprise Zone development (on Parcels 1,2, 3 and 4) for an initial period of 12 month.

This will allow time for the procurement/early build stages of the Community and Local Centre to start to catalyse the place making vision for the Enterprise Zone more broadly. During the next 12 months, officers will continue to investigate the most appropriate development routes for the Enterprise Zone in its entirety. Whether or not Parcel 5 is required for County Household Waste Recycling Centre purposes will also have a direct bearing on overall Enterprise Zone development (further detail in the exempt appendices of this report).

Household Waste Recycling Centre (Parcel 5)

94. Recommendation to Cabinet and Council: Agree the approach to Parcel 5 taking into account the option agreement set out in the exempt section of this report

Member Governance Group

95. Recommendation to Cabinet: Establish a Member Governance Group for Northstowe. The purpose of this group would be to oversee the delivery of the projects the Council is responsible for. It would also help to direct the workplan, including milestones and required resources; a Communications plan; and community and stakeholder relationships.

Public Appendices

- Appendix B – Community Development
- Appendix C – Revised EZ Masterplan
- Appendix D – Development of the EZ – History and the current masterplan process
- Appendix E – Market Conditions and Market Engagements

Restricted Papers

PUBLIC APPENDICES

Appendix B

Community Development

1. SCDC's Communities Team provide a generalist community development support function at Northstowe, with two full time community development officers employed (via s106 funding from Phase 1 and Phase 2 respectively), facilitating the formation of the social networks and community groups that assist new arrivals to integrate with the new community and overcome the challenges of relocating to a new town that, at five years old, is still at a very early stage in its development. Historically, this early community development support has been shown to be vital to establish a flourishing and cohesive new community.
2. The Communities Team has provided day to day management of the Community Wing, the key venue for community activity within Northstowe and are currently engaged in transition planning to secure and relocate to the interim community facility recently secured by the Council.
3. The team conducted the Community Governance Review for Longstanton and Oakington & Westwick Civil Parishes and facilitated the establishment of the resultant new Town Council.
4. Governance arrangements for all community assets, including sports provision, open spaces and all forthcoming community buildings across Northstowe will also be part of the team's remit.
5. The Communities Team has liaised with the planning service and developers to ensure provision of appropriate community infrastructure throughout the planning process and that these requirements are embedded within s106 agreements.
6. The service also had responsibility for programme management for the Healthy New Town initiative and continues to facilitate its legacy projects, and to ensure that the Healthy Living Strategy is delivered as the new town develops.

Appendix C

Revised EZ Masterplan

Please see the separate attachment to this report.

Appendix D

Development of the EZ – history and current masterplan process

1. To understand the context for the EZ, it is important to understand the main reports that have recommended uses for the EZ over the past 8 years.
2. The strategy of whether to (i) pursue pre-defined, targeted sectors for the EZ or (ii) to let the market define the most appropriate occupiers, has moved back and forth over the past 7 years and has yet to settle on a consistent theme that is backed-up by the evidence or a consistent theme that attracts widespread support amongst the stakeholders.
3. The strategic aims for Northstowe were initially set out in the **Northstowe Economic Development Strategy** (Genecon, July 2014) which identified 4 aims for the town:
 - a. A new kind of enterprise community.
 - b. An incubator of talent and new ideas.
 - c. A champion of clean technologies.
 - d. A collaborative and flexible business environment.
4. The strategy also set out an economic vision which built on the close geographical proximity of Northstowe to Cambridge and the ability for the town to specialise in particular functions and/or sectors. The EZ is noted in the Strategy as a potential stimulus to businesses seeking grow on locations close to Cambridge and a location to support more expansive business park accommodation.
5. The strategy seeded the idea of the EZ becoming a ‘champion of clean technologies’ as one of four recommended strategic aims, alongside a ‘collaborative and flexible business environment’. This appears to be the main initial driver of cleantech as a theme for the EZ.
6. In November 2018, the **Cambridgeshire, and Peterborough Independent Economic Review (CPIER)** (an independent commission established by the Cambridgeshire and Peterborough Combined Authority), concluded that Knowledge Intensive (KI) industries are highly specific in their demands and want to be either in Central Cambridge or North Cambridge around the Science Park (i.e., not Northstowe). The 2018 CPIER also concluded that the EZ should restrict its ambitions to become a self-contained economy in competition with other major parks and that targeting specific sectors such as Cleantech could be very challenging. They recommended that it would be better to be more flexible and let the market decide.
7. Arcadis were commissioned in January 2021 to produce a **revised Economic Development Strategy**. This concluded that the EZ should be a ‘champion of growth sectors’ as opposed to a ‘champion of clean technologies’ with the rationale that it is difficult to pre-empt exactly what the market desires, and that

narrowing the choices available to future businesses by following a single-minded approach could be counterproductive. Growth sectors that were recommended in the 2021 strategy included the KI economy (IT, telecommunications, science, pharmaceuticals, technology, engineering, media, design, creative, finance and notably, the cleantech sector), the food sector, and the care and mental health sector.

8. In July 2021, Carter Jonas produced a **Demand Assessment for Northstowe** with the aim of justifying the pursuit of green and cleantech businesses within the EZ. The report did not conclude strongly with evidence, but rather stated that the cleantech sector is in its infancy and therefore has the potential to grow, albeit “it is difficult at this stage to quantify the amount of demand over the next 10 – 15 years”. Indeed, the report states that “the vision for the EZ is to attract a wider pool of tenants with a broader focus on ‘sustainably minded’ companies and wellness”, rather than the single-minded approach to Cleantech.
9. All the above serves to highlight that many different opinions have emerged over the strategic direction for the EZ, and that none have confidently settled on a clear, targeted strategy. Rather, most of the reports conclude that an open-minded consideration of a wider range of sectors would be the most prudent approach capturing current day occupier demands and investment market appetite as fed back to the stakeholders via a more ‘open’ marketing strategy. Put differently, until an investment/development model is agreed and construction timescale imminent, a clear marketing vision overall will prove difficult to set out. Instead, it may be more prudent to focus on a general marketing strategy, welcoming businesses from a range of sectors befitting of Northstowe’s Healthy New Town credentials etc.

Appendix E - Market Conditions

1. A comprehensive review has been undertaken of recently published literature and market reports to help provide clarity on the strategic direction for the site and the routes to delivery herein. A summary of the review concluded that:
2. When considering 'commercial' space in the Cambridge market, the science and technology sectors invariably dominate the conversation driven by the very high levels of occupational demand and investor appetite over the past few years. Multiple commentators observe very low levels of supply, high levels of demand and increasing rental forecasts going forward. The market could be over heated and there is significant competition for any opportunities that present on or around the existing science parks in Cambridge.
3. More traditional office supply is limited due to the lack of space for new build within the city centre. Investors and developers may well look increasingly towards refurbishments, but rental growth is also expected in locations outside of the centre if the conditions and transport connections are sufficient.
4. Industrial and mid-tech requirements are complimentary to the demand from prime science and technology occupiers and increasing levels of more affordable space for affiliated support services will be required. Due to the lack of supply, rents are forecast to grow in peripheral locations as well as the more prominent business park and city centre locations.
5. While the EZ does not presently have some of the characteristics that are driving demand at the other locations such as an identifiable anchor tenant, cluster of existing businesses and enterprise, or, relationships to academic and public institutions, its peripheral location does have significant characteristics in that it offers a 'blank sheet of paper', a relatively affordable entry cost and the opportunity to develop a long-term vision aligning to a patient capital approach.
6. There is therefore an opportunity for the market to utilise the EZ as an overflow opportunity to accommodate other uses being priced out at the more established locations as well as an opportunity to promote the EZ for science / R&D / tech related uses.

Market Engagement

7. This new direction of travel was partially established via one-to-one market engagement conversations led by our delivery advisors, PRD who undertook conversations with several investors who are currently active or seeking to make strategic investments within the Cambridge region.
8. The feedback from the consultations provided intelligence on where the EZ could be positioned and viewed within the market and has been helpful in re-shaping the strategic objectives and approach to promoting and delivering the EZ.
9. Consistent headlines from the consultations were:

Regarding the Market

- Confidence should be taken from the fact that opportunities to build a scheme of this size in Cambridgeshire are rare and there should be a good number of interested parties.
- Within Greater Cambridge, there is a greater foresight of longer-term land supply opportunities and less foresight of short-medium term land opportunities. Combined with the weight of investment money pursuing the science sectors at present, now is the time to bring forward the EZ.
- All the consultees had slightly different views around the target tenants, but all were confident that demand would emanate from the science, tech and R&D sectors. A different approach for the EZ might be the positioning to offer slightly lower rents, with the established science parks around Cambridge becoming 'overheated' in terms of rental levels.
- The larger the site, the more chance it has of succeeding in the long-term. Evidence around Cambridge suggests that smaller sites will only succeed in the longer-term if they have one or two growth-generating anchor businesses that spawn new businesses and directly attract other companies to the site. An example of this type of anchor might include a university faculty or major research organisation. If the site is larger, however, there is less reliance on having a key, anchor tenant.
- The HWRC will deter potential investors / developers / tenants, but it will also reduce the overall scheme size and reduce the chances of long-term success (see previous point) and would be a material consideration for investors.

Regarding the delivery structures

- Symbiotic relationships between the public and private sectors are welcome, recognising that each party can positively contribute to the long-term success of any future scheme
- A long lease / ground rent structure, aligned to an Overarching Development Agreement (ODA) is a recognised model that could balance SCDC's need for long-term control but also recognises that the private sector will bring most of the expertise and funding, and therefore will also take the majority of profit.
- A fundamental question that will need an early resolution is 'how much infrastructure and place-making is required upfront, and who is going to pay for it'? Investors and developers will be cautious about early-stage investment that produces no direct revenue via rent.
- Not being overly prescriptive around the uses and users of the buildings will allow more flexibility to be employed by delivery partners in targeting investment and development activity

10. Concluding thoughts were that there is pent up developer and investor demand within the Cambridge market, particularly around science, tech and R&D. The 'blank sheet of paper' scenario and the scale of the development opportunity would be appealing. SCDC would be seen as a credible partner and the market would recognise and be supportive of a development agreement type approach.