

New Build Council Housing Strategy 2020 – 2025 (Amended 2023)

1. Why Build?

The Council is committed to putting the heart into South Cambridgeshire by:

- Building homes that are truly affordable to live in
- Helping business to grow
- Being green to our core
- Putting our customers at the centre of everything we do

The New Build Strategy supports all these objectives. It also links to other agreed strategies, primarily:

- The Greater Cambridge Housing Strategy 2019 – 2023
- The South Cambridgeshire Local Plan 2018
- The Greater Cambridge Sustainable Design and Construction SPD 2020

The strategy will be updated to reflect major changes in these linked strategies.

2. Current Position

2.1 This New Build Strategy sets out the reasons for, and context within which, South Cambridgeshire District Council (SCDC) will acquire or directly commission new build affordable homes to be owned and managed directly by the Council. It brings the strategy which was agreed in June 2015 up to date.

2.2 This strategy retains those elements from 2015 which are still relevant but takes account of and makes clear where there are changes to policy and practice. The 2020 New Build Strategy will provide an updated framework for future activity, reflecting the significant changes that have taken place since the previous Strategy was written and agreed.

2.3 The 2015 Strategy gave the following reasons for the SCDC acquiring new build properties.

- Increase the supply of housing which is affordable to local people, including (but not exclusively) Council rent, Council shared ownership, Council owned intermediate rented properties.
- Re-balancing of housing supply (number of bedrooms) to offset welfare benefit changes.
- Increase the housing choices available to people with disabilities – including an increased supply of wheelchair accessible housing.

- To make the best use of the Council’s land and property assets
- Reducing fuel poverty and promoting energy efficiency
- Being able to build homes that achieve high standards of design and construction; and the procurement of new homes to achieve best value for SCDC.

2.4 All the above remain relevant, but both the national and the local political landscape for housebuilding have changed since 2015, bringing additional considerations. Most influential for this strategy are the revised SCDC target to at least double the annual number of Council new builds by 2024; the removal of restrictive cap on Housing Revenue Accounts (HRA) for borrowing; the mix of available sites across the District to meet the 5 year land supply requirements; and the creation of a new Investment Partnership between the Council and two development companies. In addition, in June 2022 the new Building Regulations ‘Part L’ were introduced significantly improving building energy efficiency performance. The significance of these changes will be explored in the following sections setting out criteria for selection of sites, funding, delivery and risks.

3. Updated Criteria for Selection of Sites

3.1 The following are desirable criteria against which any future purchases will be evaluated. The Council is providing affordable housing alongside other providers – mainly Housing Associations, and these criteria focus on the added value that new builds bring to Council owned housing.

Increasing HRA properties

3.2 Following the elections in May 2018 a revised target was set in the Business Plan for the number of new build homes acquired by the Council, increasing the target from 35 completions per year to 70 over 5 years. This would be achieved by a 20% year-on-year increase.

3.3 The Council have achieved their target to double the number of annual completions in ahead of schedule in 2022. The below table accounts for completions across all tenures, both affordable rent and shared ownership.

Year	Target Completions	Total Completions	Right to Buy Sales	Net Increase
2018 –19		41	15	26
2019 –20	42	36	19	17
2020 –21	52	64	10	54
2021 –22	62	89	14	75

2022 –23	74	88 (tbc)	18 (tbc)	70 (tbc)
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3.4 In recognition of current economic challenges including cost-inflation, the affordable rent cap, and borrowing costs; but also the increased costs associated with the improved energy performance of new homes legislated for in Building Regulations Part L 2022, the following delivery targets have been set for 2023 – 2024

Year	Target Completions
2023 – 2024	75
2024 – 2025	75

3.5 Increasing the numbers of affordable homes the Council is able to offer will ensure that the HRA maintains a healthy income stream from rents and shared ownership sales and staircasing.

Meeting Identified Housing Need

3.6 The Council new build programme will seek to address housing needs that are not adequately catered for by the current market.

3.7 The welfare reforms highlighted in 2015 are one, but not the only reason, that the supply of smaller homes is not sufficient to cater for demand. The housing needs register shows that for December 2019 51% of applicants were registered for a 1 bed property, 31% for a 2 bed property, and 12% for a 3 bed property, leaving 6% requiring a 4 bed or larger property. This pattern is consistent over time, reinforcing the greater requirement for 1 and 2 bed properties.

3.8 Local villages often have specific housing needs. Assessment of individual village housing need based on local connections, usually undertaken by Cambridgeshire ACRE, differ from the district wide assessments used on larger strategic sites. Alignment with village needs assessments, particularly to address deficits, will be taken into account when considering potential HRA purchases.

3.9 On both larger strategic sites and village sites there remain deficits not only in terms of numbers but also in certain types of home. As identified in the Greater Cambridge Housing Strategy 2019-2023 there is a lack of homes for older people (including homes attractive to those wanting to downsize), entry level homes for first time buyers, and homes built to accessible and adaptable dwellings standards. Some types of homes for older people are exempt from

Right to Buy, and new build will provide attractive opportunities for downsizing and releasing family sized property; additional reasons to favour this type of tenure.

- 3.10 For all sites where HRA purchases are considered decisions will take account of the benefits of promoting homes that are well located to services and facilities and well-integrated into communities.

Design Standards – Building Greener Homes

- 3.11 Being green to our core means a commitment to create a cleaner, greener, zero carbon future. This applies to new build. The January 2020 Greater Cambridge Sustainable Design and Construction SPD provides requirements and guidance on how new developments can be built in a sustainable and environmentally friendly way, better insulated with lower energy consumptions and therefore a lower carbon footprint, and potentially reduced heating bills. We will seek through a revised housing design specification to set out the features SCDC will seek in new build purchases, aligned to the Council's green to the core objective. This will include modern methods of construction, including modular builds, where this meets the requirements set out in our design specification for Council homes.
- 3.12 In June 2022 the new Building Regulations Part L was introduced, with the effect that any planning application submitted for approval after 15 June 2022 must meet the requirements of the new legislation. The new Part L represents a 31% reduction in carbon emissions for new homes consented after the date of the legislation.
- 3.13 For purchases from Section 106 sites the ability to specify precise standards for affordable housing will be limited, as these are largely pre-agreed, and although they must meet planning requirements, cost considerations for developers mean that enhanced specifications are not standard. Where there are opportunities to negotiate enhanced standards to meet our new build desired specifications SCDC will do so.

Achieving Best Value

- 3.14 As in the previous strategy sites will be evaluated to ensure they provide value for money. The payback period for a scheme, using a blended rate where there is a mix of tenures, will have a payback of no more than 45 years, reflecting current property and HRA rental values, unless there are justifiable reasons relating to better design standards to meet our broader aspirations. In 2020 a reasonable payback period was considered to be 35 years. Based on current performance 35 years is unlikely to provide sufficient flexibility in modelling when we account for the increased costs associated with high

energy performance and allow for the impact of caps placed on rents. Increasing the modelling period to 45 years would bring the Council in-line with other Housing Associations. This alignment is critical when bidding on s106 sites, in which instances the Council are in competition with other providers. Circumstances which warrant purchases of affordable housing schemes with a payback in excess of 45 years will be agreed by the Head of Housing in consultation with the Lead Member for Housing if valued under £2 million, or Cabinet if over this amount.

4. Funding

- 4.1 Funds have been allocated in the Capital Programme to meet all the current commitments. Unallocated sums have been retained to meet further acquisitions to 2024/25. The following table shows the breakdown of allocated and unallocated funds, and the available funding streams. The mid-year revision of the Medium-Term Financial Strategy will enable adjustments to be made as pipeline commitments are confirmed.
- 4.2 The lifting of the HRA borrowing cap provides capacity to borrow a further £45 million as set out in the HRA budget paper agreed at Council in February 2020, only £2 million of which is currently included within the current funding schedule.
- 4.3 The HRA business plan shows that there is sufficient funding to deliver the target of 75 homes a year until 2024/25.

Housing Revenue Account	Actuals	Actuals	Budget	Budget	Budget
	2020-21	2021-22	2022-23	2023-24	2024-25
	£'000	£'000	£'000	£'000	£'000
HRA New Build					
Allocated	10,804	9,525	15,662	16,007	9,648
Unallocated New Build	0	0	0	5,000	15,000
Total HRA New Build	10,804	9,525	15,662	21,007	24,648
Housing Capital Resources					
Other Capital Receipts (Land, Shared-Ownership, other Dwellings)	0	(2,703)	(377)	(3,049)	(7,299)
Direct Revenue Financing of Capital	(7,576)	(3,823)	(9,162)	(7,414)	(12,549)
Other Capital Resources (Grants / S106 funding)	(1,045)	(425)	(475)	(600)	(450)
Retained Right to Buy Receipts	(2,183)	(2,574)	(5,648)	(3,944)	(2,350)

HRA CFR / Prudential Borrowing	0	0	0	0	(2,000)
Total Housing Capital Resources	(10,804)	(9,525)	(15,662)	(15,007)	(24,648)

- 4.4 Homes England would be a potential source of additional funding.. Homes England funding programmes are targeted towards additionality - that is providing subsidy for new build that is additional to the numbers and type agreed through Section 106 agreements, or homes built on land where the units provided are additional to any pre-existing units. The added value for SCDC new build programme of external funding will be kept under review.
- 4.5 The consequences of successive economic impacts including Covid-19, the War in Ukraine, and the subsequent inflation and cost of living crises on the construction industry, the ability of prospective tenants to pay an affordable rent, and the take up of shared ownership will be stress tested within the current financial model, when the impact is known. If available capital funding remains the same the model is flexible enough to accommodate changes by extending payback periods. If any funding streams were to reduce, without compensating funding from elsewhere this would reduce the numbers of new dwellings that could be achieved.

5. Opportunities for Development

HRA Land and Property Assets

- 5.1 The position outlined in the 2015 strategy has not substantially changed. The Council owns and manages 5355 rented properties, including sheltered housing with communal facilities, flats with leaseholders and equity share properties. In addition, the Council owns 549 leasehold properties. The Council also owns a number garage blocks throughout the district with widely differing levels of usage.
- 5.2 An up-to-date audit is underway to inform the potential for the Council to build on HRA owned land. This is a prerequisite to deciding whether, and how, to commission new build on HRA land. Availability of HRA land for new build is known to be limited. Alongside this, the Asset Management Strategy 2022 supports potential land and property development including garage sites, where assets are in very poor condition and could release valuable land, or in the case of sheltered schemes provide a greater number of homes built to a higher standard.

Large Sites

- 5.3 Council New Build on larger strategic sites will come through the purchase of affordable housing required under s106 agreements. Section 106 sites will remain the primary source of achieving the target number of new homes set out in the business plan as new sites come forward for consideration. These large strategic sites will be brought forward by developers, including the Council's Investment Partnerships, and the affordable housing element is required to meet planning obligations. The reasons for purchase will relate to specific Council objectives as set out in the criteria in sections 2 and 3 of this paper. As we have seen the HRA has a need for certain types of housing, and the Council has broader objectives that mean it may want to invest in a geographical area, and meet specific lower carbon, more sustainable, design standards.

Rural Exception Sites

- 5.4 SCDC is very supportive of bringing forward rural exception sites. These are sites, usually on the edge of villages and sometimes in green belt or arable land sites, agreed to address the housing need of a village. These sites have a long lead in time and deliver relatively small numbers of dwellings. To date the Council has been the provider of the affordable housing on only two rural exception sites. In the first instance households eligible to be allocated affordable housing on rural exception sites will have a local connection and incomes that are potentially higher than the district wide housing needs register.

SCDC will only seek to deliver on Rural Exception sites in larger villages where the demonstrable need is sufficiently high; or where there is no other reasonable alternative for the provision of affordable homes.

Other 5 Year Land Supply Sites

- 5.5 The Council have a 5 year land supply as set out in the South Cambridgeshire Local Plan, agreed in 2018. This is updated annually. Sites agreed for housing development will be at various stages of development. The New Build Strategy can have a part to play where sites have outstanding permissions and purchase of affordable housing contribute to unlocking a site and meeting Council priorities at the same time.

6. Capacity to Deliver

New Build Team

- 6.1 The 2015 Strategy relied heavily on the Housing Development Agency, a previously shared service which is now solely focused on delivering new build for Cambridge City Council. SCDC's own New Build Team comprises of a Service Manager, 4NO. Development Project Officers, a Consultant Project Manager and a Support Administrator. The New Build Team work closely with the Housing Strategy Team to ensure new acquisitions and developments meet local housing needs.
- 6.2 The size and capacity within the New Build Team is sufficient to manage the current approach to acquiring new build Council housing and has the necessary skills to directly commission and manage the new build contracts on sites owned or acquired by the HRA. If SCDC were to embark on a major new direct-build programme, capacity would need to be reviewed. Because SCDC would have greater control over building on owned sites there are enhanced opportunities to build to a higher specification and give preference to housebuilders who contribute to the local economy and have an apprenticeship scheme.

Investment Partnership

- 6.3 In March 2020 the SCDC Cabinet agreed the terms of Investment Partnerships with two separate developers – Hill Partnership Ltd and Balfour Beatty Investments - to deliver homes of all tenures including affordable housing, and to deliver positive financial returns for the Council.

Ermine Street Housing

- 6.4 Ermine Street Housing is a wholly owned company operating from 2014 to purchase buy-to-rent properties, returning an investment for the Council. Ermine Street's operations are out of scope of this policy.

7. Landlord Considerations

Affordability of Rent Levels

- 7.1 Most of SCDC Council housing remain at social rent levels which equate to approximately 45% of market rents. Current practice is to set rent levels for new build affordable rented homes at the level of the Local Housing Allowance (LHA) which equates to about 60-65% of market rents. This ensures that New

Build can achieve reasonable payback of capital investment, typically within 35 years. Affordable rents set at this level can be covered by Housing Benefit where this is paid, although it should be noted that Universal Credit is not differentiated for local rental values but is capped at an overall amount. Nevertheless, LHA levels remain the best indicator of affordability available and will be retained as the benchmark rental values for SCDC new build affordable rent.

8. Monitoring Arrangements

- 8.1 The budget for the new build programme is agreed in the HRA business plan and will be reviewed at least every 6 months. Acquisitions valued below £2 million that are within budget and meet current policy can be agreed with the Head of Housing and the Lead Member for Housing. Acquisitions above the amount will be agreed by Cabinet.

9. Risk Management

- 9.1 The corporate strategic risk register includes risks relating to the New Build programme. The Housing Service Plan provides an annual update of risks.
- 9.2 Whilst new build Council homes are not excluded from Right to Buy Legislation, SCDC will apply the cost floor rule to all Right to Buy applications made on new build council homes, with the effect that for a period of 15 years post-completion the Council have the right to recover the cost to deliver the property.