

<b>Report to:</b>	Council	21 March 2024
<b>Lead Cabinet Member:</b>	Cllr John Williams	
<b>Lead Officer:</b>	Liz Watts	

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## **South Cambridgeshire Investment Partnership Investment at Cambourne**

### **Executive Summary**

South Cambridgeshire Investment Partnership LLP (SCIP) is a 50/50 joint venture between South Cambridgeshire District Council (the council) and Hill Investment Partnerships (Hill).

### **Recommendations**

#### **It is recommended that Council:**

1. Approves an investment decision in the housing development site to the northwest of Cambourne as set out in detail in the approved SCIP LLP Project Plan (Exempt Appendix 1); the development of the site is through SCIP LLP.
2. Provides a mandate to the Council's SCIP LLP Board Members for decisions facilitating the development of the site and delivery of the Council's Investment as set out in the approved SCIP LLP Project Plan (Exempt Appendix 1) which is adopted by the SCIP Board. The Project Plan will change at milestones during the delivery phase of the scheme in accordance with SCIP LLP Board governance. The mandate is subject to SCIP implementing a planning consent which is unfettered by legal challenge.
3. Approves the Chief Finance Officer's Report set out in Exempt Appendix 2 with the planned commitments associated with the Council's borrowing (internal and/or external). The Investment Plan will be refined and updated

in line with amendments to the SCIP Project Plan approved by the SCIP Board during the delivery phase. The Council's funding will be built into the Capital Programme.

4. Notes the decision made in May 2021 relating to the HRA purchase of c 120 units. This decision is now the subject of a separate report on this agenda.
5. Notes a licence will be granted by CBPL to SCIP for works to be undertaken on the land parcels which are in CBPL ownership, and which are included within the SCIP planning redline. A plan and details of the proposed works are set out in Exempt Appendix 3.
6. Authorises officers to undertake, at the appropriate time, a procurement exercise to identify a tenant for the café.

#### **Update table with Glossary/Definition of Initialisations**

<b>Abbreviation/Term</b>	<b>Definition</b>
<b>SCIP LLP</b>	<b>South Cambridgeshire Investment Partnership LLP</b>
<b>LLP</b>	<b>Limited Liability Partnership</b>
<b>SDB</b>	<b>SCIP Strategic Development Brief</b>
<b>CBPL</b>	<b>Cambourne Business Park Ltd</b>
<b>PWLB</b>	<b>Public Works Loan Board</b>
<b>HRA</b>	<b>Housing Revenue Account</b>
<b>NZC</b>	<b>Net Zero Carbon</b>
<b>BNG</b>	<b>Biodiversity Net Gain</b>
<b>ERs</b>	<b>Employers' Requirements</b>
<b>Maximum cash lock out</b>	<b>Maximum financial exposure that SCDC will have in SCIP during the delivery phase (excluding the loan for the site acquisition)</b>
<b>Regulation 3 Planning Application</b>	<b>An application for planning permission by an interested planning authority to develop any land of that authority, or for development of any land by an interested planning authority or by an interested planning authority jointly</b>

	<b>with any other person, shall be determined by the authority concerned.</b>
<b>Coupon</b>	<b>Loan note interest</b>

## 1. Background and Context – SCIP Investment Partnership

### History and link to the Investment Strategy

- 2.1 The Council's Investment Strategy, approved in March 2023; and the General Fund Capital Programme approved at Full Council on 27<sup>th</sup> February 2024, identifies the sum of up to £44 million between 1 April 2023 and 31 March 2028 for Service and Commercial Regeneration Investments. Investment Partnerships are included in the Commercial Regeneration Category which covers investments that can generate regeneration or economic development benefits as well as positive financial returns for the Council. Further information is provided in section 2.9 and appendix 3 of the Investment [Strategy](#).
- 2.2 The Council has two Investment Partnerships: one with Hill Group and one with Balfour Beatty. The LLPs were formed in July 2020. The objectives of both partnerships relate to the delivery of new homes and regeneration opportunities.
- 2.3 South Cambridgeshire Investment Partnership LLP (SCIP) is a 50/50 joint venture between South Cambridgeshire District Council (the council) and Hill Investment Partnerships (Hill). The key objectives of the LLP are to deliver growth and regeneration through development, predominantly residential, in South Cambridgeshire and the Cambridge and Peterborough Independent Economic Review Area. The LLP is focussed on the delivery of high-quality housing, including meeting the Council's target for 40% Affordable Housing in developments which contribute to the Council's Business Plan priorities: "Green to our Core" and "Homes that are Affordable to live in". Further details of the LLP including its' governance structure are provided in Appendix 4 and also set out in the appendices to the Report to Full Council dated 14<sup>th</sup> July 2020 which is included as Exempt Appendix 7 to this Report.
- 2.4 At a meeting of the Full Council held on 4<sup>th</sup> May 2021, approval was given for the Council to provide a secured loan to SCIP of £12,962,369 (including purchaser's costs), for the acquisition of a development site (the site) from Cambourne Business Park Trust (CBPT). SCIP completed the land acquisition on 26<sup>th</sup> May 2021. The loan is secured by a loan note and a Deed dated 25<sup>th</sup> May 2021, under which the rate of interest payable to the council by SCIP is set out. The Report is included at Exempt Appendix 6.
- 2.5 At the meeting on 4<sup>th</sup> May 2021, the Council approved a further loan to SCIP. The purpose of this loan was to provide debt funding to SCIP as cashflow for the delivery of a scheme with planning consent. The sum approved was based on the indicative Masterplan provided at completion of legal acquisition of the site. The approval contained a provision for additional funding to be advanced, as required to support the cashflow for the consented scheme and with the agreement of both parties. This debt funding represents 60% of the scheme

development costs based on a maximum cash lock out identified in the project cashflow and the approved SCIP Project Plan (Exempt Appendix 1). The terms of a loan arrangement between SCIP and the council is a commercial matter between the Council and SCIP. The Chief Finance Officer will negotiate this rate as set out in Exempt Appendix 2.

- 2.6 As set out in paragraph 29 of the Report to Full Council dated 4<sup>th</sup> May 2021 (Exempt Appendix 6, at the time of signing the loan agreements, both loans required the Council to borrow funds. However, to date no borrowing has been necessary. Exempt Appendix 2 sets out the Report from the Chief Finance Officer and indicates when borrowing will become necessary.

### **Planning Permission**

- 2.7 The Strategic Development Brief (SDB) for the site was approved by SCIP Board in January 2022. The partners' aspirations for the scheme are that the development will demonstrate design excellence and stand up to scrutiny as an exemplary development when assessed against the baseline criteria for the scheme and other comparable local developments; and will be aligned with the Council's Corporate Strategic Objectives and Business Plan.
- 2.8 Following a detailed design and development process which included neighbourly and stakeholder engagement as part of the pre-application process, a Regulation 3 planning application was approved at Planning Committee on 17<sup>th</sup> January 2024. Full details of the consented scheme costs and schedule of accommodation are set out in the SCIP Project Plan (Exempt Appendix 1).

### **Financing**

#### **2.9 SCIP Lending (Debt Funding)**

- 2.9.1 Based on the SCIP cashflow, the cash advances are proposed to be made between September 2024 and July 2026 reaching a peak in April 2025. It is likely that some borrowing by the Council for the cash to be lent on will be needed, the exact amount will be dependent on cash resources available at the time the cash is required by SCIP.
- 2.9.2 Any borrowing is likely to be from the Public Works Loan Board (PWLB); however, PWLB will only lend for terms of a year or more and it is possible the Council may only need some of the cash for a short time. The Council has a number of other borrowing options available. Borrowing in tranches also makes sense as the Council can take advantage of falling interest rates. Based on financial market predictions and current SCIP cashflow modelling, this is likely to be the case when cash is required.
- 2.9.3 The scheme is expected to produce a positive financial return for the council, by way of a capital receipt at the completion of the project. More detail on this is provided in the SCIP Project Plan in Exempt Appendix 1.



## **The SCIP Development Proposals**

- 2.15 Details of SCIP's development proposal are set out in the SCIP Project Plan at Exempt Appendix 1. A summary is provided below.

The scheme proposals include 256 new dwellings, change of use to the existing marketing suite to a café with associated landscaping, car parking, substations, bins, and bike stores. Specifically, the site will deliver:

- 256 new homes, ranging from five-bedroom houses to one-bedroom apartments.
- 40% Affordable Homes, of which 72 will be affordable rented and 30 will be shared ownership dwellings.
- 100% of council rented dwellings will be designed and constructed to an enhanced level of sustainability based on Passivhaus principles homes.
- 1.18 ha of high quality public open space including a new square, orchard, the park, tree space and foraging route
- Sustainable urban drainage features
- Extensive new cycle/foot path routes throughout the site and a new bus link to Cambourne West. The masterplan focuses on reducing car dominance and promoting sustainable travel opportunities.
- New bus link to Cambourne West
- 808 cycle spaces including 715 secure spaces for new houses and 93 visitor spaces.
- 492 total car park spaces, allocated to homes.
- 20 visitor car parking spaces.

## **The Housing Revenue Account (HRA) Properties**

- 2.16 In May 2021, Council approved the utilisation of £26,780,316 from the Council's HRA to purchase circa 120 units of affordable housing on the development, subject to conditions which will be developed in a Heads of Terms prior to the Council entering into a legal agreement with SCIP.
- 2.17 The Council's final offer setting out the number of dwellings and tenure mix of the affordable housing is set out in the SCIP Project Plan (Exempt Appendix 1). The offer is based on the final mix agreed through the statutory planning process and will be secured through a legal agreement in the form of a Developer's Agreement between HRA and SCIP. The offer from HRA will be a ringfenced sum and will be protected from any cost increases during the course of delivery.
- 2.18 The 72 affordable rented homes are being constructed to an enhanced level of sustainability which is designed to achieve 101% carbon reduction over Part L of current Building Regulations, delivering very high performance and low-carbon development. This will be funded by the Council and is intended to demonstrate the sort of housing the Council wishes to see delivered across the district.

## Cambourne Business Park Limited Land

2.19 Cambourne Business Park Ltd (CBPL) is a corporate entity which is wholly owned by the Council. It was acquired in May 2021 when a joint share and asset acquisition of land forming part of the Business Park was completed. The assets acquired in CBPL are set out below:

- The infrastructure land which is contained in the title number CB219583 and is coloured green on the diagram below. The infrastructure land is registered in the name of CBPL.
- The Marketing Suite is situated on the infrastructure land and is in the ownership of CBPL, marked on the map with a red diamond.



2.20 In June 2022 it was agreed that several small land parcels in the ownership of CBPL could be included in the planning redline for the SCIP development, subject to the appropriate legal and financial due diligence. The inclusion of the land facilitated the design of an improved Masterplan for SCIP, optimising the commercial viability of the scheme and delivering the LLP's Strategic Development Brief and the LLP partners' wider objectives.

2.21 Completion of the CBPL diligence confirmed that the appropriate route for progressing a legal agreement between CBPL and SCIP, will be for CBPL to grant a Licence to SCIP. A licence will be granted when SCIP reaches the milestone of implementing a challenge free planning consent.

2.22 Details of the works to be covered by the Licence are set out in Exempt Appendix 3 and include the conversion of the marketing suite to a cafe.

## 2. Reasons for Recommendations

Through the commercial vehicle of SCIP LLP in which the Council is a 50% partner the investment will deliver the following:

- 1) An investment for the Council as set out in Exempt Appendix 2, which delivers a financial return at the same time as creating an exemplary housing development in accordance with the Council's Investment Strategy.
- 2) 72 Affordable Rented homes and 30 Shared Ownership homes built to an enhanced sustainability profile and energy performance level, delivering on the business plan objectives of Green to Our Core and Homes which are truly affordable to live in.
- 3) Development of the CBPL Marketing Suite as a Café for the community which will remain in the ownership of CBPL and providing a valuable community resource.
- 4) Providing a Masterplan layout and connections into and out of the development which offers a hierarchy of travel options; focussed on reducing car dominance, promoting sustainable travel opportunities through strategic pedestrian and cycle routes through the site and providing connections to Cambourne West.

## **Options**

1. The Council could approve this investment decision as set out in the SCIP Project Plan (Exempt Appendix 1); to deliver the ROI set out in The Chief Finance Officer's Report (Exempt Appendix 2)
2. The Council could decide not to proceed with this investment, thereby invoking the deadlock clause in the Members' Agreement. Exempt Appendix 8 sets out the impact of such a decision, which is not the preferred option.

## **Implications**

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**

Exempt Appendix 2 sets out the financial considerations for the Council.

### **Legal**

Exempt Appendix 7 sets out the legal implications if the Council decides not to proceed.

If the Council decides to proceed, the decision to determine a licence between CBPL and SCIP rests with CBPL and SCIP to agree, not the Council.



## **Risks/Opportunities**

The Risk Register for SCIP is appended to the SCIP Project Plan (Exempt Appendix 1). The Council risks are set out at Appendix 5.

## **Climate Change**

The enhanced sustainability specification for the affordable rented houses on the scheme is detailed below:

- Triple glazed windows;
- Passive Purple membrane on fabric of building for air tightness;
- Mechanical Ventilation Heat Recovery (MVHR) units to each property;
- Nilan Compact P which is a combined ventilation and heating system;
- Photovoltaics panels to roof areas;
- Up-rated cavity insulation thickness to external walls to provide greater u-values.

In line with SCDC's commitment to tackling the climate emergency, SCDC New Build have specified that the Affordable Rent properties should represent a significant improvement on the baseline standard. SCDC therefore specified that the Affordable Rent properties should achieve a 100% reduction against the Building Regulations Part L 2021 baseline.

## **Consultation**

Extensive consultation was carried out as part of the planning process.

## **Alignment with Council Priority Areas**

### **Growing local businesses and economies**

The proposed café for the community will be an opportunity for a local business to operate out of this much needed community facility.

### **Housing that is truly affordable for everyone to live in**

72 affordable homes and 30 shared ownership homes will make a significant contribution to this objective.

### **Being green to our core**

SCDC SCIP Members ensured that the SCIP Cambourne Strategic Brief reflected the Council's principles of being green to our core, for example in a higher than

minimum regulations site-wide for carbon reduction, off-gas whole site development and higher standards for minimising designed water usage in all properties.

## **Background Papers**

[Investment Strategy March 2023](#)

## **Appendices**

Exempt Appendix 1: SCIP Project Plan March 2024

Exempt Appendix 2: Chief Finance Officer's Report

Exempt Appendix 3: CBPL Land Ownership Plan

Appendix 4: SCIP LLP/Governance document

Exempt Appendix 5: Council Risk Register

Exempt Appendix 6: Cambourne Business Park: Exempt Report to Full Council 4<sup>th</sup> May 2021

Exempt Appendix 7: Investment Partnerships: Legal Agreements: Report to Full Council 14<sup>th</sup> July 2020

Exempt Appendix 8: Freeths Legal Advice Note

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