

Report to:	Council
Lead Cabinet Member:	Cllr John Batchelor – Lead Cabinet Member for Housing
Lead Officer:	Kirstin Donaldson – Service Manager - Acquisitions
Key Decision:	No

Affordable Housing Acquisition – 102 no. New Homes, Cambourne

Executive Summary

1. In March 2019 South Cambridgeshire let a tender seeking an Investment Partner to enter a joint venture to deliver new homes.
2. In addition to financial investment requirements, the vision of the Joint Venture has been that,
“the principal outcomes sought by the Council through Investment Partnerships are: Delivery of Affordable Housing (HRA Affordable Homes)”
3. South Cambridgeshire Investment Partnership LLP was formed in 2020. It is an individual legal entity comprised of 50/50 Joint Venture between Hill Investment Partnerships Limited and South Cambridgeshire District Council.
4. In November 2019 South Cambridgeshire District Council declared a climate emergency.
5. Since the pre-application planning stage, SCDC New Build Team have been working with South Cambridgeshire Investment Partnership LLP (SCIP), to specify the technical and finishing details of the affordable homes on their proposed development site on Cambourne Business Park.
6. The SCIP development site will deliver 102 Affordable Homes – 72 for Affordable Rent and 30 for Shared Ownership.
7. In line with SCDC’s Business Plan priorities to be “Green to our Core” and to deliver “Homes that are Affordable to live in”, SCDC New Build Team have specified design changes which significantly improve the carbon performance of the Affordable Rent properties.
8. The SCIP scheme achieved planning consent in January 2024.

9. SCDC New Build have submitted an offer to SCIP for the acquisition of the 102 Affordable Homes. This offer comprises a benchmarked figure comparable to successful acquisitions with other partners, and an “Additional Carbon Reduction Payment” sum, which reflects the cost of the specification changes made by SCDC New Build to significantly improve sustainability and performance above Building Regs Part L (2021).

Recommendations

10. It is recommended that Council approves this acquisition, authorising the Service Manager – Acquisitions and Development to proceed to contract with the developer (SCIP).
11. It is recommended the Council approves the onward sale of the relevant Shared Ownership homes (30).

Details

12. This acquisition is for a total of 102 no. new build affordable homes. The schedule of accommodation is as follows:

TYPE	NO.	TENURE	STOCK CATEGORY
1 bed flat	21	Affordable Rent	Flat
2bed flat	21	Affordable Rent	Flat
2bed flat M4(3)	3	Affordable Rent	Flat
2bed house	9	Affordable Rent	House
3bed house	13	Affordable Rent	House
3bed house M4(3)	1	Affordable Rent	House
4 bed house	4	Affordable Rent	House
2bed house SO	15	Shared Ownership	House
3bed house SO	15	Shared Ownership	House

13. The above schedule has been approved via the s106 planning process.
14. Properties labelled M4(3) are specifically designed for wheelchair users.
15. The Shared Ownership (30) (and private) properties on the site will be delivered to a minimum of Building Regulations Part L 2021. This regulated and recognised standard has been used to benchmark the SCDC New Build (HRA) offer.
16. 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.
17. The additions to the baseline specified by SCDC New Build are:
- 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.

18. At the time of planning approval (January 2024) the Standard Assessment Procedure (SAP) calculation undertaken on the development proposals suggests that the Shared Ownership properties will achieve a 70% carbon reduction against the baseline, and the Affordable Rent properties will achieve a 101% carbon reduction against the baseline.
19. The baseline figure negotiated with SCIP for 102 properties delivered to Building Regs Part L 2021 can be found in Appendix A Table 1 column A.
20. SCDC have negotiated with SCIP an additional payment to achieve our carbon reduction targets on the Affordable Rent properties. This figure can be found in Appendix A Table 1 column B.
21. The total figure that will be paid by SCDC HRA to SCIP, comprising the baseline figure plus the Additional Carbon Reduction Sum, can be found in Appendix A Table 1 column C.
22. The full cost of the acquisition to the HRA is comprised of the total negotiated sum (column C) plus all legal and professional costs, HRA overheads, loan repayment costs, and a sum allocated to contingency. This full appraisal cost can be found in Appendix A Table 1 column D.
23. This expenditure would be comprised of Right to Buy Receipts, shared-ownership receipts, cash reserves and borrowing. The application of Right to Buy Receipts and Shared Ownership Receipts is laid out in Appendix A Table 2. The use of cash reserves and borrowing will be dependent upon the delivery programme, and the availability of internal borrowing at key payment dates.
24. This acquisition will be paid off in a maximum of 44 years, in line with the policy laid out in the New Build Council Housing Strategy (revised 2023).
25. The New Build Council Housing Strategy (revised 2023) set the target for the delivery of new council homes for 2023-24 and 2024-25 at 75 per year. The New Build Team currently deliver new homes via a process of S106 Acquisition, and 'Direct Delivery' on land currently owned by the Council.
26. Given the nature of the land held within the HRA, the process of direct delivery is slower and lacks the potential to deliver affordable homes at the scale required to meet the need and demand demonstrated by the Housing Register.
27. To meet local demand S106 Acquisition is currently the primary means by which the New Build Team are delivering affordable homes.

28. S106 Acquisitions are affordable homes that have been permissioned by the Local Planning Authority, the tenure mix having been agreed in consultation with the Housing Strategy Team.
29. This is primarily a “pipeline” acquisition with the effect that the majority of the affordable homes on this site will begin to be completed in 2025-26 and continue over a period of 3 years.
30. Regarding the acquisition of S106 properties, SCDC have been advised by Freeths that the developer (in this instance South Cambridgeshire Investment Partnership) have the extent of ‘Exclusive Rights’ sufficient to mean that SCDC may contract with them under the ‘negotiated procedure without prior publication’ without a competitive process under regulation 32 (b) iii of the Public Contracts Regulations 2015.
31. SCDC Procurement Manager advises: *“The developer has exclusive rights and so Section 32 (b) iii of the regulations would apply. This means that you are able to enter to into a contract with the party that has exclusive rights.”*
32. Public Contracts Regulations state:
“Where the works, supplies or services can be supplied only by a particular economic operator for any of the following reasons:
(i) the aim of the procurement is the creation of acquisition of a unique work of art or artistic performance;
(ii) competition is absent for technical reasons;
(iii) the protection of exclusive rights, including intellectual property rights”

Reasons for Recommendations

33. SCDC’s Business Plan set the ambitious target to double the number of New Build Affordable Homes built annually.
34. Prior to the submission of bids for this site a full financial appraisal of this was undertaken which has been approved by Finance. Modelling determines that the scheme is financially viable for the HRA.
35. The scheme can be considered value for money in that it pays off in 44 years – within the limit of 45 set in the New Build Council Housing Strategy (revised 2023).

Options

1. Cabinet could approve this acquisition and authorise the Service Manager to proceed into contract and authorise the onward sale of shared ownership properties.
2. Cabinet could reject this acquisition.

Implications

36. 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 and Fraud Risk

37. Since the approved Capital Programme was published in February 2023, SCDC has accepted additional funding from the LAHF (Local Authority Housing Fund) of £6,540,000 for 36 more homes. £14,862,000 has been allocated for the acquisition of these homes. In addition, new build schemes in Barrington, Cottenham, Longstanton and Fulbourn have received approval. The current unallocated budget for New Build is £36,195,000 (thirty-six million, one hundred and ninety-five thousand pounds) over the next five years. This equates to £7,239,000 per year. This acquisition is therefore within our capital programme budget.

38. As stated in paragraph 10 above, 30% of this acquisition is to be funded by Right to Buy receipts. Failing to acquire new affordable housing risks failing to spend these receipts, which would be required to be returned to the Treasury with interest.

Legal

39. Please see paragraph 19 above. Regarding S106 Housing Acquisitions, Freeths have advised that in such instances as these the developer have the extent of 'Exclusive Rights' sufficient to mean that SCDC may contract with them under the 'negotiated procedure without prior publication' without a competitive process under regulation 32 (b) iii of the Public Contracts Regulations 2015.

Risks/Opportunities

40. All commercially based investments and/or developments involve risk, and at each stage of the process the commitments made will be at risk as there can be no guarantee that the investment will be secured, or a fully successful development will be achieved. Moreover, the timing of the exercise can also be a critical factor in achieving optimum success, particularly in terms of market conditions, the state of the national economy and levels of investment confidence within the development industry.

41. There is a low-level risk in the current economic climate that development and construction companies could enter administration owing to rising costs. This risk is far greater for small firms, and unlikely in this instance. SCDC will undertake financial checks on development partners prior to contracting.

42. Owing to supply chain issues facing the construction sector there is a small risk that the longest date for delivery could be exceeded. SCDC mitigate against this

possibility in the contract which allows us to charge for any losses (rental income) incurred by such a delay.

43. Generally speaking, investment in property in this area is sound, particularly where there is no intention for onward sale (affordable rent).
44. Owing to the high value of market properties in South Cambridgeshire we have generally found that Shared Ownership properties which provide an affordable route to home ownership perform well in this area. To ensure quick sale of these properties and return of Capital Receipts, the New Build Team have procured and instructed a sales partner to sell these properties “off plot” where possible. In the unlikely event that we are unable to sell a shared ownership property, we could apply to the LPA for a Deed of Variation to switch its tenure to Affordable Rent, allowing us to recover a rental income.

Climate Change

45. This acquisition positively supports South Cambridgeshire District Council’s ambition to significantly reduce the carbon emissions associated with its housing stock. The specific contributions to this reduction are laid out in paragraphs 16 to 18. The design changes made to improve the carbon performance of the affordable rent properties will also remove any future requirement to retrofit these properties as regulations change into the future.

Consultation responses

46. The Lead Member for Housing has been consulted and is supportive of this proposed acquisition.
47. The Local Ward Members have also been consulted. Ward Councillors Drew and Leeming have responded that they “recognise the increased provision of affordable housing in Cambourne”.

Alignment with Council Priority Areas

Housing that is truly affordable for everyone to live in

48. This acquisition will actively contribute to the Council’s Business Plan commitment to deliver more affordable homes. It is important to us that we deliver new homes where people want to live, and this means delivering in our existing communities as well as at our strategic sites.
49. The design improvements above the baseline Building Regulations requirements specified by the HRA on this site will significantly improve the performance of the affordable rent properties. In achieving Passivhaus standards, these properties will experience little heat-loss, meaning the properties are more fuel efficient and affordable to live in.

Being green to our core

50. The additional carbon reduction design changes made on this scheme demonstrate the Council's commitment to designing and delivering new Council housing with a low carbon footprint.

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