



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

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| CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD | AGENDA ITEM No: 3.2 |
| 26 JUNE 2019 | PUBLIC REPORT <i>This report has two appendices which are exempt from publication in that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act as amended.</i> |

£100m AFFORDABLE HOUSING PROGRAMME: PROPOSED ACQUISITION

1.0 PURPOSE

- 1.1. To seek approval from the Board for the Acquisition of a 5.1 acre development site in Cambridgeshire and Peterborough for a price of £1.225m, to be prepared for a future residential development scheme.
- 1.2. The intention will be to secure a new planning consent for a residential scheme of approximately 60 residential units.
- 1.3. Through this transaction the Combined Authority and its future Devco will put itself into control of a significant residential development opportunity, to be delivered for the benefit of local families and the community.
- 1.4. Acquiring the site and securing planning permission should enable a policy compliant scheme with 30% affordable housing to progress, approximately 18 units to be affordable units.

| <u>DECISION REQUIRED</u> | |
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| Lead Member: | Mayor James Palmer |
| Lead Officer: | Roger Thompson, Director of Housing and Development |
| Forward Plan Ref: 2019/047 | Key Decision: Yes |
| <p>The Combined Authority Board is recommended to:</p> <p>(a) Approve the acquisition of a site in Cambridgeshire and Peterborough for the sum of £1.225m, based on the heads of terms detailed in the exempt Appendix 1.</p> <p>(b) Approve the expenditure of £332,335 in costs on the acquisition (including stamp duty) and to prepare, submit and secure a planning consent for a residential development scheme on the site.</p> <p>(c) Authorise the Director of Housing and Development, in consultation with Legal Counsel and the Portfolio Holder for Investment and Finance, to conclude any necessary legal documentation to secure the acquisition and planning permission.</p> | <p>Voting arrangements</p> <p>Simple majority of all Members</p> |

2.0 BACKGROUND

- 2.1. In order to have a selection of tools and a flexible approach in which housing delivery can be achieved and accelerated, on the 26th September 2018 the Combined Authority Board approved a flexible multi toolkit housing strategy.
- 2.2. The strategy included the provision of a rolling fund from within the £100m housing programme to be used for toolkit opportunities over and above just issuing traditional grant, such as seeking out and delivering direct development opportunities that the market is not delivering of its own accord, as is being proposed in this paper.

A flexible multi-toolkit approach



- 2.3. The approved Housing Strategy included the following policy commitments
- (a) under paragraph 3.17 to promote all housing that is in addition to the existing development pipeline.
 - (b) Under section 3.18 there is a commitment to being creative and using a range of financial delivery mechanisms that have not traditionally been a public sector method to support and deliver housing.
 - (c) This proposal is further supported by paragraph 3.23 to encourage the best use of all property assets
 - (d) Under 3.24 to helping to accelerate schemes using financial mechanisms in the toolbox.
 - (e) Under 3.25 to more enabling action including loans
 - (f) Under 3.27 to taking the initiative on more direct interventions as exemplified in the toolbox above.
- 2.4. The current use of the site is as light industrial with external vehicular storage, providing a current rental income of approximately £40,000 pa.
- 2.5. The site had a historic planning consent for 14 large detached houses that was not subsequently implemented. The intention is that the combined authority or its Devco if constituted in time will acquire the property, secure a planning consent for a residential development scheme and initiate the subsequent development of the scheme.

3.0 PROPOSAL & CONDITIONS

- 3.1. The proposal is to pay a sum of £1.225m for the acquisition of the site. Detailed heads of terms for the acquisition are attached in exempt **Appendix 1**. The purchase will acquire the freehold interest in the site.
- 3.2. The intention is to create approximately 60 residential units in a mix of 1,2 3 and 4 bedded units. The scheme will offer a policy compliant provision of 30% affordable units.
- 3.3. Attached in exempt **Appendix 2** is the Devco business plan which includes the strategy, location and boundary plan, development appraisal and initial risk schedule.
- 3.4. It is projected that repayment of the capital with interest will commence in late 2021, with re-payment including interest in full.
- 3.5. In addition to the re-payment of the interest, Devco will benefit from 100% of any profit from the scheme.
- 3.6. The acquisition will be Conditional upon the seller providing good title for the site and resolving all issues with the tenure of the existing tenants to ensure vacant possession is available with no additional costs when required.
- 3.7. As part of our due diligence we will be undertaking a site environmental survey to identify any contamination, building surveys, a drain survey and seek to get some comfort from the highways authority on the intended access into the new residential development.

4.0 CONCLUSIONS

- 4.1. This site acquisition should create an opportunity and brings into supply approximately 60 new homes on a site that currently comprises under occupied and poorly specified industrial use. The site has been on the market for a considerable period and without the intervention of Devco it is unlikely that any residential units will be delivered from it. It should offer an additional 18 affordable homes that would otherwise not be delivered by the market.
- 4.2. It will be a significant addition to the local private and affordable housing stock. It will provide opportunity for those that live and work locally or aspire to live in the locality, without paying the full price premium normally associated with brand new housing development.

5.0 FINANCIAL IMPLICATIONS

- 5.1. It is proposed that the Combined Authority provides £1.225m to Devco to acquire the site and £332,335 to cover the costs of the acquisition (including

stamp duty) and to prepare, submit and secure a planning consent for a residential development scheme.

- 5.2. Anticipated completion of the purchase is end July/early August 2019 from the £100m Housing programme.
- 5.3. The interest rate is 2.09%pa on Devco repaying the money upon completion of the development.

6.0 LEGAL IMPLICATIONS

- 6.1 At its meeting on the 26th of September 2018, the Authority agreed by a majority to:
 - a) agree the approach to delivering the Housing Strategy set out in the 31Ten report in exempt **Appendix 1** of the report.
 - b) agree the concept of creating a revolving fund of monies from within the £100m programme for housing investment, to run within and beyond the 5 year programme.
- 6.2 The Combined Authority has the ability to lend under s.12 Local Government Act 2003 “power to invest” as well as under a general power of competence provided that it is compliant with European state aid rules.
- 6.3 In making any such investment the Authority is required to have regard to the government’s statutory guidance on Local Government Investment (section 15 Local Government Act 2003) and specific guidance published by the Chartered Institute of Public Finance and Accountancy.
- 6.4 The devolution deal of June 2016 placed no particular restrictions on the use of the £100m housing programme for such purposes. The £100m must be used for delivering housing and growth.

7.0 CONFIDENTIAL APPENDICES

- 7.1. Exempt Appendix 1 – Heads of Terms for Site Acquisition
- 7.2. Exempt Appendix 2 – Devco Business Plan

| <u>Source Documents</u> | <u>Location</u> |
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| List background papers: Cambridge and Peterborough Combined Authority Housing Strategy | The Incubator 2, First Floor, Alconbury Weald Enterprise Campus, Alconbury Weald, Huntingdon, PE28 4W |