

Cambridgeshire and Peterborough Combined Authority projects for potential 2022-23 capital funding

1. East Barnwell Regeneration and Affordable Housing

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Version Date	
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Data Protection

We confirm we have considered requirements under the General Data Protection Regulation and Data Protection Act 2018 including the need for a Data Protection Impact Assessment. ☐ [Check this box to indicate 'Yes'. Failure to address data protection could delay approval of the business case.]

EXECUTIVE SUMMARY

Cambridge has been described as the most unequal city in England in terms of income distribution. Housing affordability is on average 14 times median wage. The Greater Cambridge travel to work areas is one of the largest outside London. Affordable housing is a constraint on growth and has a big impact on inequality. It is the most significant barrier to levelling up in the city.

Despite Greater Cambridge promoting higher housing numbers (Circa 45,000 to 2040) than the 'standard methodology', revised economic modelling points to a need for even higher housing and employment floorspace growth across Greater Cambridge. Life science turnover is expected to grow by 16% annually, and GVA across the wider economy by 6%. In order to accommodate growth, sustainably and equitably, the City Council needs to regenerate those areas of the city that are at risk of being left behind. This includes East Barnwell, which is one of the most deprived areas of the city, and redevelopment of Fanshawe Road – a social housing. The latter would enable 93 highly sustainable homes as part of a £27.9m capital scheme.

Inflation and rising borrowing costs have put both schemes at risk. £1.5m additional capital funding from DLUHC would act as a catalyst to ensure these projects are delivered and will provide valuable local employment opportunities.

STRATEGIC CASE – *What we're doing, and why*

Please set out a bulleted list of the projects the funding will deliver.

Project 1: This is a regeneration project aimed at East Barnwell - the most deprived area of the city, in the bottom 20% of deprived wards in England. More recent census data published by the ONS has singled out the area adjoining this development as having the highest concentration of unemployment and deprivation in the City. The City Council and the County Council have committed to working together to deliver a new local commercial centre. This will include a community centre, library and pre-school, new commercial and retail facilities, new open space and over 130 new homes. Land assembly and planning are complex. Funding sought is for £0.5m to fund capital spend on professional fees. The Scheme has been approved by the Council. <https://thefutureofeastbarnwell.co.uk/>

The project developed out of a One Public Estate funded master-planning exercise focussed on East Barnwell to address the deprivation in the area, the lack of investment over a long period and the need for public sector agencies to work together particular to better utilise their different land holdings.

Following this work the City Council and the County Council committed to working together to deliver a core project This will include a community centre, library and pre-school, new commercial facilities, new open space and 130 new homes.

The project will form part of the City Council's programme commitment to deliver 1000 new homes for affordable housing. Programme level supervision will therefore be provided by the Housing Scrutiny Committee. Delivery is expected to be undertaken through the Cambridge Investment Partnership (CIP) – an innovative JV between the City Council and Hill Partnerships. The CIP board will therefore provide project governance, with approval from CIP board required at key milestones

CIP submitted a proposal to the City Council and the County Council. In September the councils formally agreed to work together to deliver the project. This requires substantial professional input to enable detailed commitments to be made in March 2023 which will form the basis of a Planning Application.

Project 2: £1m grant sought. Redevelopment of Fanshawe Road 1950s flats, adjacent houses, and garages to provide 93 new highly sustainable, affordable homes on the site, with enhanced open space, as well as improvements to the community pavilion on neighbouring Coleridge recreation ground. Funding is required to enable the council to purchase leaseholder flats so that the scheme can proceed. This is part of £3m total land assembly costs.

This scheme has been approved by the council. The scheme would deliver 44 properties at social rent and 49 at intermediate rent. Borrowing for the scheme has already been approved from the HRA, though costs have now increase due to inflation.

<https://democracy.cambridge.gov.uk/documents/s59544/HSC%20Report%20on%20proposed%20development%20at%20Fanshawe%20Road%2021-06-22%20FINAL.pdf>

ECONOMIC CASE – *Selecting the preferred option*

Please set out the benefits of this project, and the contribution of the funding being bid for.

The funding will plug a viability gap as costs have moved adversely since the June proposal. It will also build confidence in the process which will accelerate delivery of the surveys, plans, reports and analysis required to support a decision by the two Councils and the subsequent planning application.

Key risks (including risks to delivery, legal risks, potential subsidy control issues etc.)

- Planning – Mitigation will be awareness of policy requirements and pre-application discussions with planners
- Local stakeholders – Mitigation will be intensive consultation with community organisations and other relevant parties. This has already commenced -
- Viability – Mitigation will be attention to cost issues in building design consistent with quality, sustainable, fit for purpose buildings and maximising revenue streams to the project

Sensitivities and dependencies

- The scheme depends upon the close co-operation of the two Councils and the engagement with the local community. The two Councils have committed to working together; engagement with the local community at the level of public consultation and particular stakeholders is well advanced. This needs now to be supported by the development of detailed plans and analysis of key issues

Please also confirm that the funding would be spent on projects consistent with the goals set out in your devolution deal and agreed with government;

- Yes, specifically, CPCA strategic priorities for 'Achieving Good Growth' and 'Enabling Resilient Communities'.
- The projects incorporate an integrated approach to delivering community infrastructure; co-ordination with Greater Cambridge Partnerships work on Eastern Approaches to Cambridge - an integrated approach to transport; and new highly sustainable homes support both housing delivery and the climate change agenda.

You are confident the projects are highly likely to represent value for money and your local accountability processes are robust, such that you are confident value for money will be ensured before the funding is allocated;

CIP is a fifty-fifty project between Cambridge City Council and Hill. Risks and profits are shared; this alignment of objectives is key to the success of the JV. An independent red book valuation exercise will be carried out by the Councils to ensure accountability in relation to asset transfers, costs and benefits.

Outcomes will be assessed through the monitoring and evaluation approach set out in the management case below; and

- The outcome of the funded project will be the preparation of plans, surveys and valuations to support decision making in March and the preparation of a Planning Application. The delivery of the project will be phased. The target is to deliver phase 1 by May 2025

- Our s151 officer agrees that it is vfm and feasible that the funding can be spent in 2022-23.

COMMERCIAL CASE – *Preparing for the potential Deal*

There are financial viability appraisals for these projects which demonstrate they are commercially viable.

Funding to be provided to Cambridge City Council. The Fanshaw Road costs are direct to the City Council as part of the land assembly.

The East Barnwell Costs are within the Cambridge Investment Partnership – an LLP between the City Council and the Hill Group and will be managed through this.

There are risk frameworks in place for both projects and the framework for delivery follows the effective Cambridge Investment Partnership model.

FINANCIAL CASE - *How much it will cost, and how it'll be funded*

The funding requested in this business case is £1.5m in 2022-23 and would be sought from DLUHC via a s50 grant under UK Internal Markets Act. The funding will only be used for capital expenditure. This spend will be completed in the period to March 2023

The MCA would use its normal assurance, procurement, and payment processes to administer the funding. The funding will be administered by the MCA in line with the terms of its own constitutional and assurance arrangements.

East Barnwell. Total scheme cost is: £41 million Funding requested is to support capital development costs for professional fees to enable a planning application to be made in the Spring for a development project. Funding is £500,000 for this element to support the professional fees.

This funding is required to support project viability, this is a public sector land led opportunity delivering on a project that has been stalled for over 10 years. Securing this funding will support project viability and enable the project to move forward to delivery sooner- providing facilities and housing in the City. Other funding is provided via City Council and County Council development finance and borrowing.

Fanshawe Road. This funding supports wider project development costs for projects in Cambridge. Total scheme cost is: £27.9 million financed via the City Council HRA. The total costs for the City Council in securing vacant possession is circa £3million. Funding is £1m for this element.

Funding requested is to support land assembly costs of this approved capital project. This equates to less than 2% of the total scheme cost. Further funding would be met by Council borrowing, development partner borrowing, Homes England grant - not yet secured. This scheme will deliver circa 90 new homes.

This funding is required to support earlier acquisitions of property to enable Vacant Possession and therefore enable the delivery of new housing at a faster pace. It will also support project viability at a time when then higher costs of development are likely to impact the delivery. Securing funding will support the quality of delivery including the low carbon agenda.

VAT on capital spends will be able to be recovered by the Council in full.

MANAGEMENT CASE – *How will delivery of the programme/project be planned, monitored and overseen to evaluate and ensure its success?*

The grant will be paid by the DLUHC team responsible for the administration of the MCA's investment fund. No additional resource is required.

The grant will be administered and delivered by the MCA. The proposed timeline for the project is:

For East Barnwell there are existing project approvals from City and County Council (Sept 22) The target is to deliver further reports to the City Council by Committee date 14.3.23 and to the County Council by committee date 28.3.23. The planning application will be submitted shortly thereafter. The bulk of the preparatory work for the application will be completed by 31.3.23. The MCA is confident we can deliver to this timeline.

For Fanshaw Road there is an existing project approval by Cambridge City Council – June 2022 and the work to secure vacant possession is already underway.

The planned monitoring and evaluation is via an existing Project Board established at officer level including officers from both the City Council and the County Council. A dashboard report will provide a clear picture of progress. Senior Officers are also engaged through the Housing Programme Board. Ultimate oversight sits with Council Committees and the CIP Board.

The outcomes of these projects will be assessed through the monitoring and evaluation approach outlined above. The MCA commits to providing a short progress update against spend and impact in May 2023. Thereafter, outcomes will be captured via over-sight reporting which will continue to be through the processes identified for the initial stage. As the project moves into construction process further professional support will be required. These are through established process the City Council has in place and can be seen through the effective delivery of the 500 homes devolution programme.