



CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD	AGENDA ITEM No: 3.1.1
29 JANUARY 2020	PUBLIC REPORT <i>This report contains appendix 1 which is exempt from publication under Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and it would not be in the public interest for this information to be disclosed - information relating to the financial or business affairs of any particular person (including the authority holding that information).</i>

£100M AFFORDABLE HOUSING PROGRAMME (NON-GRANT): PROPOSED ACQUISITION, HUNTINGDONSHIRE

1.0 PURPOSE

- 1.1. To seek approval from the Board for the grant of a loan to Angle Developments (East) Ltd to enable the acquisition of an appx 1.5 acre (0.6Ha) freehold residential development site in Huntingdonshire.
- 1.2. The loan monies being requested will come from the £40m revolving fund, within the £100m programme.
- 1.3. Although the property has an existing planning consent, the intention will be to secure a further planning consent, potentially for up to appx 24 units, including affordable housing for which the current planning consent does not provide.
- 1.4. Through this transaction Angle Developments (East) Ltd will control a significant residential development opportunity to be delivered for the benefit of local families and the community.

<u>DECISION REQUIRED</u>	
Lead Member:	Lead Member for Housing
Lead Officer:	Nick Sweeney, CPCA Development Manager Housing & Development
Forward Plan Ref: 2020/011	Key Decision: Yes
	Voting arrangements

<p>The Combined Authority Board is recommended to:</p> <p>(a) Approve the lending of a sum of £1,400,000 from the Combined Authority to Angle Developments (East) Ltd to enable the acquisition and progression of a revised planning application on a site in Huntingdonshire (comprising £900,000 to acquire the site and £500,000 in costs) Heads of terms for the acquisition are detailed in the Business Case at Exempt Appendix 1. The purchase will be Conditional on satisfactory investigation and pricing of land contamination being within the £300,000 allowance provided for in the business case.</p> <p>(b) Grant delegated authority to the Development Manager Housing and Development, in consultation with the Deputy Monitoring Officer and the Lead Member for Investment and Finance, to conclude any necessary documentation to complete the loan with Angle Developments (East) Ltd.</p>	<p>Simple majority of all Members</p>
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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 report.

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 site is vacant and was formerly used by a gas distributor. Remediation will be required to enable residential use. Parts of the site are within flood zones 2 and 3 so design will need to incorporate flood prevention measures.

2.5. The Huntingdonshire Local Plan allocates the site for residential development and a detailed planning consent for 11 units has been obtained, but this has yet to be implemented. The relevant extract from the Local Plan can be found in the Business Case at exempt Appendix 1.

2.6. The site has been marketed by local agents for over 6 months and has not sold. Other potential developers may have been deterred by planning

requirements as highlighted in the Local Plan extract in the Business Case at exempt Appendix 1 and their ability to secure enough profit.

- 2.7. The planning allocation incorporates measures to address contamination, flood prevention, conservation area status, biodiversity, and close proximity to a Site of Special Scientific Interest.
- 2.8. Angle Developments (East) Ltd will undertake pre-application dialogue with the local planning authority (LPA) to define acceptable development principles, with a view to achieving a higher density residential scheme with affordable housing.
- 2.9. The Local Planning Authority (LPA) is Huntingdonshire District Council which operates a Community Infrastructure levy.
- 2.10. Road improvement works are currently progressing in close-proximity to the site. Detail of the improvements can be seen from the Proposed Scheme drawing in the Business Case at exempt Appendix 1.
- 2.11. It is the intention that Angle Developments (East) Ltd shall acquire the property, secure a residential planning consent for an increased density, and initiate the subsequent development.
- 2.12. The site has an existing planning consent for 11 detached executive dwellings with no affordable housing.
- 2.13. The proposed purchase price for the site is £900,000 + VAT

3.0 FINANCIAL IMPLICATIONS

- 3.1. It is proposed that the Combined Authority provides Angle Developments (East) Ltd with loan funding of £1,400,000 (£900,000 +VAT for the acquisition, the balance to cover the costs of the acquisition including stamp duty), to embark on site investigation/contamination works and to design, prepare, submit and secure a planning consent for a residential development with a greater number of units. The funding is to come from the £40m revolving fund within the £100m Affordable Housing Programme.
- 3.2. Once the final scheme to be built has been determined and priced, a further loan application to CPCA to request funding for the cost of construction is anticipated.
- 3.3. An initial development appraisal incorporating estimated costs has been undertaken and is attached in the Business Case at exempt Appendix 1.
- 3.4. It is proposed that the loan to Angle Development (East) Ltd will be at the interest rate of 3.14% per annum from drawdown, with repayment in full upon completion of the development and sale of the homes.

- 3.5. The impact of the proposed loan upon the cumulative cashflow forecast on the £40m revolving fund element of the £100m Affordable Housing Programme can be found in Appendix 2.

4.0 LEGAL IMPLICATIONS

- 4.1 The Combined Authority has the ability to lend under s.12 Local Government Act 2003 “power to invest” as well as under the general power of competence granted to it by the Cambridgeshire and Peterborough Combined Authority Order 2017 provided that the activity is compliant with European state aid rules.
- 4.2 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.

5.0 IMPLICATIONS FOR NATURE

- 5.1. Site remediation is required to enable the site to serve for residential use.
- 5.2. The site is located in close proximity to a site of Special Scientific Interest. The proposed redevelopment will comply with planning requirements in respect of site remediation, ecology, biodiversity and flood risk.

6.0 CONTRACT PROCEDURE RULES IMPLICATIONS

- 6.1. The use of a team of expert professional advisors will be required, instructed by Angle Developments (East) Ltd, to proceed to design and submit a new planning application.

7.0 RISK IMPLICATIONS

- 7.1. Planning risks are present by the proposal to seek an increased density of residential development above that allocated by the Local Plan. This risk is mitigated as a planning consent exists for residential development, so Angle Developments (East) Limited will be able to implement the existing consent to recover its capital outlay if planning consent for a higher density scheme with affordable housing is not secured.
- 7.2. There are cost and viability risks associated with the requirement to address remediation and flood alleviation. The initial Development Appraisal has allowed a sum of £300,000 to address these issues and we intend to get more confidence that this sum will reflect the true remediation cost before exchanging contracts.

- 7.3. We will be undertaking the usual pre-contract due diligence on our ability to deliver the development before exchanging contracts.

8.0 OTHER SIGNIFICANT IMPLICATIONS

- 8.1. If Board approval is secured then further investigative studies will be commissioned in respect of site remediation and flood alleviation alongside other pre-acquisition due diligence, before proceeding to exchange of contracts. Typical pre exchange expenditure would be in the region of £25,000.
- 8.2. Angle Developments (East) Ltd proposed acquisition of the site offers an opportunity to deliver additional affordable housing that the market will not otherwise deliver.

9.0 APPENDICES

- 9.1. Appendix 1: Business Case EXEMPT NOT FOR PUBLICATION
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Appendix 2: £40m revolving fund cumulative cashflow forecast.

Appendix 3: Draft heads of terms for a funding agreement between CPCA and Angle Developments (East) Ltd.