

CPCA

HOUSING STRATEGY

SEPTEMBER 2018



INNER CIRCLE
CONSULTING



FOREWORD



“ We are determined to drive prosperity for all residents in our region by making sure that everyone has access to a job within reach of their home, that people live in healthy, thriving and prosperous communities and that new homes are a part of creating a high quality, sustainable environment.”

These are exciting times for Cambridgeshire and Peterborough Combined Authority. We have set out, in our Strategic Framework, our approach to transforming the economic prospects of the whole region. We will do this with a robust focus on connectivity, through our ambitious programme of transport interventions; and on stepping up both the speed and the quantum of our delivery of housing over the next twenty years. We need to deliver 100,000 additional new homes and we need a relentless focus on the affordability of those homes.

One of my key ambitions for the Combined Authority is to promote housing affordability across all tenures. Even though the region as a whole has a strong and growing economy, our housing markets are not providing enough new housing. A significant proportion of local residents cannot afford to get onto the home ownership ladder – a crucial step in prosperity and social mobility. Others, including those in communities not yet benefiting from economic growth, cannot access decent affordable rented homes. Young people are struggling to make the start in life which they deserve and which our economy depends

on if growth is to be sustained and prosperity is to be shared.

Central government has been supportive of our ambitions, giving us £170m to support initial funding for 2,500 additional affordable homes, and the freedom to explore these new innovative solutions to drive change. These freedoms are very necessary.

We won't preside over a system that only offers grant based interventions which deliver inadequate numbers of homes and no ability to re-cycle at least part of that investment. Nor can we wait and expect the market to deliver what we need. We intend to intervene directly, using innovative tools and then to reinvest, supporting community land trusts and we will take a long term view on risk and return. We are determined to be disruptive where necessary, and to be relentlessly creative to deliver high quality new homes.

Our housing strategy sets out the scale of the challenge and the scope of our ambition in responding to that challenge. It provides a guide to the variety and range of direct interventions we may need to make, and the collaborative approaches we will take with those who want to be part of the journey. We hope

and expect that those investors, developers, small builders and housing agencies who share our ambitions will be inspired, and they will bring their opportunities, skills and experience to strengthen the response.

We are determined to drive prosperity for all residents in our region by making sure that everyone has access to a job within reach of their home, that people live in healthy, thriving and prosperous communities and that new homes are a part of creating a high quality, sustainable environment.

James Palmer

*Mayor of Cambridgeshire and Peterborough
Combined Authority*

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EXECUTIVE SUMMARY

INTRODUCTION

The delivery of at least 100,000 more homes, and especially new affordable homes, is one of the key objectives of the CPCA. The scale of the ambition is significant and is rooted in the recognition that the region's remarkable economic growth requires new homes if the upward trajectory is to be sustained.

The region is very diverse, with three distinct economic sub-regions with differing economic challenges, driving different housing markets and housing market challenges. New housing growth has an important role to play in attracting both state and private investment, but that investment has to support not just the delivery of new homes (including new affordable homes) but also has to contribute significantly to the transport and physical infrastructure that is a pre-requisite of housing growth.

The CPCA has ambitious targets for housing delivery. These are a mix of strategic ambitions – at least 100,000 additional new homes (including at least 40% new affordable homes) by 2036 – and short term delivery targets of at least 2000 new affordable homes by 2022, region wide, using £100 million of government grant, plus 500 new Council homes in a government grant ring-fenced for Cambridge City Council.

In order to achieve this, the Mayor, together with the partner organisations within the Combined Authority, has agreed the following key strategic objective for housing:

- To accelerate housing delivery to support economic growth,
- To create prosperous places where people want to live, and
- To expand housing choices to meet a range of housing needs across each of these objectives.

The CPCA's programme of intervention falls into three broad areas:

- i. Direct Action, where the CPCA will take an active strategic investment approach to deliver new homes;
- ii. Enabling Action, where the CPCA will distribute funds including loans and recoverable enabling finance for the delivery of new homes by others; and
- iii. Collaborative Action, where the CPCA will work with its partner authorities, housing agencies and the private sector to support increased and accelerated delivery by others.

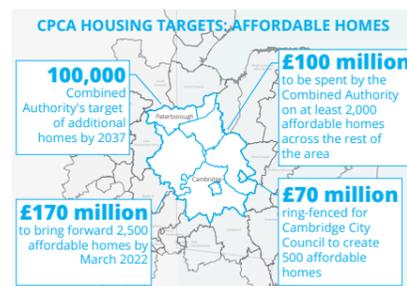


Fig 1: CPCA Housing targets
Source: CT brief No 35 May 2018/ ICC

SECTION ONE - CONTEXT

Section One of the report sets out the background and context for new housing delivery in the region. The CPCA and its partner authorities have a wealth of information and analysis about current housing markets, economic trends and locational data which has been used as the basis for this strategy.

Population Distribution and Growth - the population of the CPCA region is just under 850,000 and is expected to increase by 20% , to be over a million by 2036. The population is largely concentrated in the cities and market towns, with an additional relatively small rural population scattered over the area.

12% of the land area is developed. Household sizes are larger in the cities.

Housing Market Areas - the region is not homogeneous. There are currently two distinct housing market areas covering and stretching beyond the CPCA area. One is based on Peterborough and extends north to encompass parts of Lincolnshire; and one is based on Cambridge and stretches into West Suffolk. Additionally, there is an emerging significant new housing market area resulting from the intensive proposed growth of a million new homes planned for the Oxford-Milton Keynes-Cambridge corridor by 2050.

Housing Needs Analysis and Housing Affordability - There is a lack of up to date housing needs analysis across the region. However, there is a strong consensus that more affordable housing is needed across the region, and in some areas of high deprivation there is a distinct need for more social rented accommodation. Despite the lack of comprehensive data, there is proxy information on the affordability both of renting and buying a home. There is significant variation in sales prices across the region, with median prices in excess of £600,000 in central Cambridge, but as low as £180,000 in the north and east of the region. When correlated against net incomes, heatmaps illustrating the affordability of both renting and home ownership demonstrate significant areas where neither option is affordable to a sizeable proportion of residents.

Economic Growth - as with housing market areas, the region's patterns of economic growth are not homogeneous. There are three distinct economic sub areas, one centred on Peterborough, one centred on Cambridge and one centred on the Fens area. The

growth corridors are intrinsically linked to existing transport links and proposals for new transport investment. Commuter patterns are driven by the current mismatch between affordable housing locations and jobs which is contributing to congestion.

Future Growth Corridors - patterns of transport investment and future strategic housing growth are grouped in four corridors, the East-West (North) corridor, the North-South corridor, the East-West (South) corridor and the Cambridgeshire Metro area corridor. One of the key functions of the CPCA is to ensure that transport investment and housing growth proposals are co-ordinated to support both environmental sustainability and the economic resilience of the key growth hubs.

Strategic Sites - the Non Statutory Spatial Plan (NSSP) sets out the key strategic locations for housing growth, which in turn are drawn from existing and emerging statutory local plans across the region.

Constraints - the viability of development varies considerably around the region, and the risks associated with development are similarly varied. Financial calculations are often opaque and understanding (and challenging) viability is often a block to delivery. Flood risk is another key constraint in the region, which affects both the initial cost of development and the risks involved for developers and homebuyers.

Delivery Trends - although more resilient than other parts of the UK, the scale and pace of housing delivery across the CPCA area has lagged behind existing planned growth. If the overall target in the devolution deal of 29,000 new homes by 2022 is to be achieved the annual rate of build will need to increase by 160%. If the strategic target of at least 100,000 additional new homes by 2036 is to be achieved the annual build rates will need to increase by 54%. This clearly illustrates the scale of the challenge facing the CPCA, and the

need for an ambitious and creative response.

SECTION TWO - THE CPCA'S STRATEGIC RESPONSE

Section Two sets out the new thinking and bold solutions that the CPCA intends to use to tackle the challenges set out above. In the short term, the CPCA has significant funds allocated to it from central government. These are set out in the Devolution Deal. £70 million over five years is ring fenced to support Cambridge City Council's Housing Revenue Account to ensure the delivery of 500 new Council Homes, while £100 million of housing and infrastructure funds over five years will help to deliver the start on site of at least 2,000 new affordable homes across the region.

It is this latter fund that will kick start the CPCA's innovative approach to delivery, enabling activity and collaboration, designed to capture recycled grants and establish proactive partnerships with public and private sector partners.

Key areas for intervention are as follows (grouped according to the Housing Strategic Objectives as set out above).

ACCELERATING HOUSING DELIVERY TO SUPPORT ECONOMIC GROWTH

Developing a comprehensive Strategic Investment Fund (SIF)

The most important strategic response that the CPCA can make is to establish a Strategic Investment Fund and a co-ordinated programme of cross subsidy of different schemes to enable a sustainable fund to operate over time. The key challenge for a fund of this type is to develop a balanced approach, with a risk profile ensuring that investments are repaid over time and profits

recycled.

Integrating transport and housing – a strategy for investment

Financial returns from housing investment also have to help fund strategic infrastructure through the Community Infrastructure Levy and broader developer contributions. The CPCA needs to ensure that its investment strategy recognises the inter-relationship of housing and transport, and allows for the timely and sustainable provision of the infrastructure that will ensure that growth in the region creates a great place to live, learn and work.

Strategic land acquisition

The CPCA has an opportunity to purchase key sites, particularly where they unlock larger development opportunities, for example by enabling key infrastructure schemes. This area of activity will be enhanced if the CPCA acquires Mayoral Development Corporation status.

Direct delivery of new homes

The CPCA has the power to deliver homes directly, through a wholly owned company. This is likely to be a particularly important intervention in areas where viability issues or the prospects of poor short term financial return prevent or delay market led solutions from delivering to the scale and pace that the CPCA requires.

CREATING PROSPEROUS PLACES WHERE PEOPLE WANT TO LIVE

Masterplans and growth plans

The market towns are a key focus, not just for new homes but also economic growth, to spread the geographic availability of jobs around the region. The CPCA's market towns masterplans for growth initiative, piloted in St Neots in 2017, will demonstrate the scope for balanced and sustainable growth.

Support for garden towns and villages

The development of major new settlements such as Wisbech Garden Town and Waterbeach New Town will be critical to the achievement of the CPCA's housing ambitions, with transport initiatives upon which such settlements depend being a key aspect of the co-ordinated approach required.

Design Innovation

The CPCA can work collaboratively with its partners to strengthen design solutions to key issues, such as development within flood risk areas, water management, and innovative design for high density living.

EXPANDING HOUSING CHOICES TO MEET A RANGE OF HOUSING NEEDS

Targeting affordable housing – housing needs analysis and SHMAs

If delivery against the CPCA's ambitious targets for affordable homes is to meet local needs, the CPCA should lead a collaborative effort to update housing needs data, and to maintain that data on a 3 year cycle. Similarly, a co-ordinated approach to Strategic Housing Market Area assessments (to support the NSSP) should be adopted and a common methodology applied.

Increasing affordable home ownership – Community Land Trusts and the £100K house

One of the Mayor's key ambitions is to extend options for genuinely affordable home ownership. CPCA is supporting the CLT at Haddenham in East Cambridgeshire where there is scope for residents, typically on incomes of £16,000 to £25,000 to rent affordable units while saving for a deposit to buy a home. A further iteration of this is to develop discounted market sale homes, with property values capped at £100,000 at first sale and profits made thereafter to be shared between the CPCA (as developer) and the initial purchaser. A £100,000 home would make

home ownership accessible to a much larger proportion of residents across the region.

Creating balanced communities

As with the £100,000 home, there are a number of demographic groups who are currently not well provided for by current housing provision, both in market or affordable tenures. The CPCA should look to support specific initiatives such as housing for older people, or development solutions which target young and/or single people, in appropriate locations.

SECTION THREE - CONCLUSIONS AND RECOMMENDATIONS

The scale of the challenge to deliver at least 100,000 additional new homes to 2036 is significant, and the development conditions in the region are similarly challenging in both their variety and their complexity. However, the CPCA's high ambitions match the scale of the challenge. There is a determination to seek wholly new solutions and a commitment to disrupt broken markets where these are holding back delivery.

At the same time, the CPCA is committed to working with partners and stakeholders. A comprehensive and co-ordinated approach is crucial, given the inter-relationship and inter-dependence of transport, economic and housing growth.

Innovation, and a long term, balanced investment based approach will be the key to success. The CPCA will need to maintain its rigorous approach to economic and demographic analyses, to maintain up-to-date needs data, test different delivery models and apply these flexibly across the region, but it is operating at a sufficient scale to do this effectively and, with the continued support of central government and its partner agencies, it has the determination necessary to succeed.

RECOMMENDATIONS

Short term (within the next 6-12 months):

- Direct Action: The CPCA should establish a Strategic Investment Fund, co-ordinating the requirement for investment in both housing and enabling infrastructure; and should develop a series of marketing documents to facilitate the engagement of investors, developers and delivery partners. A more detailed suite of toolkit guides, building on the tools outlined in appendix 2 of this strategy, should also be developed.
- Direct Action: The CPCA should establish a Wholly Owned Company to undertake the development and management of new homes in the region.
- Enabling Action: The CPCA should develop a comprehensive housing programme document or delivery plan, covering both detailed information for its short term housing targets, and scoping information for the longer term pipeline of known schemes and strategic sites. This will help to forecast delivery against targets and should include risk assessment and risk mitigation information.
- Collaborative Action: The CPCA should work with its constituent authorities to commission a comprehensive housing needs analysis, and to agree a common approach to Strategic Housing Market Area assessments, to inform both the NSSP and emerging statutory Local Plans and Supplementary Planning Documents.

Medium term (within the next two to three years)

- Direct Action: The CPCA should deliver innovation in the form of a robust financial model for the delivery of discounted market sale home ownership scheme, delivering homes for £100,000, targeted at low income working families. Ideally, this should

include a pilot scheme, including mechanisms for recycling the initial subsidy into future developments or Community Land Trusts.

- Collaborative Action: The CPCA should develop, with its partners, a common approach to viability testing to provide certainty to the market and to strengthen the technical response of small local authority planning departments across the region.
- Collaborative Action: The CPCA should develop, with its partners a series of design guides on aspects of housing which require innovative solutions, such as developing within areas of high flood risk, developing at high density and design solutions for specialist housing. These should build on and seek to extend the good practice that already exists around the region.

Longer term (from 2021)

- Direct and Enabling Action: The CPCA should move away from grant based forms of investment and should be managing all its interventions, including enabling actions, on a long term investment basis and return approach.
- Collaborative Action: The CPCA and its partners should bring all Statutory and Non Statutory spatial planning documents into a fully aligned suite, covering housing, transport and economic growth plans, enabling all planning authorities (included the CPCA, if it gains planning powers) to work together quickly and efficiently to speed up decision making.

INTRODUCTION

The delivery of many more homes, including many more affordable homes, is one of the key objectives of the Cambridgeshire and Peterborough Combined Authority (CPCA, the Combined Authority). Speeding up the pace of delivery and achieving a quantum step change is at the heart of the ambition of the Mayor, and all the partner organisations, who have focused their devolution deal with Central Government on commitments to deliver at least 100,000 new homes, additional to those already planned, and to ensure that 29,000 new affordable homes are delivered by 2022.

STRATEGIC GOALS

The CPCA's ambitions for the region and its residents, set out in the 2030 Strategic Framework, are as follows:

- Access to a good job within easy reach of home.
- A workforce for the modern world founded on investment in skills and education.
- The UK's capital of innovation and productivity.
- Healthy, thriving and prosperous communities.
- A high quality, sustainable environment.

The scale of the ambition is significant, and it is firmly rooted in an understanding among the partner authorities and organisations that the region's continuing remarkable economic growth requires new homes to support its continued upward trajectory. Without new homes, there is a danger that much needed employees will be "priced out" of the region, or (as in London and the South East) will be forced to commute longer and longer distances to work. This creates traffic congestion and overcrowding on public transport,

with consequent lost productivity and a negative impact on the very qualities which have previously made the region so attractive to economic investment. Housing and economic growth are intrinsically bound together – if housing supply cannot keep pace with the regional economy, the economy will falter.

But the economic growth pattern is complex. One of the features of the CPCA area is its economic diversity – there are at least three distinct economic sub regions, with economic growth hotspots concentrated on Peterborough, Cambridge and Huntingdon, with less economically vibrant areas in the north and east of the region. Many of the market towns require investment in both transport and housing to boost their local economies, not simply to support existing economic success. This will require finely balanced investment decisions. New housing growth has a major role to play in attracting state and private investment, but that investment has to support not just the new homes required, but also contribute significant sums towards the transport and physical infrastructure that is a pre-requisite of sustainable growth.

New market homes also have to help fund affordable homes – and this is one of the key challenges facing the CPCA region. Across the area, despite the pattern of economic diversity, one of the stark common themes is that of increasing unaffordability within existing housing markets. Affordability (or the lack of it) is driven by different factors – it may be rapidly increasing prices/rents in Cambridge and Peterborough, and relatively low wages in the rural north and east – but across the whole region a significant proportion of residents are currently being "failed" by existing housing market dynamics. New homes, whether to buy or to rent, need to be accessible to a greater

proportion of local residents if the benefits of economic growth are to be spread more evenly, not just among different income groups, but also more evenly around the region.

HOUSING TARGETS

The diverse needs of the region are reflected in the CPCA's targets for housing delivery. These are a mix of ambitions to be achieved over 20 years and hard commitments that have been agreed with Central Government to be delivered within the next four years, but they are all (rightly) challenging, and are set out in the graphic below.

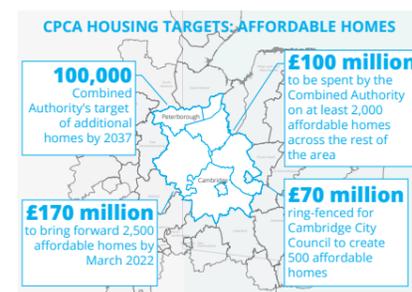


Fig 2: CPCA Housing targets
Source: CT brief No 35 May 2018/ ICC

The scale of both the challenge and the ambition requires urgent and decisive action by the CPCA to drive the changes required to deliver more homes, specifically more affordable homes to buy (including through shared ownership) and to rent, much more quickly. Among the seven formal partnership local authorities, and partner organisations such as the Cambridgeshire and Peterborough Clinical Commissioning Group that it works with, the CPCA has a unique role. It is not a statutory housing authority; its role is more strategic and enabling, it can be more creative, and it can plan and act for the short, medium and longer term. It is essentially an authority that has been created to drive investment in the future, working strategically across transport, housing, infrastructure

(such as flood mitigation measures) and community facilities to ensure optimum patterns of growth and development.

HOUSING OBJECTIVES

In recognition of this unique role, the Mayor, together with the partner organisations within the Combined Authority, have agreed the following key strategic objectives for housing:

- To accelerate housing delivery to support economic growth
- To create prosperous places where people want to live
- To expand housing choices to meet a range of housing needs.

Across each of these objectives, the CPCA's programme of intervention falls into three broad areas:

Direct actions: the CPCA intends to take an active strategic investment role, to undertake direct delivery of certain types of new homes, in certain locations (particularly where it is also delivering new transport infrastructure), and to invest in innovation.

Enabling actions: the CPCA is responsible for the consideration of applications for and distribution of housing enabling funds within the region, to secure best value; and it has the capacity to provide loans and equity investment to support increased and accelerated delivery of new homes by others.

Collaborative actions: the CPCA will work with its partner authorities, agencies and the private sector to tackle key areas where blockages occur, such as a collaborative approach to viability testing, ongoing research into housing markets and housing needs, and innovative delivery models and design solutions to issues such as development in locations with high flood risk.

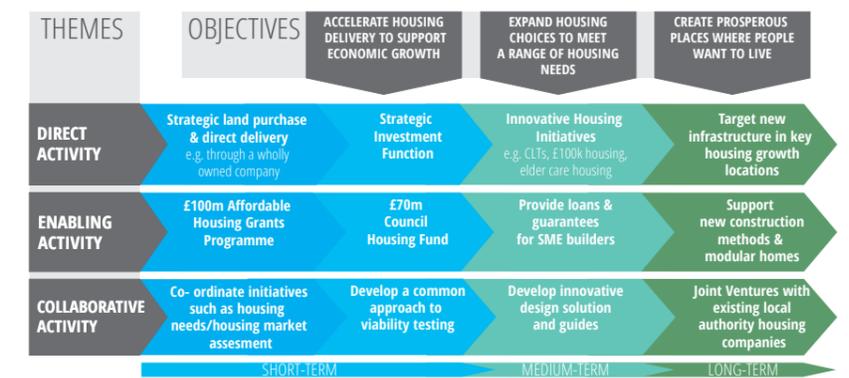


Fig 3: CPCA Housing themes and objectives/ Source: 31ten/ Inner Circle Consulting

STRUCTURE OF THE DOCUMENT

The focus of this strategy is identifying the types of interventions that the CPCA could make to boost the quantum of housing delivered in the region, the range of affordable housing types and the speed of housing delivery overall.

Part One – Context: this section sets out the background information and provides some analysis, looking at patterns of economic growth, the transport infrastructure that is required to support the growth, and some of the challenges, with data demonstrating housing affordability (across different tenures); housing development viability across the region; and factors such as flood risk and social infrastructure. The section will also look at delivery performance to date, to illustrate the scale of the step change that the Combined Authority must drive if the ambitions of all parties are to be achieved.

Part Two - CPCA Strategic Response: this draws from the background data and information analysis the key strategic housing interventions the CPCA will make, related to the housing objectives that have been agreed. These are high level interventions, in recognition of the strategic role of the CPCA. A number of case studies have been used to illustrate the interventions, drawing on successes already achieved and innovation proposed in the CPCA region.

Part Three - Conclusions & Recommendations: this draws together the key points of the previous sections and sets out recommendations, together with an action plan translating this strategy into a successful housing programme. These include: a delivery plan to support and accelerate the delivery of the CPCA's targets and ambitions as set out in the Devolution Deal; further work on specific proposals in the toolkit in collaboration with partners and investors (not least to inform the CPCA's forthcoming Non Statutory Spatial Plan and its Investment Strategy); and strategies for engaging with the market, both for delivery of market homes and a range of affordable homes.

Finally, there are appendices providing some further detail on specific issues. This includes a glossary of terms and a detailed CPCA Investment Toolkit: this sets out the toolkit of interventions, describing the different investment activity, enabling work and collaborative endeavours that are most likely to achieve the strategic objectives. These are described in detail, but it is important to stress that there is no 'silver bullet' or one size fits all solution. The patterns of investment likely to be required are varied and the challenges and opportunities are different. This strategy seeks to illustrate successful applications of some of these tools with relevant case studies and to make some initial assessment of the economic circumstances and spatial locations where the different tools are most likely to apply and succeed in future.

SECTION 1

CONTEXT



1. CONTEXT

1.1 BACKGROUND

1. The CPCA and its partner authorities and agencies have a wealth of information and analysis about current housing markets, economic trends and locational data. The CPCA's own research base and strategic analysis on transport, spatial planning and economic growth provides very recent information. Partner authorities have location specific information on needs analysis and local conditions, which vary significantly from authority to authority. There are also national data sets relating to house prices, income differentials and the scale and pace of new housing development.

2. The preparation of this strategy has not involved new research. Rather, it has brought together existing evidence and data, and has sought to analyse and interpret it to illustrate the challenges and the opportunities that the Combined Authority faces.

3. The data is illustrative, it is not intended to be an exhaustive exploration of the very varied conditions that characterise the six authorities, or to make robust predictions about the future. Other documents and strategies will provide that, as part of the evidence base for the spatial strategy and the business cases for individual investments in transport, infrastructure and economic growth support. This section of the Housing Strategy provides an overarching synopsis, providing a basis for swift interventions to increase the scale and pace of housing delivery across the region.

1.2 HOUSING DATA ANALYSIS

1.2.1 POPULATION DISTRIBUTION & GROWTH

4. The population of Cambridgeshire and Peterborough (2016) is just under 850,000. With the economic and housing growth

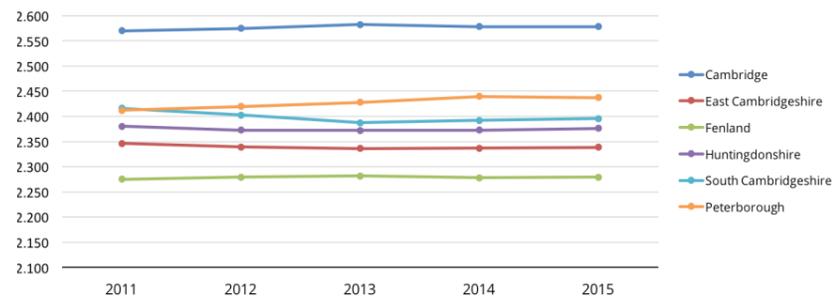
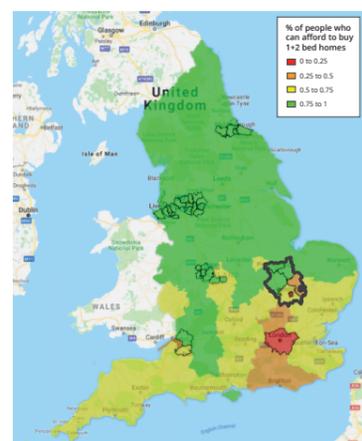
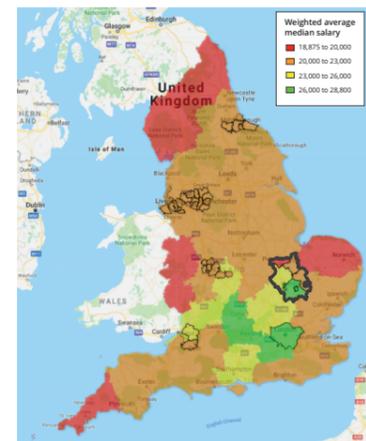
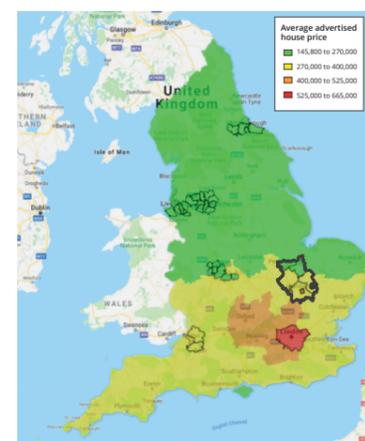


Figure 4: People per household (CPCA by district)/ Source: Cambridgeshire Insight/ 31ten



Figs 5- 7: CPCA Complexity maps/ Source: National Data set/ 31ten

that is planned for the area, the population is predicted to increase by approximately 20%, and is expected to be over a million by 2036.

5. The population of the region is largely concentrated in the cities (Cambridge, Ely and Peterborough) and the ten market towns (Chatteris, Huntingdon, Littleport, March, Ramsey, St Ives, St Neots, Soham, Whittlesey and Wisbech). In addition, there are numerous villages and smaller communities. Currently, 12% of the CPCA area is developed.

6. There are variations in the population density across the region. Currently, household size in Cambridge is approximately 7% higher than elsewhere in the CPCA area, and within Cambridge this is particularly concentrated in the centre and west of the city.

1.2.2 HOUSING MARKET AREAS

7. The Combined Authority area is not itself a homogeneous housing market area. Indeed, its lack of homogeneity makes it distinctive amongst all the city regions, almost all of which, while they face significant challenges, have greater uniformity of challenge. The graphic below illustrates (left to right) national weighted median incomes; the affordability of a 2 bedroomed property and advertised house prices, with the six city-regions outlined. The CPCA shares some characteristics with

each of the other regions, but none of the other five have the range of characteristics which constitute the challenges of the CPCA region.



Fig 8: Housing Market Areas Source: Spatial Framework (Non Statutory) Towards a Sustainable Growth Strategy (2018)

8. This complexity is illustrated in the emerging Strategic Spatial Framework (non-statutory) "Towards a Sustainable Growth Strategy". There are currently two distinct Housing Market Areas operating in (and extending beyond) the Combined Authority Area, with Peterborough's Housing Market Area stretching north to encompass parts of Lincolnshire, and Cambridge's Housing Market Area stretching into West Suffolk. Furthermore, Central Government's first Housing Growth Deal has been made with the new corridor area of Oxford-Milton Keynes-Cambridge, which has an aspiration for a million new homes by 2050, suggesting that a new Housing Market Area stretching to the west of the CPCA Area is likely to emerge, with a number of new settlements proposed to incorporate these homes, together with linking transport infrastructure. Travel to work areas for the key economic hubs will vary, and sustainable growth requires that these are kept as compact as possible.

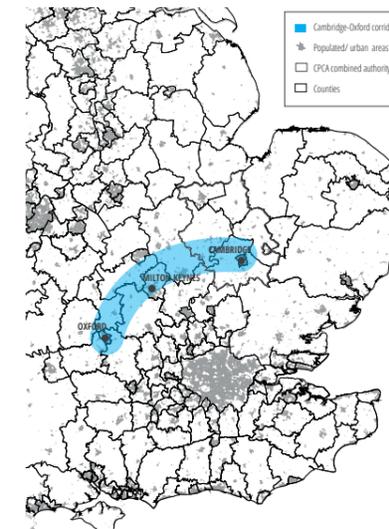


Fig 9: Oxford- Milton Keynes- Cambridge corridor/ Source: Cambridge, Milton Keynes and Oxford Future Planning Options Project (2017) by 5th Studio SQW/ ICC

9. Given this complexity and the sheer scale of the land area that the 2-3 distinct areas cover, trying to create a single Housing Market Area is unlikely to serve the Combined Authority well. Rather, it should seek to influence the Strategic Housing Market Assessments (SHMAs) (which form an essential element of individual statutory Local Plans) commissioned by the statutory planning authorities to ensure that they share common research approaches, and common timeframe, so that data can be reconciled, and housing development patterns tracked. This will be a complex matter to negotiate: not just the six local planning authorities within the Combined Authority are affected – additional authorities in Lincolnshire, West Sussex and along the Oxford-Milton Keynes-Cambridge Corridor should be approached to co-operate. However, the benefits of a strategic rather than a piecemeal approach are likely to be significant.

1.2.3 HOUSING NEEDS ANALYSIS

The CPCA's overarching strategic target for the delivery of 100,000 homes by 2037 includes within it the commitment that 40% of these should be affordable. Achieving this will be a challenge, because

existing models for the provision of affordable homes is flawed, but the target reflects the fact that there is significant need for social and affordable rented homes, while there are also significant gaps in provision. Figure 10 shows the current distribution of affordable homes.

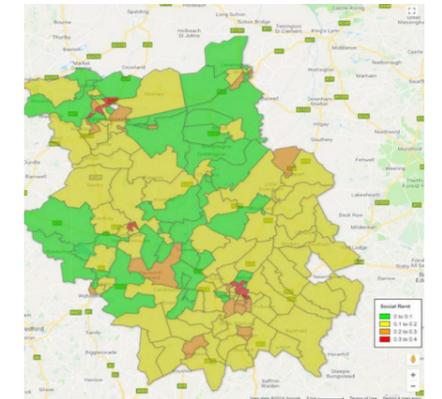


Fig 10: Social rent map Source: National data set /31ten consulting

10. In particular, there are areas in the rural north of the CPCA region where there is a notable mismatch, with high levels of deprivation (reflecting lower levels of economic activity and growth, described in section 1.3 below) and much lower levels of social and affordable rented housing provision. There are also significant pockets of deprivation in the economic "hubs" of Peterborough, Cambridge and Huntingdon, where there is also an ongoing need for affordable (including social rented) homes.

11. However, while there is a strong consensus that more affordable rented (including social rented) housing is required, there is a major gap in useful, granular data on affordable housing need. Assessing in detail the targets required for different housing typology (family housing, housing for older people, housing for people with special needs) as well as housing tenure requires regular housing needs analyses which have not been prepared consistently for some years, due in part to the fact that the statutory requirement for informing housing targets is Strategic Housing Market Assessments, based on HMAs (see section 1.2.1 above).

1.2.4 PATTERNS OF MARKET HOUSING AFFORDABILITY

Affordability

12. The housing market across the area is a complex one, the significant variation in level of development, level of affordable housing and tenure type has been well evidenced and this is further illustrated when examining housing affordability. It is critical to examine this affordability from two different perspectives, the ability for residents, and potential residents, to afford to rent a home across the area and the ability for them to afford to purchase one. This section examines both.

13. Figure 11 demonstrates the significant variation in sales prices across the CPCA region. There are significant hotspots, such as in central Cambridge, where the median price achieved is in excess of £600k, whereas there are also large areas, particularly to the north, where values are much more modest, transacting at £180k or lower.



Fig 11: Median market sales prices
Source: www.home.co.uk/ ICC

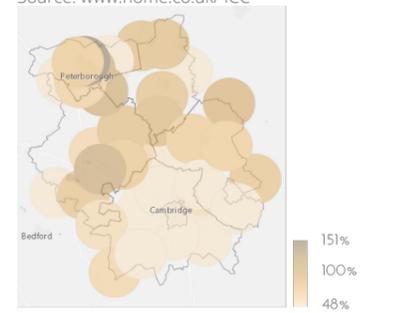


Fig 12: Market sales price in correlation with net income/ Source: www.home.co.uk/ ONS/ ICC

14. This information alone does not clearly demonstrate the affordability of these homes, however. To accomplish this it is necessary to map these values to the net income available to pay for housing¹ for residents in these areas. Figure 12 shows this affordability across the region.

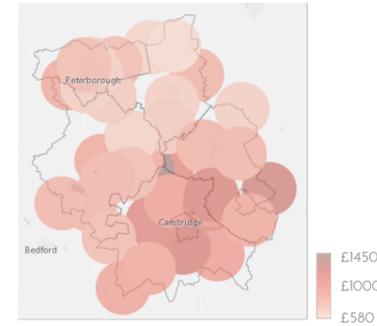


Fig 13: Median market rents
Source: www.home.co.uk/ ICC

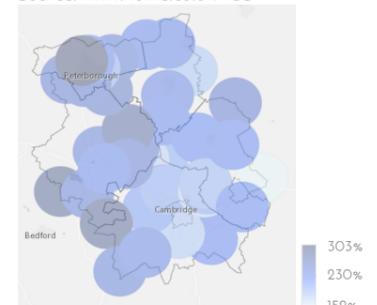


Fig 14: Market rents in correlation with net income/
Source: www.home.co.uk/ ICC

15. Figure 14 illustrates how, at the peak rent affordability levels across the region, net incomes are currently able to pay the rent 3 times over, and at the lower levels of affordability (higher rents) net incomes are able to pay the rent 1.5 times over. However, this needs careful monitoring as the shortage of housing overall pushes rents up and thus puts pressure on affordability. This is a theme that is echoed across the country as the demand for rented housing continues to increase, but it is particularly acute for the CPCA region due to the projected increase in population.

16. However, this is data based on actual market rents across the region. It does not capture the significant minority of local people with incomes well below this level,

¹ Defined as residents utilising 30% of their income being available for housing based on 1.59 average household size. Income is being used to pay for a mortgage up to 4.5 x salary / 20% deposit.

who are in need of more affordable (probably non market) housing options. If the deprivation index (figure 15) is mapped to the region these areas of need are highlighted.

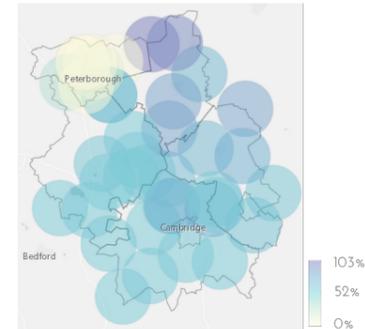


Fig 15: Deprivation
Source: ONS/ ICC

1.3 LOCATIONS

1.3.1 ECONOMIC GROWTH

17. As with the Housing Market Areas (see section 1.2.1 above) the Combined Authority is not a homogeneous area with regard to economic growth. The interim report (May 2018) of the Cambridge and Peterborough Independent Economic Review (CPIER) identified three distinct economic sub areas within the CPCA area: one centred on Peterborough, one centred on Cambridge and one centred on the Fens area. Cambridge benefits from being the research and educational centre of an East-West corridor, while Peterborough stands at the top of a North-South corridor. These are shown in Figure 16. The Fens area is a distinctly more rural and manufacturing based economy, where growth is hindered by poor transport connections, but where pressure for housing growth is being experienced to accommodate those displaced by the high prices of housing in both the Cambridge economic area and the Peterborough economic area.

18. Housing and transport are intrinsically linked, and impacts/ improvements to one will affect the viability of the other. This is very marked in the Combined Authority Area, where economic demographics and housing markets

are shaped by their proximity to the growth corridors. The growth corridors are shown in Figure 17. The housing market and affordability all reflect the differing patterns of growth within each corridor.

19. Fenland is essentially outside or on the edge of both the East-West and North-South corridors. As a result, housing demand and viability is based around affordability due to lower paid jobs and reduced ability to commute.

20. Peterborough is set on the upper part of the North-South growth corridor and as such the housing market is split between the needs and requirements of local workers and those who commute to higher paid jobs - resulting

in a greater measurement of affordability due to lower prices versus higher wages.

21. Cambridge is at the heart of a diverse housing market that faces demand from the education and research sectors. Demand, affordability and prices are determined by the need of this growth corridor to house its own workers.

22. Commuter patterns are also closely related to these economic hubs (as the housing market areas demonstrate). Commuter routes on both public transport and the road network are extremely congested and pressure is growing as people move further away from the centre of the hubs partly due to housing affordability. This creates an

inherent risk to both environmental sustainability and the economic resilience of the key growth hubs.

1.3.2 FUTURE GROWTH CORRIDORS AND TRANSPORT HUBS

23. Patterns of transport investment and future strategic housing growth are grouped in four corridors, the East-West (North) corridor, centred on Peterborough and extending east to Wisbech and the Fens, the North-South corridor, extending from Cambridge northwards through Ely; the East-West (South) corridor, from Cambridge towards Bedfordshire and the Cambridgeshire Area Metro, encompassing the intensification of transportation around the City of Cambridge. The corridors are shown in figures 18 to 21. One of the key functions of the CPCA is to secure the necessary investment in transport and deliver those projects as quickly as possible, so that the housing growth is fully supported

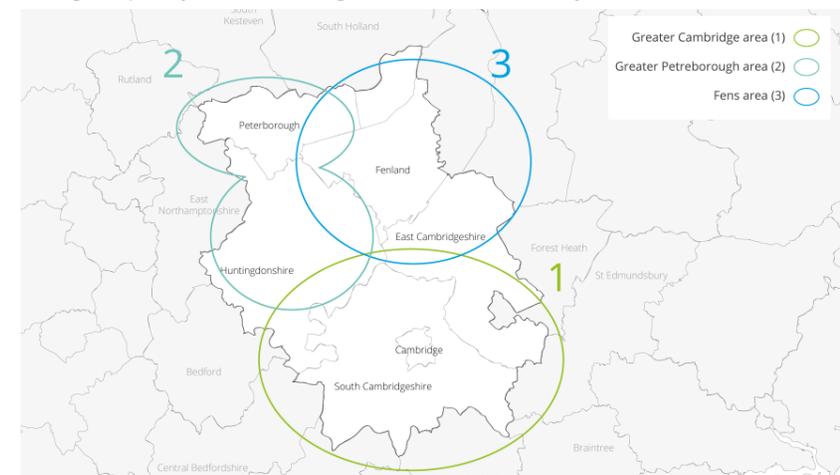


Fig 16: CPCA Economic Areas
Source: Cambridge & Peterborough Independent Economic Review - Interim Report (May 2018)/ ICC

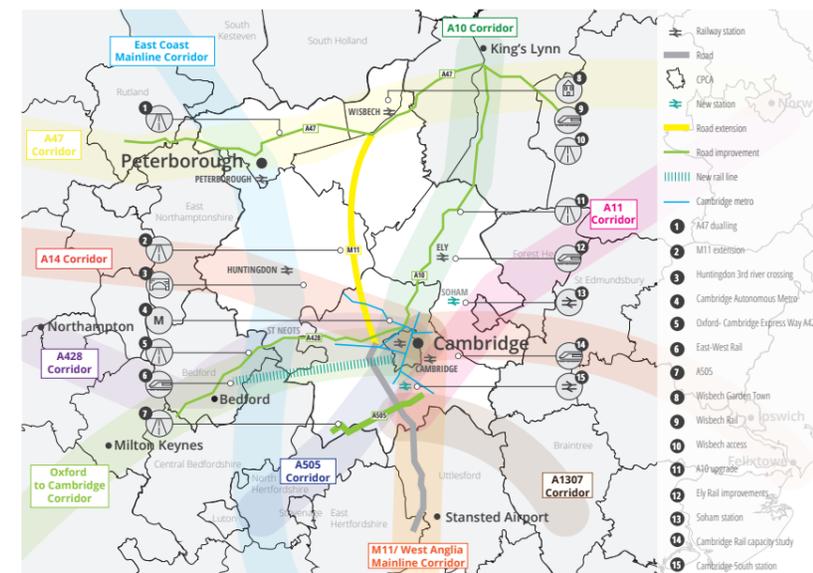


Fig 17: CPCA transport projects and growth corridors
Source (Fig 17- 21): Cambridgeshire and Peterborough strategic spatial framework, Towards a Sustainable Growth Strategy to 2050/ CPCA 2030 Ambition Report/ ICC

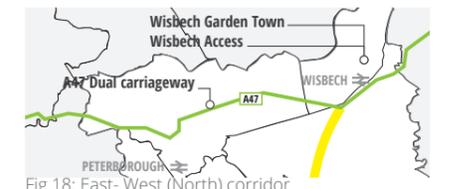


Fig 18: East- West (North) corridor



Fig 19: North- South corridor

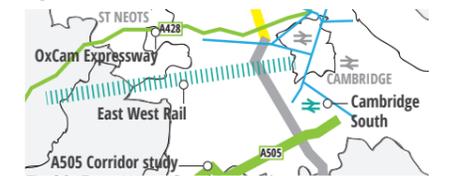


Fig 20: East- West (South) corridor

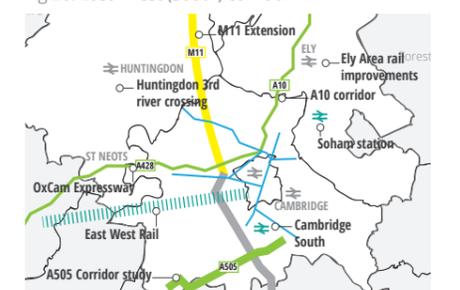


Fig 21: Cambridge Metro area corridor

by additional capacity and does not add to congestion, therefore undermining both the economic resilience and the environmental sustainability of the region.

1.3.3 STRATEGIC SITES

24. Aligned with these major transport improvements, strategic sites for growth have been identified in the Non Statutory Spatial Plan. They are already recognised in Local Plans for the area, and together they support the delivery of over 75,000 homes. Provided the transport improvements are delivered, these are the principal locations where significant housing growth can be

supported, and where new homes are needed to support economic resilience and to stimulate further economic growth.

25. It can be seen from the Strategic Sites below that the delivery of new homes will take place largely through growth of existing settlements. Each of the three cities of Cambridge, Ely and Peterborough and the ten market towns will be the focus of considerable growth, generally proportionate to their existing size and economic importance, but there is also scope for a smaller number of much more intensive growth locations.

SITE	INDICATIVE NUMBER OF HOMES	TIMESCALE
Hampton urban extension	3,632	By 2036
Great Haddon urban extension	5,300	By 2036
Norwood	2,300	By 2036
Wisbech	2,300 (550 in Kings Lynn & West Norfolk)	By 2031
March	3,100	By 2031
Chatteris	1,400	By 2031
Ely (north)	3,000	By 2031
Littleport	1,850	By 2036
Soham	2,100	By 2036
Alconbury Weald	5,000	By 2036
Ermine Street (south), Huntingdon	1,050	By 2036
St Neots East (Wintringham Park and Loves Farm 2)	WP: 2,800/ LF2: 1,020	By 2036
Cambourne West	1,655/935	By 2031 Post 2031
Bourne Airfield New Village	1,360/2,140	By 2031 Post 2031
Northstowe	3,203/6,784	By 2031 Post 2031
Waterbeach New Town	2,300/6,700	By 2031 Post 2031
Cambridge North West (university site)	2,927	By 2031
NIAB (Darwin Green)	2,377/250	By 2031 Post 2031
Cambridge Northern Fringe East (AAP)	Potential for 7,600	Unknown
Cambridge East (north of Newmarket Road)	1,300	By 2031
Cambridge East (north of Cherry Hinton)	1,257	By 2031
Cambridge Southern Fringe	637	By 2031
Trumpington Meadows	996	By 2031
Glebe Farm, Clay Farm and Bell School		

Source: Cambridgeshire & Peterborough Strategic Spatial Framework

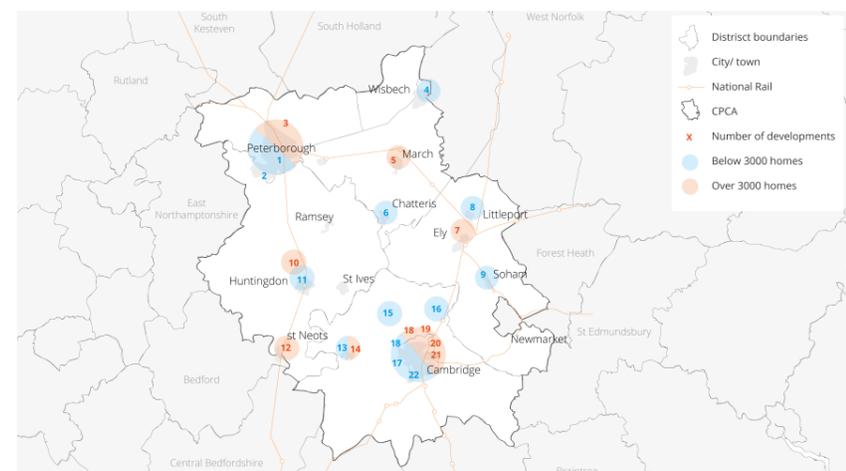


Fig 22: CPCA strategic sites
Source: Spatial Framework (Non Statutory) Towards a Sustainable Growth Strategy (2018)

1.4 CONSTRAINTS

1.4.1 DEVELOPMENT VIABILITY

26. One of the key constraints which affects the pace and scale of housing delivery in the Combined Authority area is development viability. As with patterns of economic growth and housing affordability, the Combined Authority is not a homogeneous area – there are significant variations in viability across the region.

27. Viability is complex – there are many variables, so while there are distinct location trends, it is not simply that location X is viable and location Y is not.

28. A relatively simple explanation of whether a site is viable or not can be expressed as the following equation:

- Calculate the total value of the assets developed on a site (for example adding together the sales proceeds of all of the housing units, private and affordable, all of the commercial units and any other uses;
- Take away from this figure the costs of developing these units / uses (including the financing costs and appropriate profit to the developer / construction contractor);
- Take away from this figure the cost of the land, which will itself reflect specific conditions such as access, greenfield/brownfield, flood risk, and planning risks.

29. If the balance is 0 or above then, in broad terms, the development can be seen as viable. This is illustrated in Figure 23.

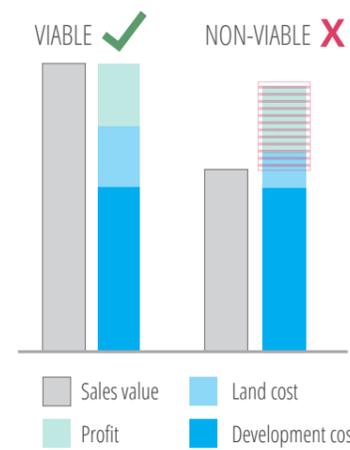


Fig 23: Development viability example
Source: 31Ten Consulting/ Inner Circle Consulting

30. There are further complexities to this equation relating to the timing of the costs and incomes detailed above: for example, if sales proceeds are realised a significant period after costs are incurred then a site could be seen as unviable due to the lengthy payback on investment.

31. Moreover, because financial calculations are often at best opaque, there are undoubtedly examples of developers using viability calculations to argue for a reduction in affordable housing provision or to delay development. Even allowing for this, development viability is a challenge. Where costs genuinely outweigh income from sales, interventions will be required to enable development to come forward – such interventions can vary from changing the tenure mix to providing financial support through a number of different mechanisms.

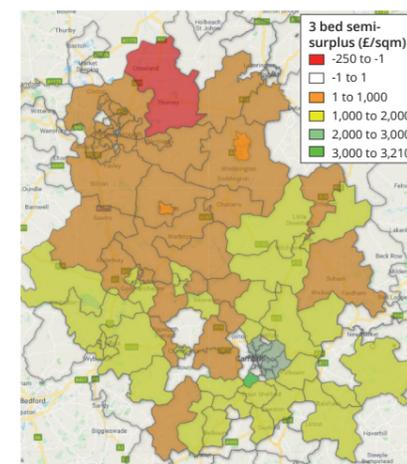


Fig 24: Development viability map
Source: National data set /31ten consulting

1.4.2 FLOOD RISK

32. One of the most significant physical constraints affecting the delivery of new homes is flood risk in the region. As the Environment Agency flood risk map shows, a significant proportion (34.5%) of the Combined Authority Area is in a major flood risk zone and this is particularly severe in the north and east of the region.

33. Development in flood risk areas is not impossible, but it is complex, and more expensive to deliver, partly because specialist design approaches are required. Because of the risks and additional costs of development, land values (and ultimately house unit prices) are affected. The areas of highest flood risk (in the fens) has had less development than further south, where the flood risk is lower and land values are higher.

34. Since market led housing generally requires the developer to provide key infrastructure and to pay for flood risk mitigation measures, the viability of development and therefore the deliverability of homes is much more difficult to achieve.

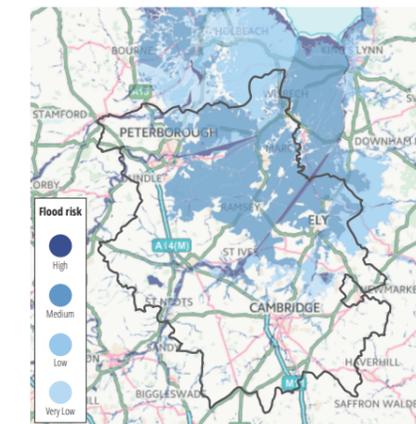


Fig 25: Flood risk map
Source: Ordnance Survey 2018

1.5 DELIVERY TRENDS

35. Given all the above issues, and the complexity which they describe, it is not surprising that the scale and pace of housing delivery in the Combined Authority area, while it is steady, (and

remarkably consistent since 2003, which shows the resilience of the region overall – though there are significant differences between local authority areas), is currently lagging behind existing planned growth. This highlights the extent of the challenge of the significantly increased ambitions for housing numbers that the Combined Authority and its partner authorities are looking to secure.

36. The graphs below illustrate the scale of the step change which the Combined Authority needs to drive if the targets it has adopted are to be achieved.

37. Figure 26 shows the trajectory of new homes delivery since 2003 and the rate of increase that will be required if the Devo Deal target of 29,000 new homes is to be achieved. At current rates of delivery, an average of 5,300 new homes are being delivered annually, which, if that rate continues, will deliver only 13,100 units by April 2021 (a cumulative figure of 59,600). This would miss the target by some 16,000. Current build rates therefore need to increase by 160%.

38. Figure 27 shows the same trajectory/projections for the delivery of 100,000 new homes, again from a base of 2003. Based on current rates of delivery, only 66,100 new homes will be delivered by 2037 – a shortfall of 33,900. Current build rates for this target therefore need to increase by 54% to achieve the target.

39. These figures show the scale of the Combined Authority's ambition, but also the size of the challenge it faces. Moreover, the pattern of delivery shown in these diagrams is the combined data from across the region. There are wide variations in the rate of delivery in different parts of the region, with some areas facing challenges in development viability (particularly in the northern and eastern rural areas) due to lower land values, poor transport links, lower economic output and higher flood risk challenges. Across Cambridgeshire, only 11% of the pipeline of homes with planning

permission have actually started construction, while in Peterborough the 2017 Annual Monitoring Report shows 8,188 homes with permission but where construction has not yet started (source: Cambridgeshire & Peterborough Strategic Spatial Framework).

40. A further important issue arises in connection with delivery rates. The new National Planning Policy Framework (NPPF) published July 2018 incorporates a significant change relating to the presumption in favour of sustainable development where the provision of housing is concerned. This makes it much harder for local planning authorities to resist development, even if is deemed inappropriate due to (for example) its location, lack of affordable housing provision, lack of infrastructure provision, or density/design. Local planning authorities are likely to become much focused on ensuring they have up-to-date plans, and moreover, it should encourage a far more proactive approach to delivering against those plans.

CPCA- 100,000 Home Projection from 03/04

- Solid grey line is Actual Figures through 17/18
- Dotted grey line is projections based on Actual Data rates
- Dotted green line is projections based on 100,000 homes by April 2037
- 100,000 homes by April 37 would produce 146,500 units since 03/04
- Current projections would only produce 112,700 units since 03/04

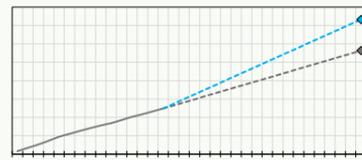


Fig 26: CPCA 100,000 home projection
Source: Ministry of Housing, Communities and Local Government (Local Authority P2 returns) /31ten consulting

CPCA- 29,000 Home Projection from 03/04

- Solid grey line is Actual Figures through 17/18
- Dotted grey line is projections based on Actual Data rates
- Dotted green line is projections based on 29,000 homes by April 2021
- 29,000 homes by April 21 would produce 75,500 units since 03/04
- Current projections would only produce 59,600 units since 03/04

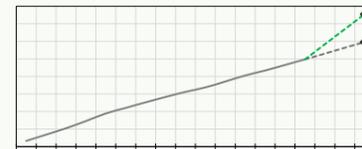


Fig 27: CPCA 29,000 home projection
Source: Ministry of Housing, Communities and Local Government (Local Authority P2 returns) /31ten consulting

SECTION 2

CPCA

STRATEGIC RESPONSE



2. CPCA STRATEGIC RESPONSE

- The CPCA has set a challenging agenda to drive forward housing growth, but a step change in both the pace and the scale of delivery across the region is required. The commitment and efforts of the Local Authorities, investors and developers, and housing Registered Providers across the area needs to continue, but this work needs to be supplemented by bold and innovative approaches to housing delivery and programming to enable the provision of strategic infrastructure to unlock development.
- The CPCA was established to provide this new impetus, to understand the challenges to housing delivery, to identify solutions and to target investment in a strategic way that will facilitate the step change required.
- In the short term, the CPCA has significant funds allocated to it from Central Government through the Devolution Deal New Homes Business Case to enable the delivery of affordable housing. These are split into two clear programmes (detailed within the Devolution Deal) as follows:
 - £70m capital over five years ring fenced for Cambridge City Housing Revenue Account to meet housing needs – to ensure the delivery of 500 affordable homes; and
 - £100m capital housing and infrastructure fund over five years to help deliver infrastructure for housing and growth – enabling the start on site of at least 2,000 additional affordable homes within five years.”
- The £70m programme is being administered by Cambridge City Council with oversight by CPCA and is a traditional grant programme to enable the delivery of the 500 homes.
- The £100m fund is designed to be a more wide-reaching regional funding programme that can utilise a variety of tools to enable the delivery of the target 2,000 homes and beyond.
- As the Devolution Deal states, the fund will utilise “new and innovate ways of working [to] drive further value out of the £100m” and it is designed to “capture recycled grants” and “establish proactive partnerships with public and private sector partners.”
- It is with these goals in mind that the CPCA’s housing toolkit is being developed, with longer term goals than the initial 2,000 affordable homes. The CPCA is seeking strategic interventions that

will recycle its investment and enabling funds wherever possible, and attract the additional funds that will be required to enable the delivery of the CPCAs overall ambition 100,000 additional homes by 2037.

- Given the importance of improving the rate of delivery to the success of the Combined Authority, a detailed delivery plan should be prepared, setting out the key schemes and providing risk management information, together with proposals that can guide any potential intervention by the Combined Authority itself. This is particularly important for the new homes targets that the Combined Authority has agreed with central government but should also be extended to include the strategic, longer term interventions.
- This Strategic Response identifies the key areas where the CPCA’s unique opportunity for intervention could make a major difference. They are set out below, grouped according to agreed Housing Objectives.

2.1 ACCELERATING HOUSING DELIVERY TO SUPPORT ECONOMIC GROWTH

2.1.1 DEVELOPING A COMPREHENSIVE STRATEGIC INVESTMENT FUND

- The most important strategic response that the CPCA can make is the development of a strategic investment fund (SIF). There is no doubt that there are investors who will find the region a highly attractive financial prospect; the role of the CPCA is to draw together the various opportunities and align those in an identifiable and understandable vehicle which in turn draws together various sources of funding available to accelerate the programme.
- Through the application of a suite of tools at the CPCA’s disposal (as explained in Appendix 2) a co-ordinated programme can be developed by the SIF to enable a sustainable fund to operate over time. By investing in a series of schemes through grant and investment mechanisms a cross subsidy approach can operate that will deliver financial returns over time whilst enabling schemes with viability and deliverability issues to be unlocked.
- The challenge for a fund of this type is not how financial resources are sourced to invest: as shown in Figure 28 below, the potential sources of this funding are many, ranging from prudential borrowing to private investment from institutional funders. The real challenge for a fund of this type is how investments are repaid and how capital is recycled. The range of tools that the CPCA has at its disposal have various ways that investments are repaid, from development profits to operational surpluses and tax increments. The SIF invests on the basis of a funding business case being developed that shows

the profile of investment and return. These are then managed across a programme to assess the continuity and ensure re-investment of the fund alongside accelerating the level of housing delivered.

- A balanced approach will be essential. The CPCA, as a strategic public authority, has potential access to funding with a longer time frame for repayment, but its success in attracting funding (particularly private sector funding) will depend on a robust strategy for delivering financial benefits.

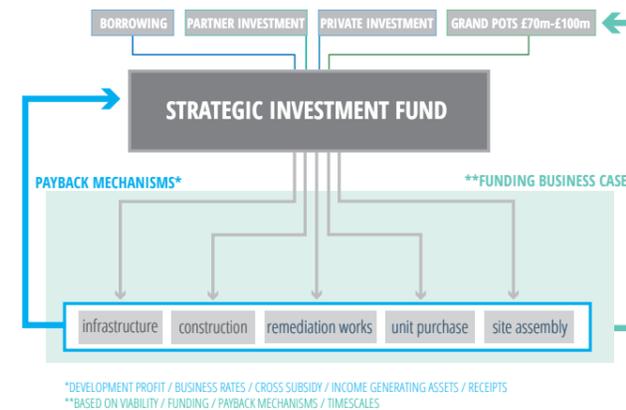


Fig 28: Potential sources of funding and investment return
Source: 31ten Consulting/ ICC

CASE STUDY: CROYDON COUNCIL REVOLVING INVESTMENT FUND

Croydon Council established a Revolving Investment Fund (RIF) in 2015 that enabled investment through a number of tools into schemes within the Borough. These ranged from repayable grant to equity investment and enabled small schemes of less than 10 units and major infrastructure provision that supported large regeneration schemes. The fund is operating effectively and has invested into a number of schemes that are now delivering returns to the fund.

2.1.2 INTEGRATING TRANSPORT AND HOUSING - A STRATEGY FOR INVESTMENT

- The step change in the speed and quantum of housing delivery that is required across the region is well evidenced. This growth is required in order to provide the necessary housing to accommodate predicted population growth, economic growth and the requirements of providing homes for the region’s social challenges.
- Housing across the region is also being asked to do more. It is not just about providing new homes. Housing growth is also seen as both a catalyst and delivery tool for further investment that is required across the CPCA area.
- Financial returns from housing provision are being

asked to help fund strategic infrastructure through Community Infrastructure Levy (CIL) and broader developer contributions. Key investments such as transport improvements and flood defence works will be reliant, as a part of their funding strategy, on significant contributions from the major housing development schemes. As well as this the broader infrastructure required from housing growth also needs to be funded, as well as increased services required from local authorities, including schools, health facilities and leisure amenities.

- The CPCA’s suite of investment tools will be targeting not just the bricks and mortar in the form of new housing, but also all of the supporting infrastructure that make the region work, ensuring it is a great place to live, learn and work.

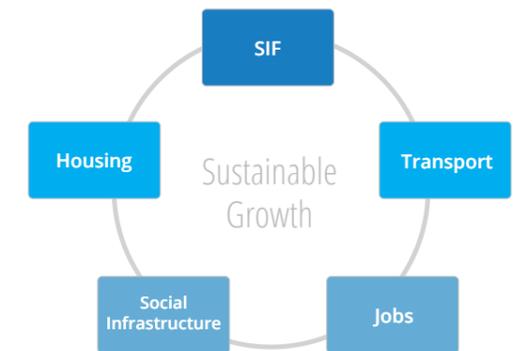


Fig 29: Housing and sustainable growth
Source: 31ten Consulting/ ICC

2.1.3 STRATEGIC LAND ACQUISITION

18. With a Strategic Investment Fund, and a strategy to support its deployment, a key intervention that the CPCA can make is the purchase of key sites, particularly where they unlock larger development opportunities (for example by enabling key infrastructure schemes). There is risk involved in land purchase, but a strategic public authority such as the CPCA can manage the risk by accepting a longer period before receiving a return, and can use land value capture to recycle the investment in the longer term. This is a key area of activity where the CPCA would benefit from gaining the status of Mayoral Development Corporation, because it could gain compulsory land purchase powers.

2.1.4 DIRECT DELIVERY OF NEW HOMES

19. As with direct purchase of land, the CPCA has the power to deliver homes directly, through a wholly owned company or companies, acting alone or in partnership with developers. Because the CPCA can take the long view on risk and a more pragmatic view on financial return, this is likely to be a particularly important strategic intervention where viability issues and a poor prospect of financial return prevent market

led solutions from delivering to the scale and pace that the region requires. More information on the direct delivery of homes is set out in Appendix 2, and again, it is a key area of activity where the CPCA would benefit, particularly where new transport infrastructure is being considered, from gaining the status of Mayoral Development Corporation.

2.2 CREATING PROSPEROUS PLACES WHERE PEOPLE WANT TO LIVE

2.2.1 MASTERPLANS AND GROWTH PLANS

20. Another important area of strategic intervention that the CPCA should prioritise is the exploration of the potential for growth in the region's ten market towns. The Market Towns Masterplan for Growth Initiative was piloted in St Neots in 2017, to target investment and coordinate public and private sector activities. The purpose of the masterplan was to show how an increase in the rate of new housing delivery, alongside more local jobs, enterprise growth, and an increase in GVA, could benefit the existing community. The Market Towns Masterplan for Growth Initiative is being rolled out by the CPCA over the next eighteen months, which will seek to demonstrate how the significant planned housing growth (as set out in Section One) can be co-ordinated with economic growth initiatives and community benefits to create sustainable growth, and the prosperous and attractive places which the CPCA seeks to foster.

21. Urban extensions are another important element in achieving growth on the scale required in the CPCA region. Significant urban extensions supported by the CPCA are already underway

at Northstowe, and at Alconbury Weald, a 575 ha site (principally former RAF land) outside Huntingdon, where a major new settlement is underway incorporating at least 5000 new homes and at least 8000 new jobs.

CASE STUDY: ST NEOTS

In 2017, the St Neots masterplanning process started with a diagnostic economic and social analysis of the market town's "DNA". A rapid 'sequencing' of local opportunities for growth were examined together with identification of the barriers that are preventing them from being achieved. The masterplanners worked with local stakeholders to establish a bold vision for growth and change. The analysis and vision formed the foundation for a clear and locally tailored set of interventions brought together in a practical Masterplan for growth for St Neots.

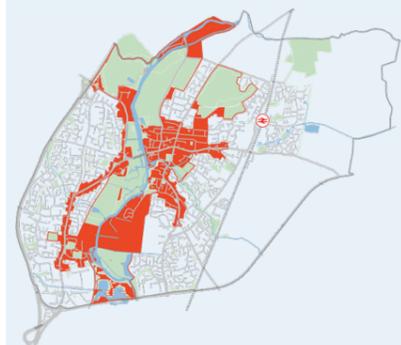


Figure 30: St Neots Masterplan
Source: Inner Circle Consulting/ St Neots Masterplan for Growth (2017)

2.2.2 SUPPORT FOR GARDEN TOWNS AND GARDEN VILLAGES

22. The development of significant new settlements is a major strategic task, which will be a critical area in which the CPCA can both take a lead, and support initiatives being developed by the partner local authorities. For example, the CPCA has been a major partner in funding Fenland District Council's Wisbech Garden Town initiative, it is also using the A10 Corridor study to bring forward the delivery of Waterbeach New Town by accelerating new transport

infrastructure investment. Further investment in the planning and design of new settlements will be critical to the delivery of housing growth ambitions and the Non Statutory Spatial Plan will have a major role to play in identifying the key locations and the infrastructure improvements that will be required to unlock their potential.

CASE STUDY: KENNETT GARDEN VILLAGE

Building on the success of the Kennett Community Land Trust, a consortium (including the CLT) is seeking to develop a residential-led scheme with associated employment and community uses (including care home and/or sheltered housing) and new primary school with pre-school (nursery) facilities, supporting infrastructure and open space/landscaping. A key feature of the Garden Village will be the affordable homes, which will be owned and managed by the Kennett Community Land Trust and will be available for people on "local" (i.e. rural economy) wages.



Figure 31: Kennett Garden Village
Source:

2.2.3 DESIGN INNOVATION

23. There are a number of ways in which the CPCA could help bring forward development in locations where viability is challenged by the scale of investment that housing growth is required to deliver, for example in transport infrastructure or in areas requiring flood risk mitigation. The CPCA could invest

in research and development, learning from other low lying areas (e.g. the Netherlands, the US south-eastern seaboard) and produce innovative design guides and flood risk mitigation measures. The Spatial Framework will make broad recommendations on appropriate responses to flood risk management and other issues of environmental sustainability such as ground water conservation and the identification sustainable energy sources, but detailed design tools and development guides would provide practical assistance to developers who need to manage the scale of expenditure on planning and design (which is a major area of risk) and partner local authorities who cannot support the specialist knowledge within their own organisations.

CASE STUDY: WISBECH GARDEN TOWN- PHASE 1

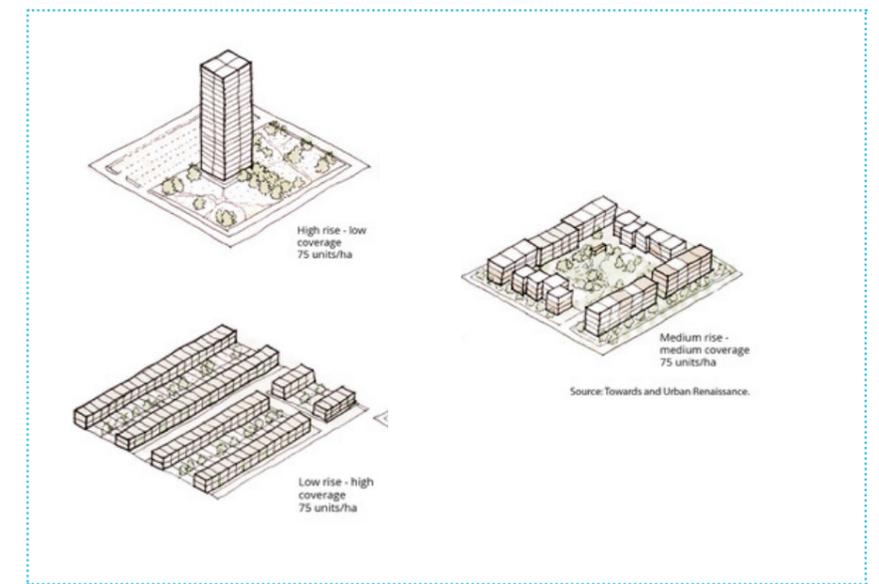
Fenland District Council, with support from the CPCA, has commissioned a flood risk analysis which will demonstrate how a proposed Wisbech Garden Town could be flood resilient, with a suitable flood management strategy for an early Phase 1 development area. Due to report in autumn 2018, the study is being undertaken by Dutch firm Royal Haskoning DHV, and includes live scenario testing and innovative approaches to long term water management. It is being funded in part by the Dutch government, who are keen to promote the further development of innovative engineering solutions. This type of collaborative, learning approach could be applied across the region.



Figure 32: Wisbech Market Place
Source: CPCA

24. Similarly, the CPCA could support design innovation relating

to higher density living. Achieving ambitious targets for housing growth will depend upon the successful implementation of higher levels of housing density than that achieved by traditional house typologies. Particularly where development is planned around new and improved transport links, the CPCA might want to explore the use of a Public Transport Accessibility Level approach (as used by Transport for London) to promote higher density flatted accommodation in appropriate locations, but the success of higher densities is dependent upon design quality. A large body of design guidance already exists for delivering high quality, high density development but most of these are more easily applied to major cities such as London, Manchester and Birmingham, and achieving appropriate densities in historic cities such as Ely and Cambridge, or in smaller market towns, will be a more difficult task. A design approach commissioned by the CPCA and endorsed by the partner Local Planning Authorities could help to de-risk the planning process and thus encourage developers to bring forward developments. Figure 33 shows how different design approaches to density can deliver better placemaking.



Figures 33- 35: Design approaches
Source: Towards an Urban Renaissance/ ICC

CASE STUDY: NORTH WEST CAMBRIDGE

NWC is a significant urban extension by the University of Cambridge, which is now implementing a scheme for the creation of 1,500 homes for university and college staff, 1,500 homes for private sale and accommodation for 2,000 postgraduate students, alongside community facilities, an hotel, and 100,000 sqm of academic, research and development space. It has already won a number of national planning awards, and its nursery and community centre has been shortlisted for the 2018 Stirling Prize for architecture. Building upon the success of such design innovation is an important opportunity for the CPCA.



Figure 36: Storey's Field Centre by McInnes Usher McKnight Architects
Source: www.nwcambridge.co.uk

2.3 EXPANDING HOUSING CHOICES TO MEET A RANGE OF HOUSING NEEDS

2.3.1 TARGETING AFFORDABLE HOUSING NEEDS AND SHMAS

25. The lack of up to date information about housing needs has been highlighted in section 1.2.3 above. If the CPCA target of 40,000 affordable homes is to meet local needs this data gap should be addressed, and this is one area where collaboration between the CPCA and its partner authorities would be particularly beneficial. A housing needs analysis that explicitly addresses demand for family housing (and families are increasingly complex, with inter-generational and extended family structures needing housing solutions), housing for older people and people with special needs will inform the forthcoming Non Statutory Spatial Plan. It will enable the CPCA to direct financial support for affordable housing where it is most needed, and will inform the statutory Local Plans and Housing Strategies/30 year HRA business plans (where required) of the partner Local Authorities.

26. The CPCA, working with and on behalf of the partner local authorities, should commission a detailed Housing Needs Analysis and refresh it on a regular (3 year cycle). This information should be used both to help inform the direction of investment (to achieve the objective of expanding housing choices to meet a range of housing needs) and to assess success in meeting this objective.

27. Similarly, it is recommended that the CPCA uses the Spatial Framework (non statutory) evidence base to begin to co-ordinate Housing Market Assessments. Over time, it should encourage partner

local authorities (and those local authorities outside the CPCA area but forming part of the HMAs) to move to a more co-ordinated approach to Strategic Housing Market Assessments. The emerging Oxford-Milton-Keynes-Cambridge corridor could form a useful pilot opportunity for a co-ordinated approach.

2.3.2 INCREASING AFFORDABLE HOME OWNERSHIP - COMMUNITY LAND TRUSTS AND THE £100K HOUSE

28. Appendix 2 sets out a range of tools available to the CPCA to deliver innovation and increase the range of new housing options available to local people. The approach to CLTs brings together a series of these tools including equity investment through the SIF.

29. It also incorporates land value capture as the land on which the homes will be built lies outside the development envelope and the new market homes will essentially pay for the CLT units. The loans will be repaid to the Combined Authority, at an interest rate, meaning the SIF will be replenished with a development return.

30. CLTs target support to people who live and work locally. Those who are on low incomes, between around £16,000-£25,000, who are often not eligible for traditional social rent but who are also unable to get on the property ladder can qualify for CLT homes. This provides breathing space to save for a deposit to buy their own home, if they so wish.

31. The £100k house initiative is a further iteration of this. If the CPCA can deliver some discounted market sale homes, with properties capped at £100,000, these homes will be within reach of a much greater proportion of low income working people in this region, as Figure 37 shows. As with the CLT approach, the investment risks

and profits can be managed and recycled, but the CPCA can take a long term risk approach to get residents onto the property ladder.

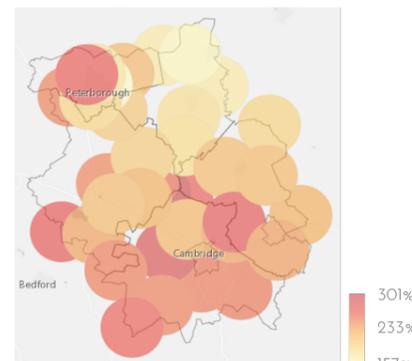


Fig 37: £100K per unit sales price in correlation with net income
Source (www.home.co.uk, ICC)

CASE STUDY: COMMUNITY LAND TRUST / HADDENHAM, EAST CAMBRIDGESHIRE

A programme of CLT schemes has commenced with the Haddenham, East Cambridgeshire CLT that is already being delivered. The CPCA recently provided a commercial loan of £6.5m into the CLT to enable the delivery of 60 homes, around 20 of which will be CLT affordable units for rent at approximately 60% of market rent. This is a significant early step in a programme of longer term 10 year loans of up to £40 million to bring forward 1,830 new homes across the region over the next 10 years, including 553 CLT affordable homes to rent.



Figure 38: Community Land Trust scheme visual/
Source: www.palacegreenhomes.co.uk

2.3.3 CREATING BALANCED COMMUNITIES

32. A number of the strategic interventions that the CPCA can foster are about identifying economic groups who are being failed by current housing markets, whether those excluded from home ownership, those unable to access market rented accommodation or those who are pushed into ever longer commuting in order to access affordable housing (across all tenures). Planning for transport and economic growth alongside housing, undertaking masterplanning for the garden towns, developing design solutions for high density development and development in flood risk areas are all part of a journey that the CPCA and its partner organisations are taking towards the creation of balanced and sustainable communities.

33. Providing appropriate housing for different demographic groups is part of this journey. Homes for older people is an area of increasing focus across the country, partly because appropriate and imaginative housing solutions can help older people to live independently longer, reducing the quantum of care required and helping public sector agencies to manage the increasing costs of an ageing population. Specialist housing for older people has an additional benefit in that it frees up existing, usually family, homes.

34. Developing solutions for young and/or single people is also an area where innovation is useful. A number of specialist developers in major cities are looking at collective living solutions, where small (usually private rented) units coupled with provision for communal living (such as communal leisure spaces, bookable guest suites, and bookable larger kitchen/dining areas for communal eating) can make a virtue of living at ultra high densities.

35. The CPCA region has a varied

geography, vibrant emerging economic hotspots and well defined growth corridors with clear transport improvement plans. Encouraging specialist housing is one way to promote highly innovative but balanced and sustainable communities with a variety of different housing solutions.

CASE STUDY: FIZZY LIVING

Fizzy Living is the private rental subsidiary of Thames Valley Housing Association. While there are a number of similar commercial providers, and Fizzy Living itself is now a fully commercial operation, its origins are very much in the "affordable housing" sector. It has successfully developed a model of high density living, targeted at young professionals, with high density developments with on site management and services, generally in accessible locations around London. Partly in order to keep down costs, it has pioneered schemes in "regeneration" areas rather than central locations - such as Lewisham, Canning Town and Walthamstow, and is now branching out to more suburban areas such as Epsom.



Figure 39: Fizzy Living Lewisham apartments
Source: www.fizzylewisham.com

SECTION 3

CONCLUSIONS & RECOMMENDATIONS



3. CONCLUSIONS AND RECOMMENDATIONS

1. The scale of the challenge to deliver at least 100,000 additional new homes to 2036 is significant, and the development conditions in the region are similarly challenging in both their variety and their complexity. However, the CPCA's high ambitions match the scale of the challenge. There is a determination to seek wholly new solutions and a commitment to disrupt broken markets where these are holding back delivery.

2. At the same time, the CPCA is committed to working with partners and stakeholders. A comprehensive and co-ordinated approach is crucial, given the inter-relationship and inter-dependence of transport, economic and housing growth.

3. Innovation, and a long term, balanced investment based approach will be the key to success. The CPCA will need to maintain its rigorous approach to economic and demographic analysis, to maintain up-to-date needs data, test different delivery models and apply these flexibly across the region, but it is operating at a sufficient scale to do this effectively and, with the continued support of central government and its partner agencies, it has the determination necessary to succeed.

3.1 RECOMMENDATIONS

3.1.1 SHORT TERM (WITHIN THE NEXT 6-12 MONTHS)

- Direct Action: The CPCA should establish a Strategic Investment Fund, co-ordinating the requirement for investment in both housing and enabling infrastructure; and should develop a series of marketing documents to facilitate the engagement of investors, developers and delivery partners. A more detailed suite of toolkit guides, building on the tools outlined in Appendix 2 of this strategy, should also be developed.
- Direct Action: The CPCA should establish a Wholly Owned Company to undertake the development and management of new homes in the region.
- Enabling Action: The CPCA should develop a comprehensive housing programme document or delivery plan, covering both detailed information for its short term housing targets, and scoping information for the longer term pipeline of known schemes and strategic sites. This will help to forecast delivery against targets and should include risk assessment and risk mitigation information.

- Collaborative Action: The CPCA should work with its constituent authorities to commission a comprehensive housing needs analysis, and to agree a common approach to Strategic Housing Market Area assessments, to inform both the NSSP and emerging statutory Local Plans and Supplementary Planning Documents

3.1.2 MEDIUM TERM (WITHIN THE NEXT TWO TO THREE YEARS)

- Direct Action: The CPCA should deliver innovation in the form of a robust financial model for the delivery of discounted market sale home ownership scheme, delivering homes for £100,000, targeted at low income working families. Ideally, this should include a pilot scheme, including mechanisms for recycling the initial subsidy into future developments or Community Land Trusts.
- Collaborative Action: The CPCA should develop, with its partners, a common approach to viability testing to provide certainty to the market and to strengthen the technical response of small local authority planning departments across the region.
- Collaborative Action: The CPCA should develop, with its partners, a series of design guides on aspects of housing which require innovative solutions, such as developing within areas of high flood risk, developing at high density and design solutions for specialist housing. These should build on and seek to extend the good practice that already exists around the region.

3.1.3 LONGER TERM (FROM 2021)

- Direct and Enabling Action: The CPCA should move away from grant based forms of investment and should be managing all its interventions, including enabling actions, on a long term investment and return approach.
- Collaborative Action: The CPCA and its partners should bring all Statutory and Non Statutory spatial planning documents into a fully aligned suite, covering housing, transport and economic growth plans, enabling all planning authorities (included the CPCA, if it gains planning powers) to work together quickly and efficiently to speed up decision making.

3.2 CPCA ACTION PLAN

TIMEFRAME	ACTION	DIRECT ENABLING COLLABORATIVE	OBJECTIVE(S) PRIMARY SECONDARY TERTIARY	EXPLANATION
Short Term (6-12 months)	The Strategic Investment Fund	Direct	Accelerate housing delivery to support economic growth Create prosperous places where people want to live Expand housing choices to meet a range of housing needs	The strategy has laid out the primary importance of a Strategic Investment Fund (SIF) to increase the quantum and pace of housing delivery and to improve the range of housing options for local people. In order to engage with the market, and drive applications, it is important to undertake a series of activities to launch the fund, these include: <ul style="list-style-type: none"> • Developing a suite of simple documents to publicise the SIF and engage with the market, early drafts of these are included as appendices to this Strategy; • Undertake a series of launch events for the Fund with developers / land owners etc; and • Undertake ongoing engagement events to develop applications for relevant tools.
	A CPCA Housing Company	Direct	Expand housing choices to meet a range of housing needs	The CPCA will be taking a more active role in the development and management of its own housing over the next 5 years. In order to facilitate this a new Housing Company is likely to be required in order to: <ul style="list-style-type: none"> • Ringfence the activities to manage risk and focus on these activities; and • Exercise the powers to trade. <p>The CPCA is developing its approach to the Company. Once established, It can commence trading and a more detailed business plan can be prepared which will be aligned to the housing delivery programme, identifying key areas of activity and focus.</p>

TIMEFRAME	ACTION	DIRECT ENABLING COLLABORATIVE	OBJECTIVE(S) PRIMARY SECONDARY TERTIARY	EXPLANATION
	A Comprehensive Housing Delivery Programme	Enabling	Accelerate housing delivery to support economic growth Expand housing choices to meet a range of housing needs Create prosperous places where people want to live	In order to meet the CPCA's challenging targets, a detailed Housing Delivery Programme is required. This Programme will identify immediately known gaps and provide a pragmatic operational delivery plan that details housing delivery over the short, medium and long term. It will include site by site analysis, including unit numbers, typology and tenure mix, and estimated timeframes plus risk assessment and risk mitigation to inform and drive CPCA's intervention where agreed and necessary.
	Undertake a CPCA wide Housing Needs Assessment	Collaborative	Expand housing choices to meet a range of housing needs	Housing Needs Assessment have ceased to be carried out in recent years, as the statutory requirement is for Strategic Housing Market Assessments (SHMA). A CPCA wide Housing Needs Assessment would inform both the non Statutory Spatial Plan, and the Local Authorities' own Local Plans, and would provide robust information on affordable housing negotiations and decisions on recoverable grant applications.
	A CPCA common/standard approach to Strategic Housing Market Area Assessments	Collaborative	Create prosperous places where people want to live Expand housing choices to meet a range of housing needs	There are at least two Strategic Housing Market areas within the CPCA region, and a developing third area in the emerging Oxford-Milton Keynes-Cambridge Area. These are distinct, but the CPCA needs to work with other local authorities in the CPCA and outside the CPCA to ensure that timescales for undertaking assessment are aligned, methodologies are consistent, and findings are co-ordinated.
Medium Term (within 3 years)	A financial model and demonstration scheme for 100K Homes	Direct	Expand housing choices to meet a range of housing needs Create prosperous places where people want to live	The CPCA should deliver innovation in the form of a robust model for the delivery of discounted market scale home ownership scheme delivering homes for £100,000, targeted at low income working families. Ideally, this should include a pilot scheme, including mechanisms for recycling the initial subsidy into future developments or Community Land Trust initiatives

TIMEFRAME	ACTION	DIRECT ENABLING COLLABORATIVE	OBJECTIVE(S) PRIMARY SECONDARY TERTIARY	EXPLANATION
	A CPCA wide viability approach	Enabling/Collaborative	Accelerate housing delivery to support economic growth Expand housing choices to meet a range of housing needs Create prosperous places where people want to live	A region wide consistent approach to the assessment of viability will provide certainty to the market, clarity to the Authorities across the region, and stability to foster growth in housing delivery. The approach, application and assessment tools need to be developed and agreed across the constituent Authorities and consulted on with the development market before being rolled out across the CPCA area.
	Develop a CPCA Design guide and design good practice assessment tool for future development	Collaborative	Create prosperous places where people want to live Expand housing choices to meet a range of housing needs	Given that most of the CPCA area is in high flood risk zones, the local authorities have a responsibility to assess developments for their flood risk response, and this causes significant delay and costs. A guide for developers on design and a toolkit for local authorities to assess those designs could speed up development
Longer Term (from 2021)	Investment only approach	Direct/Enabling	Accelerate housing delivery to support economic growth Expand housing choices to meet a range of housing needs Create prosperous places where people want to live	The CPCA should move fully away from grant based forms of investment and should be managing all its interventions, including enabling actions, on a long term investment basis.
	Alignment of NSSP and Statutory Local Plans	Collaborative	Accelerate housing delivery to support economic growth Expand housing choices to meet a range of housing needs Create prosperous places where people want to live	The CPCA and its partners should bring all Statutory and Non Statutory spatial planning documents into a fully aligned suite, covering housing, transport and economic growth plans, enabling all planning authorities (included the CPCA, if it gains planning powers) to work together quickly and efficiently to speed up decision making.

SECTION 4
APPENDICES

4. APPENDICES

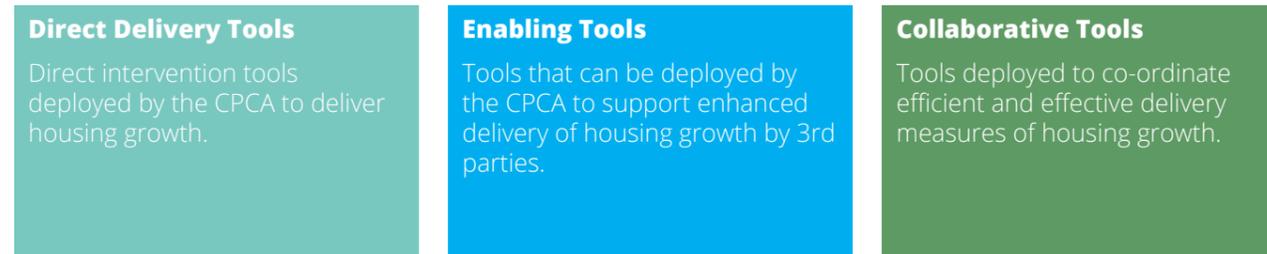
4.1 GLOSSARY OF TERMS

WORD OR EXPRESSION	MEANING
Affordable Housing	Affordable housing is social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.
Affordable Rent	Affordable rented housing is a type of affordable housing let by local authorities or private registered providers to households who are eligible. Affordable Rent is subject to rent controls that require a rent of no more than 80 per cent of the local market rent.
Cambridgeshire and Peterborough Combined Authority (CPCA / Combined Authority)	The Combined Authority was set up in March 2017 and is made up of eight founding members across Cambridgeshire and Peterborough. It has a directly elected Mayor and is responsible for many elements of growth, housing and infrastructure across the region
Cambridge and Peterborough Independent Economic Review (CPIER)	An independent economic review across Cambridgeshire and Peterborough to articulate the case for greater fiscal devolution, demonstrate how the area delivers benefits across the UK and allow local stakeholders to unite behind a common strategy.
Cambridgeshire and Peterborough Clinical Commissioning Group	The CCG that covers the region with 101 GP practices as members responsible for planning and buying local NHS services as well as ensuring they deliver the best possible care and treatment for patients.
Community Infrastructure Levy (CIL)	The Community Infrastructure Levy is a planning charge paid by developers on new development to contribute to the strategic infrastructure needs of the area.
Community Land Trust (CLT)	Community Land Trusts are a form of community-led housing, set up and run by ordinary people to develop and manage homes as well as other assets. CLTs act as long-term stewards of housing, ensuring that it remains genuinely affordable, based on what people actually earn in their area.
CPCA Investment Toolkit	A toolkit of interventions that the CPCA can use that this document describes.
Devolution Deal	In May 2017 powers, budgets and responsibilities were passed down from central government to the CPCA and its directly-elected mayor. The Devolution Deal gave the terms of this transfer.
Equity Investment	An equity investment is an investment into a development / company. This investment is not returned in the normal course of the business. Investors recover it only when they sell their shareholdings to other investors, or when the assets are sold and proceeds distributed among them after satisfying the firm's obligations. A return on equity can be paid before this liquidation depending on performance.
Gross Value Added (GVA)	Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy.
Housing Needs Assessment	An assessment of housing need based on an evidence based analysis of the local area.
Housing Market Areas	Sub areas of the region that are driven by a set of similar characteristics such as travel time, migration patterns and neighbourhoods / house types.
Housing Revenue Account (HRA)	Local Government must account for the income and expenditure in relation to its own direct provision of housing separately from its other activities to ensure no cross subsidy occurs.
CPCA Housing Strategy	This document forms the CPCA Housing Strategy

WORD OR EXPRESSION	MEANING
Intermediate housing	Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market level subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.
Loan Guarantee	A loan guarantee is a promise by one party (CPCA) to assume the debt obligation of a borrower if that borrower defaults.
Local Plan	The statutory plan for the future development of the local area, drawn up by the Local Planning Authority in consultation with the community.
Market Towns Masterplan for Growth	CPCA programme of nine Masterplans for Growth across the regions market towns aimed at them becoming 'vibrant and thriving places'.
Mayoral Development Corporation (MDC)	A vehicle established under the Localism Act for greater powers to be devolved to the Mayor including regeneration and planning.
National Planning Policy Framework (NPPF)	The National Planning Policy Framework sets out the government's planning policies for England and how these are expected to be applied. A new NPPF was published July 2018
Non Statutory Spatial Plan (NSSP)	A Spatial Plan is a set of documents that indicates a strategic direction for the development of a given geographic area. It states the policies, priorities, programmes and land allocations that will implement the strategic direction and influences the distribution of people and activities in spaces of various scales. A Non Statutory plan is voluntary in nature rather than required.
Section 106 Agreement	A Section 106 agreement is a legal agreement between a developer and a local planning authority about measures that the developer must take to reduce their impact on the community. A section 106 agreement is designed to make a development possible that would otherwise not be possible, by obtaining concessions and contributions from the developer. It forms Section 106 of the Town And Country Planning Act 1990 (as amended).
Senior Debt	Debt finance into a scheme that is often provided by banks. It carries an interest cost and is the first finance that is repaid out of development proceeds.
Shared Equity	A form of affordable housing in which the occupant is granted a share of the equity in the property, thereby enabling them to participate in the proceeds from resale. Occupants usually buy a portion of the equity by providing a portion of the down payment.
Shared Ownership	A form of affordable housing in which occupant of a dwelling buys a proportion of the property and pays rent on the remainder, typically to a local authority or housing association.
Social Rent	A form of affordable housing with the lowest rents. Social rented housing is owned by local authorities and Charitable Registered Providers, for which guideline target rents are determined through the national rent regime.
Strategic Housing Market Assessments (SHMA)	Strategic Housing Market Assessments (SHMA) are a requirement under national planning policy, and are a key part of the evidence required to ensure the delivery of the right amount of new homes that meet the needs of communities, now and in years to come.
Strategic Investment Fund (SIF)	The revolving fund proposed to be established as a part of the CPCA Housing Strategy.
Transport for London (TfL)	Transport for London is a local government body responsible for the transport system in Greater London.
Viability	The ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project.

4.2 THE INVESTMENT TOOLKIT

As set out in Part Two, the CPCA's key strategic response to its housing challenges will be establishing a strategic investment fund, and an investment plan for the use of that fund. This section develops this further and identifies a series of tools that the CPCA could deploy as part of that strategic investment approach. These tools have been split into three main categories, as follows.



4.2.1 THE TOOLKIT

The tools available to the CPCA range from financial ones, such as investment approaches and recoverable grant, to non-financial tools such as collaborative methodologies and standardised mechanisms to assess viability and housing need.

Crucially the tools do not stand alone as individual interventions, instead they form a co-ordinated suite of opportunities focused on delivering housing growth and making CPCA financial resources work harder, including generating returns for reinvestment where appropriate.

The range of tools are shown in Figure 40.

4.2.2 STRIKING A BALANCE

In order to make CPCA financial interventions work harder to drive long term growth it is the strategy of the CPCA to provide, over time, a mix of more traditional grant based interventions, some on a recoverable basis, and other investment tools that can deliver returns to the CPCA for ongoing reinvestment. To achieve this a Strategic Investment Fund (SIF) should be established that will allocate resources across a balance of grant and investment approaches.

This balance is likely to shift over time but it will be a crucial driver for the investment strategy of the SIF in the short, medium and long term.

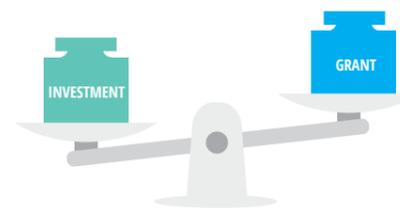


Fig 41: Investment- grant balance
Source: 31ten Consulting/ ICC

4.2.3 DIRECT DELIVERY TOOLS

4.2.3.1 Equity Investment

Most development schemes are funded through a combination of Equity and Senior Debt (bank lending). To secure senior debt most lenders require a balance of Equity and Debt into a scheme (typically between 30% - 40% equity and 60% - 70% debt). Often schemes will not have a rich enough equity mix to secure attractive bank terms.

The SIF can make equity investments into companies / schemes that deliver against its objectives. This is a potentially higher risk / higher reward investment approach as the CPCA's investment is repaid last out of scheme returns and thus would need to carry a larger return rate than other approaches.

This approach can principally be used for schemes that are innately broadly viable but are blocked due to a lack of deliverable funding strategy.



Fig 42: Equity investment
Source: 31ten Consulting/ ICC

How it works

Development schemes apply to the fund for equity investment alongside their own / alternative equity on the basis that these equity funds enable senior debt to be sourced. The diagram at Figure 42 shows the SIF investment approach.

The funding sequence is as follows:

Advantages	Disadvantages
Potential higher returns but higher risks due to the ranking of repayment behind debt.	Equity returns are often repaid towards the end of schemes and are dependent on the final level of profit. As such they can be unpredictable in timing and total amount.
Equity enables the drawdown of often significant bank lending enabling significantly larger schemes.	The investment is not secured against the land and as an unsecured investment, is higher risk.
Equity investment often carries with it a larger level of control over the development and an ongoing say in its delivery.	This approach is useful only for schemes that are broadly viable. It is more for unblocking schemes that cannot secure funding.
	The market is likely to be broadly unaware of this approach as it has not been publicised by the CPCA.

HERTFORDSHIRE COUNTY COUNCIL - CHALKDENE / HERTS LIVING CASE STUDY

Hertfordshire County Council took the decision to work with a partner to deliver a series of residential schemes across the County. It took the decision to invest its land as an equity stake into a series of developments for 2 main reasons. Firstly, to improve viability -by not having to fund the land in the early years the scheme's viability improved- and secondly to have an ongoing stake in these developments.

- SIF equity is drawn down into the scheme alongside developer equity.
- Senior debt is drawn into the scheme on the basis of the Equity / Loan split
- Development is undertaken
- Returns on assets developed are used to pay back bank lending and then equity
- Profits from the scheme are shared amongst equity investors in proportion to their equity shareholding.

4.2.3.2 Block Purchase Arrangement

Through this approach the CPCA invests in schemes by purchasing assets to be developed on a

forward sale basis. This gives certainty over sales risk for developers from early stages in scheme development, thus enabling improved funding strategies by offering certainty and unlocking increased development numbers and unblocking delivery. These purchases would be strategic in nature and could constitute tranches of residential units or other commercial assets on a sale and leaseback basis.

These assets are then owned and operated by the CPCA over the long term, paying back investment and generating returns over longer timeframes than the development / RP market can access. These assets can be used to further the CPCA's objectives, such as by providing units for alternative tenures, stepping stones to home ownership or through models such as Community Land Trusts.

This approach can be used for schemes with viability challenges. Often grant is requested, to resolve this. Block purchase could therefore be used as a potential alternative to grant.

How it works

CPCA works with developers to understand viability challenges to the schemes. Through this approach the development scheme is refined to ensure it delivers assets that would constitute sound investments from the CPCA. Forward sale agreements are formalised to purchase assets on completion. These arrangements can include phased purchase payments to fund the development of the assets.

Once assets are purchased they are held in an appropriate structure by the CPCA for long term operation, such as a residential operational vehicle. They are operated over the long term, over which time the purchase price is recovered and surpluses generated for reinvestment through the SIF.

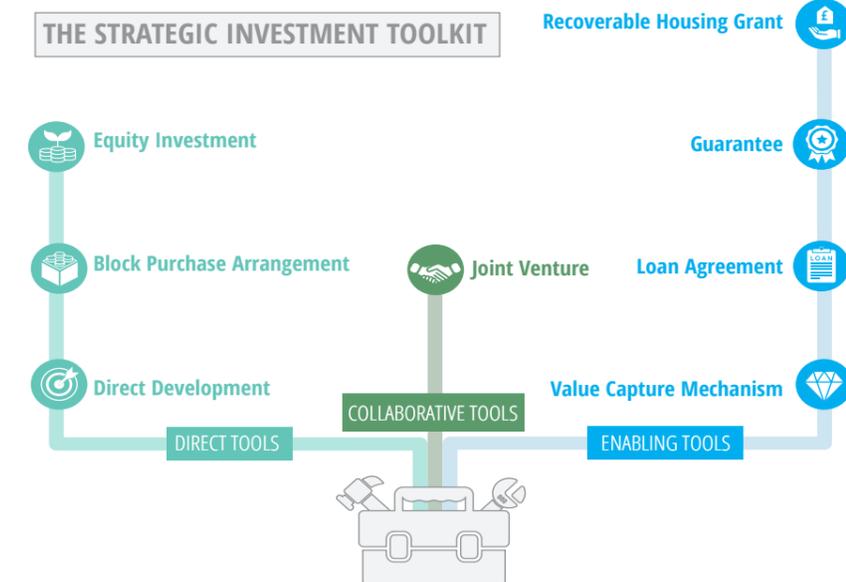


Fig 40: Strategic investment toolkit
Source: 31ten consulting/ Inner Circle Consulting

4.2.3.3 Direct Development

Through this approach the CPCA undertake the development of residential units, or enabling of residential plots, itself on either land owned by the CPCA, its partners or land that is purchased. These developments are funded through a combination of debt and equity sourced from the SIF in the form of cash or land, returns from the development are then used to repay these investments either from one off receipts of units / plots that are sold, or from the income from operational assets.

BLOCK PURCHASE ARRANGEMENTS

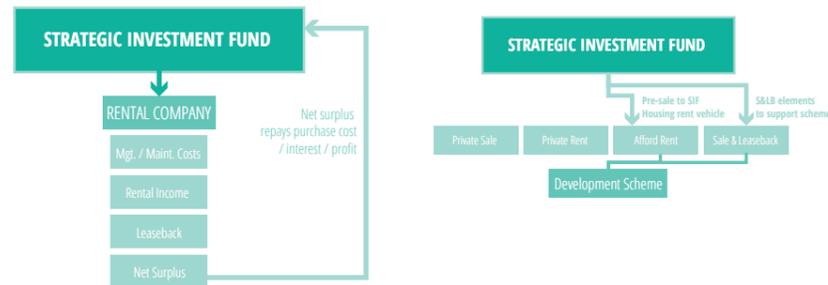


Fig 43- 44: Block purchase arrangements
Source: 31ten Consulting/ ICC

Advantages	Disadvantages
CPCA secures a series of income generating assets that can deliver sustainable long term financial returns, that can be used to drive forward its objectives.	The type of investment is long term in nature and does not deliver short term returns to the SIF, as such it needs to be balanced with short term approaches.
This approach can be used to increase the level of affordable housing as the CPCA will be in control of the tenure mix of the assets.	It is likely that this approach will require the establishment of a CPCA company.
This approach could be an alternative approach to grant that has the potential to generate a return on investment.	The CPCA is taking on a new role as a landlord and it needs to manage the risks of this. It may choose to outsource the management function.
This approach enables the development of a portfolio for a management company that requires critical mass to be efficient.	The market is likely to be broadly unaware of this approach as it has not been publicised by the SIF.

This approach can principally be used for schemes that are broadly viable but are blocked due to a lack of a viable funding strategy or other constraints, such as infrastructure requirements, which CPCA funding could potentially resolve.

How it works

- The SIF invests equity in the form of assets or cash into a wholly owned company or group, that will undertake development or enabling works and then sell or operate the assets.
- The SIF then offers a secured loan, against this land, to undertake the works on individual, or groups of schemes.
- Once complete the assets are either sold or operated.
- The returns from these assets repay the debt in the first instance and subsequently the equity investment from the SIF.
- Profits over and above these costs are then made within the company and these would flow back into the SIF.

DIRECT DEVELOPMENT

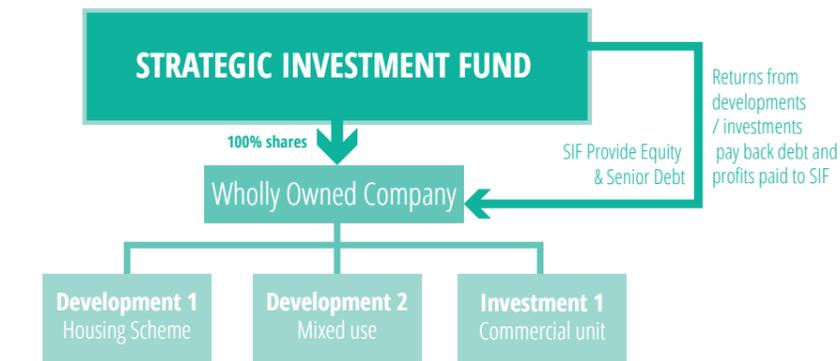


Fig 45: Direct development/ Source: 31ten Consulting/ ICC

Advantages	Disadvantages
SIF shares in or takes all of the development profits and long term/ short term asset re-turns.	Relies on a proportion of the schemes being broadly viable.
Highly effective way to increase the pace of development as the CPCA is adding capacity to the market.	The CPCA is taking a potentially high level of risk in a variety of areas through this approach, including development, sales and rental risk
A blended investment approach is used delivering short term and long term returns.	It is likely that this approach will require the establishment of a company.
The CPCA retains control over the development and operation of the assets ensuring they further CPCA objectives.	The CPCA is taking on a new role as a developer and landlord and it needs to be set up to manage the risks of these activities.
This approach enables cross subsidy between sites, enabling increased delivery overall.	

ERMINE STREET HOUSING / HERTSMERE DEVELOPMENT LIMITED CASE STUDY

Ermine Street Housing is a housing company set up by South Cambridgeshire District Council and Hertsmere Developments Limited is similar but set up for Hertsmere Borough Council. These are 2 companies undertaking a similar model. They utilise funding from their Authorities to develop, purchase and manage properties to deliver the region's housing objectives and generate financial return.

4.2.4 ENABLING TOOLS

4.2.4.1 Loan Guarantee

It is common for SME developers to find it challenging to obtain competitive funding to deliver their schemes. A combination of high interest costs, short pay back periods and other onerous funding conditions can result in stalled development schemes. The SIF has the potential to utilise the strong covenant strength of the CPCA to offer guarantees to enable more competitive funding packages to be sourced. Through this approach either blocked schemes are enabled, or more viable schemes delivered that can result in increases in the quantum of development.

This approach can principally be used for schemes that are close to viability but are blocked due to a lack of viable funding strategy.

How it works

The CPCA works with developers and funders and signs loan guarantee agreements to underpin repayment of funding. Through this approach the developer is liable to make all repayments on funding agreements, however, should the developer default the CPCA funds the shortfall.

Based on this change to the risk profile the lender will offer more attractive terms around the cost of debt, repayment periods and other conditions.

GUARANTEE

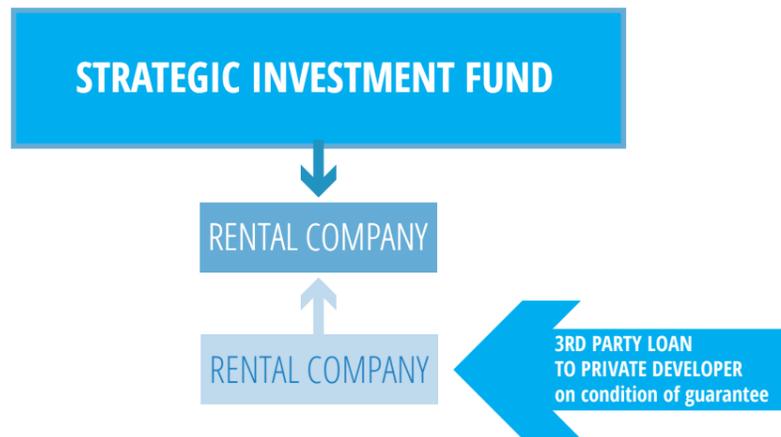


Fig 46: Guarantee/ Source: 31ten Consulting/ ICC

Advantages	Disadvantages
This approach utilises the financial strength of the CPCA but has the potential to require no actual financial resources to increase capacity in the market.	The guarantee is an uncertain level of commitment for the SIF as there is no way to know if funding will be required as the level of default is unknown.
The approach enables additional funding to be brought into the development market from outside the SIF.	There is no financial return on investment to the SIF.
Through utilising the CPCA covenant strength, this approach supports market growth by enabling SMEs (small local builders) to grow.	This approach relies on sourcing schemes that are very close to viability.
	The market is likely to be broadly unaware of this approach as it has not been publicised by the SIF.

4.2.4.2 Senior Funder - Loan Agreement

Most development schemes are funded through a combination of Equity and Senior Debt (bank lending). For senior debt to be offered most lenders require a balance of Equity and Debt into a scheme (typically, between 30% - 40% equity and 60% - 70% debt).

The SIF can utilise funds to offer debt into schemes as part of a funding package to enable the development. This loan would usually be secured against the land within the development and would be repaid as a live scheme cost including an appropriate interest level for the risk taken.

This approach can principally be used for schemes that are innately broadly viable but are blocked due to a lack of viable funding strategy. The SIF take a slightly different approach to the private funding market in terms of phasing and payback levels and timings.

How it works

- The SIF works with developers to develop a funding strategy where by a loan is offered from the SIF to the Developer with appropriate security arrangements being put in place.
- A loan agreement is developed and signed detailing the interest and principal repayment terms.
- Development is undertaken and the loan repaid based on the terms of this agreement from development proceeds.

Advantages	Disadvantages
The timing and level of returns to the SIF are known based on the loan agreement.	The approach relies on viable schemes and cannot be used alone to address more significant scheme viability problems.
The investment is relatively secure as it is secured against the land / work in progress on the scheme	There is a requirement for the SIF to act as a bank and monitor the investment, including vouching draw-down, monitoring of works etc. There are costs to this process.
There is a return on investment based on the interest rate	

CROYDON COUNCIL

CASE STUDY

Croydon Council has used loan mechanisms on multiple occasions to further regeneration and housing objectives. Loans have included senior debt facilities for the development of its new Corporate headquarters, Bernard Wetherill House, and a series of loans to local developers and its own companies to deliver housing.

How it works

In the example at Figure 49, six land holdings will benefit from a new access road being provided. These land holdings are currently not accessible, and as such have a lower value. By the link road being provided the land value will increase.

To capture an element of this increase, the SIF invests to deliver the infrastructure, probably through a loan agreement with a charge over the land holdings. The agreement is structured such that the charge must be released before serviced lots/ units are sold. The uplift in value funds the payment of this charge.

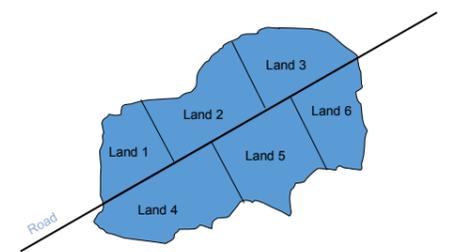


Fig 49: Example of value capture mechanism Source: 31ten Consulting/ ICC

To capture an element of this increase the SIF invests to deliver the road, probably through a loan agreement with a charge over the land holdings. The agreement is structured such that the charge must be released before serviced lots/ units are sold. The uplift in value funds the payment of this charge.

4.2.4.3 Value Capture Mechanism - Charge over Land

Through this approach the SIF invests in elements such as strategic land, or infrastructure, in return the uplift in value of developable land owned by third parties is captured to repay the costs of investments plus a profit for the risk taken.

This approach can principally be used where a significant infrastructure intervention is required to unblock development.

VALUE CAPTURE MECHANISM /CHARGE OVER LAND



Fig 48: Value capture mechanism/ Source: 31ten Consulting/ ICC

LOAN AGREEMENT

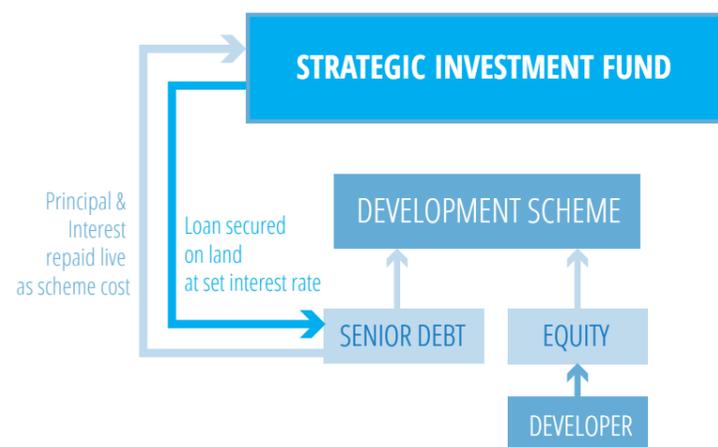


FIG 47: LOAN AGREEMENT/ SOURCE: 31TEN CONSULTING/ ICC

Advantages	Disadvantages
The timing and level of returns to the SIF are known based on the loan agreement.	
The investment is relatively secure as it is secured against the land.	There is a requirement for the SIF to act as a strategic land investor or bank and monitor the investment as such, including vouching draw-down, monitoring of works etc. There are costs to this process.
There is a strong return on investment based on the funding rate.	The market is likely to be broadly unaware of this approach as it has not been publicised by the SIF.
The approach can unblock large sites and deliver significant residential units.	

NORTH OF LONDON
CASE STUDY

This model is currently being implemented in conjunction with a major institutional landowner for the development of a large landholding suitable for urban extension north of London. To enable the site to be brought forward for development a link road is to be provided. DfT were originally funding this road but funding was lost in recent cuts. The Council set up an investment agreement with the land owners and a loan was made with a charge over the development land. The charge is set in such a way as to recognise and reward the Council for the risk it is taking in enabling the road. It also encourages development of the land as the charge is linked to inflation, increasing over time.

4.2.4.4 Recoverable Grant

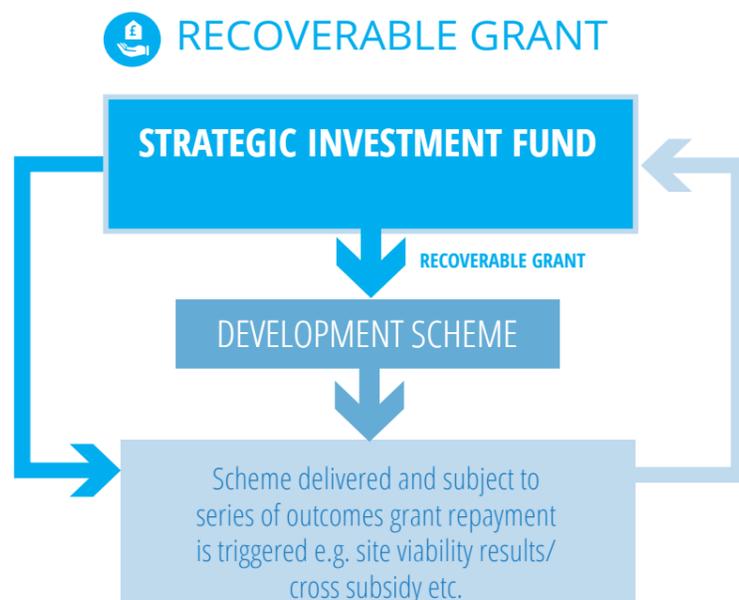


Fig 50: Recoverable grant/ Source: 31ten Consulting/ ICC

The SIF invests in schemes utilising a more traditional Grant agreement. Grant is allocated based on the CPCA priorities around increased delivery of housing. All grant agreements include a clause whereby on the basis of certain conditions the grant is repaid. This approach can principally be used where there are viability challenges for a scheme, phasing challenges for the development or increased affordable housing / other community infrastructure is provided.

How it works

- A grant agreement is put in place between the SIF and the developer on the basis of a series of metrics.
- This grant is drawn down and spent in line with the grant agreement.
- Performance is reported over time and on the basis of a set of agreed indicators, repayment could be triggered.

Advantages	Disadvantages
The approach is well understood by the market, a large number of opportunities could pre-sent themselves to SIF.	Through applying funding in this way there is either a significant lag before there is any replenishment of the SIF or the resources are lost.
The grant funding provided often provides the last piece in the funding jigsaw, as such it can quickly unblock sites and enable a fast pace of delivery.	Even if funds are replenished, there is no financial return on investment to the SIF.
Grant can be used to specifically increase affordable housing provision in line with the CPCA's objectives.	This approach is well understood and comfortable to the market, therefore there is little innovation coming forward for alternative funding arrangements.
This approach can be used to address fundamentally unviable schemes	

BRINGING ALL TOOLS TOGETHER COMMUNITY LAND TRUST

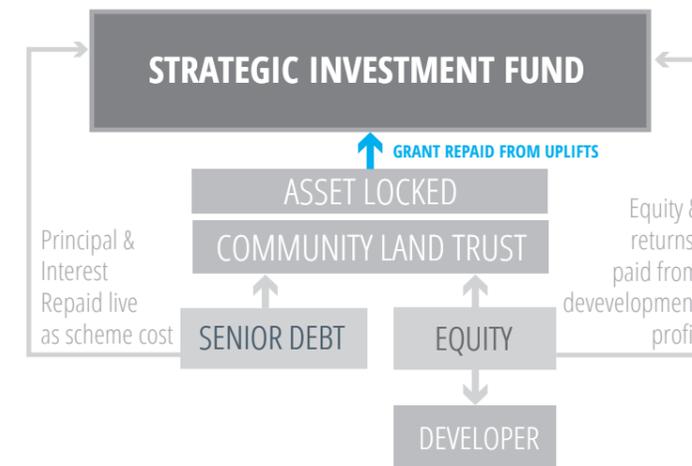


Fig 51: Bringing all tools together/ Source: 31ten Consulting/ ICC

4.2.5 COLLABORATION TOOLS

4.2.5.1 Joint Venture

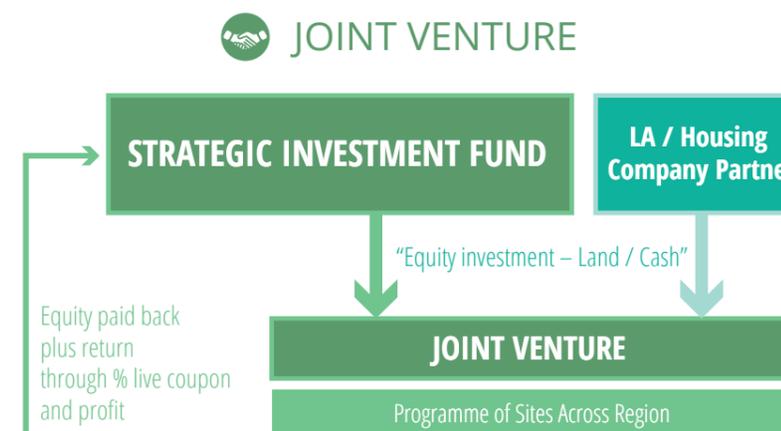


Fig 52: Joint venture/ Source: 31ten Consulting/ ICC

The equity investment option in the enabling tools above highlights the potential to partner with private sector bodies, this tool targets the potential for CPCA to form Joint Venture partnerships with other public bodies or the existing and emerging housing companies established across the region such as Ermine Street Housing and Cambridge City Housing Company.

How it works

The SIF invests cash or land as equity alongside cash or land investment from the Council / Housing Company.

- The new Joint Venture sources senior debt to develop schemes.
- Returns from the development pay back senior debt and then the equity to the partners, in that order.
- Long term and short term profits from the development are shared between the equity partners.

This approach can be used to deliver a programme of schemes that together are viable, although it can address sites with viability / deliverability challenges alongside schemes that provide cross subsidy.

Advantages	Disadvantages
Provides a return on investment to the SIF over the life of the partnership.	By establishing Joint venture structures there is a need to provide significant up-front investment to establish the partnerships.
A programme of sites can be delivered that enables cross subsidy, thus unblocking sites with viability and deliverability challenges.	Equity returns are often mostly repaid towards the end of the scheme and are dependent on the level of return generated. As such they can be unpredictable in timing and total amount.
By partnering with multiple partners this enables a potential cross regional approach.	These partnerships work best where there are significant land holdings that can be invested to enable development.
There can be significant procurement savings by delivering schemes through a partnership, as opposed to seeking partners for each.	The market is likely to be broadly unaware of this approach as it has not been publicised by the SIF.
By delivering schemes through this approach the SIF can share in the long term development and operational profits.	The investment is not secured against the land and as an unsecured investment is higher risk.

4.2.5.2 Viability Approach

The Cambridgeshire & Peterborough Strategic Spatial Framework includes the following quote:

“..it is evident that while there are principles in common (across the region) the approach to viability can vary across the area.”

This is a key challenge in enabling a consistent development environment in which the private and public development market can thrive. A consistent approach to how viability is assessed will enable more certainty to developers as they bring schemes forward, it will also enable the CPCA to more accurately assess and commit resources generated from development to enable major infrastructure.

How it works

- The CPCA establishes a framework for viability that includes a series of elements that provide:
- A standardised approach to the assessment of viability.
- Proforma tools for the scheme application and assessment.
- Proforma tools for ongoing assessment of viability changes.
- These are applied across the region through a co-ordinated central unit supporting the Council's.



Fig 53: CPCA Framework for viability
Source: 31ten Consulting/ Inner Circle Consulting

Advantages	Disadvantages
Consistency breeds confidence - A clear recognised approach enables the development market to clearly understand how schemes will be assessed. This ensured clarity over expectations and delivery.	Significant investment is needed to develop the approach, consult with partners and implement it.
Efficiencies for the Councils in assessment of viability by establishing a standard approach and being supported in its operation.	A central resource will be required to co-ordinate and support the operation of the framework.
Efficiencies for the development market in application for schemes.	The approach will only be effective if the correct balance is struck on the tools to enable development.

4.2.6 THE SUB REGIONAL APPLICATION OF TOOLS

The diversity of the CPCA region has been clearly shown by the analysis undertaken within section 1. The region has significant variations in economic, social and environmental factors. Elements of the region are heavily influenced by their proximity to the thriving economies of large towns such as Cambridge, Peterborough and London,

whilst others are rural in nature, more heavily influenced by local economic and social characteristics. The analysis has shown that, unlike a number of the other Combined Authority areas, these extremes are acute across CPCA, as such the tools that can be deployed to enable and drive growth are significantly different in an area such as March compared to Central Cambridge. This is the reason that such a spectrum of tools has been developed. This section seeks to target the use of these tools in the areas of best fit.

The matrix below seeks to target these by key characteristics across the regional spectrum. It shows three points on this spectrum and the key tools that could be appropriate in these example areas:

LOCATION	URBAN LOCATIONS	FRINGE LOCATIONS	RURAL LOCATIONS
Characteristics	<ul style="list-style-type: none"> • Strong housing values • High quality transport links • Active development market • Strong economic growth • Population growth 	<ul style="list-style-type: none"> • Average housing values • Some transport links but require improvement • Some development occurring but viability challenges • Population stable 	<ul style="list-style-type: none"> • Stagnant housing values • Transport links require improvement • Little / no development occurring without subsidy • Economic inertia
Examples	<ul style="list-style-type: none"> • Cambridge City • Peterborough 	<ul style="list-style-type: none"> • Godmanchester • Fordham • Chatteris 	<ul style="list-style-type: none"> • March • Crowland • Thorney
Key Tools (note – many of the tools will be relevant across multiple areas – these are the most relevant for each location)	<p>Direct Tools</p> <ul style="list-style-type: none"> • Equity Investment • Direct Development <p>Enabling Tools</p> <ul style="list-style-type: none"> • Guarantee • Loan Agreement • Value Capture / Charge Over Land <p>Collaborative Tools</p> <ul style="list-style-type: none"> • Joint Venture • Viability Approach 	<p>Direct Tools</p> <ul style="list-style-type: none"> • Equity Investment • Block Purchase Arrangement • Direct Development <p>Enabling Tools</p> <ul style="list-style-type: none"> • Guarantee • Loan Agreement • Value Capture / Charge Over Land • Recoverable Grant <p>Collaborative Tools</p> <ul style="list-style-type: none"> • Joint Venture • Viability Approach 	<p>Direct Tools</p> <ul style="list-style-type: none"> • Equity Investment • Block Purchase Arrangement • Direct Development <p>Enabling Tools</p> <ul style="list-style-type: none"> • Recoverable Grant • Value Capture / Charge Over Land <p>Collaborative Tools</p> <ul style="list-style-type: none"> • Joint Venture • Viability Approach

