

Cambridgeshire County Council, GO-East and EEDA

Implementing the Cambridge Sub-Regional Strategy

Executive Summary

October 2001

Roger Tym
& PARTNERS

Planners and Development Economists

9-10 Sheffield Street

London WC2A 2EY

Tel 020-7831 2711 Fax 020-7831 7653 e-mail london@tymconsult.com

In Association with

WS Atkins Consultants Limited

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Background

The Cambridge Sub-region is one of the fastest growing areas of the UK. This reflects a local economy which contains a range of businesses which are relatively highly focused on technology based activities and with a high value output. There is significant potential for the continued expansion of this local economy with consequent benefits for the East of England and the UK as a whole. There are, however, severe supply-side constraints to expansion which need to be overcome if the area's economy is to achieve its potential. Key priorities are to deal with the severe level of traffic congestion and to improve labour supply by bringing forward more housing which is affordable to all sections of the labour market.

Regional Planning Guidance for East Anglia (RPG6) establishes the framework for a highly specific programme of development within the Cambridge Sub-region. This is a challenging requirement. Between 2001-2016 some 47,000 dwellings are to be built within the overall Sub-region at an average annual rate of just over 3,000 per annum. Within the Cambridgeshire portion of the Sub-region the annual development requirement is 2,800 p.a. In addition to this scale of housing provision it is projected that there will be an increase in jobs within the Cambridge Sub-region of some 75,000 in the 20 year period 1996-2016. On a pro-rata basis this equates to some 56,000 jobs between 2001 and 2016.

In broad terms the RPG6 targets require that over the fifteen years 2001-2016 homes for some 100,000 people are provided, together with provision of the accompanying 56,000 jobs. A full complement of infrastructure facilities for community, health and education services and affordable housing is required together with major improvements to both national and local roads, and greatly enhanced public transport provision. This development needs to be co-ordinated across eight District Authorities in four counties (although the bulk of development and investment will be in Cambridgeshire Districts).

By way of comparison with past performance, over the period 1991-1999 we note that in the Cambridgeshire portion of the Sub-region total housing completions have averaged just over 2,000 per annum (2,023) whereas the RPG6 requirement is 2,800 per annum. This increase in annual completions represents a 40 per cent uplift in total housing output. The challenge is even starker in relation to affordable housing where a threefold increase in output may be required from 255 to 840 completions per annum.

Taking a wider view of the scale of the Sub-regional implementation challenge; in very broad terms what has to be achieved in the Cambridge Sub-region over a 15-year period is akin to what was achieved at Milton Keynes in its first 25 years. Unlike Milton Keynes, however, there are no New Town Development Corporation powers, no unified planning and delivery agency and, as yet, no priority focus for Central Government funding allocations. Moreover, there is a backlog of infrastructure deficiency to make good.

The RPG6 vision for the Cambridge Sub-region is to be promoted through the emerging Cambridgeshire and Peterborough Structure Plan, the deposit draft of which will be published early in the New Year. Over the next 15 years the Sub-region is required to achieve the development of some 47,000 houses. Within the Cambridgeshire part of the Sub-region, some 15,000 dwellings are already committed, some 10,000 are likely to come forward on unidentified or brownfield sites and some 22,000 need to be planned for on new site allocations – i.e. about 32,000 newly built dwellings have not been 'committed' within the sub-region.

To assist the preparation of a more detailed spatial development strategy for the new site allocations for 22,000 houses in the Sub-region, the County Council has commissioned Colin Buchanan & Partners to undertake an independent appraisal of key options. Three broad options have been identified and are summarised below.

	OPTION 1 Cambridge Centred & Strong RPG Sequence	OPTION 2 Mixed Strategy (Criteria-based)	OPTION 3 Urban Concentration / 1HQPT & Infrastructure Investment
Cambridge City	3,500	2,500	1,500
Green Belt	11,000	8,000	4,000
New Settlement	6,000	6,000	6,000
Market Towns, Larger Villages and PENS	1,500	5,500	10,500
TOTAL	22,000	22,000	22,000

1HQPT = High Quality Public Transport

The estimation of future strategic infrastructure requirements is largely based around the requirement for 32,000 new dwellings in the Sub-region although the need for improved transportation relates to wider needs. The formulation of spatial development options and the agreement of all relevant agencies on the merits of a single strategy is the first step in delivering the RPG6 vision for the Sub-region. Given the challenging scale of the RPG6 vision and the timescale for implementation, it will be necessary to devise a novel approach to delivery of the overall strategy. The Sub-regional authorities will need positively to embrace change.

We were commissioned in late Spring of this year by Cambridgeshire County Council, GO-East and EEDA to undertake a study to advise on the implementation of the development strategy for the Cambridge Sub-region. This study, and that by Colin Buchanan and Partners, will contribute towards the proposals contained in the deposit draft Structure Plan for Cambridgeshire and Peterborough.

The Infrastructure Requirement

The spatial development strategy for the Sub-region will ultimately be delivered by public and private sector institutions, landowners, developers and local businesses. An essential pre-requisite for further development within the Sub-region is the provision of the necessary infrastructure to support new homes and businesses. Historically there has not been complementary provision of strategic transport infrastructure and community facilities such as hospitals and affordable housing. The focus for this study, therefore, has been on the full range of infrastructure and community facilities that will enable the development of homes and jobs to take place.

Utilities Infrastructure

The main strategic off-site utility infrastructure requirements can be summarised as follows:

- Electricity; reinforcement of the local supply network - £45 million.
- Waste Water; sewers and WWTW with sludge treatment - £28 million.
- Water supply; trunk mains and water treatment upgrades - £27 million.
- Total - £100 million.

There will be normal on-site costs for all infrastructure costs. There is likely to be a significant on-site cost associated with surface water drainage, which could amount to £5 million for one of the new settlement options, together with a continuing management cost.

Transport

Whether by adopting a trip generation/cost approach or an outline Option 1 Assessment approach, we conclude that some £1 billion or thereabouts will be required in order to provide an efficient transport system. Costs will vary to some extent depending on the option chosen. Options with easy access to a quality public transport system, which may be expensive to introduce, would provide a more sustainable development. The main transport cost heads are as follows:

Even with this large expenditure there will be a requirement on businesses for constructive approaches to minimize peak private travel demands. It is clearly uneconomic to provide travel capacity for very short intense peaks of activity. It is also harmful to the environment to use more private vehicles than necessary. The Government has promoted the adoption of green travel plans by business as one means of addressing this. Some form of public transport revenue subsidy will be required, perhaps partly funded by car parking charges or BIDS contributions.

Healthcare

The cost of primary healthcare provision is estimated at some £10 million by Cambridgeshire County Council.

In the Sub-region the NHS Health Trust proposes major additions to secondary healthcare. As set out in 'Addenbrooke's – The 2020 Vision' services will become increasingly concentrated at Addenbrooke's and Hinchingsbrooke hospitals where benefits of scale can be obtained by extending existing services and centres of excellence. The proposal is to extend clinical capacity at Addenbrooke's (the 2020 Vision) by moving out some services to Hinchingsbrooke, including moving more elective care.

Clinical facilities at Addenbrooke's will cost in the region of £200 million. This includes ward and outpatient facilities. The cost of the support facilities needed (staff learning resources, nursery/crèche facilities, staff housing, car parking, etc) would amount to a further £100 million. The estimated cost for extending Hinchingsbrooke Hospital will be some £22 million. This work is to be completed by 2005 and is largely committed. However, beyond this the hospital will require a further 100 intermediate care places at a capital cost of some £20 million.

We conclude that the total capital requirement in respect of healthcare will amount to some £352 million.

Education

The County Council has provided an estimate of possible long term educational needs based on recent experience of planning for additional educational provision. Some three hectares of land will be required for pre-school care and education together with capital of £23 million for building works. For primary schools some 40 hectares of land is needed, together with capital of some £48 million for building works. For secondary schools some 70 hectares of land will be required together with £84 million for building works.

Thus, in total, the capital cost of providing additional school places could amount to £155 million, together with the provision of free land for school sites.

Community Facilities

At this strategic stage of work it is not possible to be precise about the requirements for community facilities. The County Council has provided an indicative range of possible requirements for community facilities such as police stations, community centres, libraries, indoor sports halls and the like. The estimated aggregate requirement amounts to some £68 million, together with 43.6 hectares of land.

Affordable Housing

The assessment of the potential cost of affordable housing is more problematic given the uncertainty as to the scale of need for affordable housing across the whole of the Sub-region and the absence of any established long term programme for funding the provision of affordable housing. The term 'affordable housing' encompasses both low cost market housing and shared equity schemes, as well as social housing which is provided (historically) by local councils and (currently) by registered social landlords (RSLs). In the Cambridgeshire portion of the Sub-region, local planning policies currently seek to attain free land for affordable housing as part of Section 106 Agreements at a target rate of 30 per cent of new housing. There are currently exemptions for small sites. However, within Deposit Plans some authorities are seeking to achieve an affordable housing contribution on each site, including infill and windfall sites.

Potentially there is a significant requirement for affordable housing in the Sub-region and it is necessary to provide an order of magnitude 'infrastructure cost' so as to enable an enhanced supply to be brought forward over the period 2001-2016. Our approach to the estimation of this cost is to consider the cost of providing a typical, appropriate, mix of affordable housing and the potential funding sources. In mixed tenure housing schemes there are typically three potential sources of funding:

- The contribution from the social rented landlord.
- The contribution which comes from the public purse (from the local authority and/or the Housing Corporation).
- The contribution made by the developer/landowner.

We have quantified the requirement for housing subsidy by reference to the Housing Corporation's Total Cost Indicator (TCI) limits and we have separately identified the land cost element of the TCI and all other costs. The output of the calculations is an estimate of the typical value of land subsidy per dwelling (and for a notional hectare of development) which would be contributed by a developer and the residual public subsidy which would be required from the Housing Corporation. By applying this average cost per dwelling to the affordable housing component of future development – a minimum of 30 per cent of 32,000 dwellings – we derive a total subsidy requirement of some £360 million. Of this, about £240 million would be from developers and about £120 million from the public purse. The distribution of these subsidies is heavily influenced by the number of units allocated to each district and the TCI bands into which each district falls. The local planning authorities are also investigating to what extent the housing requirements of 'key workers' in the Cambridge Sub-region (who would not qualify as being in housing need but cannot afford to buy housing locally) would place an additional requirement on development in the Sub-region.

Summary of Costs

The cost of providing the range of infrastructure and service facilities identified above amounts to some £2 billion and is summarised below. It should be noted that the utility costs relate solely to strategic off-site works.

Gas & electricity	45
Water & waste water	55
Transport	980 – 1,040
Health	352
Education	155
Community	68
Housing	360
TOTAL	2,015 – 2,075

Implementing the Strategy

We have reviewed a number of different strategic models for implementing the Sub-regional strategy ranging from a continuation of current local authority processes through to the development corporation approach and alternative partnership approaches. We consider also that in order to meet the RPG6 timescale it will be necessary to adopt a new model for progressing the spatial development strategy through the planning system and then implementing it.

We conclude that it is unlikely that support would be given to a development corporation type approach even if the Authorities wanted it. Consequently, and because the Authorities own so little of the likely area of land to be developed, we consider that they will need to establish a form of Stakeholder Partnership to implement the agreed strategy. A dedicated delivery vehicle will need to be constituted.

In order to accelerate the planning process we have made the following recommendations which could deliver adopted local plans within about five years from the publication of the deposit draft Structure Plan, rather than the normal period of some eight years.

- The Authorities jointly sign up to an agreed Structure Plan strategy for the Sub-region before the Plan goes on deposit.
- The Structure Plan is locationally specific in terms of the siting of development areas, the mix of uses and the quantum of development.
- Local Plans are prepared on a fast track programme in parallel with the Structure Plan.
- The Local Plan Inquiry process is administered so as to reduce the time taken at Inquiry.
- Additional assistance is given to the Local Plan Inspectors so that a reduced Inquiry timescale can be achieved together with a shorter period for reporting.

An indicative implementation programme shows the need for considerable work on feasibility studies, case making especially for Private Finance Initiative (PFI) funding and detailed programming whilst the Strategy is going through the development plan process. The programme outlined suggests that it could just be possible to achieve the first 'new' housing completions in 2006, about a year after final adoption of Local Plans. This timescale can only be achieved by effective programming which ensures that various steps in the implementation process are organised in parallel rather than sequentially.

Section 106 Agreements

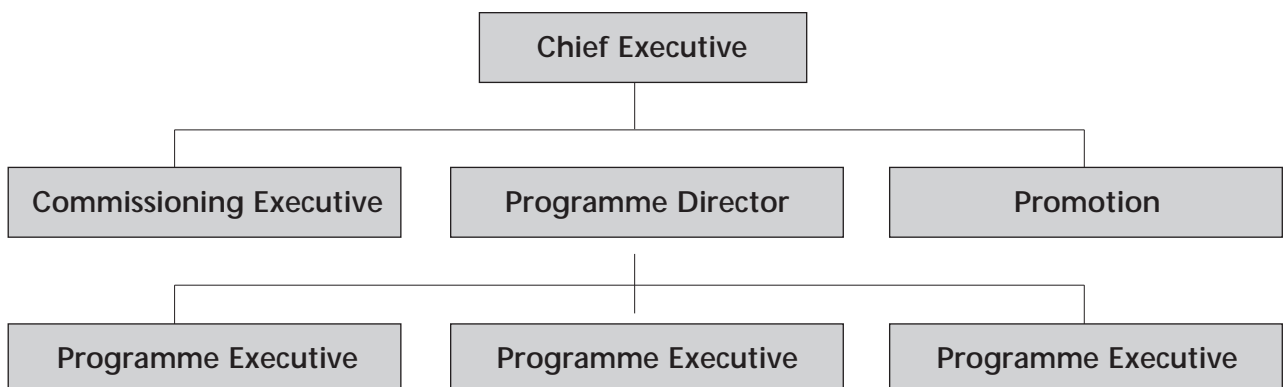
Monies raised through Section 106 Agreements could contribute significantly to the funding of the Sub-regional infrastructure requirements. We have estimated that potentially some £550 million might be raised from this source together with £180 million worth of free land for affordable housing on larger sites. To generate this scale of funding it will be necessary for all sites to contribute, irrespective of their size. Furthermore, as commercial developments add to the requirements for additional investment in transportation improvements, they too should contribute to the general pool of Section 106 funds for strategic infrastructure within the Sub-region. In short, to generate a significant scale of Section 106 funding it will be necessary to institute a comprehensive approach to the formulation of Section 106 Agreements, which directly links individual sites to local impacts and to the infrastructure needs of the Sub-region as a whole. It is unclear at present whether such an approach could be adopted. The forthcoming Department of Transport Local Government and the Regions (DTLR) Green Paper on this issue may clarify the position.

If the DTLR is able to confirm that there is no legal or administrative obstacle to operating a strategic approach to Section 106 Agreements in a situation where RPG6 specifically requires the preparation and implementation of a Sub-regional development strategy, then we recommend that transparent approaches to Section 106 Agreements be instigated within the Sub-region. This would encompass all types of commercially remunerative development which contribute to additional transport demands. The details of this will need further work to be undertaken. For current purposes, based on the precedent of the Cambourne new settlement Section 106 agreement, it is suggested that an average payment of £15,000 per private dwelling, at current housing prices, may be appropriate, together with free land for affordable housing, education and community services.

Delivery Vehicle

For the Sub-regional strategy to be implemented successfully it will be necessary for the Authorities, and the County Council in particular, to take the lead in establishing a Stakeholder Partnership to co-ordinate, programme and deliver both the infrastructure elements of the programme and the key individual projects.

We propose a structure for this partnership based on the Urban Regeneration Company concept. An inclusive Board representing the interest of the Authorities and other Stakeholders in the Sub-region would establish overall ground rules and monitor progress from a strategic perspective. The day to day work of the company would be delivered by an Executive Board headed up by a Chief Executive and specially constituted delivery departments structured along the lines illustrated below. The Executive Board would supervise the day-to-day work of the stakeholder partnership.



Funding Sources

The Cambridge Sub-regional Development Strategy will be funded from a variety of sources. The main source will be mainstream commercial funding for housing and commercial development. In addition much of the investment for strategic utilities infrastructure will be raised by private utility companies.

Second, there is the potential to package up a substantial PFI project for transportation projects. One of the benefits of PFI funded schemes is to introduce long term funding which does not impose any requirement upon Local Authorities to raise additional borrowings. Conventionally, private sector companies provide the capital for investment. It is important to note that private investors needs a clear view of the origin and potential level of returns. The actual source of these returns is not critical. Transport schemes can be based on payments by users for the facility or service, but typically there will be a shortfall in the return necessary for the project to be viable. Another typical approach in road PFIs involves payment to the investor/operator of a shadow toll based on usage. Whatever approach is adopted, the net cost will have to be met either directly by Central Government or indirectly by providing Local Authorities with grants and credits.

Third, PFI finance can also be used to fund much of the healthcare investment. Addenbrooke's Healthcare Trust has made significant progress in this respect and a major proportion of funds for the Addenbrooke's 2020 Vision is potentially secured.

Fourth, Section 106 revenues will provide a major source of finance necessary to secure the required level of affordable and social housing provision and community services. Developers will also be required to provide free land for this purpose or, on smaller schemes, additional financial contributions in lieu.

Fifth, the Housing Corporation will need to provide social housing grant to bring up the total value of housing subsidy to the TCI limits. In order to ensure a co-ordinated programme of affordable housing delivery we recommended that housing subsidy is disbursed on a longer term programme basis than at present.

Sixth, Section 106 revenues could also contribute towards the cost of providing additional schools and the necessary community facilities. In addition to the cost of capital works there will be a need to provide free land.

Seven, the County Council will need to raise a proportion of the cost of infrastructure works via Local Transport Plans. The capital sum raised will require to be augmented by revenue support. There is potential for the business community to assist in this, possibly through local BIDS levies.

To summarise; in relation to total potential costs of £2,015 million to £2,075 million, we anticipate that these could be met by:

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| • Transport PFI | £613 m - £673 m |
| • Section 106 | £730 m |
| • LTP | £100 m |
| • Housing Corporation | £120 m |
| • NHS PFI and mainstream | £352 m |
| • Utilities companies | £100 m |