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Ms M King
6 Montreal Square
Cambridge
CB1 3NR

12 December 2019

Dear Ms M King

Response to Residents' Association letter of 29 October 2019

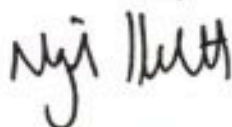
With apologies for our delay, please find enclosed our detailed response to the 14-point letter from the Montreal Square Residents Association which we received on 31 October 2019.

Our aim has been to respond fully and clearly to each point, as requested in the Residents' Association letter, but this has taken a little time.

As you know, we have postponed the surveys until 2020 to enable further consideration of options and next steps.

May we take this opportunity to wish you a good Christmas.

Yours sincerely



Nigel Howlett
Chief Executive

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1	<p>PARTIAL REDEVELOPMENT</p> <p><i>"Your suggestion that tenants of the MSRA put in a request for a partial redevelopment is incorrect."</i></p> <p>♦</p>	<ul style="list-style-type: none"> The June 10th meeting with the Montreal Square Residents Association, Councillors and CHS discussed alternatives to full redevelopment, including using garage sites, back gardens or piecemeal infill and a suggestion from Cllr Herbert that CHS look again at a partial redevelopment option. CHS agreed to do this and has considered all of these. Garage Site: The issue here is the size of the site. We commissioned architects to assess the site and consider various options with differing dwelling types. The Council has set the Nationally Described Space Standards (NDSS) for dwellings as their minimum acceptable standards for Planning Permission; and we have based our appraisal on these space standards. The Council requires a reasonable amount of private amenity space for all new dwellings, and it is also likely that at least one parking space per new dwelling will be required. Due to the proximity of the existing houses north and south of the garage area, overlooking and over-shading of these properties will be a significant planning consideration. Our architects have considered options with a pair of two storey houses, a single two storey house and a pair of studio apartments in a two-storey block. None of these options will fit on the site. In addition, we looked at a single bungalow to remove some overlooking issues, but this has a much larger footprint than a house, so will not fit either. In terms of the rules and restrictions applying to all Planning applications we therefore conclude that it is not feasible to consider a new residential development on this small site. Back Garden development: To develop new housing in some of the larger rear gardens without demolition of any existing houses has been considered by architects. The conclusion based upon planning rules enshrined in the National Planning Policy Framework is that any new development is likely to have a detrimental impact on the existing properties, both within and adjacent to the site. Access between the existing properties is also very restricted and would have a detrimental impact on the parking for the existing properties. In addition, the 6 new Tree Preservation orders (TPO's) attached to the site in August 2019 restrict even further any possibility of back-land or infill development. Retention of these trees severely limits any rear garden development potential. In short, there are too many constraints to consider new development in this corner of the site. This leaves partial redevelopment the only potentially viable option. The planners require surveys to have been completed before they will give initial advice on any proposed development. We need this advice to understand what, if any, proposals are viable.

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		<ul style="list-style-type: none"> Nigel Howlett explained at the June 10th meeting that CHS has no money in its business plan for any major investment which does not pay for itself over 40 years. In order to repay this sort of capital investment, a new scheme needs to generate considerable additional rent and/or sales income; generally this requires new homes to be built. There is no Government grant funding through Homes England for this scale of refurbishment; their focus is on getting new homes built. This means that refurbishing Montreal Square to the space and energy standards we would build new homes to is not financially viable for CHS.
2	<p>REASSESSMENT OF THE FEASIBILITY OF OPTIONS</p> <ul style="list-style-type: none"> Seeks financial viability information, including for refurbishment option Includes comments regarding CHS's V2 grading 	<ul style="list-style-type: none"> CHS shared financial viability information in our letter of 5 February 2019 and we are happy to share with you our financial assessment of all options. As noted above, refurbishment with no demolition is clearly not viable. CHS will share future financial viability parameters for a partial redevelopment once we have positive Pre-App feedback from the City Planning Department for a particular layout and housing mix. Until we get to this point we do not know what type of partial redevelopment might be acceptable. Even when we have this feedback we will still be making assumptions around Homes England Grant funding, Planning Committee approval and contract costs The Regulator for Social Housing grades housing associations for their overall performance, not in relation to individual schemes. CHS's G1, V2 grading reflects the Regulator's view that the diversity and type of our services involves an element of financial risk (V2) but that we have the skills and experience (G1) to manage this risk. The Regulator does not require CHS to make any changes in order to achieve a V1 grading as it is fully compliant at V2. Indeed the CHS Board is quite content with the V2 rating as it reflects the fact that CHS is prudently operating at full capacity providing a wide range of services for people on low incomes or who are vulnerable in spite of continued public spending cuts restricting our income. CHS updates its business plan each year and provides this and large amounts of data to the Regulator every quarter on CHS's financial position, so the Regulator is kept fully up to date. All of this information confirms that CHS remains compliant with the Regulator's requirements The need to meet these regulatory requirements is one reason why we can only carry out financially viable capital investments. You refer to the 141% fall in our surplus for the 2018/19 year. I'm not sure which figures you are referring to but I am happy to discuss them as we try to be open and straightforward about our financial position. Our operating surplus was down from £8.8m to £7.5m, our surplus after tax was similarly down from £3.7m to £2.3m and our total

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		comprehensive income was down from £3.7m to -£1.8m. These changes are all explained in the financial statements but in summary the main reason for the smaller surplus was the lower volume of and surplus from open market sales. We reduced our sales programme because of market uncertainty. The total comprehensive income figure dropped into deficit because of changes in the way in which pension obligations have to be shown in the accounts, along with the fact that our pension provider for the first time provided sufficiently detailed information to include.
3	SURVEY Seeks access to survey information used as basis for Jan 2019 viability costings	<p>No previous surveys have been undertaken at Montreal Square. You will remember that we felt it was very important to start by talking to residents right at the start of the process so that you could provide input before there was a specific detailed redevelopment proposal. Our January 2019 costings were indicative only, based on realistic quotes and estimates. The information provided to the Board in January was to enable them to make a decision in principle – aware that design and costings are likely to change as a result of survey information and the planning process. This is typical for any redevelopment in its initial stages.</p> <p>We are happy to make the survey information available to residents once we have carried them out.</p> <p>Our borrowing arrangements are agreed based on our overall business plan and the development programme within it, not on a site by site basis, therefore no lender has been or will be approached about this specific site. We are assessing the financial viability of the Montreal Square scheme on the same basis as any other development or major capital investment scheme.</p>
4	DO BOTH DEVELOPMENT PLANS EXCLUDE MARKET SALES?	<p>Our current redevelopment options for Montreal Square do not include any homes for market sale.</p> <p>The redevelopment will be funded by a mix of loan finance, Homes England grant, cross subsidy from first tranche sale of shared ownership homes and rental income. Our guarantee that all existing Montreal Square residents can return to a newly built home at Montreal Square at social rent will in effect generate less income than if rents were set, as is common for housing associations, at Local Housing Allowance levels. Although this puts pressure on viability, CHS is committed to the principle of retaining social rents for existing Montreal Square residents.</p> <p>We are working as hard as we can to ensure the scheme remains 100% affordable housing, but we have always said that if costs mount up unavoidably, we may need to offset these by including one or two homes for market sale if we cannot get</p>

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		<p>sufficient extra grant.</p> <p>You refer to comments that the housing association cross-subsidy model is hopeless if the market collapses. This is right, but the Government has pushed housing associations to use this model because there is insufficient grant to provide new affordable homes without it.</p>
5	<p>CHS DUTY AS A CHARITY TO PROVIDE "AFFORDABLE HOUSING"</p> <p>Includes request for</p> <ul style="list-style-type: none"> source documents for CHS's charitable duty to provide affordable housing. legal evidence that any Housing Association has a duty to provide affordable housing. 	<p>CHS's charitable objects are defined in its Rules as in the following extract. These are very similar for all charitable housing associations – we can provide you with a copy of our Rules if you wish:</p> <p>The association is formed for the benefit of the community. Its objects shall be to carry on for the benefit of the community:</p> <p>A2.1 the business of providing and managing housing and social housing and providing assistance to help house people and associated facilities and amenities or services [for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people];</p> <p>A2.2 any other [charitable] object that can be carried out from time to time by an Industrial and Provident Society registered as a provider of social housing with the regulator.</p> <p>The association shall not trade for profit.</p> <p>Nothing shall be paid or transferred by way of profit to shareholders of the association.</p> <p>"Housing Association means a society, body of trustees or company: which is established for the purpose of...providing, constructing, improving or managing... housing accommodation and.... which does not trade for profit...."</p> <p>This is the definition of a housing association as contained in <u>1985 Housing Associations Act</u>.</p> <p>Both the Charity Commission and the Regulator of Social Housing would be critical of charitable housing associations if they had surplus money and didn't invest it in new affordable house. CHS is not in this position. As noted above, CHS provides a wide range of housing, care and community support services for people on low incomes or who are vulnerable. Indeed our regulator and lenders would probably prefer CHS to run a larger surplus to provide a greater financial cushion against the current considerable economic and housing market risks.</p> <p>CHS is a member of the National Housing Federation (NHF), the representative body for the social housing sector, whose 900+</p>

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		<p>members own and manage more than 90% of the country's housing association properties. As stated in our Annual Financial Reports, CHS complies with the NHF Code of Governance and with the NHF Board Member Code of Conduct.</p> <p>You also ask about CandCD. This is a wholly owned subsidiary of CHS and is set up as a company limited by shares. It exists to do market sale housing which CHS, as a charity, cannot do with the same freedom. And it also carries out some affordable housing development for CHS where it can reduce the VAT cost to CHS. Profits made in CandCD are gift-aided back to CHS to help subsidise our charitable activities.</p>
6	<p>THE DESPERATE NEED FOR AFFORDABLE HOUSING</p> <p>Seeks factual basis for "desperate need for affordable housing in Cambridge"</p>	<p>We are very surprised that you are asking for evidence that there is a housing crisis and a major shortage of affordable housing in Cambridge. You must all know people who are struggling with high private sector rents and fees.</p> <p>CHS does not do its own research on housing need and demand. We take a lead from the City Council in the case of Cambridge since it is the strategic housing authority.</p> <p>Generally housing need is identified by local authorities through two methods</p> <ol style="list-style-type: none"> 1. forecasts in their Local Plan 2. housing register applicants. <ol style="list-style-type: none"> 1. The 2018 joint Local Plan puts the total number of homes needed by 2031 across Cambridge and South Cambs District Council at 33,500 – with Cambridge City having a demonstrable need for 14,000. <ul style="list-style-type: none"> • The affordable housing element of this total is set at 25 – 40%, ie 3,500 - 5,600 affordable homes are accepted as required to meet Cambridge City needs by 2031. 2. P.30 of <u>Public Document Pack for Cambridge City Council Housing Scrutiny Committee Jan 2019</u> reports that in January 2019, "Cambridge City Council currently has just fewer than 2,470 households on the housing register. 765 applicants were housed over the last year, with the majority (79%) of lettings being to applicants at band A or B. <p>The greatest demand for housing is still for one and two bedroom properties, with one bed applicants accounting for 67% of the register, and two-bed applicants 24%."</p>

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7	<p>IMPOSSIBLE TO BUILD AFFORDABLE HOUSING?</p> <p>Seeks explanation for why it is "almost impossible" for CHS to build affordable housing in Cambridge.</p>	<ul style="list-style-type: none"> As a relatively small charity aiming to develop homes for affordable and social rent in an area of high land values such as Cambridge, with intense competition from private developers, CHS faces many challenges. We cannot compete with private developers in bidding for development sites on the open market in the city. These require a level of investment in open market sale housing which CHS cannot risk. Most of our new affordable housing is on sites where developers are required to provide affordable housing under a Section 106 Agreement as part of their planning consent. There are sites like this in or adjacent to Cambridge but these have tended to be larger strategic sites where large national housebuilders have agreements with large national housing associations. Some of these housing associations appear to charge higher rents than CHS and can therefore pay more money to developers to secure the sites. We have not therefore been able to buy any of these sites in Cambridge. Homes England have their Shared Ownership and Affordable Homes Programme which runs to March 2022. Although the programme includes funding for new social rent homes, in practice it is very difficult to get the high levels of grant needed to make these schemes viable. What happens after March 2021 in terms of how much grant funding is available and which tenures are prioritised for funding will depend on who wins the election. We justify demolishing homes for social rent because we have committed to replace the demolished homes for current residents who wish to return to Montreal Square with new ones which are larger and more carbon efficient but still at social rents. Any new homes which are built which will not be occupied by a returning resident would be let at social rent if we could get enough grant. Currently this is extremely unlikely so these would be let at the higher Affordable Rent and some sold for shared ownership in order to make the scheme financially viable The Savills Housing Sector Survey, June 2019, reports on P.4, Key Findings, that <i>"Land in demand: 78% of housing association respondents say availability of land is a standout factor preventing the sector building more homes."</i>
8	<p>"NEW HOMES," DEMOLITION OF EXISTING HOMES AND "PARTIAL REDEVELOPMENT"</p> <p>Queries how demolition of existing homes is compatible with stated plans for partial redevelopment.</p>	<p>Partial redevelopment would involve demolishing some existing houses on Montreal Square in order to replace them with some new homes. Some of the existing homes would remain.</p>

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9	<p>ENERGY EFFICIENCY</p> <p>Seeks carbon emissions impact assessment of demolition and replacing existing homes, including "an exact measurement of the embedded energy in our existing homes."</p>	<p>We have no data on this. We would need to commission a report on the carbon impact of current homes and the carbon impact of building and running the prospective new homes. This would not be possible until we had a fixed design for the new homes.</p> <p>Our major justification for redevelopment is that we want to double the number of affordable homes on the site in a financially viable way so that we can help twice as many households. Doing so will enable all of the homes to be built to a standard which will significantly reduce both residents' running costs and continuing carbon emissions. The new homes would aim to achieve Energy Performance ratings of A and the bricks would be recycled.</p>
10	<p>'AFFORDABLE RENT' OR 'SOCIAL RENT'?</p> <p>Seeks clarification of CHS's use of these terms</p>	<p>To clarify, CHS guarantees that all existing residents who choose to return to Montreal Square will pay a social rent in their new homes in line with their current rent for the same size of home.</p> <p>All additional homes built will be either rented at Affordable Rents or shared ownership (part rent-part buy). We would prefer the new homes to be at social rents too but at present it seems very unlikely that there will be sufficient grant to achieve this. When a tenancy at a social rent ends, it will be relet at an Affordable Rent to a new household in order to help make the scheme financially viable. The alternative to this would be to increase the numbers of shared ownership properties and reduce the rented ones; we would prefer not to do that as in our view the greatest need is for affordable rented housing.</p> <p>The Affordable Rents for the additional homes will be set at the Local Housing Allowance cap (currently £153.79 per week) to ensure that they are covered by Housing Benefit and are therefore accessible to people on the housing register.</p> <p>The Local Housing Allowance (LHA) cap in Cambridge is about 45-55% of market rent in the area. Market rents in this part of Cambridge are around £275-340 per week. Provided rents are set no higher than LHA level then residents can get housing benefit/Universal Credit to cover up to the whole of this cost, depending on their income. This means that every resident will be able to afford their new Affordable Rent home in Montreal Square as they can claim benefit to cover their rent if they need it. That is very important for residents on low incomes.</p> <p>As previously stated, the existing residents will remain on social rents (adjusted by an inflation based annual increase set by government) and remaining on these social rents will be enshrined in a Charter between CHS and the existing tenants.</p> <p>CHS would prefer social rents to Affordable Rents but currently Government policy supports the latter. This may change</p>

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		depending on the election but in the meantime CHS has to operate within the existing political and economic environment.
11	FUNDS FROM HOMES ENGLAND	<ul style="list-style-type: none"> CHS is going through an extended period of discussion and negotiation with the Residents Association who represent a number of residents opposed to the redevelopment. Other residents support the redevelopment. We have made a decision to redevelop Montreal Square but agreed at the last meeting with the Residents Association representatives and councillors that we would explore partial redevelopment options to see if any of these would be financially viable which is what we are currently working on. The surveys we will be carrying out will help us to do this. Our objective is to provide badly needed additional affordable housing in Montreal Square. We have sought to avoid market sale though as you say, this would in some ways make financing the scheme easier. Homes England is the non-departmental public body that provides Government funding for new affordable housing in England. CHS is an investment partner with Homes England and makes funding bids for development schemes on a regular basis. CHS are currently in discussion with Homes England around grant availability for regeneration schemes such as Montreal Square.
12	TEMPORARILY RELOCATED? Includes to define what temporary means	<p>A partial redevelopment scheme rebuild on site would take up to 2 years - so the relocation would be around 2-3 years. This would become more precise the closer we get to the start on site.</p> <ul style="list-style-type: none"> For a whole site redevelopment the build will be longer so relocation could be around 3-4 years. We have allowed for all current residents to return, although that choice will be yours. We would want to discuss your options individually with each of you to find out more about what you want.
13	STATUTORY RIGHT OF RETURN AND CHS FUNDING OF RENT INCREASES Seeks clarification on residents' right to return to Montreal Square and if returning tenants would face potential rent increases	<ul style="list-style-type: none"> CHS would give each existing tenant the right to return to a 2 bedroomed house at Montreal Square. CHS will fund any difference in rent levels between their existing rent at Montreal Square and the possibly higher rent at the 'temporary' relocation home. We do not know if the rent in each temporary accommodation will be higher but if it is we will fund the difference. Rent levels increase year on year. The rent upon return to Montreal Square will be exactly the same as the rent would have been had no development gone ahead, i.e. rents will probably increase each April by an amount determined by Government policy. All our financial viability assessments will be based on this premise which is not going to change. Right to Return – CHS is committed to ensuring that existing households will be able to return and we will enter into a

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		contractual agreement with you to return, which would not be based on factors such as the ability to afford the rent. The rent will after all be the same as if there were no redevelopment. There will not be a statutory right to return as CHS cannot create a statutory right but we will give you a contractual right to do so.
14	<p>MONTREAL SQUARE IS A COMMUNITY NOT A COMMODITY</p> <p>Seeks impact assessment of disruption to neighbourhood care and support resulting from redevelopment and dispersing of the current Montreal Square community.</p>	<ul style="list-style-type: none"> • In terms of temporary accommodation, CHS has earmarked a number of potentially suitable homes which are close together and we would prioritise these for residents who want to temporarily relocate with their neighbours. • CHS has extensive experience of building, managing and supporting new communities. A CHS Project Manager and CHS Housing Officer will manage the transition as new residents move in. • CHS is to consider operating a Local Lettings Policy, which will need to be agreed with the City Council, to encourage a sustainable new community. • CHS would not normally make an offer of a property to a person who within the two years before their application, has seriously breached the terms of their current or previous tenancy (e.g. nuisance, anti- social behaviour, harassment, illegal use of property). • CHS uses starter tenancies to help to manage risk in letting homes to people. A starter tenancy gives a new tenant limited rights for 12 months. Within this period CHS can take enforcement action more quickly than usual, including eviction. This reduces the risk of new tenancies failing as it encourages people to meet their tenancy conditions. • Current residents will be able to choose where on the site they would like to live where possible. • CHS's Customer Involvement Officer and Montreal Square Project Manager will specifically work on building a new community between current and new residents. • CHS community grants are available to fund small-scale events to bring people together. • We can reassure you about the comment on page 22 of the 2019 Financial Statements; this just sets out the Board's responsibility in a standard form. You would find similar wording in the Financial Statements for most housing associations.