

WEST AND NORTH-WEST CAMBRIDGE ESTATES SYNDICATE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

Members of the Syndicate

Mr Alexander Johnston (Chair and external member of University Finance Committee)

Professor Jeremy Sanders (Deputy Chair and Pro-Vice Chancellor for Institutional Affairs)

Professor Ian White (Master of Jesus College)

Dr Richard Foster (External member of University Finance Committee)

Professor Robert Kennicutt (Head of the School of Physical Sciences)

Dame Mavis McDonald (External member of University Council)

Mr Jeremy Newsum (External member, Executive Trustee of the Grosvenor Estate)

Dr Jonathan Nicholls (Registrary)

Ms Naisha Polaine (External member, Head of Area at The Homes and Communities Agency)

Directors

Mr Roger Taylor, Project Director

Mr Gavin Heaphy, Construction Director

Mr Brian Nearney, Commercial Director

Mr Kerry Sykes, Finance Director

Ms Heather Topel, Deputy Project Director (from August 2013)

Nominated Officer

Dr Jonathan Nicholls

REPORT OF THE SYNDICS

The Syndics present their report and unaudited financial statements of the Syndicate for the year ended 31 July 2013.

1. Principal activities

The Syndicate's principal activity, which is set out in a University ordinance, is to be responsible for:

- (i) the management, development, and stewardship of the North West Cambridge Estate (being the University's land and property holdings in the area between Madingley Road, Huntingdon Road, and the M11 motorway); and
- (ii) the development and stewardship of the West Cambridge Estate (being the University's land and property holdings in the area bounded by Madingley Road, Clerk Maxwell Road, the Coton Footpath, and the M11).

The North West Cambridge Estate is a mixed use development on a 150-hectre site which will ultimately deliver up to 1,500 houses for private sale, 1,500 houses for University and college staff, 2,000 units of post-graduate accommodation, 100,000 square metres of academic and commercial research and development space, a hotel, senior housing, supermarket and community facilities including a primary school, community centre, health centre, and sports facilities.

The first phase of development includes approximately 700 units for market sale, 530 homes for University and College staff, 325 post-graduate student rooms, a local centre (including food store, shops, primary school, community centre), and other related facilities, open space and infrastructure.

The University's intention remains consistent with the October 2012 Report to the University's Regent House in relation to its sustainability objectives. These are being realised across the site in a number of ways including a network of cycle paths, a water recycling network and photo-voltaic cells.

The residential development is being delivered to Code for Sustainable Homes Level 5, meaning that domestic energy and water use will be amongst the lowest in the country. Mechanisms for delivering this include commitments to high standards of accessibility, daylighting, insulation and acoustic performance. Non-residential development is being delivered to BREEAM Excellent standards.

2. Business review

Development at North West Cambridge provides the University with a unique opportunity to establish a new urban quarter of Cambridge. North West Cambridge is different to most other housing developments in Cambridge because its aim is to secure the University's long-term success whilst also providing substantial community facilities, housing and commercial development for the city as a whole. It will provide the living and research accommodation needed to enable the University to grow its research capabilities and to retain its world class position. It will encourage substantial investment in the city of Cambridge and will help the University to recruit and retain the best staff and students from around the world.

North West Cambridge will help the University to maintain its global research profile through the provision of affordable and suitable accommodation for University and College staff (primarily postdoctoral researchers) and post-graduate students, extensive academic and commercial research floor space, and local centre facilities to support the new community. It will also provide significant housing and facilities for the City more generally.

Over one-third of the planned staff accommodation will be provided in the first phase of development. Authority from Regent House to proceed with the first phase was sought in October 2012 and granted in January 2013. Throughout this time, the Syndicate has mobilised a design and construction team to deliver the first phase and realise the aspiration of the project.

The period to July 2013 has concluded the outline planning process and enabled design development and resolution for the first phase, planning discussions and negotiations for detailed applications (called reserved matters applications), and commencement of construction of early infrastructure and earthworks.

The delivery timetable has been extended following a review of the original programme and in the light of evolving designs, a clearer picture of planning constraints and changes to the design team. One of the consequences of an extended programme is that inflationary pressures may have a greater impact on the total budget than originally allowed for. However, despite slippage in the timetable for completion and anticipated cost pressures, the project is making great progress.

2.1 Design & brief development

Eleven architectural teams have been appointed to design different components of the first phase. These architects from Cambridge, the UK and mainland Europe include four RIBA Stirling Prize winning architects (including 2013 Stirling Prize winners, Witherford Watson Mann). These architects are working with consultant engineers, sustainability advisers, cost consultants and project managers to design a scheme of which the City will be proud, and which will stand the test of time.

A significant proportion of the last year has been focussed on achieving design integration to ensure that the development feels a complete "place" with architectural variety throughout, rather than an architectural medley without coherence. To achieve this aim, the architects have been working together, facilitated by the masterplan advisers, to finalise the designs. By mutual agreement, the contract with one of the appointed architects, David Chipperfield, was dissolved. Stanton Williams (previously shortlisted for the same Lot, and Stirling Prize-winning architects for the Sainsbury Laboratory) has been appointed in their place and are now working on revised proposals.

2.1.1 Key-worker housing

The majority of development by the University in the first phase is accommodation specifically to house qualifying University and College staff at subsidised rents at levels defined under the planning consent. 530 dwellings are being delivered, primarily one and two bedroom apartments, together with some shared four bedroom apartments and three bedroom family houses. This provision is designed principally to cater for the housing needs of post-doctoral research staff who find it difficult to obtain suitable and affordable housing in Cambridge. The internal specification for these dwellings is being developed in consultation with the Accommodation Syndicate and Accommodation Office. The Syndicate welcomes the establishment of the Office of Post-Doctoral Affairs to provide an academic, administrative and pastoral focus for the community of such staff across the University, and will be developing thinking on the social and intellectual environment that should be provided for post-doctoral researchers.

2.1.2 Student accommodation

The first phase also includes 325 student en-suite rooms for post-graduate students for occupation at the start of the 2016/2017 academic year. Negotiations are continuing with a group of colleges in relation to leasing this accommodation. The detailed planning application for this development parcel has been submitted to Cambridge City Council.

2.1.3 Local centre facilities

Primary School: The University has an obligation to provide a 2.3 form entry primary school on the site. The Faculty of Education has taken a considerable interest in this flagship facility and has been working with the Syndicate on how the school might provide a leadership role for the school system through the significant research and teaching role that the Faculty plays in teacher education, and also how other departments and faculties might be engaged in the school's development. Discussions are continuing with the relevant authorities about whether the school might open as a 3 form entry school (providing ultimately for over 600 pupils drawn from the whole of Cambridge) and how that might be funded. The General Board has approved the concept that, in the right circumstances, the University would apply to run the school through a Trust.

University Nursery: A workplace nursery is being provided for University staff in the first phase, which will reduce pressure on existing University nurseries. This is in addition to early years provision for 3 and 4 year olds which will be provided at the primary school.

Community Centre: Designs for the community centre have progressed well, and the architects have successfully responded to input from across the University and the wider community to design a building for the new community that will enable the widest range of uses and flexibility into the future. The community centre will be delivered and operational prior to occupation of the first University and College staff housing. The management of the Community Centre will be through a charity operated as a joint venture between the University and City Council. An application to the Charity Commission to establish the Joint Venture will be made in the coming months.

Supermarket: Following a competitive process, a preferred supermarket operator has been identified. Negotiations for the lease of the building to the operator are expected to conclude before the end of the year. Through these discussions the University's architects have worked to ensure that the design principles and aspirations for the right quality of place have been appropriately balanced with commercial interests.

2.1.4 Market housing

A two-stage tender process has commenced for the selection of residential developers to deliver market housing under land sales' agreements. The first tranche of residential developers will deliver approximately 400 homes, with the remaining 300 market homes delivered in a later tranche of land sales. Considerable interest in the initial tranche of housing was expressed from across the housebuilding industry, and a shortlist of 6 developers has been identified to compete in the second stage of selection.

Negotiations are also continuing with a group of colleges for the sale of some 37 market residential units at market levels that will be built by the University alongside Key Worker family homes.

2.1.5 Infrastructure

Infrastructure (including highways) and utilities design is well advanced and is being facilitated using a site-wide 3D model that co-ordinates all below and above ground services and structures including:

- Surface water and foul water drainage
- Potable and non-potable water networks
- Electrical power network
- Telecoms and Granta Backbone network
- District Heating Network
- Primary, secondary and tertiary road network
- Extensive hard and soft landscaping.

To support the sustainability objectives for the site, the infrastructure provides for three major systems:

- Proposals are confirmed for a site-wide water recycling network as part of the sustainable drainage strategy that includes the use of stormwater, harvested from across the site, as non-potable water to serve residential dwellings and provide water for irrigation of public spaces. This will be the largest network of its kind in the UK; the scheme will be visible through a series of balancing ponds on the western boundary, as well as through a complex network of swales along most of the streets and in green corridors throughout the site. This innovative solution reduces reliance on treated, potable water dramatically and makes use of resources on site in doing so.
- The development infrastructure includes a site-wide District Heating Network (DHN) that provides hot water and heating to all residential buildings across the site. The DHN is powered via a Combined Heat & Power (CHP) Energy Centre that will also generate electrical power as future development phases come forward and electrical power demand increases.
- The majority of the rooftops of the development are covered by Photo-Voltaic Cell arrays, which supplement the power provided by the CHP and reduce the carbon footprint of the buildings still further, to achieve the renewable energy requirements imposed by the local authorities.

The site-wide commitments to sustainable methods of travel are being realised through delivery of the main cycle route through the site, extensive safe, secure and covered resident and visitor cycle parking, car club provision, and early major investment in public transport improvements, all secured through the section 106 legal agreement.

2.1.6 Public Art

The Public Art Strategy has commenced for the first phase of the development. A University appointed Public Art Advisory Panel advises the Syndicate on matters related to delivery of the strategy, and has been instrumental in identifying three commissions for artists-in-residence, who are associated with academic departments (Astronomy, Earth Sciences and Archaeology). The two permanent works within the first phase that have been commissioned are currently at design stage and will be integrated into the public realm.

2.2 Planning progress

2.2.1 Site-wide strategies

Following the determination of the outline planning permission and signing of the section 106 legal agreement in February 2013, considerable progress has been made on a series of interrelated, site-wide strategies for the development. All of these strategies have been submitted to the planning authorities, and most have been successfully discharged (including drainage and pollution control, design codes, phasing, youth and children's play, biodiversity, construction and archaeology). The remaining strategies are expected to be resolved in the coming months.

2.2.2 Pre-application discussions

The University has been pursuing a challenging programme of pre-application discussions with the local authority planners, including concurrent negotiations on thirteen different planning applications. This has raised a number of strategic and detailed issues, which have required inputs from the architects as well as the professional team. The vast majority of these issues are now resolved, and the expectation is that by the time planning applications are formally submitted they will have been largely agreed with the planning officers, to expedite determination of the applications. Certainty and availability of resource from the planning authorities has been secured through a Planning Performance Agreement, which includes financial support from the project to the local authorities.

2.2.3 Planning submissions

Planning applications have been approved for initial enabling works at Gravel Hill Farm, Madingley Road Temporary Construction Access, and site earthworks.

A number of designs approved by the Syndicate breached parameters agreed through the Outline Planning Application. These include increases in heights of some blocks in the local centre to achieve compliance with the Code for Sustainable Homes Level 5, and a flexible range of uses in the community centre. To enable these proposals to be included in designs, it has been necessary to submit a Section 73 planning application to vary the planning parameters. This has been submitted and is progressing as expected. The requirement to submit this application, however, had an adverse impact on the subsequent planning for related parcels, causing up to a three-month delay on those parcels. This is reflected in the indicated delivery timetable.

Following determination of each planning permission, a number of “pre-commencement” conditions are required to be discharged before works can commence on site. Experience at Gravel Hill Farm and also the Temporary Construction Access demonstrates that the time allowance for these permissions must be relatively generous, as the period for resolving these with the planning authorities to date has extended beyond original programmed timescales.

To achieve the development programme, planning applications for the remainder of the University’s parcels will be submitted on a monthly basis through the winter and spring, with application determinations expected from November 2013 onwards.

2.2.4 Third Parties

Third parties, including statutory agencies and utilities providers, can affect the delivery timetable. Since 2012, the most significant impact relates to Great Crested Newt licensing issues from Natural England. Although Great Crested Newts have not been identified on the site in recent years, it was necessary to obtain a licence from Natural England before undertaking any works in the area where there is historic evidence of presence on site. The time required to obtain this licence successfully was significantly longer than expected and had a direct impact on when earthworks could be commenced.

2.3 On-site activities

The principal infrastructure contractor is currently being procured, with works programmed from mid-2014. In advance of this appointment, a number of preparatory elements have commenced on site (after the end of the year being reported), including:

2.3.1 Gravel Hill Farm

The former Gravel Hill Farm farmhouse together with a reuseable extension will form the project office, temporary community centre and artists’ studios. Works commenced on-site in September 2013 by contractor Coulsons, following a delay to resolve pre-commencement planning conditions. Works are expected to be complete in January 2014.

2.3.2 Madingley Road Temporary Construction Access

The Madingley Road Temporary Construction Access (to the west of the Madingley Road Park and Ride) will facilitate delivery of the entire first phase of development, and enable separation of construction and development traffic once the permanent junction is delivered to the east of the Madingley Road Park and Ride. Works commenced in September 2013 by Skanska and are expected to be complete in January 2014.

2.3.3 Earthworks

To facilitate delivery of the various University development areas, an extended programme of earthworks is being undertaken to remove topsoil from across the site that will be used to form earth mounds adjacent to the M11. These works commenced in October 2013 by Skanska and are expected to be complete in January 2014.

3. Future developments

Work in the next twelve months will focus on completion of designs to the point at which they can be used as a basis for both securing full planning permission and seeking and appointing partners to commence construction. It is anticipated that detailed planning approval for the various parts of the site will be achieved on a rolling programme throughout the year.

Work on infrastructure to facilitate access to the site has already commenced and the focus throughout the year will be on implementing infrastructure works before any substantial construction above ground can commence.

Key appointments will be made as the programme moves to a delivery phase. These will include partners to work on construction of the site, to purchase and develop private housing on the site and to operate accommodation for post-graduate students.

The development programme, which has been extended from that originally planned, includes the following key dates:

- | | |
|--|----------------|
| • Provision of services and access for occupation of market lots | September 2015 |
| • Completion of Lot 5 for Post-graduate Student Occupation | July 2016 |
| • Completion of first University Key-Worker housing for Occupation | February 2017 |
| • Completion of all Phase 1 works | March 2017 |

The delivery timetable is kept under regular scrutiny by the project team and West and North West Cambridge Syndicate, and the timings identified above reflect the issues set out in Section 2 of this report. The delivery programme will become progressively less uncertain as each of the Lot designs progress through the planning process in the coming months.

4. Financial Review

The project presently remains on budget, although the remaining development contingency at approximately 6.5% of build cost and fees is lower than that which would ideally remain in place at this stage of the project. The project continues to report satisfactorily against key performance indicators agreed with the University's Finance Committee.

Inflation presents an increased financial risk to the project. There are a number of factors driving this including increased inflation in the construction industry generally, potential shortage of construction supplies such as bricks and delivery of the programme over a longer period than planned. There may also be compensatory increases in land value. The impact of this on the budget will be clearer when tenders are returned from contractors (mid 2014) and bids received from residential developers (early 2014).

The profit and loss account shows that the Syndicate received no income in the period. This is in line with expectations which anticipate that income will not arise in any substantial form until 2015 with the first significant land disposals.

With the exception of some minor expenditure incurred in operating the estate, all expenditure incurred to date has been capitalised as it relates to the creation of an asset or assets. In the financial year ending 31 July 2013, the Syndicate incurred £14.3m of expenditure in the form of professional fees and salaries relating to the preparation of submissions for planning permission and design of the development site, project management and costing.

The activities of the Syndicate have to date been entirely funded through monies made available by the University of which the Syndicate is part.

5. Governance and Risk Management

The Syndicate is established by Ordinance¹. The Syndics are a quasi-board, meeting monthly, responsible for the strategic direction of the development. The Syndics are supported by an Executive team who are responsible for operational matters within the strategic context set by the Syndics. The Syndicate operates within budgets which are approved by the University's Finance Committee and is required by Ordinance to produce an annual report and accounts covering its activities.

The Syndicate receives, at each of its meetings, reports highlighting risks to the delivery and operation of the North West Cambridge Development. A risk register is maintained by the Executive with support from professional advisers.

¹ Page 137, Statutes and Ordinances of the University of Cambridge 2013

The Syndicate is advised by three panels comprising University and external members, including:

Quality Panel: responsible for review of and advice on architectural proposals at each RIBA stage, as well as market housing design briefs;

Sustainability Panel: advises in relation to the implementation of sustainability measures and achieving the University's community and environmental objectives; and

Public Art Advisory Panel: advises on the selection of artists to deliver the Public Art Strategy.

The activities of the Syndicate are subject to internal audit under the supervision of the University's Audit Committee. In the financial year to 31 July 2013, a programme of assurance audit was conducted. No significant issues were identified as a result of this programme.

6. Scope of Accounts and Audit Status

The accounts include only income and expenditure arising on the development of the North West Cambridge site. Income arising from existing buildings on the West and North West Cambridge sites is reported separately to the University via its Estate Management Division. Similarly income and expenditure associated with the University Farm in this area is included in the accounts of the University Farm. There is no requirement to report income and expenditure associated with academic departments as this lies outside the ambit of the Syndicate. All of the income and expenditure mentioned above, including that attributable to the Syndicate, is included within the audited accounts of the Chancellor, Masters and Scholars of the University of Cambridge.

There is no requirement to undertake a formal external audit of these accounts, which do not constitute statutory accounts.



ON BEHALF OF THE SYNDICATE
Mr A Johnston, Chair

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2013

| | | 2013 | 2012 |
|--|------|----------------|-------------|
| | Note | £ | £ |
| Turnover | 2 | 0 | 0 |
| Cost of Sales | | 0 | 0 |
| Gross profit | | 0 | 0 |
| Administrative expenses | | (5,767) | 0 |
| Total administrative expenses | | (5,767) | 0 |
| Operating Loss | 3 | (5,767) | 0 |
| Interest receivable and similar income | 4 | 1,406 | 0 |
| Loss on ordinary activities before taxation | | (4,361) | - |
| Tax on loss on ordinary activities | | - | - |
| Loss for the financial period | | (4,361) | - |

All results derive from acquired and continuing operations.

There are no material differences between the loss for the financial period and its historical cost equivalent.

There are no recognised gains and losses other than those passing through the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET AS AT 31 JULY 2013

| | Note | 2013 £ | 2012 £ |
|---|------|-------------------|-------------------|
| Fixed Assets | | | |
| Tangible Assets | 6 | 29,431,366 | 15,086,100 |
| Current Assets | | | |
| Debtors | 7 | 8,187 | 0 |
| Cash at bank (<i>held by University</i>) | | 7,981,468 | 687,200 |
| | | 7,989,655 | 687,200 |
| Creditors: amounts falling due within one year | 8 | (2,534,813) | (927,300) |
| Net current assets/(liabilities) | | 5,454,842 | (240,100) |
| Net assets | | 34,886,208 | 14,846,000 |
| Financed by | | | |
| Loan (<i>from University</i>) | | 10,600,000 | 14,846,000 |
| Investment of Equity (<i>from University</i>) | | 24,290,569 | - |
| Profit and loss reserve | | (4,361) | - |
| Total Finance | | 34,886,208 | 14,846,000 |

The financial statements on pages 12-15 were approved by the Syndicate on 18 November 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

1. Accounting policies

a) Basis of accounting

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements except as noted below.

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

b) Tangible fixed assets

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on a straight line basis as follows:

| | |
|--------------------|---------|
| Freehold buildings | 2% - 5% |
|--------------------|---------|

Freehold land is not depreciated.

No fixed asset depreciation has been applied as costs have been capitalised as pre-development assets.

Where there is an indication that the carrying amount of a fixed asset may not be recoverable, an impairment review will be carried out in accordance with the requirements of FRS11, "Impairment of Assets". If the carrying amount is higher than the recoverable amount, the asset will be written down accordingly.

2. Turnover

No income has been received to date

3. Operating loss

| | 2013 | 2012 |
|--|-------|------|
| | £ | £ |
| Operating loss for the financial period is stated after charging | | |
| Utilities for properties | 322 | - |
| Council tax for properties | 3,253 | - |
| Rent for Trinity gas field | 2,192 | - |

4. Interest receivable and similar income

| | 2013 | 2012 |
|------------------------------------|-------|------|
| | £ | £ |
| Interest received on cash deposits | 1,406 | 0 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

| 5. Employee information | 2013 | 2012 |
|-------------------------|-----------|---------|
| | £ | £ |
| Wages and salaries | 769,914 | 464,340 |
| Social security costs | 91,432 | 55,492 |
| Pension costs | 158,918 | 93,677 |
| | 1,020,264 | 613,509 |

The average number of persons employed by the Syndicate during the year, expressed as full time equivalents, was 13 (2012: 4)

All of the above costs were capitalised.

| 6. Tangible Fixed Assets | Land and Buildings | Assets in Construction | Grand Total |
|---------------------------------|-----------------------|---------------------------|-------------------|
| | £ | £ | £ |
| Cost | | | |
| At 1 August 2012 | 870,000 | 14,216,100 | 15,086,100 |
| Additions at cost | 0 | 14,345,266 | 14,345,266 |
| At 31 July 2013 | 870,000 | 28,561,366 | 29,431,366 |
| Accumulated Depreciation | | | |
| At 1 August 2012 | 0 | 0 | 0 |
| Charge for the year | 0 | 0 | 0 |
| At 31 July 2013 | 0 | 0 | 0 |
| Net Book Value | | | |
| At 31 July 2013 | 870,000 | 28,561,366 | 29,431,366 |
| At 31 July 2012 | 870,000 | 14,216,100 | 15,086,100 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

| 7. Debtors | 2013 | 2012 |
|-------------------|--------------|-------------|
| | £ | £ |
| Debtors | 0 | 0 |
| Prepayments | 8,187 | 0 |
| | 8,187 | 0 |

| 8. Creditors: amounts falling due within one year | 2013 | 2012 |
|--|------------------|----------------|
| | £ | £ |
| Trade Creditors | 1,502,378 | 509,807 |
| Other Creditors | 1,032,435 | 417,493 |
| | 2,534,813 | 927,300 |

