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The following reports are Information Items for the Housing and Environment Scrutiny Committee.

- 1 Development And Governance Project Board Biannual Update.



HOUSING AND ENVIRONMENT SCRUTINY COMMITTEE INFORMATION ITEM – 18TH JUNE 2024

**SUBJECT: DEVELOPMENT AND GOVERNANCE PROJECT BOARD
BIANNUAL UPDATE**

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

1.1 The report is provided as an update to members on the work of the Caerphilly Homes Development and Governance Project Board since its inception in September 2023.

1.2 Cabinet requested upon approval that the work and progress made by the Board be reported biannually to Scrutiny Committee and annually to Cabinet. This is the first progress report.

2. SUMMARY

2.1 The Development and Governance Project Board was created following Cabinet approval in September 2023. Its purpose is to oversee the delivery of the Caerphilly Homes development programme.

2.2 Members of the Board include the Cabinet Member for Housing, the Cabinet Member for Planning and the Chair of the Housing and Environment Scrutiny Committee. Members have delegated responsibility for agreeing a range of decisions that are necessary to underpin the programme that seeks to deliver 1000 low carbon affordable homes by 2033.

2.3 The Board has been in operation since September 2023 and this is the first biannual report since its creation.

3. RECOMMENDATIONS

3.1 Members are asked to note the contents of the report.

4. REASONS FOR THE RECOMMENDATIONS

4.1 To inform members of the work underway to meet the Cabinet ambition to deliver 1000 new, affordable, low carbon homes by 2033.

- 4.2 To ensure a biannual update of work and progress is provided to members of the Environment and Housing Scrutiny Committee as per the commitment made by Cabinet in October 2023 following approval of the Building Together Development Strategy and the approval given to create the Development and Governance Project Board.

5. THE REPORT

- 5.1.1 The Development and Governance Project Board was created following approval by Cabinet in September 2023. The purpose being to oversee the delivery of the Council's development programme that seeks to deliver 1000 low carbon homes by 2033.
- 5.1.2 The Board comprises a range of representatives from across Council departments and includes the Cabinet Member for Housing, the Cabinet Member for Planning, the Chair of Housing and Environment Scrutiny Committee, the Deputy Chief Executive, Head of Housing, the Council's Chief Legal Officer, Section 151 Officer, HRA Accountant, Landlord Services Manager and the Head of Development and Strategy.
- 5.1.3 The first meeting of the Board took place on 4th December 2023 hence this report provides an overview of the work undertaken in the first 6 months following its inception.
- 5.1.4 The Board has continued to oversee the negotiations between Caerphilly Homes and Willmott Dixon in relation to the Ty Darran and Oakdale developments. The contract with Willmott Dixon for Ty Darran was signed on 12th April 2024; work has started on site and an official groundbreaking event took place on 14th May 2024.
- 5.1.5 The focus remains on negotiating the contract with Willmott Dixon for Oakdale. The scheme has been delayed due to the consideration that had to be given to the inclusion of a later living scheme to replace Ty Melin, the re-design necessary and the cost plan.
- 5.1.6 The area of the site that the replacement for Ty Melin will occupy will have to be considered by Planning as part of a separate planning application. Phases 1-3 will be subject to a separate contract and a PCSA (pre-construction services agreement) will be signed separately for phase 4 which includes the later living element and the design work necessary to progress the scheme. Cabinet approved the signing of the contract with Willmott Dixon for Oakdale on 18th October 2023 at a cost of £35.2m. It is now likely that there will be two separate contract arrangements: one for the main site (42 homes) including phases 1-3 and one for the later living scheme and associated homes, phase 4 (51 homes).
- 5.1.7 The Board has focused on bringing the next suite of sites forward.
- 5.1.8 The next sites to be featured in the programme will be the three sites located in Bargoed. A meeting has been held with the local ward members who are supportive of the 100% affordable scheme comprising 48 homes across three sites. The sites sit within the Housing Revenue Account (HRA) and the next stage will include a pre-application consultation with the local community. Powell Dobson are the architects appointed via Currie and Brown and will be leading the discussions. The design has reached the end of RIBA 3 and Caerphilly Homes will be appointing a primary contractor via the Welsh Procurement Alliance to deliver the scheme. It is likely that a full planning application will be submitted to the LPA (Local Planning Authority) in late summer 2024. The scheme has been deemed financially viable.

- 5.1.9 The site located at James Street North, Trethomas will follow the delivery of the Bargoed sites. Local concerns have been raised regarding planting that has taken place on the site however, the scheme proposed seeks to develop one third of the site thereby retaining the remainder of the site for the community. The scheme includes 8 accessible bungalows which have been proposed to meet an identified need in the LHMA (Local Housing Market Assessment). The site is held within the General Fund and will have to be appropriated into the HRA. An initial valuation was undertaken in October 2022 in the region of £95,000. LHA's in Wales are required to make an adjustment to the HRA Capital Financing Requirement to reflect any appropriations of land, dwellings and other properties in and out of the HRA in order to protect the HRA ring fence. The next actions will include the submission of an outline planning application, a meeting with ward members and a community event which will be held at Ty Penallta. The appointment of a contractor will follow. The scheme has been deemed financially viable.
- 5.1.10 Work has continued at Castle Court with Jon James Architects who have been appointed via Currie and Brown. The design work is being concluded and the team are at the end of RIBA 3. The design proposed includes a 100% affordable scheme comprising 16 homes and a full planning application is likely to be submitted in July / August 2024. The site lies within the Housing Revenue Account so does not require appropriation. A meeting with the local ward member to provide an update on the scheme is imminent.
- 5.1.11 Brooklands has been declared surplus to requirements by the Council's Education department. The site is currently being managed by Property Services. Site investigation works have been undertaken and the outcome is positive. The design work is ongoing for a mixed tenure development and the next stage will be to engage the District Valuer in undertaking an up-to-date valuation in order to appropriate the site into the HRA during quarter 2 of 2024/25. A valuation undertaken in October 2022 which included the entire site (including the youth centre) valued it at £325,000. Local ward members have been engaged and have raised concerns regarding parking arrangements. In the current design all parking is accommodated within the site boundary as per ward member requirements.
- 5.1.12 A number of viability appraisals have been undertaken in relation to the former brewery / Aldi site in Rhymney. The local ward member is supportive of the development providing it is mixed tenure and includes market sale opportunities. To date, all the appraisals undertaken indicate that a mixed tenure scheme is unviable. Conversations have been held with Welsh Government regarding the potential use of the Land and Buildings Development Fund (LBDF) in order to finance the remediation of the site and the necessary infrastructure. Funding via the LBDF together with Social Housing Grant will contribute towards a more positive viability appraisal.

5.2 Land Prospectus

- 5.2.1 The Board has overseen the creation of a Land Prospectus which details the sites that could be brought forward subject to Planning, SAB and viability. Some of the sites have been included as candidate sites in the Local Development Plan and some are sites that are classed as 'windfall' opportunities due to them becoming available as a result of the Council's asset rationalisation exercise.

5.3 Transitional Accommodation Capital Programme (TACP)

- 5.3.1 The acquisition of properties is currently on hold pending the consideration of an acquisitions policy (due to be considered by Housing and Environment Scrutiny

Committee and Cabinet shortly). To date 18 properties have been acquired through our acquisition (buy back) programme.

- 5.3.2 A total of three sites are currently being considered for inclusion in the programme including two in Blackwood and one in Pontllanfraith. Ward members of both wards have been briefed. Site investigations have taken place at the two Blackwood sites (Cliff Road and Gibbs Close) and an expression of interest has been provided to Zed Pods under the Welsh Procurement Alliance NH3 Framework. Site investigations at the site in Pontllanfraith are pending.

5.4 Viability Appraisals

- 5.4.1 Viability appraisals have been undertaken across all sites within the current development programme and have been presented to the Board. All sites within the programme are challenging in relation to viability largely due to current market conditions, the topography of the site or abnormals. Costs have been derived from Currie and Brown, include estimated government subsidy (grant), a 50-year rental income period and are linked to assumptions in the HRA Business Plan.
- 5.4.2 The Board has been briefed on the relationship between the development programme, other housing pressures (including the maintenance of existing stock, WHQS23 compliance) and the HRA Business plan. The current development programme is entirely reliant on the ability to secure funding via Social Housing Grant (SHG) from Welsh Government; without the ability to secure SHG, the programme could not be delivered. Viability appraisals are undertaken through the duration of a development and a new suite of appraisals including updated costs will be presented to the Board in September. On some sites there is also a reliance on the sales of private homes which are taken into consideration as part of the overall investment. The HRA cannot subsidise homes for private sale.
- 5.4.3 The Board has overseen the purchase of viability software which will enable the Caerphilly Homes development team to undertake viability appraisals in house. To date, third party support has been provided by Linnells Property Consultancy and Currie and Brown. The tender was awarded to SDS / Proval which is used by a number of housing associations and property developers.

5.5 Local Housing Market Assessment (LHMA)

- 5.5.1 The Board has overseen the delivery of the Local Housing market Assessment (LHMA) which will be reported to Cabinet on 26 June 2024. The methodology has been prescribed by Welsh Government and provides a tool to better understand local need in relation to the type of new homes needed and the location. The LHMA is also accompanied by a Prospectus which is the tool used by housing associations and the Caerphilly Homes development team to easily understand what homes are needed where. It is also the tool used by Welsh Government to allocate Social Housing Grant. This is the first Local Housing Market Assessment undertaken since Welsh Government changed the methodology used. In Caerphilly, there is still an overwhelming demand for one bedroom accommodation and in some areas, larger 4 / 5 bedroom family homes.

5.6 Procurement

- 5.6.1 A number of key procurements are being tracked by the Board including the tender of a new Development Services consultancy to replace the existing Land Appraisal Contract which expires on 31st July 2024. It is intended (for consistency) to continue

the order with Currie and Brown to act as Project Managers / Employer's Agent on the Oakdale and Ty Darran site and the support to bring forward the next suite of development sites within the development programme. The Development Services tender will be finalised shortly and seeks the appointment of a multi-agency consultancy that can be utilised by Caerphilly Homes and other internal departments to support the delivery of construction and place shaping related projects.

5.7 Team/ Resources

- 5.7.1 The Board are appraised of the current team structure and associated pressures. The Construction Manager post has been advertised three times previously but has not attracted individuals with the knowledge and skillset required. It has now been readvertised following approval from the Board together with the Development Manager role which has recently been vacated. Two further roles have been created and will be evaluated shortly (Programme Support Officer and Resident Liaison / Social Value Officer).
- 5.7.2 Ensuring that the team is well resourced with passionate and committed individuals with the necessary skills together with a broader understanding about the need to maximise the Council's investment in new homes to support the local economy, create jobs and opportunities, tackle fuel poverty and address the climate crisis is a priority.

5.8 Frequency of Meetings

- 5.8.1 The Board have agreed to move the frequency of meetings from monthly to bi-monthly.
- 5.8.2 There continue to be significant challenges and risks to the programme. These include:
- The competing internal and compliance related demands on the HRA which could lead to funds having to be reprioritised and diverted from the new build programme including, new rent policy, interest and inflation rate volatility, WHQS23 compliance etc.
 - The lack of developable land and its correlation to areas of need (identified in the LHMA).
 - Competing Welsh Government policy agendas which mandate the creation of mixed tenure communities yet a LHMA that, in Caerphilly, specifies a significant need for one bedroom accommodation.
 - The requirement to pay commuted sums to the Caerphilly SAB Authority which remain unknown until an application is approved and which can influence the financial viability of a development.
 - The timescales and costs involved in the design of low carbon schemes and the difficulty associated with sites that are topographically challenging or have an industrial legacy which may lead to a negative viability appraisal.
- 5.8.3 The Risk Register is a standard agenda item at each Board meeting.

5.9 Conclusion

- 5.9.1 Since the inception of the Board at its first meeting on 4th December 2023, significant progress has been made to drive forward the scale and pace of delivery within Caerphilly County Borough. The main focus of the Board has been to identify potential sites that will form the basis of a development programme that is designed to deliver 1000 new affordable homes by 2033 and to bring forward the next suite of sites for delivery.
- 5.9.2 The Board now has a sufficient pipeline of sites documented in a cohesive land prospectus to make significant progress towards the delivery of this number. The number of homes contained in the Land Prospectus currently amounts to circa 900 homes although it is acknowledged that not all of the sites contained in the Prospectus will come forward for delivery and some sites may be substituted with others.

6. ASSUMPTIONS

- 6.1 The current assumption is that the HRA will continue to finance a development programme despite the competing pressures and demands including WHQS23 and HHSRS compliance.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 Not applicable. Each individual project / development will be the subject of an individual IIA. This report is for information purposes only.

8. FINANCIAL IMPLICATIONS

- 8.1 There are significant financial pressures on the Caerphilly Homes development programme due to the wider financial pressures on the HRA resulting from compliance requirements across the existing stock including WHQS23, HHSRS etc.
- 8.2 The Board has been briefed on the relationship between the development programme and the HRA Business Plan which is approved annually by Cabinet and submitted to Welsh Government.
- 8.3 The 2024/25 HRA Business Plan which was agreed by Cabinet on the 3rd April 2024, allows for 528 units (social rented and blended tenure schemes) over a five year period at a gross cost of some £163m. Prior to this, 31 properties have been successfully built and brought into Caerphilly Homes stock portfolio. Caerphilly Homes has also recently introduced 2 of its first Low Cost Home Ownership properties.
- 8.4 Assumptions are made within the HRA Business Plan regarding the level of Social Housing Grant (SHG) awarded by Welsh Government and any expected private marked sales. Further assumptions generic to the whole HRA operations, which impact on funding, include inflation and interest rates, rent increases, levels of voids and arrears and borrowing requirements.

8.5 The 2024/25 HRA Business Plan has been submitted as a financially viable model. The borrowing requirement within the plan over the next 5 years is currently within the £100m borrowing limit approved by Council .

8.6 It has been acknowledged that as we progress further with new build aspirations together with the development of the WHQS23 programme that the borrowing capacity will need to be reviewed.

9. PERSONNEL IMPLICATIONS

9.1 There are no direct personnel implications arising from the report. Vacancies within the team are noted in sections 5.7.1 and 5.7.2.

10. CONSULTATIONS

10.1 Ward Members have been engaged at appropriate milestones throughout the development of each proposal.

10.2 Where appropriate, pre application consultations (PAC's) have been undertaken or will be scheduled as each development moves through the RIBA project development lifecycle.

10.3 A Community consultation event and numerous scheme engagement events have been held throughout the development of the Ty Darran scheme. The project team are acutely aware that there are residents in St Mary's Court and Waunfawr House who are waiting to move into the new Ty Darran accommodation. As a result, individual scheme events have been undertaken at project inception, design development, the interior and soft furnishing design phase. Overall, residents have been complementary of the internal and external design and how their needs and suggestions have been considered. An initial event has also been held with the residents of Ty Melin in relation to the new scheme proposed at Oakdale Place who are excited about the new development.

10.4 Opportunities for community engagement and consultation will be on going in Risca as the Ty Darran scheme progresses and in Oakdale following the signing of the contract with Willmott Dixon. Further events will also be scheduled for the next suite of sites to be developed as part of the Caerphilly Homes development programme including the three sites located in Bargoed and the site in Trethomas.

10.5 Internal consultees are consulted as part of the planning and sustainable urban drainage statutory procedures.

10.6 The report has been circulated to the consultees listed below. No additional comments or observations have been received.

11. STATUTORY POWER

11.1 Local Government Acts 1972 and 2003, Housing Act 1985, Housing Wales Act 2014

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