



HOUSING AND REGENERATION SCRUTINY – INFORMATION ITEM

SUBJECT: CAERPHILLY HOMES – BUILDING TOGETHER UPDATE

REPORT BY: CORPORATE DIRECTOR OF SOCIAL SERVICES AND HOUSING

1. PURPOSE OF REPORT

- 1.1 To provide an update to members of Housing and Regeneration Scrutiny on the progress made in relation to the Council's Development programme since the Building Together Report was approved by Cabinet on the 15th January 2020.

2. SUMMARY

- 2.1 The Building Together report set out a high level strategy to build new Council owned homes for the first time in 17 years.
- 2.2 The target included within the report and endorsed by Cabinet was to build 400 new homes by 2025 using a variety of delivery options.
- 2.3 The report outlined a high level strategy that would be adopted and underpinned by a more detailed Development Strategy at a later date. It also highlighted a number of key development opportunities that would be explored throughout 2020/21 and a number of high level design ambitions including the delivery of zero carbon, beautiful homes that would meet Welsh Government's space and quality standards.
- 2.4 This report outlines the progress made to date in respect of the delivery of new homes and the acquisition of new and existing homes to add to the Caerphilly Homes stock portfolio.

3. RECOMMENDATIONS

- 3.1 Members are asked to note the report for information.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The report is for information hence members are asked to note the contents of the report.

5. THE REPORT

- 5.1 Progress made to increase Council house supply to date includes the following activities:

Housing Acquisitions – Homelessness

- 5.2 An additional 6 homes have been purchased during the 2020/21 financial year as a result of securing Welsh Government Homelessness Phase 2 grant funding of £348,254 including fees.

New Housing Acquisitions via Section 106

- 5.3 8 properties (including 2 that are designated Low Cost Home Ownership) have been purchased via Section 106 from Llanmoor Homes who are currently in the process of developing phase 1 at the former Bedwellty School site, Aberbargoed.
- 5.4 A further 7 properties will be purchased via Section 106 as part of the phase 2 development by Llanmoor Homes in 2022/23.
- 5.5 Caerphilly Homes has first option on Section 106 purchases negotiated via the Planning system.

Trecenydd & Trethomas Innovative Housing Programme Update

- 5.6 The Building Together report approved on 15th January 2020 noted the possibility of exploring the development potential of a site at the former 49 Club in Trecenydd and a former garage site at the rear of Llanfabon Drive in Trethomas.
- 5.7 During 2020, the Council formally appointed Willmott Dixon as its delivery partner via the Scape National Construction framework agreement to explore the feasibility of development on both the Trecenydd and Trethomas sites. The feasibility study and development appraisal were concluded during the summer of 2020 and on 9th September 2020 a report was presented to and approved by Cabinet which permitted Caerphilly Homes to enter into a Pre-Construction Services Contract (PCSA) and a delivery agreement with Willmott Dixon for the development of both sites with a view to obtaining financial support to part fund the development of new Council homes from Welsh Government via its Innovative Housing Programme (IHP).
- 5.8 The PCSA was signed on 15th October 2020 by the Council and Willmott Dixon.
- 5.9 An application to Welsh Government for £2.7m as part of its IHP was made as per the funding requirements on 25 September 2020. The total development costs were estimated to be £3.7m.
- 5.10 The Council received confirmation that the project would be supported and funded by Welsh Government on 18th December 2020. As noted in the report dated 9th September 2020 the approval of IHP funding from Welsh Government has resulted in a very tight delivery timescale. The design layout for both sites and the application were submitted for planning on 10th December 2020.
- 5.11 Neither site is without constraint or complexity. Both are brownfield sites and recent geotechnical investigations undertaken have identified a number of underground constraints which have ultimately influenced the size of the developable area on each and the design and layout of both sites.
- 5.12 The timetable that needed to be met in order to ensure compliance with Welsh Government Innovative Housing Programme expectations is as follows:

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| Design Review Meeting (Design Commission for Wales) | 16 September 2020 |
| Application deadline and date submitted: | 25 September 2020 |
| PSCA Signed | 15 th October 2020 |
| Planning Submitted | 10 th December 2020 |
| Planning Considered | 3 March 2021 |
| Signed Build Contract: | 5 March 2021 (revised 19/03/21) |
| Start on Site (No later than) | 30 April 2021 |

- 5.13 The Planning Committee approved the planning applications for both sites on 3rd March 2021.
- 5.14 The build contracts were due to be signed on the 5th March in accordance with the IHP requirements. On the 5th March, Caerphilly Homes were notified by Willmott Dixon that the detailed cost plans were suggesting a funding shortfall of £588,569 compared to the budget that was originally estimated and approved in the report to Cabinet dated 9th September 2020.
- 5.15 The explanation provided by Willmott Dixon for the increase in costs is due to unforeseen ground conditions and a requirement to excavate the site to 2m deep, install a frame and utilise isofix foundations in order to comply with Passivhaus requirements and ensure the air tightness of the building envelope. There are also increased costs relating to the insulation of the steel frame produced by Caledan Ltd and the proposed finish to the buildings.
- 5.16 Efforts during the last few weeks have focused on reducing the funding gap without compromising the integrity of the product, the finish and the passivhaus accreditation.
- 5.17 Managers of the SCAPE National Construction framework agreement have also been involved in discussions with Willmott Dixon in an attempt to address the challenges.
- 5.18 Welsh Government have agreed to part finance the funding gap which has reduced the gap to circa. £135,000.
- 5.19 Willmott Dixon have offered a contribution of £35,000 which has reduced the gap further.
- 5.20 The HRA will finance the remaining shortfall of circa. £100,000.
- 5.21 Build Contracts were signed as per the Welsh Government's 19th March 2021 deadline and work is progressing towards a start on both sites by 21st April 2021 as per the IHP funding requirements. Construction is likely to start in June.
- 5.22 The total cost of the Trecenydd and Trethomas demonstrator schemes is £4.4m. Welsh Government will fund £3.1m and the total cost to the HRA is £1.1m. A total of 18 new homes will be built as a result of this highly innovative scheme.
- 5.23 15% of the total contract value will be committed to providing social value or community benefits including employment opportunities, training and work placements for local people together with support for the Caerphilly Cares service. Discussions are ongoing to determine the exact detail of the social value contribution hence a further update will be provided in the Autumn.

Former Oakdale Comprehensive School

- 5.24 The report presented to Cabinet on 9th September 2020 and the proposals for the Trecenydd and Llanfabon Drive sites also contained an approval for CCBC to sign a Pre-

Construction Services Agreement (PCSA) with Willmott Dixon to explore the viability of building new homes on the site of the former Oakdale Comprehensive School. This work is underway and will investigate the development potential of the site and its viability, taking into consideration climate change, climate resilience, the use of Modern Methods of Construction (MMC), the Beautiful Homes Standard, accessibility, flexibility, energy efficiency and an ambition to create healthier homes.

- 5.25 It is anticipated that the feasibility study will be concluded by May 2021 and that a further report will be brought forward to Cabinet for consideration on 7th July 2021.
- 5.26 The feasibility study is likely to explore the viability of creating an eco / zero carbon community of c100 accommodation units on the site.

Land at Heolddu Grove, Bargoed

- 5.27 Since the Building Together report dated 15th January 2020, initial site investigations have been undertaken to determine the suitability of the site for development and an ecology survey, overseen by the Council's Ecologist, has also been undertaken.
- 5.28 Following the launch of the Cardiff City Region (CCR) Housing Investment Fund in September 2020 a decision was taken by Cabinet on 9th September 2020 that Caerphilly Homes would submit a proposal for funding to CCR for funding to examine the possibility of bringing the Heolddu Grove site forward for development. As a result, Caerphilly Homes engaged Local Partnerships LLP, a consultancy jointly owned by HM Treasury, the Local Government Association and the Welsh Government to assist with the production of a high level capacity and viability assessment in order to meet the requirements of the Housing Investment Fund.
- 5.29 The high level capacity assessment suggested that it may be possible to include 55 new homes on the site.
- 5.30 An application for funding from the CCR Housing Investment Fund to develop the land at Heolddu Grove, Bargoed was submitted on 8th January 2021 in accordance with the grant application criteria (deadline 11th January 2021).
- 5.31 CCR have advised that the project is currently on their reserve list and may be brought forward if other projects that have been approved in neighbouring boroughs are not deliverable.
- 5.32 It should be noted that the Heolddu Grove site is incredibly complex and there is significant work still to be undertaken to better understand the site, its abnormalities and constraints together with its development potential. Site investigations will continue on the site throughout 2021 in order to determine its suitability for development and the likely developable area.
- 5.33 If funding from Cardiff City Region (CCR) is awarded then the site investigation work will need to be accelerated as the timeframe in which CCR are expecting the project to be delivered is challenging.
- 5.34 If the project is brought forward onto the Cardiff City Region Housing Investment Fund Reserve list is likely that Caerphilly Homes will need to utilise the SCAPE National Construction Framework Agreement again in order to expedite the development process.
- 5.35 If the Cardiff City Region Housing Investment Fund does not fund the development at Heolddu Grove an application for funding may be made to Welsh Government's Land

Release Fund to further examine the site constraints. .

- 5.36 In the event that either occurs a formal report will be brought forward for consideration.

Ty Darren, Risca

- 5.37 Ty Darren is a former residential care home which closed in 2010 and development of the site has been delayed pending improvements to adjacent river flood defences which have now been completed. The traditionally constructed building remains in place and the building envelope is in reasonable condition however, internally the condition of the building is poor.
- 5.38 The Aneurin Bevan Health Board (ABUHB) currently occupy the adjacent site and deliver a wide range of primary care services including adult mental health outpatient clinics, clinical psychology, physiotherapy and a range of preventative and support services including a first time parent group.
- 5.39 Caerphilly Homes are seeking to explore the options to build a new community that facilitates positive ageing and incorporates a range of health and wellbeing services (many of which are currently provided on the adjacent site which is owned by the ABUHB) and which would be made available to residents of the new scheme and also to the wider community.
- 5.40 In January 2020 Pentan Architects were commissioned by Caerphilly Homes to explore the opportunities for development across both the site owned by the Aneurin Bevan University Health Board (Risca Health Centre) and Ty Darren with the aim of creating an exemplar, zero carbon, integrated health, residential and community hub; the first of its kind within the county borough.
- 5.41 Housing with care, incorporating a restaurant, café, communal lounge, hairdresser, activity room etc is becoming more commonplace. Some may also have a library or a gym, computer access and shop. Many of the facilities are not only open to residents but also to the wider community, reflecting a more integrated approach to community health and adult social care, by sharing access to primary health care and social services between people living in the scheme and those living nearby.
- 5.42 The integration of older persons accommodation with community services helps reduce isolation and increases the cost effectiveness of local services through economies of scale and maximising preventative approaches to health and well-being.
- 5.43 The following surveys have been undertaken and the constraints identified:

| Activity | Constraint Identified |
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| Topographical survey | Surface water culvert located within the site along the north eastern boundary Welsh Water sewer asset crossing the site Western Power electricity asset crossing the site |
| Utility Searches | Welsh Water sewer asset crossing the site Western Power electricity asset crossing the site |
| Arboriculture/Tree Survey | Several mature trees which may warrant retention |
| Headline 'draft' Flood Consequence Assessment | South eastern portion of the site located in the flood zone |

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| Drainage Desk Top Study | Drainage/flood risk on the site supplemented with SuD's screening information and recommendations Existing surface water flow paths, green corridors, infiltration potential, existing assets and utilities |
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- 5.44 The constraints that have been identified have reduced the developable area of the site by 44% which may influence the level of the capital receipt that may result from apportioning the site from the general fund to the HRA. This will be explored further in a formal report during the Autumn.
- 5.45 At an operational level, colleagues from the ABUHB have been engaged by Pentan in workshops to determine the services that may be provided from the new hub and initial design and layout completed
- 5.46 Discussions are ongoing at a strategic level with colleagues at the ABUHB to determine whether the services that are currently delivered from Risca Health Centre will continue to be delivered in the same way or whether services will change and be delivered differently in a post Covid-19 environment as this will directly affect the footprint required by Health. We have requested a minimum of 40 units to be accommodated.

Land Appraisal

- 5.47 A tender has been issued in accordance with the Authority's Standing Orders for Contracts and the Public Contract Regulations for the engagement of a multi-disciplinary contractor to undertake development appraisals on specific sites that fall within the HRA, the general fund and privately owned sites that may be brought forward for consideration as part of a joint venture. The tender includes an initial list of 15 sites that include Brooklands, Risca; Western Avenue, Gilfach and Bryn Fedw, Trethomas.
- 5.48 The team appointed will also undertake the due diligence required on a number of the large strategic sites that the Council are exploring for mixed use development with Welsh Government.

Conclusion

- 5.49 The HRA and general fund sites within the Council's portfolio are not without their difficulties given the borough's historic industrial past and as a consequence, it will take time to bring the land that may be available for development forward.
- 5.50 Caerphilly Homes are committed to working in partnership in order to maximise opportunities for the development of affordable homes. In October 2020, the Council signed a Memorandum of Understanding (MOU) with partner Housing Associations which sets the basis for collaborative working to deliver more affordable, high quality, zero carbon homes which also deliver added benefits including new employment opportunities, apprenticeships, learning, training and work placements.
- 5.51 Community engagement will be integral to the success of the developments identified in this report however, due to Covid-19 it has been incredibly difficult to undertake the face to face engagement that would be preferred. As a result, work is underway with colleagues within the Communications Team to develop a detailed engagement programme for each Caerphilly Homes development. Communities will also be consulted as part of the formal Planning process.

- 5.52 Whilst Caerphilly Homes are leading the Council's development programme, colleagues from across the Council including those in Highways and Engineering, Legal Services, Planning, Environmental Health, Ecology, Procurement and Finance are all instrumental in ensuring the success of the programme.
- 5.53 Work has also started to develop a brand which transcends the delivery of both affordable and market sale Caerphilly Homes. A further report will be presented in the Autumn on a series of branding options.

6. ASSUMPTIONS

- 6.1 The Housing Business Plan whilst accounting for the delivery of the proposals contained within this report, also considers a number of assumptions which could impact on the extent to which the proposals can be met. Some of these assumptions include the impact of Covid-19, inflationary increases in relation to salaries, materials, office accommodation, transport etc. and also rent increase levels, ongoing maintenance of the existing stock, Major Repairs Allowance (MRA) allocation, interest rates and other potential funding restrictions. The 2021/22 Housing Business Plan has recently been submitted to Welsh Government to include commitments which would facilitate the development of 228 new Caerphilly Homes.
- 6.2 Commercial terms and specifications for the new housing via Section 106 Agreements are assumed to result in properties being purchased at SPG rates.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 An IIA has not been completed to accompany this report as it is only for information. A detailed and comprehensive IIA will be completed for each individual proposal / project brought forward for consideration.

8. FINANCIAL IMPLICATIONS

- 8.1 Council agreed on the 26th February to a £75m borrowing level in order to complete the WHQS programme and progress with the new build ambition. This was estimated to be in the region of £45m for WHQS and £30m for new build. As a result of the Covid-19 pandemic progress of the WHQS programme has prevented due to Welsh Government Tier 4 restrictions.
- 8.2 The Pandemic has also resulted in additional costs to the HRA including an increase in rent arrears, void costs and the higher cost of materials. However, the delay in completing the WHQS programme in 2020/21 due to the Covid restrictions has resulted in a high level of underspend projected at the end of this financial year in the region of some £13m. This level of funding has caused a shift in the funding and borrowing profile within the Housing Business Plan meaning that borrowing will not be necessary in 2020/21 and unlikely to be called on in 2021/22 due to the underspend being carried over from the previous year.
- 8.3 The Business Plan for 2021/22 has very recently been submitted to Welsh Government including, the projects listed in this report and all remain affordable at this stage. Each of the proposals will be tested for their financial viability prior to being brought forward for consideration as part of the development appraisal process.
- 8.4 Borrowing is now estimated to be in the region of £60m to include the completion of WHQS

by the new extended deadline of December 2021 and the commitment of 228 new build social housing. The borrowing level therefore remains within the limit agreed by Council. However, as pointed out in 6.1 above this is based on a mixture of assumptions going forward.

- 8.5 Welsh Government has awarded £3.7m towards the innovative housing costs associated with the Trecenydd and Trethomas developments. A further £2.5m has been allocated via the Welsh Government's Social Housing Grant (SHG) for development costs incurred to support the delivery of the Council's development programme during 2021/22. £348,254 has been obtained to support the acquisition of homes to add to the Council's stock portfolio as a result of Welsh Government's Phase 2 Homelessness funding.

9. PERSONNEL IMPLICATIONS

- 9.1 A minor restructure has already been initiated within Caerphilly Homes to create a dedicated resource to focus on opportunities for increasing Council house supply.
- 9.2 An additional Development Manager post has been advertised to add value to the skills that already exist within the team and plans are underway to increase resources further through the appointment of a Project/Technical Officer, Quantity Surveyor and Clerk of Works. This will ensure that it has the team has the capacity and skills in place to develop 'shelf ready' schemes and be visionary, creative and ambitious in our approach to building new affordable Caerphilly Homes.

10. CONSULTATIONS

- 10.1 Consultation responses have been included in the report.

11. STATUTORY POWER

- 11.1 Local Government Act 1972 and the Housing Wales Act 2014

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