



## **HOUSING AND REGENERATION SCRUTINY COMMITTEE – 26TH NOVEMBER 2019**

**SUBJECT: CAERPHILLY HOMES – #BUILDINGTOGETHER**

**REPORT BY: CORPORATE DIRECTOR OF SOCIAL SERVICES AND  
HOUSING**

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### **1. PURPOSE OF REPORT**

- 1.1 This report outlines a vision to build homes that are in places where people want to live, work and enjoy themselves; to build and add to cohesive communities and in doing so create sustainable opportunities for training and employment.
- 1.2 The report also sets out how Caerphilly Homes (Housing Services division of Caerphilly County Borough Council) intends to increase its supply of housing.
- 1.3 The views of the Housing and Regeneration Scrutiny Committee are being sought prior to the report's consideration by Cabinet.

### **2. SUMMARY**

- 2.1 The Caerphilly Local Housing Market Assessment has identified a requirement for a total of 282 units per annum over a period of 5 years in order to meet local demand. This includes 169 social rented units and 113 'intermediate' units (56 low cost home ownership and 57 intermediate rent).
- 2.2 In terms of property size, by far the greatest requirement is for one bedroom accommodation however, the pattern of need varies between wards and housing market areas. There is a higher need for accommodation in the south of the borough than there is in the north. The assessment also highlights a surplus of older person's accommodation throughout the county borough. This is based on the location, type and quality of the existing provision, which in some instances no longer meets the needs and aspirations of older people. With national statistics showing that people are living longer and that the number of older people is expected to grow, there is a pressing requirement for alternative accommodation that is more flexible and better suits their needs now and for the future.
- 2.3 Having committed to investing approximately £260 million to improve the condition of our existing council homes to ensure all meet the Welsh Housing Quality Standard by 2020, this report sets out the ambitious long term investment plans of Caerphilly Homes to build and acquire a new generation of homes that meet a growing local need for new social and affordable housing.

- 2.4 The programme, branded *#BuildingTogether* aims to deliver 400 affordable homes between 2020 and 2025. This aim links directly with the Council's commitment contained within the Corporate Plan 2018-2023 and Wellbeing Objective 3 which aims to address the supply, condition and sustainability of homes throughout the county borough.
- 2.5 Recognising the need for additional affordable homes to meet an increasing demand, a commitment to build and increase the number of homes within the Council's portfolio is a corporate commitment.
- 2.6 In 2015 the Welsh Government ended the Housing Revenue Account subsidy system for Council homes thereby introducing new powers for Councils to keep their rental income and generate growth which, in Caerphilly, continues to be reinvested in homes to deliver the Welsh Housing Quality Standard by 2020 and will now also be invested into the Caerphilly Homes *#BuildingTogether* development programme to deliver the Council's commitment of providing additional affordable homes.

### **3. RECOMMENDATIONS**

- 3.1 Members are asked to recommend that Cabinet agree to the development, subject to planning approval, of the HRA site in Nelson in order to access AHG (Affordable Housing Grant) prior to the end of March 2020 via a direct award to a partner Registered Social Landlord.
- 3.2 Members are asked to recommend that Cabinet agree to the development of the HRA sites in Bedwas and Trecenydd subject to viability testing and planning approval as set out in the report.
- 3.3 Members recommend that Cabinet agree the principle of Caerphilly Homes acquiring new build affordable homes, via Section 106 Agreements in areas of housing need, subject to financial viability in terms of the Housing Business Plan.
- 3.4 Members recommend to Cabinet that the purchase via Section 106 Agreements of up to 10 affordable units per development be delegated to the Head of Service in conjunction with the Cabinet Member for Homes and Places. Section 106 Agreements involving more than 10 affordable units will be the subject of a report to Cabinet.
- 3.5 Members recommend that Cabinet agree to proposals for General Fund land to be considered and appropriated to Caerphilly Homes for the development of affordable housing, subject to suitability and affordability. Further reports will be submitted as and when required on specific site proposals requesting appropriation from the General Fund to Caerphilly Homes for housing purposes.
- 3.6 Members recommend that Cabinet approve that where HRA land is sold for new development, 100% of the capital receipt is kept within the HRA and recycled to finance the Council's new build programme. Where there is no commitment to develop the land, there is an option to retain 25% of the receipt within the HRA and 75% utilised to repay debt (as in previous years with regards to Right to Buy sales).

- 3.7 Members recommend that Cabinet support the exploration of innovative and commercial opportunities to facilitate the delivery of new affordable homes including the possibility of market sales, which on some sites may be necessary to ensure viability.
- 3.8 Members recommend that Cabinet approve the engagement and commissioning of consultants and a development partner via recognised and compliant public sector procurement instruments i.e. via the SCAPE and Welsh Procurement Alliance framework agreements (further explained in 5.5/6). Each separate procurement arrangement will be undertaken with support and advice from the Council's Procurement Team and will be subject to separate reports being brought forward as appropriate.
- 3.9 Members recommend that Cabinet approve the use of Modern Methods of Construction (MMC) including modular or partially modular homes together with a 'fabric first' approach to deliver the most energy efficient homes possible and respond to the zero carbon agenda.
- 3.10 Members recommend that Cabinet approve the commissioning of an independent consultancy via a compliant framework agreement to undertake viability assessments of all suitable HRA land in order to develop a catalogue of commercially viable sites that can be developed over a 5 year period and form the basis of the Council's new build strategy. This information will be used as the basis to develop 'shelf ready' schemes in preparation for the announcement of new Welsh Government funding in 2021.
- 3.11 Members recommend that Cabinet approve the creation of a Caerphilly Homes Development Team to develop and drive forward the new *#BuildingTogether* programme as noted in 5.32 and 5.33.
- 3.12 Members recommend that Cabinet approve the submission of a report to Council which includes a request to borrow a further £14M to kick start the new build programme and other proposals contained in this report. Further details are contained in section 10.
- 3.13 Members recommend that Cabinet approve that any unused borrowing from the £61m originally earmarked for WHQS be transferred to support the delivery of the new build programme. Further details are contained in section 10.
- 3.14 Members are asked to note that further reports will be submitted as and when required and details of specific schemes are known in order to advise members and where necessary seek Cabinet approval.

#### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 In recognition of the increasing demand for affordable housing this reports sets out the progress made by Caerphilly Homes to date in relation to increasing the number of Council homes.
- 4.2 The development of a Council home building programme will help to meet the needs of the 4,500 applicants currently on the Common Housing Register waiting list, future applicants and also contribute to reducing the incidence of homelessness and rough sleeping.

- 4.3 It will support the local housing market and provide new opportunities for apprenticeships, training and employment. The development of additional affordable homes will help stimulate and grow the local foundational economy through the creation of local supply chains, the delivery of community benefits and create and add value to existing communities thereby increasing cohesion and resilience.
- 4.4 The building of new affordable Caerphilly Homes to meet an ever increasing need for affordable homes is a corporate commitment.

## **5. THE REPORT**

- 5.1 As a consequence of entering the final stages of the Welsh Housing Quality Standard (WHQS) investment programme, Cabinet approved the Caerphilly Homes Asset Management Strategy (AMS) on the 12<sup>th</sup> September 2018.
- 5.2 The AMS not only included proposals for ensuring that the WHQS was maintained post 2020 but also included a number of options for increasing Council house supply.
- 5.3 Progress made to increase Council house supply to date includes the following activities:

### **Property Acquisitions**

- 5.4 Bids for the acquisition of 5 empty former Council properties under the Affordable Housing Grant (AHG) programme were submitted to Welsh Government in December 2018. Notification of funding award was received from Welsh Government in March 2019.
- 5.5 Colleagues in Property Services assisted with the valuation and negotiations on the purchase price and the five properties were successfully purchased prior to the 31<sup>st</sup> March 2019 in order to comply with the AHG deadline.
- 5.6 Further bids for AHG funding have been submitted to contribute towards the cost of improvements necessary to bring these properties up to an acceptable standard. In order to qualify for the AHG funding the properties need to be improved to Development Quality Requirements (DQR) Part 2 (Requirements for existing and rehabilitated dwellings built by housing associations).
- 5.7 A further 5 properties were purchased in September 2019 following submission of AHG applications by a revised deadline for which we are awaiting notification of an award, and again further bids have been submitted to contribute towards the cost of improvements.
- 5.8 The AHG funding covers 58% of the purchase and improvement costs and is paid in the form of a revenue stream over a 29 year period. The remainder of the cost is funded by the Council.
- 5.9 The AHG request for the acquisition of the 10 homes and associated refurbishment is therefore currently £739,330 in total, however the full amount of £1,274,708 will need to be provided up front as a capital cost by the HRA with the AHG element being provided as an annual revenue income stream of £39,633 by Welsh Government over a 29 year period.

- 5.10 In addition to the above, conversion works are underway at Hafod Y Bryn and Tredegar Court to create additional units of accommodation utilising Affordable Housing Grant (AHG) funding which will provide an additional 3 units of accommodation for older persons.
- 5.11 6 additional acquisitions have also been identified for purchase and discussions are ongoing with colleagues from Welsh Government to utilise the Affordable Housing Grant (AHG) to do so.

### **Bedwellty School Site – Llanmoor Homes**

- 5.12 Llanmoor Homes have approached Caerphilly Homes regarding a development on the former Bedwellty School site. This development will provide Caerphilly Homes with the opportunity to acquire 8 housing units for transfer to the Council housing stock (2 of which will be for low cost home ownership). The development is in an area of housing demand and the purchase of these properties at the Supplementary Planning Guidance LDP 1 (SPG) transfer values is currently affordable in terms of the Housing Business Plan. Terms of the transfer would be in line with the Section 106 Agreement.
- 5.13 Further opportunities for such acquisitions will come forward as part of the planning and development process and as a consequence members are asked in 3.3 to recommend that Cabinet approve the principle of Section 106 acquisitions which may include low cost home ownership homes as well as social rented housing, accepting that this needs to be balanced against other Housing commitments and be financially viable in terms of the Housing Business Plan. A further explanation of the Section 106 process is contained within 5.42.

### **HRA Land Developments**

- 5.14 The following sites are currently at the early stages of being progressed and will be subject to planning approval:-
- 5.15 Nelson – an area of HRA land that will lend itself to the development of 4 one bedroom social rented flats with individual entrances. There is a lack of this type of accommodation in the Caerphilly Homes stock portfolio and these new units will help address the high level of need identified in the 2018 Local Housing Market Assessment.
- 5.16 This site directly adjoins another site that is planned to be developed by an RSL and therefore there are clear benefits in pursuing the option of the RSL developing the plans, building the properties and project managing the scheme on behalf of Caerphilly Homes as an intrinsic part of their planned development. Our partner RSL's already have the necessary skills and resources in place and early discussions have been positive. Initial discussions have been held with Procurement Services to look at options to support a direct award to the RSL in order to progress this site with development contracts being signed prior to 31<sup>st</sup> March 2020 in order to allow the Council to access AHG funding. A detailed report outlining the procurement arrangements will be presented to the Director of Social Services and Housing shortly in line with Council's Standing Orders.
- 5.17 Members are asked to recommend approval by Cabinet retrospectively of the joint development of this site with the RSL designing, planning, constructing and project managing the development of this site on behalf of Caerphilly Homes, subject to satisfying procurement regulations. Retrospective approval is sought in order to

expend Affordable Housing Grant (AHG) funding within the timescale required by Welsh Government.

- 5.18 Llanfabon Drive, Bedwas and The Crescent, Trecenydd.  
Initial feasibility studies suggest that 8 one bedroom social rented flats with individual access can be developed on each of these HRA sites, with draft designs anticipated for consideration by December 2019.
- 5.19 Caerphilly Homes has engaged, via the OJEU compliant SCAPE Framework agreement, a development partner who will now assist in undertaking a feasibility study on both sites together with initial designs.
- 5.20 Caerphilly Homes will work closely with the development partner to explore options to deliver innovative, energy efficient housing via a 'fabric first' approach on both sites subject to affordability and the potential to access Welsh Government grant funding. It is anticipated that designs and 'shelf ready' proposals will be prepared in readiness for an announcement by Welsh Government of new funding arrangements from 2021.

### **General Fund Land Developments**

- 5.21 Chartist Gardens – It is anticipated that this site will be wholly developed by Pobl and provide both 66% affordable housing (social rent and shared ownership) and market sales. This development is being reported separately by Property Services.
- 5.22 Ty Darren, Risca - Members will recall the report on 'Remodelling Sheltered Housing Schemes' which included proposals to demolish three schemes in the Eastern Valley and develop a new scheme on the above site which would be fit for purpose and as far as possible 'future proofed'.
- 5.23 A site investigation report has been commissioned for this site and on receipt a full feasibility study will be conducted to confirm the financial viability of the proposals. Architectural Consultants have been engaged via OJEU compliant the Welsh Procurement Alliance framework agreement to provide a cost estimate for the development appraisal, viability assessment and design options. The site is currently owned by the General Fund and has been recently valued by the District Valuer at £825,000. The site would need to be appropriated under s.122 of the Local Government Act 1972 from the General Fund to Caerphilly Homes. Clarification regarding the value attributed to the site and whether that value is based on the site being developed for market sale properties rather than housing for social rent will be sought.
- 5.24 Caerphilly Homes intention, subject to a viability assessment, would be to develop the site in a way that encourages positive ageing thereby delivering the Council's ambition to increase its supply of Council homes which specifically meet tenant needs.
- 5.25 Discussions are ongoing with the Health Board who own the adjacent site, to determine if there is scope for a partnership approach and the provision of a community health focused hub facility.
- 5.26 This scheme is not anticipated to progress for approximately two years, which will allow time to complete the remodelling of our existing schemes and also complete WHQS works, as this will then help to inform the level and type of facility required at Ty Darran. A further report on the proposed development will be brought forward at

the appropriate time.

- 5.27 A summary of all delivery proposals for affordable housing including those to be delivered by Registered Social Landlords is provided in Appendix 2.

### **Future Plans *#BuildingTogether***

- 5.28 Members are asked to note that a development strategy which sets out the Council's ambitious plans to build new housing for the first time in over 20 years is currently being developed.
- 5.29 The strategy, entitled *#BuildingTogether* will outline a vision to build homes that are in places where people want to live, work and enjoy themselves; to build and add to cohesive communities and in doing so create sustainable opportunities for training and employment.
- 5.30 It will propose that a variety of homes will be built over the lifetime of the strategy (2020-2025), including accommodation for older people that supports positive aging and are future ready; accessible homes that take account of the needs of their inhabitants; homes that are energy efficient and homes that consider modern methods of design and construction.
- 5.31 The strategy intends to set a framework for the delivery of a new generation of 'Future Ready' homes delivered via a variety of delivery options.

### ***#BuildingTogether* Resources**

- 5.32 Currently the resources to deliver new affordable housing in-house do not exist so alternative arrangements need to be put in place. To assist with the process minor structure changes have been made within Caerphilly Homes in order to create a dedicated Manager to assist with the aim of increasing and developing new homes, compile a development strategy and to review various delivery options that may be available.
- 5.33 A further appointment will need to be made to focus on compiling the HRA land asset review and to oversee and advise on the suitability of proposed development from a Planning, Highways, Engineering, Drainage and ecological perspective. A Project Manager will also be required to liaise with contractors and oversee the delivery of proposed development schemes. Members are asked to support the recommendation noted in section 3.11 to create a new Caerphilly Homes *#BuildingTogether* Development Team.

### ***#BuildingTogether* Funding & Affordability**

- 5.34 The Welsh Government funding and finance regime is changing. 2020/21 is the final year for grants such as the Social Housing Grant (SHG) and the Affordable Housing Grant (AHG)(2019/20) and indications from colleagues at Welsh Government suggest that the next round of grant funding from Welsh Government to facilitate the development of new affordable homes will not be available until 2021 although there may be a fourth year of the Innovative Housing Programme (IHP) up to 2021.
- 5.35 Earlier this year the Welsh Government commissioned an independent Review of Affordable Housing. The Minister for Housing and Local Government has announced that she accepts all but one of the 22 recommendations contained in the report and that Welsh Government officials will now begin work on examining each

recommendation and determining how best it might be implemented. The Review, its recommendations and how those recommendations are interpreted will have a significant impact on the way in which affordable homes are developed and their affordability.

- 5.36 The Review and its recommendations seek to provide a new opportunity to make ground breaking improvements to the supply and quality of affordable housing and includes a recommendation for Welsh Government to provide longer-term certainty for local authorities wishing to start or continue an ambitious new Council home building programme.
- 5.37 The changes are also likely to result in challenges in relation to affordability, quality and design together with a requirement to deliver zero carbon homes.
- 5.38 With the new funding arrangements yet to be in place until 2021, it will also be difficult to determine the funding available in the short term to support the building of new homes. It is anticipated that an announcement will be made by the Minister before Christmas regarding the proposed 5 year rent policy. This will inform the HRA budget for 2020/21 and provide a clearer indication of the HRA budget likely to be available to support the programme in the future.

#### **#BuildingTogether Outline Delivery Plan**

- 5.39 The following diagram outlines the proposed delivery strategy that will be adopted by Caerphilly Homes as part of its #BuildingTogether programme:



- 5.40 In order to meet its delivery ambitions, Caerphilly Homes will utilise a number of different options to deliver new homes for social rent during the period 2020-2025.
- 5.41 The diagram above illustrates the range of options that will help increase the number of homes that are available via Caerphilly Homes and help deliver a diverse range of



options that are best suited to local need and future requirements. By utilising a variety of different mechanisms to deliver additional homes it will also better manage any risk (the proposed Development Strategy will be underpinned by a Risk Register and full Equality Impact Assessment); create economies of scale and help sustain and develop the local supply chain so to create additional employment and training opportunities within the locality.

### **Section 106**

- 5.42 There is a specified target included in the Caerphilly County Borough Local Development Plan (LDP) for the delivery of affordable homes which differs depending on the location of the site. Where there is evidence of housing need the Council will seek to negotiate an affordable housing contribution based on the following targets:
1. 40% in the Caerphilly Basin area (excluding Aber Valley);
  2. 25% in the Northern Connections Corridor (excluding Newbridge);
  3. 10% in the Rest of Caerphilly County Borough (including Aber Valley and Newbridge);
  4. No requirement in the Heads of the Valleys Regeneration Area.
- 5.43 These are targets and will not always be achieved as they are dependent on the financial viability of each site, which is determined on an individual basis. If there is evidence of need and viability there are occasions where these targets are exceeded.
- 5.44 The Council in its role as the Local Planning Authority specifies to the developer the number and type of affordable homes that should be provided as part of the Section 106 contribution with the mix of homes being derived from an assessment of housing need within the locality (Local Housing Market Assessment 2018). The transfer cost of these properties to the social landlord is specified within the Supplementary Planning Guidance LDP1 (SPG). This SPG was first adopted by the Council in 2011, however Appendix 3 of the document is updated on an annual basis under delegated powers to reflect changes in transfer value. See Appendix 1.
- 5.45 The percentage of affordable housing to be provided by a developer is set out within the Section 106 Agreement. Within the agreement the Council can specify a preferred Registered Social Landlord zoned to develop affordable housing in the county borough to whom the developer must transfer the affordable housing.
- 5.46 Recent changes have resulted in Caerphilly Homes being included as a preferred landlord. This will enable Caerphilly Homes to purchase a number of Section 106 properties over the 5 year period of the strategy to contribute towards the overall target of 400 new homes.
- 5.47 The delivery of low cost home ownership homes (LCHO) may be included in the Section 106 agreements negotiated as well as homes for social rent.

### **RSL Collaboration**

- 5.48 Caerphilly Homes is proud of its partnership history with our zoned local Registered Social Landlords. In relation to housing developments, United Welsh Housing Association, Pobl and Linc Cymru have collectively worked with us to increase the number of new affordable homes provided throughout the borough. Wales and the

West are also a zoned Registered Social Landlord in the county borough but are not currently actively developing.

- 5.49 In the recently published 'Independent Review of Affordable Housing Supply' a recommendation is made for Council's across Wales to enter into new partnership arrangements with Registered Social Landlords and the private sector. The Minister for Housing and Local Government is expected to announce the form of partnering arrangements that Welsh Government are wishing to see between Councils and Registered Social Landlords in their area shortly.
- 5.50 Caerphilly Homes will be seeking a closer partnering arrangement with the zoned RSL's in order to utilise the skills and knowledge of the RSL's to help build new Caerphilly Homes on our behalf. This may take the form of a Memorandum of Understanding (MOU) and/or a Partnership Protocol under the umbrella of an Affordable Homes Partnership which would be progressed in collaboration with Procurement and Legal Services.

### **Dynamic Purchasing System (DPS)**

- 5.51 A Dynamic Purchasing System (DPS) is an electronic system used to purchase goods, works or services. Unlike a traditional framework it allows potential suppliers to join at any time. It is an open market solution designed to provide buyers (in this case, Caerphilly Homes) with access to a pool of pre-qualified suppliers (developers). Caerphilly Homes has already utilised a DPS on its WHQS programme with some success. It is particularly attractive to local small and medium sized businesses and relates in the main to smaller parcels or packages of land but a specific DPS to support our development proposals would need to be established.
- 5.52 In the context of the Caerphilly Homes development programme, available land could be packaged and released to potential suppliers on a design and build basis via a DPS. This would provide opportunities for developers to advise the Council on the number and type of units that could be accommodated in specific areas and potentially stimulate innovation and creativity.

### **Framework Arrangements**

- 5.53 In order to develop new homes at pace and scale, Caerphilly Homes is exploring the option of working with a development partner. A development partner could bring a number of added benefits including the ability to work with Caerphilly Homes to undertake feasibility studies and architectural drawings in order to arrive at a standard design arrangement which could be configured differently according to the constraints and opportunities of each site. This would bring greater economies of scale, enhanced quality and also greater efficiency through the creation of a standard pattern book.
- 5.54 The selection of a development partner could be determined by the use of the SCAPE National Construction Framework Agreement, owned by SCAPE Procure Ltd, a public sector built environment specialist entirely owned and controlled by 60 UK local authorities who offer a suite of OJEU compliant frameworks and design solutions to other local authorities.
- 5.55 The Welsh Procurement Alliance (WPA) have developed a framework agreement which could be utilised to identify a potential development partner however, in contrast to the SCAPE arrangement it would mean that Caerphilly Homes would

have to appoint cost consultants and architects separately before working with an approved supplier.

### **Property Acquisitions**

- 5.56 In an attempt to increase the number of affordable homes for social rent Caerphilly Homes may be willing to offer up to market value to acquire empty properties or properties that have been advertised for sale on the open market. The property must be sold with vacant possession and each party will be required to pay their own legal and valuation fees. A value for money assessment will be carried out and Caerphilly Homes will seek the best value price that does not exceed the home valuation report.
- 5.57 In order to respond to identified housing needs, Caerphilly Homes will show preference to purchasing 1 or 2 bedroom properties unless there is a business reason for purchasing a larger home i.e. that there are families with specific needs on the waiting list that require a larger home. All applications will be determined on the basis of business need.
- 5.58 Progress has already been made in relation to purchasing 10 additional homes with a further 6 purchases potentially in the pipeline. The purchases and refurbishment costs will be submitted to Welsh Government as an application for grant funding with a number already approved. The Affordable Housing Grant (AHG) will contribute towards 58% of the costs, but is payable as a revenue income stream with the full costs initially having to be financed by the HRA. This is explained further in section 10.

### **Other**

- 5.59 Modern Methods of Construction (MMC) or homes that are created off-site are often highlighted as the answer to the UK's housing crisis. Homes that are built in factories, off-site and then assembled on site are quick to assemble, cost efficient and leave a much smaller carbon footprint than traditional housing. Homes using MMC are built off site are precision manufactured, energy efficient homes that are built with high levels of quality control.
- 5.60 The construction methods are often more sustainable than traditional methods and the materials utilised more energy efficient. The homes can also be assembled on site quickly (some within as few as 5 days) and can provide opportunities for the creation of a local factory to assemble the units and employment, skills and training for local people.
- 5.61 MMC homes could offer Caerphilly Homes the ability to build new Council homes on constrained or unconventional sites because the units can be lowered by crane. In addition, modular homes can easily be adapted to changing needs or circumstances with some that can be easily moved from one location to another.

### **In House**

- 5.62 If Caerphilly Homes chooses to utilise the WPA framework to develop homes on some of its smaller, garage or infill sites, there is a possibility that the in house team could be utilised to fit out the house structures that are erected on site. The team already have the skills, having proven their abilities via the WHQS programme. Their attention to quality and to customer service has been applauded during the programme and could be applied within a new build context. This would provide a

planned and measured work programme for the in house team during the 5 year strategy period.

- 5.63 It would also provide additional options to upskill the in house team and to create new apprenticeship pathways in partnership with Coleg Y Cymoedd and Coleg Gwent and add value to the PSB Apprenticeship programme. An application for funding via the Welsh Government's Foundational Economy Challenge Fund has been successful with £100,000 allocated to develop a skills and apprenticeship programme specifically related to Modern methods of Construction (MMC).
- 5.64 The in house new build arrangement would run alongside any DPS or Development Partner arrangement that may also be in place thereby creating a number of work streams to underpin the *#BuildingTogether* programme, spreading risk and creating new and innovative opportunities for the Council's own workforce.

### **Planning**

- 5.65 Planning will provide advanced notification of potential development sites and those where the use of Section 106 Agreements would apply, so these can be considered and, where feasible, factored in to future development plans and the HRA Business Plan.
- 5.66 In addition Housing Strategy Officers will continue to advise Planning on housing need for the area, to ensure that any developments undertaken privately or by RSL's, still contribute to meeting housing need and the requirements of the Local Housing Market Assessment and our Common Housing Register.
- 5.67 In a recent letter to local authorities (dated 8<sup>th</sup> July 2019), the Minister for Housing and Local Government noted that 'up to date Local Development Plans are the cornerstone for housing delivery by identifying the best sites for new homes'. She noted the most recent version of Planning Policy Wales requires local planning authorities to follow place making principles and adopt a people centred approach to planning, designing and managing communities to promote people's 'health, happiness and well-being, all of which must be central considerations when preparing LDPs and determining planning applications. Members will be aware that on the 23rd October 2019, Council resolved to commence work on a Replacement LDP for the county borough and this will be critical to the delivery of new homes and new affordable homes.

### **Conclusion**

- 5.68 Following the completion of the WHQS programme and the removal of the borrowing cap by Welsh Government the HRA will be in an improved financial position which provides opportunities to invest in increasing the housing stock, in addition to maintaining the existing stock.
- 5.69 This report sets out how the supply of affordable housing, including social housing within our county borough can be increased in order to meet increasing demand, as well as the specific requirements of many of those applicants who are listed on our Common Housing Register.
- 5.70 Options within the report include acquisition of existing properties, acquisition of new build homes via Section 106 Agreements, Unilateral Undertakings and the development of new homes through partnership working, frameworks or other contract arrangements. A development table has been included as Appendix 2.

- 5.71 Caerphilly Homes will need to consider rent levels and charges for all new homes as these may differ from the rents attributed to our existing stock, however the new rent policy is yet to be finalised by Welsh Government. Ensuring rents remain affordable will be a key consideration.

## 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 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.
- 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 and development proposals assume no issues are found with the site investigations or planning approval.

## 7. LINKS TO RELEVANT COUNCIL POLICIES

- 7.1 ***The Corporate Plan (CCBC, 2018-2023) - Well-being Plan Objective 2: Enabling Employment – Use investment in developing new homes to increase the number of skilled, qualified workers and tackle worklessness by providing apprenticeship, training and work placements with our in-house workforce and building contractors.***
- 7.2 ***The Corporate Plan (CCBC, 2018-2023): Well-being Objective 3: “Address the availability, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve people’s well-being.”***
- 7.3 ***Caerphilly County Borough Local Development Plan up to 2021: Key Objective 9 – “Ensure an adequate and appropriate range of housing sites are available across the County Borough in the most suitable locations to meet the housing requirements of all sections of the population.”***
- 7.4 ***Caerphilly Homes Service Plan (2018-2023), Priority Objective 2: “Increase the provision of new, affordable homes to meet identified needs, promoting ‘Lifetime Homes’ principles for grant funded delivery, and, where appropriate, supporting Welsh Government’s Innovative Housing Programme (IHP)”.***

### **Welsh Government Policies**

- 7.5 ***Improving Lives and Communities: Homes in Wales (Welsh Government, 2010)***, which sets out the national context for improving homes and communities, including the energy efficiency of existing homes.

## 8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 The underlying principles of the affordable housing new build programme concerns the provision of good quality, affordable homes, that are energy efficient and reduce fuel costs for the occupant, are constructed using materials which contribute to the

carbon reduction agenda, help to promote the sustainability of the communities in which they are built, contribution to positive health and wellbeing goals, and assist the Council in meeting its targeted recruitment and training objectives. The programme links to all of the 7 well-being goals in The Well-being of Future Generations (Wales) Act 2015, although some slightly more tenuously than others.

8.2 Our preferred approach to how the programme will be taken forward is consistent with the five ways of working as defined within the sustainable development principle in the Act:

8.2.1 **Long-term** - Housing is a long-term asset. We know that the homes we build today will be in use for many generations. These homes will, therefore, not only cater for the housing needs currently identified by the 2018 Local Housing Market Assessment but also for the emerging housing needs of future generations. We know over this time period that communities won't stand still and this is why we intend to build these homes based on the principles outlined in paragraph 8.1.

8.2.2 **Prevention** - The additional homes delivered through the new build programme will help to reduce the high level of housing needs in the borough. Failure to meet these needs could result in people living in overcrowded or unsanitary housing conditions and result in people becoming homeless or rough sleeping. The new build programme will positively impact on the objectives of other public sector organisations. There is a vast amount of literature which shows that poor housing is a key determinant of poor health. Providing good quality, affordable homes clearly links to the wider health improvement agenda. The way the homes are constructed links to the energy efficiency and carbon reduction agendas, and creating recruitment and training opportunities links to the worklessness agenda.

8.2.3 **Collaboration** - Section 5 of this report outlines the range of service areas and organisations that the Housing team will collaborate with to achieve the successful outcome of this programme.

8.2.4 **Involvement** - There may be an opportunity for tenants and prospective tenants to have an input to the development programme particularly during the design and specification stage. Post occupation surveys would be carried out to influence the nature of future developments. Local communities will also have the opportunity to comment on any proposed developments as part of the planning process.

8.2.5 **Integration** - The strategy looks to integrate property and environmental improvements that will benefit and transform lives and communities throughout the county borough. It further brings together a variety of stakeholders to deliver long term sustainable benefits for lives and communities including Social Services & Health.

8.2.6 Housing Services and our outlined priorities, contributes to a minimum of 6 out of the 7 well-being goals within the *Well-being of Future Generations Act (Wales) 2015*, including:-

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A globally responsible Wales

## **9. EQUALITIES IMPLICATIONS**

- 9.1 A screening form has been completed which has suggested that a full EqIA will need to be undertaken for each of the individual programmes and developments. A full EqIA will also be developed to underpin the Caerphilly Homes Development Strategy.
- 9.2 Equalities monitoring data is collected on the Common Housing Register application form and is regularly reviewed and analysed. Our assessment of housing need considers need by protected characteristic including age, disability, the gypsy and traveller community and carers under the Equality Act 2010.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 Achieving the WHQS programme has been the Caerphilly Homes priority over the need to directly increase housing supply. However, as we near the final stages of completing the programme, we can now investigate options to increase our stock and its financial impact.
- 10.2 The recent approval of AHG to part fund the buy back of 5 properties has been included in the business plan and does not require further borrowing to implement. The funding (£562k) will be taken from the HRA capital receipts reserve where we have retained 25% of our Right to Buy (RTB) sales. The AHG funding of £17k per annum over the next 29 years will in theory replenish 58% of the £562k capital used. Since the abolition of RTB's in January, there is no further opportunity to gain additional income in this way. The reserve is £4.7m, so would only be suitable to fund smaller projects.
- 10.3 To fund the larger type projects mentioned in this report would require borrowing in addition to the borrowing needed to complete the WHQS programme. The WHQS programme is currently projecting a borrowing requirement of £45m. This is mainly as a result of the change of the internal deadline from March 2020 to June 2020, where the programme has been extended into another financial year. Council originally approved £61m in October 2011 and although the projections are currently showing some headroom, it would be prudent to extend this approved limit to ensure there is adequate borrowing opportunity to commence our commitment to increase housing supply therefore approval would need to be sought to increase the level of borrowing to allow proposals within the report to proceed.
- 10.4 Scenarios have been tested against the latest plan and show that increased borrowing remains affordable. Since the removal of the HRA borrowing cap restriction, the affordability indicator is the test to ensure prudential borrowing. This is however based on all assumptions in the business plan remaining stable such as rent increases, interest rates and cost rises.
- 10.5 On the assumption that the WHQS borrowing remains at £45m by the end of the programme and therefore remains within its approved level of £61m, it will be necessary to seek approval for any remainder to be utilised to fund an affordable housing development programme along with approval for further borrowing up to £75m in total to fund the projects identified at this stage.
- 10.6 Increased borrowing to £75m would include funding towards achieving the WHQS programme up to £61m and a further £14m (plus any unused borrowing from WHQS) to be allocated for the draft development programme.

- 10.7 Further financial testing can be confirmed once projects have been approved and clearer costs identified, but the £14m plus any unused allocation should be adequate for the current draft proposal assuming the level of assumptions within the current business plan remain consistent, and the costs within the draft development programme do not deviate significantly. If there is any available resource within the HRA then this could also be allocated towards affordable housing before the final borrowing commitment is undertaken (as is currently the practise with the WHQS programme).
- 10.8 Further development programmes would require additional borrowing and would be subject to a further report as and when identified.
- 10.9 The borrowing rates from the Public Works Loan Board (PWLB) (The Councils lender) had fallen significantly over the past few years but recently the PWLB have increased their rates by 1% for all new loans. This appears to be as a deterrent for LA's to borrow for commercial enterprises which the Treasury sees as a high risk. However, this rate is still competitive although is likely to increase the costs previously estimated and there is uncertainty about future increases.

## **11. PERSONNEL IMPLICATIONS**

- 11.1 A minor restructure has already been initiated within Caerphilly Homes to create a dedicated resource to focus on opportunities for increasing Council house supply and the establishment of a development strategy. It is clear however that if the proposals within this report are to be progressed, additional resources will be required to support the delivery of new affordable homes by Caerphilly Homes.
- 11.2 Additional resource requirements are outlined in 5.32 and 5.33.

## **12. CONSULTATIONS**

- 12.1 Consultation responses have been reflected in this report.

## **13. STATUTORY POWER**

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

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Appendices:

Appendix 1	Supplementary Planning Guidance
Appendix 2	Draft Affordable Housing Programme

## Appendix 1

### Fixed Values for the transfer of units from a developer to the LA or an RSL

#### Discounted Fixed Values for Social Rented Units (Updated September 2018)

Unit Type	Type	Values
1 Bed *1 Person	Flat	£43,028
1 Bed *2 Person	Flat	£39,105
2 Bed 3 Person	Flat	£53,593
2 Bed *3 Person	House	£65,373
2 Bed *4 Person	House	£65,356
3 Bed *4 Person	House	£69,249
3 Bed *5 Person	House	£69,250
4 Bed *6 Person	House	£81,561
4 Bed *7 Person	House	£81,562
2 Bed *3 Person	Bungalow	£70,570

The table above identifies the values at which affordable housing should be transferred from a developer to either the LA or an RSL. These figures have been generated by capitalising the rental income i.e. the amount of borrowing that the net rent to the RSL or LA will support.

As these values are derived from the Table and Guidelines rents, which apply throughout the County Borough, there is no differentiation in values across the housing market viability areas and therefore these values should be used for all geographical locations.

#### Maximum Values for Intermediate Housing

The maximum prices that intermediate housing (for either intermediate rent or LCHO) have been derived from the latest Hometrack information (September 2018) on intermediate rents. This reflects Welsh Government's Rent First model which indicates intermediate rent levels were 80% of market rent. The income is calculated by annualising the weekly cost and multiplying it by 4 (using a quarter of gross income as the indicator of what is affordable). The affordable cost of the property is then derived by assuming a mortgage based upon a 3.5 times multiplier. This reflects the guidance in the LHMA Guide (2006).

These values are provided on an area-specific basis, equating to the viability areas defined.

Sub-market and property size	Weekly cost of intermediate housing	Implied price of intermediate housing
<b>Caerphilly Basin</b>		
1 bed	£82	£59,696
2 bed	£103	£75,105
3 bed	£117	£85,176
4 bed	£146	£105,997
<b>Northern Connections Corridor</b>		
1 bed	£80	£57,876
2 bed	£93	£67,903
3 bed	£102	£74,317
4 bed	£149	£108,229

<b>Lower Islwyn and Aber Valley</b>		
1 bed	£69	£49,941
2 bed	£89	£64,792
3 bed	£101	£73,649
4 bed	£149	£106,288
<b>Heads of the Valleys Regeneration Area</b>		
1 bed	£75	£54,782
2 bed	£77	£55,874
3 bed	£89	£64,468
4 bed	£115	£83,808

## Appendix 2

### Draft Affordable Housing Programme

Action/Site	Developer	Estimated Cost	Arrangement	Units (no. of new affordable homes)
Short Term (2019/20-2020/21)				
Purchase of Buy Back Properties and refurbishment costs – Tranche 1.	CCBC	£562,512 Overall cost (AHG @ 58% = £326,257)	Buy Back	5
Tranche 2 property acquisitions	CCBC	£712,196 overall cost (AHG @ 58% = £413,073)	Buy Back	5
Tranche 3 property acquisitions	CCBC	£500,000 overall cost (AHG @ 58% = £290,000)	Buy Back	4
Development of Bedwelty School Site (Llanmoor Homes)	CCBC	£500,000 for 8 properties in total	Section 106	8 (6 for social rent & 2 LCHO)
Development of Trecenydd and Bedwas	CCBC	Overall costs for both £2m. IHP funding to be sought if available	New Development (ND)	16
Hafod y Bryn, Risca	CCBC	£52,000	Conversion	1
Tredeggar Court, Crosskeys	CCBC	£86,000	Conversion	2
Bereavement services properties	CCBC	£200,000		2
Cwrt Pen Capel, Caerphilly	Linc	£4.25m		38
Former Police Station, Caerphilly	Linc	£3m		34
Land at Newport Road, Pontymister	Linc	£1.4m		18
Hawtin Meadows, Pontllanfraith	Pobl	£2.93m		47
Chartist Gardens Village, Pontllanfraith	Pobl	£4.4m		83
Former Red Lion Public House, Blackwood	Pobl	£1.1m		17
Ton y Felin, Croespenmaen	Pobl	£1.9m		35
Coronation Road, Blackwood	Pobl	£660,000		7
Ty Mawr, Croespenmaen	Pobl	£3.6m	N/A	31
St Mary's Church, Pontllanfraith	Pobl	£713,000	N/A	7
Sir Ivors Road, Pontllanfraith	Pobl	£1.6m		20
Former Concrete Works, Deri	UWHA	£520,000		9
Former Cwm Ifor Primary School, Caerphilly	UWHA	£2.5m		19
Former De Winton Public House, Llanbradach	UWHA	£1.42m		14
Former Llanbradach Church Site, Llanbradach	UWHA	£800,000		10
Wingfield Crescent, Llanbradach	UWHA	£2.63m		30
Former Colliery Site, Penallta Road	UWHA	£4m		48
Former Ambulance Station, Nelson	UWHA	£450,000		5
Development of Nelson site	CCBC/ UWHA	£500,000 overall cost (AHG @ 58% applied for = £290,000, hence cost to Council £210,000.	Partnership	4

Medium Term (2021/22-2023/24)				
Development of Ty Darren (positive ageing accommodation including energy efficiency measures and new technology)	Caerphilly Homes	£5.5m overall (estimated)	WPA	40 (potential)
Coronation Road, Blackwood	Pobl	£655,000	N/A	7