Appendix 1: Options Appraisal

1. Option 1: Review the local development plan

1.1. It is a statutory requirement that the Council submits an AMR to the Welsh Government, which considers if the LDP is being implemented appropriately.

1.2. The LDP Regulations require the AMR to set out information in respect of housing delivery in the County Borough since the adoption of the plan. In particular the Regulations require that the AMR includes:

- *The housing land supply taken from the current Housing Land Availability Study; and*
- *The number (if any) of net affordable and general market dwellings built in the LPA's area.*

1.3. The 2013 AMR was considered by Council on 8th October 2013 and the decision was taken to commence work on the first review of the LDP.

1.4. Officers consider it unlikely that, in isolation, this review will be able to drive an increase in the construction of affordable housing

2. Option 2 Expediting planning applications

2.1. It is in the Council's interest as the local planning authority to progress Section 106 agreements expeditiously in order that such sites can be included within the JHLAS land supply as sites with a valid planning permission. It is recognised that some developers are reluctant to make progress with S.106 agreements in order to delay the issuing of a planning permission until economic conditions improve. However, as the local planning authority the Council should be proactive in progressing agreements including entering into re-negotiations where appropriate and indicating to developers that applications will be refused unless progress is made by a specified date. Where planning policies have become more stringent since the resolution to grant planning permission was given, it will be within developers' interests to progress with an existing application rather that face a refusal for not entering into a S.106 agreement and then submitting a new application.

2.2. It should also be noted that the introduction of the Community Infrastructure Levy (CIL), is expected in April 2014. Members will be aware that the UK Government decided not to include affordable housing within the CIL remit. The CIL is set at a level that is policy compliant and assumes the delivery of affordable housing at the rates specified in the LDP. Whilst this is the case, CIL will undoubtedly constrain the current flexibility with regards to affordable housing negotiation.

3. Option 3 Release land in Council ownership to facilitate housing development

3.1. Local Authorities, as landowners, have the opportunity to bring forward their own sites for residential development. The granting of outline planning applications for residential development on Council owned land will mean that sites can be included within the JHLAS schedule and, provided these sites are then sold to developers, sites can be included within the 5 year land supply.

3.2. Members will be aware that there are a number of allocated housing sites within Council ownership and within the LDP available for development (although it must be noted that not all of these sites are available for immediate release to the market). Officers are already in discussion with zoned partners to try and bring forward sites HG1.37 (Greenhill Primary School, Gelligaer) and HG1.70 (Cwm Ifor Primary School, Caerphilly) to provide affordable housing; it should be pointed out in this context that the partnerships with Seren and United Welsh will, by the end of this financial year, have made a total investment into Caerphilly of around £80m, delivering over 1,000 new homes since 2007. In terms of affordable housing provision, the former Ministers for Social Justice and Regeneration and Environment, Planning and Countryside launched a package of measures in 2006 aimed at improving the supply of affordable housing in response to affordability difficulties, including the *Affordable Housing Toolkit.* Amongst other things, these measures encouraged local authorities to make creative use of their landholdings to help provide affordable housing, including sales at less than market value, using the General Consents issued by the Welsh Government.

3.3. It is important to recognise that, in bringing forward its own sites for residential development, although it will be selling at current market value, the Council may achieve a higher value if it retains the land to be sold in the future as housing market conditions improve. However, it is important to consider the economic benefit of stimulating the housing market and balance this against any potential for an increased capital receipt in future years; in this context there is no conflict with the requirements of s123 (of the Local Government Act 1972) not to dispose of land for a consideration less than the best that can reasonably be obtained.

4. Option 4 Other Mechanisms

4.1. Initial discussions between the Council and its partners suggested that a **Special Purpose Vehicle** (SPV) was an option on the basis of the Council retaining a controlling interest in the model. However, during the development of the model it has become clearer that the same level of control can be exercised through a lease without having to go through the complications and expense of setting up an SPV. In addition, Welsh Government [WG] has indicated that it is prepared to financially support the development of the partnership, which would be tasked with increasing housing supply in the Authority whilst generating greater economic activity and creating local jobs

4.2. Thus, in order to both increase housing supply in the authority whilst influencing both financial and social value and, subsequently, directly facilitate the development of additional affordable homes within the county borough, the Council could engage with one or more partners to enter into a **Building Agreement (and subsequent sale or lease)** for the delivery of new homes in the short to medium term. Such a model might have the following characteristics:

1. CCBC initially enters into an Agreement [the "Building Agreement", or BA] to lease or sell the land to the Nominated Partner [NP] or Partners, deferring any initial capital receipt for the land.

   It is important to note that such agreement is predicated upon CCBC ultimately achieving "Fair Value" (broadly consistent with "Market Value") for any subsequent sale or lease land based on the market rate at the time, therefore addressing any potential future increases in market value. As Landlord, CCBC remains a decision maker in the development process, agreeing the number and types of properties developed for sale; low cost home ownership and rent.

   In addition, the model allows for a revenue income to be received by the Council on land that is currently dormant.
2. A Project Group (of which CCBC forms part) works up a housing scheme, which meets the requirements of the Council in terms of private and affordable housing; education; highway; environment and transport policies.
3. The Group will liaise with WG to secure funding under the innovative social housing grant stream or other grant programme that may be available. This would essentially reduce the private finance requirements for the scheme and mitigate risk to the NP.
4. The NP will secure the private finance (pension funds etc) for the development and the development margin can either be shared or reinvested into the model to underpin development in areas that would be traditionally economically challenging. The NP will be required through the construction process to strictly adhere to a set of Key Performance Measures that will seek to create local employment and training opportunities in the Borough.
5. The scheme will be branded in the same way as would a private developer, demonstrating that the housing market in Caerphilly is vibrant and active; the branding will be of high quality, with opportunities for the Council to market its support for the Partnership

6. Properties developed for sale will be marketed using appropriate channels and the proceeds of sale divided according to the relative “inputs” to the development.
7. The model will seek to deliver traditional affordable housing (planning gain) using the same process that is used through wider private sector housing development (sale to an RSL). Low Cost Home Ownership [LCHO] and Market Sales will also be transferred on a traditional freehold basis. Where the Project Group has identified a need for Intermediate Market Rent [IMR] above that of the S106 requirements defined in the LDP the retained land will be leased from the Council with the funding for construction being provided by the NP; [WG] and Recycled Margin from Market Sales. The lease linked to the IMR properties will include a 5-year break clause.

   Recognising the impact of Welfare Reform (and the under occupancy rules in particular) the Project Group will also seek to include smaller units of accommodation as part of each scheme.
8. The lease is reviewed every 5 years to decide whether the Council wishes to “realise” (take out) its investment at the then market value.
9. CCBC can, through its stewardship of the scheme, reinvest its margins (i.e. share of the revenue generated by the Partnership) into more demanding sites contributing towards the regeneration of areas where private sector housing has reduced due to current market conditions.