



## **POLICY AND RESOURCES SCRUTINY COMMITTEE – 20TH JANUARY 2015**

**SUBJECT: UPDATE REPORT ON THE DEVELOPMENT OF A MODEL FOR  
INCREASING AFFORDABLE HOUSING PROVISION**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151  
OFFICER**

---

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

- 1.1 Following Member approval on 22nd January 2014 to progress with the model, this report provides details of the proposed site(s), indicative numbers of houses to be provided, expected returns and a description of success measures. A Cabinet decision is required to progress with the model on the sites identified in the report in an effort to increase housing supply within the County Borough and consequently the views of Policy and Resources Scrutiny Committee are first being sought.

### **2. SUMMARY**

- 2.1 This report outlines the sites that are being considered for the model, together with specific information relating to the mechanics of the model and in addition, the performance measures that will be adopted for this model. If formally adopted, the model will deliver a wide range of housing in partnership with United Welsh Housing Association and the Seren Group whilst at the same time delivering a revenue income for the local authority.

### **3. LINKS TO STRATEGY**

- 3.1 The contents of this report link to the following key strategic objectives -

*“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” (Objective 9 of the Local Development Plan)*

*“To meet housing requirements through the provision of a range of good quality, affordable housing options.” (Aim 5: Affordable Housing – CCBC Local Housing Strategy 2008 - 2013*

*“To promote sustainable and mixed communities that are located in safe and attractive environments.” (Aim 11: Community Regeneration - CCBC Local Housing Strategy 2008 - 2013)*

### **4. THE REPORT**

- 4.1 On 22nd January 2014, Members approved the principle of entering into a Building Agreement (and subsequent sale or lease) for increasing the provision of affordable housing within the County Borough, in partnership with United Welsh Housing Association and the Seren Group. In addition, final approval of the detailed terms was delegated to the Head of Performance and Property Services, in consultation with Head of Corporate Finance.

- 4.2 Following the approval to progress with the model, Officers have held several meetings with partners to explore the model in greater detail.

### **Pilot Sites**

- 4.3 There are currently two sites that are being considered for the model, both within areas of housing pressure:

1. Watford Road, Caerphilly
2. Windsor Colliery, Abertridwr

#### Site 1 - Watford Road (Plan A attached)

The Council has worked in partnership with United Welsh Housing Association to secure and redevelop the former Caerphilly Miners Hospital site. This site adjoins the Watford Road site and is nearing completion. The development of Caerphilly Miners' has facilitated the collation of robust market intelligence which will inform the first phase of the pilot. This will essentially allow the partnership to evaluate the current scheme and utilise the data to test and refine the model for the development at Watford Road and for future projects.

The views of ward members have been sought on the inclusion of this site and their view is that all residents in the area, and local ward members, wish for this to become a community garden/allotment. They comment that, within the St Martins Ward, there are no areas west of Cardiff Road designated for community use, that this is the most densely populated part of the ward yet there is only a small children's play area, no allotments and no land available for community use. They state that, given the authority's sustainable living strategy and drive to encourage residents to lead more active lives, the development of the field goes against these objectives. They believe this area has been used for decades as a play area for many of the local children and numerous walkers use the footpaths there every day. In the winter, when it snows, it's the only safe area for children to use as a toboggan run.

They ask that, if the recommendation is approved, a 'buffer zone' is left between the new homes and the properties in Y Dolydd and Heol y Cwm that back onto the field. This would allow the area to be made into a community garden/allotment. It would serve to comply with the authority's objectives for sustainability and promoting health as well allowing the field to remain in community use.

Cabinet is advised that the site in question is allocated for housing in the Adopted LDP as part of HG1.67, and there is a need for additional affordable homes to be located in the Caerphilly Basin which is an area of acute housing need. As part of the LDP process, the site was consulted on and was examined by an independent Planning Inspector.

The Head of Regeneration and Planning is aware that there is a shortfall of provisions in this area, and anticipates seeking to address this matter as far as practically possible through the LDP review.

The concerns expressed, with regard to the design and layout of the proposed development, are not considered to be an issue in terms of the disposal and should properly be addressed at Planning Application stage

#### Site 2 - Windsor Colliery (Plan B attached)

Windsor Colliery is also a site allocated for residential development in the Adopted LDP and is of such a size that it requires a phased approach. There has been little commercial interest from volume house builders at this location, and there is none currently. The scale of the development is such that it will allow the partnership to refine the model to assist with the delivery of the key outcomes identified within paragraph 4.12 below. It is considered that the development of this site should bring forward wider economic and regeneration benefits for this part of the County Borough.

The views of ward members have been sought on the inclusion of this site and their collective view is reflected in the questions raised by the Aber Valley Partnership:

1. Issues around local amenities i.e drains and roads being able to cope (due to there being only one main road into village)
2. Should there be a separate road access?
3. Will schools be able to cope with influx of pupils?
4. Is the land safe to build on?
5. Will there be further consultation with the wider community?
6. Should issues of derelict buildings be remedied first before more are built?

With the exception of Q6, the concerns expressed are not considered to be an issue in terms of the disposal and should properly be addressed at Planning Application stage. The desire to bring derelict buildings back into beneficial occupation, whilst both desirable and laudable, will not address the scale of affordable housing pressure.

**Clawback:** development at the Windsor Colliery site will generate a requirement to pay clawback in respect of grant funding for the land reclamation; there is an outstanding balance of around £300k and preliminary discussions have been held with Welsh Government (WG) on recycling that clawback within the project. WG is, in-principle, supportive of such an application.

- 4.4 Subject to detailed planning applications being submitted for the above sites, it is anticipated that they will together deliver approximately 250 units. It is important to note that the sites will deliver mixed tenure, sustainable communities. The units will consist of market sales, low cost home ownership, social rented housing, and intermediate rented housing.
- 4.5 In terms of allocations for the social rented accommodation, the Council currently has a Nomination Agreement in place with its partner Housing Associations that stipulates that those partners will provide 75% nominations to the Council on first let and 50% on subsequent relets.
- 4.6 However, the Council and its partners will soon be implementing the Common Housing Register [CHR], and the proposed sites are likely to be delivered when the CHR is operational; consequently, there will no requirement for a nomination agreement on individual sites. All future allocations under the CHR will be carried out through a single list that will be maintained by the Council.

### **Success Measures**

- 4.7 With regards to performance indicators, Officers have considered a number of performance measures that will be used to analyse the success of the model. These include -
  - 1) Completion of the Value Wales Toolkit. Use of the tool is now part of the Community Benefits contract requirements for all Housing Association development schemes. It is also a Welsh Government requirement. Each scheme will require the completion of the Community Benefits Measurement Tool (CBMT) as provided by the Welsh Government; the CBMT measures the social, economic and environmental impact of the project.
  - 2) The level of additional affordable Housing delivered on site over and above the current LDP requirements. The Supplementary Planning Guidance on Affordable housing (Appendix 3) will provide the baseline percentages for the affordable housing to be delivered on the pilot sites.
  - 3) The number of new permanent jobs created.
  - 4) The number of apprenticeships created. A target has been set for a minimum of 2 apprenticeships per £1m of investment.
  - 5) Ensure that units are built to accommodate those residents impacted by Welfare Reform.
  - 6) Secure additional funding from Welsh Government for the delivery of the model.

## **Expected Returns**

- 4.8 It is important to recognise that, by investing its own sites into such a scheme for residential development (although it will be at current market value) the Council might ultimately achieve a lower level of receipt than might be available in the future as market conditions improve, because the “receipt” will be a mix of capital now, revenue and future capital.
- 4.9 The lease will be for a term of 125 years and although it is the intention to rent the properties in the long term we will include a 5-year cyclical break option to allow the parties to consider the option to sell the properties and realise the capital value of the land and building asset in the future.
- 4.10 Attached, at Appendix 4 is the summary result of the expected out-turns for Site 1 (Watford Road, Caerphilly).

A comparable summary result for a planned first phase of Site 2 (Windsor Colliery, Abertridwr) will be circulated to members for information in due course but it is anticipated that it will follow a similar pattern

- 4.11 CCBC's target rate of return for this financial year (to 31st March 2015) is 5.59%. This is derived from the average debt pool rate as at 31st March 2014. The pilot will be run with the expectation, initially, that this rate of return will be achieved, as a minimum.
- 4.12 The out-turns have been grouped into six key areas:
- KO1 FINANCIAL RETURNS  
that covers the estimated capital receipt, projected year 1 income and Return on Investment.
  - KO2 TRAINING AND EMPLOYMENT  
that looks at targeted recruitment and training.
  - KO3 COMMUNITY BENEFIT MEASUREMENT  
that covers the estimated value of investment in the local community
  - KO4 ADDITIONAL AFFORDABLE HOUSING  
that looks at the number of affordable units delivered on site compared with the LDP requirement
  - KO5 SOCIAL HOUSING GRANT (SHG)  
that covers the estimated additional SHG received into Caerphilly
  - KO6 WELFARE REFORM  
that looks at the number of units (1 or 2 bedroom) available for residents to downsize.

- 4.13 It is important to recognise that these are projected out-turns, based on assumptions made within the development appraisal. Officers consider that prudent assumptions have been made and that it is reasonable to expect these out-turns; however, the model will be tested at appropriate points within the pilot and management reports will be issued to the Acting Director of Corporate Services & S151 Officer. It is not proposed that these management reports will form the basis of further cabinet reports, unless undue variance is experienced within the pilot.

A further report will be presented on the actual results of the pilot exercise.

- 4.14 It should be noted that, through the IMR revenue [Appendix 4, KO1(iii)], the Council will receive a revenue stream that can be reinvested into more demanding sites, thereby contributing towards the regeneration of areas where private sector housing development has reduced (or is non-existent) due to current market conditions.
- 4.15 Subject to the evaluation of the pilot schemes, there is the opportunity to consider the model for other sites within the County Borough.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 An EqlA screening has been completed in accordance with the Council's Equalities Consultation and Monitoring Guidance and no potential for unlawful discrimination and for low level or minor negative impact have been identified, therefore a full EqlA has not been carried out.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 A development at the Windsor Colliery site will generate a requirement to pay the outstanding balance of around £300k clawback in respect of grant funding for the land reclamation (see paragraph 4.3 above); whilst WG officials are, in-principle, supportive of an application to recycle that clawback within the project it will require a ministerial decision.
- 6.2 As noted above, in paragraph 4.8, by investing its own sites into such a scheme the Council might ultimately achieve a lower level of receipt than might be available in the future as market conditions improve, because the "receipt" will be a mix of capital now, revenue and future capital.
- 6.3 It is important to consider the wider economic benefit of stimulating the housing market and balance this against any potential for an increased capital receipt; 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.
- 6.4 Again, as noted above in paragraph 4.9, there will be a 5-year cyclical break option to allow the parties to consider the option of realising the capital value of the asset with a view to
- 1) Reinvesting that capital into more demanding sites, thereby contributing towards the regeneration of areas where private sector housing development has reduced due to current market conditions, or
  - 2) Supporting alternative investment decisions.
- 6.5 Finally, as noted above in paragraph 4.14, the Council will receive a revenue stream that can be
- 1) Reinvested into more demanding sites, thereby contributing towards the regeneration of areas where private sector housing development has reduced due to current market conditions, or
  - 2) Used to support alternative investment decisions.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are no personnel implications.

## **8. CONSULTATIONS**

- 8.1 There are no views expressed that have not been incorporated into the report.

## **9. RECOMMENDATIONS**

- 9.1 That Policy and Resources Scrutiny Committee considers this report and recommends to Cabinet that it approve the development of the leased model on the following sites:
- 1) Watford Road, Caerphilly
  - 2) Windsor Colliery, Abertridwr

- 9.2 That a further report be submitted to Policy and Resources Scrutiny Committee on the actual results of the pilot exercise.

## 10. REASONS FOR THE RECOMMENDATIONS

- 10.1 Through the reduction in general house building rates in the County Borough and reductions in Welsh Government funding for affordable housing, the Council has been required to look at alternative models to continue to meet the housing needs within our communities. Whilst the primary aim of the model is to deliver affordable housing for the residents of the county borough, the development of such schemes will provide wider economic benefits through the delivery of jobs and training opportunities for local people.
- 10.2 To ensure we carry out our services effectively and to ensure value for money in the service provision.

## 11. STATUTORY POWER

- 11.1 Local Government Act 1972, and “Local Government Act 1972: General Disposal Consent (Wales) 2003”. This is a Cabinet Function.

Author:	Colin Jones	Head of Performance and Property: jonesrc@caerphilly.gov.uk
Consultees:	Chris Burns	Interim Chief Executive
	Nicole Scammell	Acting Director of Corporate Services
	Shaun Couzens	Chief Housing Officer
	Pauline Elliott	Head of Regeneration and Planning
	Gail Williams	Head of Legal and Democratic Services
	John Rogers	Principal Solicitor
	Lesley Allen	Principal Accountant
	Rhian Kyte	Team Leader Strategic & Development Planning
	Clive Campbell	Transportation Engineering Manager
	Cllr Gerald Jones	Deputy Leader and Cabinet Member for Housing
	Cllr David Hardacre	Cabinet Member for Performance and Asset Management
	Cllr Colin Elsbury	Ward member
	Cllr James Fussell	Ward member
	Cllr Stephen Kent	Ward member
	Cllr Lyndon Binding	Ward member & Aber Valley Partnership
	Cllr John Roberts	Ward member
	Cllr John Taylor	Ward member
	Ken Williams	Clerk to Caerphilly Town Council
	Richard Mann	Director of Development – United Welsh HA
	Neil Barber	Director of Development - Seren Group

### Background Papers:

Consultant Report – Peter Thomas (Consulting) Limited

### Appendices:

Appendix 1	Options Appraisal
Appendix 2	Basis of value
Appendix 3	Local Housing Market Assessment Update 2012
Appendix 4	Summary Results of Expected Out-Turns
Appendix 5	Plan A – Watford Road, Caerphilly
Appendix 6	Plan B – Windsor Colliery, Abertridwr