

CABINET

Date of Meeting	Tuesday 14 th March 2017
Report Subject	Strategic Housing and Regeneration Programme (SHARP) Batch 3 Proposed Schemes
Cabinet Member	Cabinet Member for Housing
Report Author	Chief Officer (Community and Enterprise)
Type of Report	Strategic

EXECUTIVE SUMMARY

This report seeks Cabinet approval to progress the next key stages of the Council's Strategic Housing And Regeneration Programme (SHARP) including detailed scheme viability works on a range of sites which could potentially deliver an additional 363 social rent, affordable rent and affordable purchase homes.

The sites to be included in the programme are at various stages of development. Some sites are in the council's ownership and some are the subject of commercial purchase negotiations.

Site feasibility works are required on some sites to progress them further. Those that are at the most advanced stages are described in the report with details of each site, and site plans included.

The report also provides an update on new Welsh Government Capital Funding availability which will help expand the SHARP.

RECOMMENDATIONS

1.	Cabinet agree in principle to the development of 363 new homes as part of the council's house building programme (SHARP). This will include 195 council properties, 95 properties for affordable rent and 73 properties for affordable purchase.
2.	Cabinet approves sites investigation costs of £421,616K, so that full scheme

	appraisals can be completed ahead of final approval. These will be apportioned as follows, 66% HRA cost (£278,266) and 44% Council fund cost (£143,350, met by NEW Homes should development proceed).
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REPORT DETAILS

1.00	BACKGROUND
1.01	At Cabinet in June 2015, approval was given to appoint Wates Living Space as the Council's development partner for five years with the aim of developing 500 homes, (200 social rented and 300 affordable), at a range of sites across the county, alongside commissioning a range of linked regeneration initiatives and community benefits.
1.02	Following Cabinet approval in January 2016, work on the first SHARP scheme to build 12 Council homes at Custom House School, Connah's Quay was completed in December 2016. Good progress is also being made on The Walks, Flint with the construction of 92 new homes. Thirty of these new homes will be managed by the Council through the Housing Revenue Account (HRA). The remaining 62 properties will be managed by NEW Homes. The first phase of new properties on the scheme are projected be handed over in July 2017.
1.03	<p>Following Cabinet approval in July 2017, work on the construction of 40 new Council homes on five sites at Mold, Leeswood and Connah's Quay has begun. These will be handed over to the Council later in 2017. This brings the total number of homes agreed to date to 144 (82 Council social rent, 62 affordable rent)</p> <p>With the addition of the 363 homes identified in this report, the total programme will comprise 507 homes; which includes 277 council properties, 157 affordable rent properties and 73 affordable purchase properties.</p> <p>The original target for council housing was to build 200 homes over 5 years. This report identifies that 277 can be built.</p>
1.04	Considerations
1.05	<p>Whilst good progress continues to be made with the SHARP, Flintshire's Local Housing Market Assessment (LHMA) has confirmed that housing need for social and affordable housing continues to outstrip supply and will do so for the foreseeable future. Specifically, it identifies:</p> <ul style="list-style-type: none"> • An annual shortfall of 246 affordable dwellings across Flintshire; • The suggested affordable housing tenure split for Flintshire identified by the assessment is for 56% social/affordable rent and 44% intermediate tenure; • A clear need for smaller two bedroom properties for under and over 65s; • Around one third of all households in Flintshire can only afford an intermediate affordable house priced at £100,000 or less (or the

	equivalent total housing costs).
1.06	In addition, Flintshire's SARTH (Single Access Route To Housing) and Affordable Housing Register currently show a combined total of 1,699 applicants waiting for a suitable and sustainable new home.
1.07	This report details the initial proposed property and tenure types for the most advanced schemes. It is proposed that the social rent properties will be managed by the Council's Housing Revenue Account (HRA), whilst the affordable rental properties will be managed by the Council's housing company, NEW Homes.
1.08	The property and tenure proposals have been based on housing need data collated by the Housing Programmes Team and includes detailed assessment and data taken from the Council's SARTH and Specialist Housing Register, along with the Flintshire Affordable Housing Register. Moving forward, the proposed tenure and property types will be reviewed in detail on a scheme-by-scheme basis to ensure these match the identified housing need in each community.
1.09	Melrose Centre, Shotton
1.10	Following its closure in 2015 the former Melrose Centre is now in poor condition and is subject to on-going incidents of anti-social behaviour. It is proposed to re-develop the site with a Council housing scheme consisting of 5x 2 bed houses and 4x 1 and 2 bed apartments (Appendix 1).
1.11	Ffordd Hiraethog Mostyn
1.12	Ffordd Hiraethog is a cleared former HRA garage area, (Appendix 2). As the site is located in the centre of the well-established Maes Pennant Council estate it is proposed to develop a mixed Council housing scheme consisting of 20x homes in total comprising, 1 and 2 bed apartments 2 and 3 bed houses.
1.13	Former Youth Centre, Gronant
1.14	This site is currently under the ownership of Flintshire County Council and has been declared surplus by the Education portfolio and has fallen into disrepair and appears to be subject to some antisocial behaviour. (Appendix 3). The site can be accessed from the main village road via a narrower side street. There is a sharp level difference at the rear of the site and the type of retaining structure would require further investigation and possibly additional ground engineering to facilitate development. Due to the topography future drainage is likely to need pumping back up to the main access road unless a suitable alternative can be identified. Although the site suffers from some topographical constraints, these should not be difficult to overcome. There are also demolition costs to consider as part of the redevelopment of the site. In general the site is fairly compact at just under 0.5 acres. It is proposed that the site could potentially accommodate 10 2 bed Council houses.
1.15	Raikes Lane Sychdyn

1.16	This Housing Revenue Account (HRA) site is located on the fringe of Sychdyn and is considered suitable for a single Council bungalow (Appendix 4). There are no demolition issues with this plot and it could potentially be developed in a short timeframe.
1.17	Llys Dewi, Penyffordd
1.18	The site extends to 1.1 acres and offers a logical extension of the existing village (Appendix 5). This will accommodate 25 new mixed tenure homes, (2 Council bungalows, 8 affordable rent, and 15 shared equity).
1.19	Queens Way Hope
1.20	This is a small HRA garage site located in the centre of Hope in a well-established Council development (Appendix 6). Subject to meeting Highways requirements, the site could potentially accommodate 5 2 and 3 bed Council houses.
1.21	Land near Penyffordd Church, Penyffordd
1.22	A further site has been identified near to Penyffordd Church, Hawarden Road which lies to the east of A550, south of its junction with the A55 (Appendix 7). The ward consists of the neighbouring villages of Penyffordd and Penymynydd, which are a ribbon development along the line of the former major road. The site is under Council ownership and has become over-grown leading to some anti-social behaviour, including fly tipping. This site could provide 5 2 bed Council houses.
1.23	Llys Alun, Rhydymwyn
1.24	This is the site of the former primary school in Rhydymwyn which was shut and demolished in 2012 and was subsequently declared surplus by the Council's Education portfolio (Appendix 8). The site is within the Rhydymwyn settlement boundary where the principle of housing is acceptable subject to satisfying the planning policy. This site could potentially provide 12 Council, 8 affordable rent, and 8 low cost home ownership properties.
1.25	Crib y Gwynt, Trelogan
1.26	The site is accessed through the established Crib y Gwynt estate and is located outside the Berthengam settlement boundary where planning policy allows for affordable housing schemes abutting settlement boundaries (Appendix 9). The site includes the former bowling green and could provide 14 Council and 6 affordable rent properties.
1.27	Borough Grove Flint
1.28	The Borough Grove Clinic is currently under the ownership of the Betsi Cadwallader Betsi University Health Board (BCUHB) but will be transferred to the Council's ownership following the completion of the new Medical Centre in Flint town Centre in Spring 2018. (Appendix 10). It is proposed that the site could accommodate 8 2 and 3 bed Council houses.

1.29	Maes Gwern, Mold
1.30	The proposed redevelopment of this formerly commercial site on the outskirts of Mold is currently under the ownership of Flintshire County Council and comprises 14.5 acres (Appendix 11). It is proposed that this will be a mix development site comprising of 160 new social, affordable rent, shared equity and open market sales. The design and layout of the scheme has been informed by the Design Commission for Wales and is now ready for formal planning submission subject to the forthcoming Public Consultation scheduled for w/c 13 th February 2017. Positive discussions have taken place with both local Elected Members on the potential to redevelop these schemes. A Community Consultation Event was held on the 14 th of November at the Daniel Owen Centre to enable the local community to have an opportunity to discuss the scheme prior to it going for planning approval in March 2017. This site could provide 160 homes in total of which there could be 4 council properties, 23 homes for affordable rent and 21 homes for shared equity.
1.31	A Local Lettings Policy will be developed for each of the proposed schemes to ensure the opportunities to house local people are maximized.
1.32	Funding - Council
1.33	<p>For public-finance routes, the Council's position is strong given the voluntary agreement for Housing Revenue Account (HRA) self-financing. This option continues to offer routes to long-term debt which remain the most cost effective and most stable funding product available to the Council. Alongside completion of the Welsh Housing Quality Standard (WHQS) for the existing stock, the Council has been successful in securing an additional allocation of borrowing headroom for a HRA new build programme and the HRA is likely to generate further revenue and borrowing headroom during the life of this programme.</p> <p>With this in mind, it is considered appropriate for prudential borrowing to be utilised by the Council (as the preferred option) for the provision of new Council Housing within the Programme. Whilst this approach will be reviewed on a site by site basis, this option is cost effective and considered appropriate for the schemes as the Council properties will remain in the ownership of the Council and the anticipated level of expenditure is sustainable within the context of HRA self-financing.</p>
1.34	Once the homes identified in this report have been developed the council will be close to its borrowing cap. Therefore, the Council is actively exploring opportunities with the Welsh Government (WG), to bid for a share of additional borrowing capacity (retained by WG following the introduction of self-financing).
1.40	Open Market Sales Sites (Maes Gwern, Mold)
1.41	In order to maximize the potential benefits of the SHARP, it has been recognised that the utilisation of some fully mixed tenure sites including market sales, could generate capital receipts and a profit share for the council, which could provide a return to invest in strategic objectives. There are 3 sites currently under consideration including Maes Gwern which is

	<p>the most developed scheme. Maes Gwern has the potential to generate a significant capital receipt for the Council from the sale of the land to Wates and can also provide 48 affordable homes, in accordance with Flintshire's affordable housing planning guidelines. The terms and conditions for the development of Maes Gwern are currently being finalised with the Council's Valuation and Estates, Planning and SHARP Delivery Teams. Any financial risks (including site assessment) on these sites will be funded by the developer.</p>
1.42	Funding – Affordable Rent
1.43	<p>The supply of finance ranges from traditional build-for-sale up-front development-finance to the levering in of Institutional and Pension Fund investment into longer term rented homes – in Wales badged under the generic term “<i>Innovative Finance</i>” covering the main Leasing Models.</p>
1.44	<p>Under leasing arrangements, the ownership of the properties passes to the funder on completion and the funder leases the properties back to the Council or NEW Homes (guaranteed by the Council). Title to the properties reverting to NEW Homes or the Council at the end of the term. Leasing finance costs are covered by rentals less the management fee plus allowances for voids and bad debts. On this basis, NEW Homes receives a management fee for the properties.</p>
1.45	<p>Leasing costs have been evaluated during the SHARP tender on the basis of standard development scheme assumptions about rental income and management and maintenance costs. These models illustrated that risks in meeting leasing finance costs are minimal. This should also be placed in the context of the predicted high market demand for the properties that will be delivered through the programme.</p>
1.46	<p>A further funding option which has been developed for The Walks, Flint scheme is for the Council to lend direct to NEW Homes to fund the scheme through the utilisation of the General Fund. This does present a real opportunity to deliver new mixed tenure homes outside the HRA, enabling the Council to make interventions in the market place to meet need and stimulate demand. This can be a cheaper and lower risk option which will earn the Council a return on its investment during the lifetime of the loan. The future availability of this borrowing option is subject to competing strategic priorities from other major Council capital projects and a pragmatic scheme-by-scheme approach will be adopted to identify the most suitable solutions to deliver affordable housing schemes.</p>
1.47	Welsh Government Funding
1.48	<p>Welsh Government has made Housing Finance Grant 2 (HFG2) available to stock retaining Local Authorities who are developing new homes. The HFG2 is a grant which supports capital financing costs and guidance on how the grant can be spent or what is eligible expenditure has not yet been agreed by Welsh Government, although WG have stated HFG2 for the LA Build schemes will have different parameters to the Housing Associations.</p> <p>Flintshire indicative allocation is:</p>

	<ul style="list-style-type: none"> • 2018/19 = £1.9m • 2019/20 = £1.2m <p>Flintshire’s proposed housing programme is well advanced compared to other areas in Wales and Welsh Government have indicated that if there is underspend in other areas, Flintshire will be able to apply for the additional funding. Whilst it is likely HFG II will not become available until 2018/19, WG has advised that it will be flexible in its funding approach to support the house building programme. In addition to HFG II, Flintshire will explore all potential grant funding schemes to supplement its programme.</p> <p>The Council is also exploring (with Welsh Government) the opportunities for NEW Homes to access this new grant funding stream.</p>
1.49	Welsh Government Housing Innovation Fund
1.50	At the recent WG “Housing Innovation” conference in Cardiff, it was announced that future funding of up to £20M over the next two years would be made available to develop 1,000 new “innovative” homes across Wales. Interestingly, and pending final confirmation from WG, in addition to the Council and local housing associations, it is likely that NEW Homes would be able to bid for this funding which could be potentially used towards developing some of the sites identified above.
1.51	The Council is currently establishing a Working Group to develop options for the development of innovative housing schemes as part of the Batch 3 SHARP schemes. The Council is also exploring the opportunity to deliver some innovative housing schemes outside of the SHARP using local contractors directly.
1.52	Flintshire House Standard
1.53	All of the new properties delivered through the SHARP will continue to be designed to the Council’s Flintshire House Standard to form a benchmark to ensure consistent, good quality of internal layout, and fixtures and fittings, high standards of energy efficiency and external appearance in keeping with local circumstance, low maintenance product specifications, adequate parking and a public realm designed to promote cohesive and inclusive communities.
1.54	<p>The availability of capital grant funding to support local authorities deliver new Council homes may be dependent on meeting the Welsh Government’s Design Quality Requirements (DQR). The Council is currently reviewing the Flintshire House Standard in anticipation of further guidance from Welsh Government on the criteria for accessing capital grant funding.</p> <p>The Cabinet has committed to a review of the standard to consider the desire to fit solar PV in all new properties to maximise energy efficiency and address fuel poverty. The first two schemes will also allow a review of the standard in practice both from a development and construction perspective and from customer feedback.</p>

1.55	Community Benefits
1.56	An integral element of the SHARP is to support the achievement of the strategic objectives of the Council's Regeneration Strategy: 'a competitive Flintshire; sustainable communities and the creation of employment and skills' (including working with disadvantaged and targeted groups and social businesses).

2.00	RESOURCE IMPLICATIONS																								
2.01	£15.5M borrowing approval is available for a council house building programme. Each scheme or batched schemes will require individual cabinet approval and each scheme or batched schemes will be assessed against the scheme development criteria which is regularly reviewed. The process for doing this will provide for total scheme costs plus financing costs and management costs to be offset against rental income over 50 years.																								
2.02	<p>The cost of undertaking site feasibility works for each of the proposed sites is £421,616.</p> <p>These are broken down for each site below:</p> <table border="1"> <thead> <tr> <th>Site</th> <th>Cost</th> </tr> </thead> <tbody> <tr> <td>• Melrose Centre, Shotton</td> <td>£29,040 (excluding VAT)</td> </tr> <tr> <td>• Ffordd Hiraethog, Mostyn;</td> <td>£20,961 (excluding VAT)</td> </tr> <tr> <td>• Ffordd Pandarus, Mostyn;</td> <td>£39,476 (excluding VAT)</td> </tr> <tr> <td>• Former Youth Centre, Gronant;</td> <td>£29,040 (excluding VAT)</td> </tr> <tr> <td>• Llys Dewi, Penyffordd (Nr Holywell);</td> <td>£72,422 (excluding VAT)</td> </tr> <tr> <td>• Queensway, Hope</td> <td>£20,961 (excluding VAT)</td> </tr> <tr> <td>• Raikes Lane, Saughton</td> <td>£12,240 (excluding VAT)</td> </tr> <tr> <td>• Land near Penyffordd Church, Penyffordd;</td> <td>£29,040 (excluding VAT)</td> </tr> <tr> <td>• Llys Alun, Rhydymwyn;</td> <td>£75,330 (excluding VAT)</td> </tr> <tr> <td>• Crib y Gwynt, Trelogan;</td> <td>£72,145 (excluding VAT)</td> </tr> <tr> <td>• Borough Grove, Flint</td> <td>£20,961 (excluding VAT)</td> </tr> </tbody> </table>	Site	Cost	• Melrose Centre, Shotton	£29,040 (excluding VAT)	• Ffordd Hiraethog, Mostyn;	£20,961 (excluding VAT)	• Ffordd Pandarus, Mostyn;	£39,476 (excluding VAT)	• Former Youth Centre, Gronant;	£29,040 (excluding VAT)	• Llys Dewi, Penyffordd (Nr Holywell);	£72,422 (excluding VAT)	• Queensway, Hope	£20,961 (excluding VAT)	• Raikes Lane, Saughton	£12,240 (excluding VAT)	• Land near Penyffordd Church, Penyffordd;	£29,040 (excluding VAT)	• Llys Alun, Rhydymwyn;	£75,330 (excluding VAT)	• Crib y Gwynt, Trelogan;	£72,145 (excluding VAT)	• Borough Grove, Flint	£20,961 (excluding VAT)
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2.03	<p>Site investigation works will include the following elements:</p> <ul style="list-style-type: none"> • Desk top surveys; • Site reconnaissance; • Phase 2 Site and ground investigation; • Trial pits and test holes; • Gas sampling and analysis; • Geotechnical testing; • Ecology assessment; 																								

	<ul style="list-style-type: none"> • Soil profiling; • Chemical analysis and contamination screening; • Utilities searches; • Legal title and ownership; <p>These cost will be apportioned between the Council's Housing Revenue Account (66%) and the council fund. Initially these will need to be revenue costs which will then be capitalised once schemes are developed (and charged on to NEW Homes as appropriate).</p>
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	There has been significant community consultation with local Elected Members and local community and local stakeholders on these initial proposals.
3.02	A community consultation event was held at the Daniel Owen Centre, Mold on the proposed development of the Maes Gwern on Monday 13 th February prior to a planning application being made in March 2017.
3.03	Batch 3 sites have also been presented to the NEW Homes Board for consideration for inclusion in the Company's Business Plan and Growth Strategy.

4.00	RISK MANAGEMENT
4.01	The Operational Risk Register is in place for the SHARP Housing Programme which is regularly updated in relation to emerging and changing risks. This is in addition to Project specific Risks and Strategic Risks.
4.02	The SHARP team continues to develop a framework for managing risk and opportunities the programme generates. Further work is on-going in order to improve the robustness in risk identification and management as part of the new CAMMS system which will contain Development Framework procedures.

5.00	APPENDICES
5.01	Appendix 1 - Melrose Centre, Aston Appendix 2 - Ffordd Hiraethog, Mostyn Appendix 3 - Former Youth Centre, Gronant Appendix 4 - Raikes Lane, Sychdyn Appendix 5 - Llys Dewi, Penyffordd (Nr Holywell) Appendix 6 – Queens way Hope Appendix 7 - Land near Penyffordd Church, Penyffordd Appendix 8 - Llys Alun, Rhydymwyn Appendix 9 - Crib y Gwynt, Trelogan

	Appendix 10 - Borough Grove, Flint Appendix 11 - Maes Gwern, Mold
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Office: Clare Budden Job Title: Chief Officer Community and Enterprise Telephone: 01352 703800 E-mail: clare.budden@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Strategic Housing And Regeneration Programme (SHARP) – Flintshire County Council House Building Programme which will build 500 new homes (200 Council) and 300 (affordable).</p> <p>Welsh Housing Quality Standard (WHQS) - Flintshire County Council will be spending £111 million over six years on a major refurbishment and maintenance programme of works bring its 7,200 Council homes up to the Welsh Government's Welsh Housing Quality Standard (WHQS) new properties across the Council during the next five years.</p> <p>Standard Development Scheme Assumptions - agreed allowances for voids; maintenance costs; rental income levels (including CPI etc.) and will be used to assess all potential future development schemes to determine scheme feasibility and viability.</p>