

CABINET MEETING

Date of Meeting	Tuesday, 19 January 2016
Report Subject	Strategic Housing and Regeneration Project (SHARP)
Cabinet Member	Cabinet Member for Housing
Report Author	Chief Officer (Community & 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) and sets out proposals to develop the former Custom House School site, Connah's Quay.

The regeneration of the site will see the development of 12 Council homes which will enhance the housing opportunities available to local people living in Connah's Quay.

This report provides an update on the mobilisation works undertaken to date in readiness to commence the construction of the scheme in February 2016, providing a rationale for the recommended funding model along with proposed timeframe for delivery.

The report identifies standard scheme development assumptions which subject to approval will be utilised to assess the viability of individual schemes against costs.

The report also outline proposals for future sites and Community Benefits which will be delivered as part of the overall SHARP.

RECOMMENDATIONS

1	Cabinet approve the development of 12 new Council homes on Custom House School site, Connah's Quay at a total cost of £1,548,936.
2	Cabinet approve the standard scheme development assumptions as identified in 1.20.

REPORT DETAILS

1.00	EXPLAINING NEXT KEY STAGES OF THE COUNCIL'S STRATEGIC HOUSING AND REGENERATION PROGRAMME (SHARP)
1.01	BACKGROUND
1.02	At Cabinet in September 2014, approval was given to undertake a major procurement process to appoint a development partner, with the aim of developing 500 new homes (council housing and affordable housing) at a range of sites across the county, alongside commissioning a range of linked regeneration initiatives and community benefits. The Programme will run for an initial period of 5 years. The Programme is overseen by a Partnership Board whose decisions are subject to approval by Cabinet.
1.03	<p>The Commissioning Objectives (as approved by Cabinet in September 2014) are detailed below and illustrated in Appendix 1.</p> <ul style="list-style-type: none"> • Delivery of the Programme in a manner responsive to local needs and priorities; • Quality of Housing which conforms to at least local planning level 3; • A funding model which provides the initial capital investment for the Developments through borrowing; lease back; buy back options or other arrangements to be recouped through increased income from rents; • Value for money facilitated by competitive pricing; robust and transparent costings supported by open book accounting¹; performance reporting and monitoring; • Workforce and training initiatives; • Environmental protection and improvements; • Development of sub-contracting and supply chain opportunities including transparency of opportunities and award procedures including advertisement through Sell2Wales; • Increased social capital through engagement and consultation with the community.
1.04	In June 2015 following an extensive procurement exercise, Wates Living Space were appointed as the Council's preferred Development partner for the next five years.
	Considerations
1.05	Custom House School - Site Context
1.06	The site is located in the west of Connah's Quay on the B5126 named Mold Road. The site is within a predominately residential area. The site is currently vacant and was most recently occupied by Custom House Lane Junior School which has been demolished due to the building of the new Ysgol Cae Nant school to provide the services of Custom House Lane Junior School and Dee Road Infants School.
1.07	Design and Lay out

1.08	Appendix 2 shows there will be 12 two storey houses on the site arranged into 2 terraced blocks and 3 semi-detached blocks. 8 units will be 2 bedroom properties identified as Type 1. Four units are 3 bedroom properties identified as Type 2. The site is 0.2 hectares and with 12 properties proposed on the site, maximises the use of land available.
1.09	Properties and land associated with each property will be designed to comply with Secured by Design guidelines and the Council's "Flintshire House Standard". The standard will inform the design and specification of all the new housing delivered through the SHARP and 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.
1.10	A working group of Cabinet Members, Officers and tenants worked together during 2015 to develop the Flintshire House Standard which has been approved by Cabinet. This standard was developed following rigorous review of industry building standards, Housing Association scheme development standards for Social Housing grant, and Lifetime Homes Standards. Visits were made to new build schemes to see new projects in development and discussion and advice took place with development experts.
1.11	The council wanted its own distinctive standard which would provide a high quality living environment with adequate storage and living space, which was attractive and affordable in use and which could be adapted to suit changing needs during a family life course. The full standard is attached at Appendix 4.
1.12	Appendix 3 shows that the primary design development of the scheme's appearance has been driven by the appearance of the former Custom House School when in existence. It is proposed that materials will respect the predominant materials within the surrounding area which are facing brick and fibre cement slate. Other materials and features that are proposed will be contrasting blue facing brickwork features and courses that imitate features that existed on the original school, natural stone cills / heads and stone detailing such as date-stones and features recovered from the school.
1.13	Following planning approval on the 15 th December 2015, it is proposed that the build for the scheme will commence February 2016, with a projected completion in February 2017.
1.14	Custom House School, Connah's Quay - Build Costs
1.15	Appendix 5 provides detail on scheme costs and financial assumptions. Total scheme build costs are £1,548,936. This is made up of two elements; scheme build costs of £1,496,972, which provide for a 50 year pay back and additional investment costs of £51,964. These have arisen for a number of reasons; £c6k relates to additional costs to meet the

	councils quality specification for parking and kitchens, £3k party wall works, £c6k as a result of changes to Construction Design and Management (CDM) Regulations 2015 and the remainder relates to additional cost for drainage and foundations due to the development being brownfield and specific requirements needed to deal with waste/water management.
1.16	As part of the Wates tender the Flint scheme was used as a model to compare the different bidders costs. These were used as a benchmark for assessing the costs of the Custom House scheme (and will be for others), and assurance has been provided by the councils Quantity Surveyor that the scheme meets the councils' design specification and provides best value for the council.
1.17	This development site is on council fund land which will be acquired by the HRA.
1.18	Funding Options
1.19	Various funding solutions has been explored for the new Council homes to be built. These solutions range from private borrowing; lease back; buy back options or Council borrowing which will be then recouped through rental incomes (which are predicted through robust models making agreed allowances for voids; maintenance costs; rental income levels (including CPI etc.).
1.20	For public-finance routes, the Council's position is strong given the voluntary agreement for Housing Revenue Account (HRA) self-financing. This option offers routes to long-term debt which remain good value for money for 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 (£14,757m) and the HRA is likely to generate further revenue and borrowing headroom during the life of this programme.
1.21	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 Custom House School scheme 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.
1.22	Now that councils are starting to build new homes it would be beneficial (and appropriate) for them to have access to grant and loan funding to support new development in the same way that Housing Associations do. Work is underway with Welsh Government to consider and develop proposals for this.
1.23	Standard Development scheme assumptions have been developed and are described below. These make allowances for voids; maintenance costs; rental income levels (including CPI etc.) and will be used to assess all potential new build development schemes to determine scheme

	feasibility and viability with a minimum requirement for all Cabinet approved schemes to pay back the scheme costs within 50 years.
1.24	<p>Following rigorous bench marking, the following assumptions are recommended for approval.</p> <ul style="list-style-type: none"> • Management costs - £400 per annum • Maintenance Costs - Year 1 - £100 (defects liability should cover anything apart from gas servicing) Years 2/3 - £200, yr 4+ £400 • Major repairs - 0.8%, deferred to 5 year • Voids/bad debts - 2.5%
1.25	It is proposed to review the Development Scheme Assumptions periodically to ensure these remain prudent. For major regeneration schemes or schemes on difficult brownfield sites, some additional scheme grant or scheme investment may be needed to support full scheme by scheme cost recovery in 50 years. This could be in the form of Social Housing Grant, Housing Finance Grant, commuted sums, or additional capital support from HRA/NEW Homes as appropriate.
1.26	Future SHARP Schemes
1.27	SHARP housing schemes at The Walks, Flint and Maes y Meilion, Leeswood will be presented to Cabinet in February 2016 for approval.
1.28	Detailed financial appraisal work on The Walks scheme is currently being jointly being undertaken with Wates Living Space. This work has taken longer than originally estimated due to Archaeology Wales interest in The Walks site. In addition the Design Commission for Wales has, at the request of the council, reviewed the Walks scheme, which has added a few weeks delay in finalising the scheme, but also provides increased confidence in a scheme in a major town centre location ahead of Planning Committee consideration. It is anticipated that the construction of the scheme will begin in Spring 2016 subject to all necessary approvals.
1.29	Community Benefits
1.30	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; the development of supply chain opportunities (including for small and medium enterprises; local employment; education and training initiatives). the terms of the SHARP, Wates have contractualised performance measures and targets they must achieve in the delivery of these community benefits.
1.31	Wates will also employ Social Enterprises as part of the supply chain who

	can provide services such as cleaning, printing, signage and recruitment services. At least two Social Enterprises will be used during the course of the SHARP.
1.32	Another element of the approach adopted has been to engage with local SMEs at a recent “Meet the Buyer” event held at St David’s Park Hotel, Ewloe for local subcontractors. An estimated £40M worth of sub-contracting work packages are set to be awarded to local firms through the programme This has been highly successful with a number of local contractors now registered with Wates to be considered for contractual opportunities for the SHARP.
1.33	A Project Board, chaired by the Chief Officer for Community and Enterprise along with representation from Cabinet, Coleg Cambria, Contractor Partners and other key local stakeholders is also working to develop plans for the creation of a Training Academy to ensure that sustainable and meaningful apprenticeship opportunities are created for young people to not only work on the SHARP, but also other major Council construction programmes including the Welsh Housing Quality Standard (WHQS) which will see the Council spending £107 million over six years to bring its 7,200 Council homes up to the WHQS.
1.34	Through this partnership approach it is envisaged that an estimated 20 apprenticeships could be created each year.

2.00	RESOURCE IMPLICATIONS
2.01	£14,757m borrowing approval is available for a council house building programme. Each scheme will require individual cabinet approval and each scheme will be assessed against the scheme development criteria identified in 1.20 of this report. 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	Scheme costs and financial analysis are attached at Appendix 5. This shows total scheme costs of £1,548,936 and how the scheme performs against scheme development assumptions identified in paragraph 1.20. The scheme achieves pay back in year 50 with additional investment costs of £51, 964, which are required due to the nature of the site, the council’s quality standard and changes to CDM regulations.
2.03	The scheme has been assessed as providing best value for the council by qualified cost control staff.
2.04	The scheme requires acquisition of a council fund site by the HRA and this can be achieved in a cost neutral manner.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	There has been community consultation throughout Flintshire County Council for the site. The proposed scheme was subject to a further community consultation on Monday 5th October at St David's Institute from 2pm till 7pm.
3.02	For the event Halliday Clark provided 8 information boards on the proposal. The consultation was attended by officers from Flintshire County Council, Halliday Clark Architects and Wates Living Space. A register was taken with 16 names signed. Consultation comments were submitted along with the presentation and register as part of this application. Planning approval was granted on 16 th December 2015.

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	<p>Appendix 1 – SHARP Commissioning Objectives</p> <p>Appendix 2 – Site Layout Plan Custom House School site, Connah's Quay</p> <p>Appendix 3 – Architectural Drawing of Custom House School site, Connah's Quay</p> <p>Appendix 4 - Flintshire House Standard</p> <p>Appendix 5- Scheme Financial Analysis</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Office: Clare Budden Job Title: Chief Officer Community and Enterprise Telephone: 01352 703800 E-mail: clare.budden@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
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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> <p>Community Benefits – the SHARP has contractualised Community Benefits which must be delivered as part of the programme. The Council sees an important outcome of the programme is the promotion of quality of life for Flintshire residents through improved employment, training and education opportunities.</p> <p>Meet the Buyer – Event organised by the Council and Wates Living Space to engage with local SMEs to maximize local supply chain opportunities with Flintshire.</p>