

CABINET

Date of Meeting	Tuesday, 25 th September 2018
Report Subject	Strategic Housing And Regeneration Programme (SHARP)
Cabinet Member	Deputy Leader of the Council and Cabinet Member for Housing
Report Author	Chief Officer (Housing & Assets)
Type of Report	Strategic

EXECUTIVE SUMMARY

The report advises Cabinet on the number of both Social and Affordable Rent properties completed and proposed schemes, together with a more general update on progress and performance against key performance indicators.

The report also details changes in housing need since the SHARP was first implemented and the rationale for reviewing and revising the tenure split of the properties to be delivered for the remainder of the programme.

The report also details the separate future funding streams available to the SHARP for the development of both Social Rented and Affordable Rented properties by the Council and NEW Homes respectively are identified.

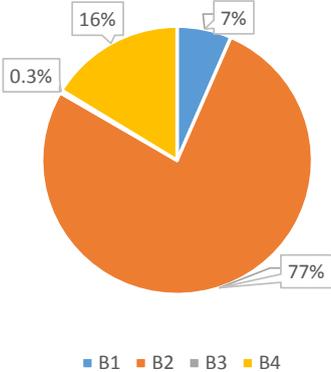
An update is provided of the independent mid-term review of the SHARP along with performance against Key Performance Indicators (KPIs) in relation to Community Benefits delivered.

RECOMMENDATIONS

1.	Cabinet approves the rationale for changing tenure mix for the SHARP to a proposed 303 Social Rented (HRA) and 197 Affordable Rent and Shared Equity properties (subject to detailed scheme feasibility, appraisal works and increased borrowing capacity);
2.	Cabinet approve implementation of the Review Report recommendations.

REPORT DETAILS

1.00	BACKGROUND
1.01	Flintshire's Strategic Housing And Regeneration programme (SHARP) was approved by Cabinet in September 2014 with the aim of delivering a projected 500 new Council Social Rented and Affordable Rented properties over a five year period, along with a number of broader economic and regeneration priorities. The Council is working with Wates Construction Limited under a strategic housing partnership relationship as defined within the Overarching Agreement for the SHARP dated 29 th April 2016.
1.02	In addition to this affordable housing element, the SHARP will also deliver 112 private properties for market sales at Maes Gwern, Mold.
1.03	Within the SHARP contract, a series of contractual community benefits are included relating to quality, time and costs which are monitored by Key Performance Indicators (KPI) on a scheme by scheme basis. Targets have also been agreed on the percentage of local construction build spent in Flintshire, local sub-contractor employment and apprentices and work placement arrangements. Further information is provided under Section 1.22 of this report.
1.04	Appendix 1 details the number of Council Social Rent, Affordable and Private Sales units which have been completed or approved by Cabinet to date.
1.05	Progress made against targets
1.06	As can be seen from Appendix 1, Phases 1 and 2 of the SHARP have all been completed with construction work on the former Melrose Centre, Shotton scheduled for completion in November 2018.
1.07	Construction work on Phase 3 sites will commence this September at Maes Gwern, Mold; Llys Dewi, Penyffordd, Holywell; and the former Council Depot, Dobshell.
1.08	<p>Good progress has been made in developing some challenging sites in Council ownership, the overall delivery of affordable units is currently behind the number of anticipated completions at this stage of the programme. This can be explained due to the following</p> <ul style="list-style-type: none"> • The Over Arching Agreement was not completed until April 2016 which delayed mobilisation of the construction period for Batch 1 sites; • NEW Homes currently does not receive capital grant from Welsh Government towards the costs of development. Despite this, the company has redeveloped The Walks, Flint with 62 Affordable Rent properties. This was the first new build development by NEW Homes with an investment of £7.5m. Given the significant financial undertaking for the company, NEW Homes Board understandably wanted to closely monitor the delivery of the scheme before committing to future affordable rent schemes, this prudent position is understandable.

1.09	Housing Need										
1.10	<p>In order to ensure that the SHARP is delivering the correct type of property and tenure types which accurately reflect housing need, it is important to take into account the pressures facing the Council in relation to the increased demand for social housing; homelessness; and a lack of suitable mix of housing to meet the increased demand. These issues set the context for housing need and are supported by objective intelligence, both quantitative and qualitative, to deliver relevant housing alongside delivering best value for the Council as a whole in the widest possible sense.</p>										
1.11	Increased demand on the Single Access Route to Housing (SARTH)										
1.12	<p>In 2017/18, there were 3,495 triage applications completed for customers approaching for housing assistance which represents a 3.9% increase in enquiries when compared to the same reporting period in 2016/17. The numbers on the social housing register are increasing and as such waiting times for properties are becoming longer. There were 960 households on the list in April 2016, this increased to 1,478 in April 2017 and increased again to 1,649 in April 2018. The households that were let properties in quarter four of 2017/18 for one, two and three bedroom properties had been waiting on average between twelve to eighteen months compared with the same period in 2016/17.</p> <p><i>Breakdown of SARTH by band (July 2018)</i></p>  <table border="1" data-bbox="719 1115 1050 1487"> <caption>Breakdown of SARTH by band (July 2018)</caption> <thead> <tr> <th>Band</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>B1</td> <td>7%</td> </tr> <tr> <td>B2</td> <td>77%</td> </tr> <tr> <td>B3</td> <td>0.3%</td> </tr> <tr> <td>B4</td> <td>16%</td> </tr> </tbody> </table> <p>Referrals for households that are believed to be homeless or at risk of homeless have increased. During the period April 2017 to March 2018, the Housing Options Team received 1,715 referrals for households who believed they were homeless or at risk of homelessness. This is an increase of 39% in comparison to the previous financial year.</p>	Band	Percentage	B1	7%	B2	77%	B3	0.3%	B4	16%
Band	Percentage										
B1	7%										
B2	77%										
B3	0.3%										
B4	16%										
1.13	<p>Due to policy changes around Welfare Reform which have taken place since the initial planning of the SHARP new build delivery, we are seeing a shift in the type of demand of property size compared to what has been provided previously through social housing. This is resulting in a significant demand for properties that are not readily available in the social housing stock or the private rented sector, increasing the waiting times and numbers on the housing register, as well as having an impact on the number of people presenting as homeless to the</p>										

	Council, where we have statutory duty to find accommodation. This increase in presentations creates a risk for the Council of increased cost of temporary / B&B accommodation.																																								
1.14	Delivery of new social and affordable housing																																								
1.15	New build social rented properties are provided and delivered by the Council and local housing associations. The Council influences the mix of house type and size that a housing association develops based on the evidence of need set out above through the Housing Strategy function. There is currently 300 social rented units being delivered through local housing association partners.																																								
1.16	<p>The Council is currently developing its plans for including schemes within the next phase of the programme for both Social Rented Properties and Affordable Rent Properties. Appraisal work is currently being undertaken on the following sites for inclusion:</p> <table border="1"> <thead> <tr> <th>Scheme</th> <th>HRA Social Rent</th> <th>Affordable Rent</th> <th>Lo-Cost Home ownership</th> <th>Private Sales</th> </tr> </thead> <tbody> <tr> <td>Ffordd Hiraethog, Mostyn</td> <td>10</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Ffordd Pandarus, Mostyn</td> <td>20</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Former Council Depot, Bagillt</td> <td>50</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Ffordd Alyn, Buckley</td> <td>12</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Land at St Andrews Church, Garden City</td> <td>12</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Llys Alun, Rhydymwyn</td> <td>19</td> <td>11</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total</td> <td>123</td> <td>11</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Scheme	HRA Social Rent	Affordable Rent	Lo-Cost Home ownership	Private Sales	Ffordd Hiraethog, Mostyn	10	0	0	0	Ffordd Pandarus, Mostyn	20	0	0	0	Former Council Depot, Bagillt	50	0	0	0	Ffordd Alyn, Buckley	12	0	0	0	Land at St Andrews Church, Garden City	12	0	0	0	Llys Alun, Rhydymwyn	19	11	0	0	Total	123	11	0	0
Scheme	HRA Social Rent	Affordable Rent	Lo-Cost Home ownership	Private Sales																																					
Ffordd Hiraethog, Mostyn	10	0	0	0																																					
Ffordd Pandarus, Mostyn	20	0	0	0																																					
Former Council Depot, Bagillt	50	0	0	0																																					
Ffordd Alyn, Buckley	12	0	0	0																																					
Land at St Andrews Church, Garden City	12	0	0	0																																					
Llys Alun, Rhydymwyn	19	11	0	0																																					
Total	123	11	0	0																																					
1.17	The proposed scheme at St Andrews Church, Garden City has been submitted to Welsh Government for consideration of its Innovative Housing Programme (IHP). The Council will be notified in November 2018 if this bid has been successful.																																								

1.18 In total, should all of these scheme prove viable to move forward to the construction phase, they will deliver a further 135 units. Given the increasing demand for Social Rented Housing on the SARTH Housing Register, it is proposed that the original tenure split of 200 Council Social Rented properties and 300 Affordable Rent properties is reviewed to reflect the housing need data available to the Council as follows:

Tenure	Original Target No. of Units	Number of Completed / Council approved	Projected Number of Additional Units	Projected Total Number of Properties	Variance from Original Target
Council Social Rent	200	173	134	307	+107
Affordable Rent and Lo-Cost Home Ownership	300	120	11	131	-169
Total	500	293	135	428	-72

1.19 **Costs**

1.20 As good practice, the Council has undertaken a review of the arrangements in place to ensure the processes and agreement is being adhered to, and also continues to reflect Value for Money, together with any recommendations for lessons learnt / and or areas to be further reviewed and improvements made.

1.21 The Council is already acting upon the key recommendations which have emerged from the final report received:

1. To date all the schemes have been Council sites provided at nil cost to the total scheme costs. Although development of sites brings more social benefit in removing problematic difficult to develop sites which would otherwise not be developed, these smaller schemes are not ideal for a Contractor the size of Wates Construction Limited. Wates should be encouraged to bring its own land sites to the Partnership in order to supplement the Council's sites, the availability of which is reducing.
2. Schemes of less than 30 dwellings and the costs in both preliminaries and design fees that Wates attract bring financial viability challenges. If the smaller schemes are required for development due to social issues, then discussions with Wates to explore if a smaller site team can be utilised to reduce the fixed preliminaries costs, together with exploring if an alternative option for design fees could be adopted.

Council response to 1 and 2: Agreed that smaller sites have been more expensive to deliver. However, the majority of sites have been strategically important to the Council for a number of years and have previously been offered to local housing associations who have not taken up the option to

	<p>develop. Moving forward, schemes under 30 units will only developed where they can be “batched” with other neighbouring sites.</p> <p>3. The schemes at Custom House and Redhall, The Walks, Leeswood, Ysgol Delyn, The Dairy and Melrose Centre are all on site are now complete. The quantities have been checked and correct and rates are in line with similar negotiated schemes.</p> <p>Council response: Agreed.</p> <p>4. Larger Batch 3 Schemes such as Nant y Gro and Maes Gwern demonstrate VFM and should proceed to next stages.</p> <p>5. Dobshill and Llys Dewi have been approved by Council Cabinet and should be subject to further design engineering to reduce costs further.</p> <p>Council response: Agreed. Further negotiations have taken place on both schemes and savings of £160K have been generated.</p> <p>6. Outcome of further review of costs and scheme appraisal of Batch 4 Schemes at Ffordd Hiraethog, Ffordd Pandarus, Borough Grove, Llys Alun, Former Bowling Green and Former Canton Depot, Bagillt need to be undertaken prior to being presented to Cabinet for approval.</p> <p>Council response: Agreed. Further work is on-going on these schemes as part of the proposed bid for additional borrowing through the HRA Borrowing Cap. In accordance with recommendations 1 and 2, the proposed re-development of the Borough Grove and former Bowling Green sites are currently being reviewed.</p> <p>7. On each future individual scheme, the proposed parameter for resubmitting Cabinet will be where prices exceed 10% of the original authorised expenditure.</p> <p>Council response: Agreed.</p> <p>8. Process for not pursuing schemes through the SHARP needs to be presented to Cabinet in September 2018 for approval, including approval process for schemes to be delivered through an alternative contract by the Council or by zoned Housing Associations</p> <p>Council response: Agreed: As part of the Council’s new Housing Strategy and following the successful delivery of the SHARP, a key priority is to consider and develop options for the delivery of new Council housing schemes once the SHARP agreement is completed.</p>
1.22	Key Performance Indicators/Community Benefits
1.23	A full report on SHARP performance against Key Performance Indicators (KPI) is attached in Appendix 2.
1.24	<i>Monitored Key Performance Indicators</i>

Of the Monitored Key Performance Indicators the areas that have not been achieved so far collectively against all completed schemes are:

- *Local SME Spend: Flintshire Countywide*

Target initially set at 50% and performance to date averages 37% across all schemes completed before July 2018. The breakdown of local SME spend is shown in the table below:

Scheme	Target	Achieved
Custom House, Connah's Quay	50%	42%
Redhall, Connah's Quay	50%	47%
Maes y Meillion & Hoel y Goron, Leeswood	50%	53%
Ysgol Delyn, Mold	50%	18%
The Walks, Flint	50%	17%
The Dairy, Connah's Quay	50%	49%

1.25

- *Local Labour Usage: Flintshire Countywide*

The initial target for local labour usage was set at 60% of the workforce however to date this averages 27%. The breakdown of the Local Labour Usage: Flintshire Countywide is shown in the table below:

Scheme	Target	Achieved
Custom House, Connah's Quay	60%	22%
Redhall, Connah's Quay	60%	37%
Maes y Meillion & Hoel y Goron, Leeswood	60%	34%
Ysgol Delyn, Mold	60%	24%
The Walks, Flint	60%	22%
The Dairy, Connah's Quay	60%	26%

1.26

There has been a shortage of skilled local labour which are either available or have the necessary capacity to work on the SHARP. Many sub-contractors that are Flintshire-based have advised they are extremely busy delivering their own contracts. Whilst the performance does not of meet the target for local SME spend and labour (within Flintshire) when considering the monitored target for the locality area (within 40 mile radius) there is a significant improvement and the target has been exceeded.

1.27

Wates Residential and Flintshire County Council through their Communities for Work and Business Development teams are working together to improve performance in relation to Local Flintshire Labour and Local Flintshire SME spend. For future schemes, a Bio Site System will be introduced by Wates which will track labour data in real time and improve data capture, therefore improving the quality of performance against these measures.

1.28

To encourage local Flintshire businesses to get involved in the new schemes Wates in partnership with Flintshire in Business held a Meet the Buyer event in August 2018. This was attended by over 20 local businesses from a range of

	trades that were interested in working with Wates on the new schemes.
1.29	In August 2018 Wates and the Council have been working with Communities for Work to deliver the Building Futures programme. This programme is available for local people who are unemployed and struggling to gain employment. By providing training, skills development and work experience this opens up work opportunities especially in construction.
1.30	In June 2018 a report was produced setting out the Community Benefits that have been achieved through SHARP. A copy of the report is attached in Appendix 3.

2.00	RESOURCE IMPLICATIONS										
2.01	Future Funding for SHARP										
2.02	<p>All Batch 1 and 2 schemes of the SHARP have been built without grant. The table below lists the provisional funding available in the 2018/19 HRA Business Plan for new build schemes over the next 5 years. This will drop in 2019/20 but then increases significantly in future years following attainment of Welsh Housing Quality Standards (WHQS) which is scheduled for completion by December 2020. WHQS is a policy commitment for both the Council and Welsh Government.</p> <table border="1" data-bbox="475 1010 1316 1169"> <thead> <tr> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> </tr> </thead> <tbody> <tr> <td>£1,870,000</td> <td>£4,200,000</td> <td>£6,700,000</td> <td>£7,400,000</td> <td>£9,300,000</td> </tr> </tbody> </table>	2019/20	2020/21	2021/22	2022/23	2023/24	£1,870,000	£4,200,000	£6,700,000	£7,400,000	£9,300,000
2019/20	2020/21	2021/22	2022/23	2023/24							
£1,870,000	£4,200,000	£6,700,000	£7,400,000	£9,300,000							
2.03	Affordable Housing Grant (AHG)										
2.04	<p>Welsh Government has made Affordable Housing Grant (AHG) available to stock retaining Local Authorities who are developing new homes. The AHG is a grant which supports capital financing costs and guidance on how the grant can be spent or what is eligible expenditure has recently been issued by Welsh Government.</p> <p>Flintshire's current allocations are:</p> <ul style="list-style-type: none"> • 2018/19 = £2.236m • 2019/20 = £1.458m <p>The grant will be paid as a revenue grant spread over the next 28 years.</p>										
2.05	HRA Borrowing Cap										
2.06	The original intention by WG to use the current unallocated borrowing capacity of £17.16m during 2018/19. However, following further consideration by WG it is now proposed to allocate this £17.16m more flexibly over the period 2018 to March 2022. This will help maximise the full £73.46m borrowing capacity by applying the £17.16m to the year/s in which it can be effectively used. The										

	schemes which the Council may be bidding for additional Borrowing Cap funding will be presented for approval by Cabinet in October 2018.
2.07	NEW Homes
2.08	Despite NEW Homes inability to access capital grant to fund new schemes, NEW Homes continues to be in a strong position to develop new affordable housing in Flintshire. NEW Homes became the first private housing company to be established by a local authority in Wales when it began trading in April 2014 with the strategic aim of improving the housing opportunities for the “squeezed middle” – families who struggle to access both the open market rental and home ownership markets. To date, the company currently owns or manages 124 affordable rent properties across Flintshire. Both the company and the Council are in the process of making representation to the Welsh Government to identify potential future grant funding streams.
2.09	In June 2018 Cabinet also approved the company’s Business Plan 2018/27, which also agreed in principle for the Council to borrow a further £10m to the company to support the delivery of its Development Strategy. This will fund the provision of a further 39 properties being delivered through the SHARP at an agreed cost of £4.2m. This means that NEW Homes has a further £5.8m available to fund future schemes. The Council has also indicated that it is willing to lend more to the company moving forward provided all schemes meet the approved development scheme assumptions.
2.10	In addition to the SHARP, the transfer of 37 Section 106 properties ‘gifted’ to the company has assisted to maintain a supply of affordable rent properties at a number of rural and urban sites across Flintshire. These unencumbered properties have been provisionally valued at c.£5.5m. An updated valuation is currently being arranged. A further 35 affordable rental properties are proposed for the company over the next 3 years. These properties also provide security for the company to seek additional borrowing from an alternative source which could be re-invested to support the delivery of the SHARP.
2.11	Share Equity Properties
2.12	22 Shared Equity properties, which are the Council’s low cost home ownership model will be delivered at Maes Gwern, Mold. These will be at zero cost to the SHARP. These properties compose of the developer's contribution to the affordable housing provision on site, sold at 70% of open market value with the remaining 30% of the equity being retained by the Council.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	No consultation required.

4.00	RISK MANAGEMENT
4.01	A Line of Balance Programme Plan is used to monitor progress against key milestones. This is monitored at weekly progress meetings between the Council and Wates Construction Limited.
4.02	Progress on the SHARP is also reported to the Council's Housing Programme Board. A strategic and operational Risk Register is also reported to this Board and details of proposed mitigation to emerging issues discussed and agreed.
4.03	Monthly meetings are held with between the Chief Officer for Housing And Assets and the Managing Director of Wates Construction Limited on a monthly basis.
4.04	All SHARP schemes are subject to robust design and financial appraisal and must be approved by both the Council Cabinet and NEW Homes Board respectively.

5.00	APPENDICES
5.01	Appendix 1 - SHARP Cabinet Approved Schemes
5.02	Appendix 2 – SHARP Key Performance Indicators (KPI) Report
5.03	Appendix 3 – SHARP Community Benefits Report

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Office: Melville Evans Job Title: Housing Programmes Manager Telephone: 01352 701436 E-mail: melville.evans@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>NEW Homes - North East Wales Homes, (NEW Homes) is a Housing company based in Flintshire and owned by Flintshire County Council. NEW Homes owns, leases and manages properties across Flintshire. The company was established to increase the quantity and quality of affordable Housing available across the county; increasing housing choice for those who may not qualify for social housing but for whom market housing is unaffordable or difficult to access. In addition NEW Homes provides a professional service to landlords as a managing agent as a means to increase the supply of quality affordable housing.</p> <p>Section 106 Planning Obligations and Conditions – Planning obligations, also known as Section 106 agreements (based on that section of The 1990 Town &</p>

<p>Country Planning Act) are private agreements made between local authorities and developers and can be attached to a planning permission to make acceptable development which would otherwise be unacceptable in planning terms. The land itself, rather than the person or organisation that develops the land, is bound by a Section 106 Agreement, something any future owners will need to take into account.</p>
