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## SUPPLEMENTARY PAPERS

<b>Committee</b>	COMMUNITY & ADULT SERVICES SCRUTINY COMMITTEE
<b>Date and Time of Meeting</b>	MONDAY, 14 NOVEMBER 2022, 2.30 PM
<b>Venue</b>	CR 4, COUNTY HALL - MULTI LOCATION MEETING
<b>Membership</b>	Councillor Molik (Chair) Councillors Ahmed, Ahmed, Ash-Edwards, Boes, Lent, Lewis, Littlechild and McGarry

The following papers were marked 'to follow' on the agenda circulated previously

### **3 A New Housing Development Partnership (Pages 3 - 46)**

Pre-decision Scrutiny

*Appendix B to this report is not for publication as it contains exempt information of the description contained in paragraph 14 and 16 of Part 4 and paragraph 21 of Part 5 of Schedule 12A to the Local Government Act 1972*

**Davina Fiore**

**Director Governance & Legal Services**

Date: Tuesday, 8 November 2022

Contact: Andrea Redmond, 02920 872434, a.redmond@cardiff.gov.uk

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CYNGOR CAERDYDD  
CARDIFF COUNCIL

COMMUNITY & ADULT SERVICES SCRUTINY COMMITTEE

14 Nov 2022

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## A NEW HOUSING DEVELOPMENT PARTNERSHIP

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*Appendix B is not for publication as it contains exempt information of the description contained in paragraph 14 and 16 of Part 4 and paragraph 21 of Part 5 of Schedule 12A to the Local Government Act 1972*

### Purpose of Report

1. The Cabinet Report, attached at **Appendix 1** (*and its subsequent Appendices*), are due to be considered by Cabinet at its meeting on 17 November 2022. The purpose of this Cover Report is to provide Members with background information, and to act as a signposting tool to enable their pre-decision scrutiny of the report to Cabinet.
2. Members are to note there are three key aspects of the Cabinet Report (**Appendix 1**). Those key elements are:
  - Request for Cabinet to approve the implementation of a second Cardiff Housing Partnership. If this is approved, this will in turn commence a procurement exercise to appoint a development partner. Following completion of the procurement exercise, a further decision will be brought back to Cabinet to approve the preferred partner.
  - Request for Cabinet to approve the list of specific development sites to be included in the partnership programme (*Confidential - Appendix B*)
  - To delegate authority to the Corporate Director for People and Communities in consultation with the Cabinet member for Housing and Communities, to manage all matters relating to the procurement process.

3. Committee Members are advised at the meeting on Monday 14 November, they will receive the presentation attached at **Appendix A**, which provides an overview of the attached Cabinet Report.
4. Members are further advised that **Appendix B** is exempt from publication. Members are requested to keep this information confidential, in line with their responsibilities as set out in the Members Code of Conduct and the Cardiff Undertaking for Councillors.

### **Scope of Scrutiny**

5. As **Appendix B** is confidential and exempt from publication, this agenda item will be considered in two parts at the meeting. The first part will be an 'open session', where Members will receive a presentation by officers (**Appendix A**) and will then be invited to ask questions on the issues and papers that are in the public domain (**Appendix 1** and **Appendix A**). This part of the meeting will be made available to the public and webcasting will occur.
6. Should Members have any questions on the confidential Appendix, (**Appendix B**) a closed session will ensue, where members of the public will be excluded, and the webcast will be paused.
7. Councillor Lynda Thorne (Cabinet Member – Housing & Communities), Sarah McGill (Corporate Director – People & Communities) and Dave Jaques (Operational Manager – Development & Regeneration) will be available to answer Members questions.
8. During this scrutiny, Members will have the opportunity to:
  - Explore the proposals for the new housing partnership including the proposed benefits of a new housing partnership and how the housing development partner for this partnership will be determined.
  - Assess the achievability and deliverability for the proposed development pipeline.
  - Investigate any financial implications arising from the proposals.

9. Following Scrutiny Members' review of the proposals, they will decide what comments, observations or recommendations they wish to pass on to the Cabinet for their consideration.

### **Background – Cardiff Council's Housing Development Programme**

10. As detailed in the Cabinet Report, the Council's, 'Housing Development Programme' is the largest council led development programme in Wales and currently aims to deliver 4,000 new homes to the city. With 2,800 of those being new council homes and 1,200 being homes for sale.
11. To achieve the above-mentioned targets, the Housing Development Programme has the following delivery routes:
  - ❖ A partnership programme with the external developer Wates Residential, this partnership is most commonly called 'Cardiff Living'.
  - ❖ An additional new build programme (outside of the Cardiff Living partnership programme with Wates)
  - ❖ Open Market Buy-Backs
  - ❖ Developer Package Deals (whereby the Council purchases property from developers)
  - ❖ Converting buildings to Council Homes
  - ❖ Meanwhile Use of Land
12. As mentioned above, the Council currently has one Housing Development Partnership, known as 'The Cardiff Living Programme' and is a development partnership between Cardiff Council and Wates Residential.
13. In 2016, Wates Residential was appointed as the partner developer for the Cardiff Living Programme, with a Developer Agreement specifying the terms and conditions. The Cardiff Living programme is across 26 sites, spread over nine years and will deliver 1,500 new homes, of which 800 are council homes for social rent and 700 for market sale.

14. As detailed in **point 15** of **Appendix 1**, the value of the Cardiff Living partnership programme is in the region of £320 million, and of the 26 sites held within the programme, 10 have been completed with 5 currently on site. Further information on the achievements of the partnership can be found in **points 16 & 17** of **Appendix 1**.

### **How a Second Partnership will be determined**

15. **Point 18** of **Appendix 1** advises that Savills (a national property agent) has been appointed to determine the delivery options and structure for a second partnership, which will include advice on the procurement routes and timetable, a viability and costing exercise, and collaboration options (et al.).
16. **Points 22** and **23** advise of the different procurement routes available to help determine the partnership and of the Council's preferred procurement options and its reasons why. Members are further advised, an overview of these procurement routes will be provided at the meeting when the presentation (**Appendix A**) is delivered.
17. **Point 25** and **26** detail the Council's current role under the Cardiff Living Programme, with **point 27** advising a second partnership could allow for the Council to have a wider role in partnership arrangements which includes a full return of the sale profits for homes for the market, and adopting a more *'open book approach and risk sharing methodology to better manage unknown aspects of development and improve the returns to the Council'*.
18. Further, **point 28** of the Cabinet Report details a list of 'lesson learnt' from the current housing partnership (Cardiff Living) which Committee Members may wish to explore at the meeting.

## Issues

19. In consideration of this proposal, the Cabinet Report recognises the issues of the current context and identifies these as:
- ❖ Significant material price increase
  - ❖ Rising energy costs
  - ❖ Shortages in labour supply and materials
  - ❖ Uncertainty around borrowing and financing
  - ❖ Procuring schemes on an individual basis (which this partnership would not require) can be slow and resource intensive, with little interest from companies.
20. **Point 21** of the Cabinet Report notes the identified benefits of developing a second housing development partnership. Further, **point 36** recognises the need for adequate resources to be in place to support this proposal, noting that if there are insufficient internal resources in these areas these gaps will need to be filled by external consultants.

## Legal Implications

The Scrutiny Committee is empowered to enquire, consider, review and Recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

## **RECOMMENDATIONS**

The Committee is recommended to:

- i. Consider the information provided in this report, its Appendices and information received at the meeting;
- ii. Decide what any comments or observations it wishes to relay to the Cabinet.

**DAVINA FIORE**

**Director of Governance and Legal Services**

**8 Nov 2022**



**A NEW HOUSING DEVELOPMENT PARTNERSHIP.**

**HOUSING AND COMMUNITIES (COUNCILLOR LYNDA THORNE)  
AGENDA ITEM:**

**Appendix B to this report is not for publication as it contains exempt information of the description contained in paragraph 14 and 16 of Part 4 and paragraph 21 of Part 5 of Schedule 12A to the Local Government Act 1972**

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**Reason for this Report**

1. To approve the implementation of a second Cardiff Housing Partnership Programme including the commencement of a procurement exercise to appoint a development partner.
2. To approve the list of specific development sites to be included within the second partnership programme and a further number of units to be included within the programme to enable a defined development pipeline for the life of the partnership
3. To delegate authority to the Corporate Director for People and Communities in consultation with the Cabinet member for Housing and Communities, to manage all matters relating to the procurement process including agreeing the procurement route, agreeing the parameters and delivery model of a second partnership programme, agreeing the procurement documents, agreeing the evaluation criteria and the evaluation of the bids.
4. To note that following the conclusion of the tender process and the evaluation of the bids received, a further decision will be brought back to Cabinet to give approval to appoint the preferred bidder.

**Background**

5. Demand for affordable housing in Cardiff, in common with other Local authorities in Wales and across the UK, is currently acute. There are over 8,000 applicants on our combined housing waiting list and 1,400 homeless families and individuals in temporary accommodation.
6. These pressures are driven by a range of factors including an increasing lack of supply of privately rented accommodation across the city. The

issues facing Cardiff are similar to those being experienced in Cities across the UK with factors such as Local Housing Allowance (LHA) levels playing a significant part in the inaccessibility of the private rented sector for many families and individuals.

7. The Council's Money Advice Team have seen an increase of 169% (from 400 to 1,076) in the number of people making contact in relation to debt advice, in Quarter 1 compared to last year. During 2021/2022 the team supported 1,368 people who were in rent arrears, preventing them from becoming homeless. There are concerns that further increases in the cost of living will add significantly to the housing stress being felt by those struggling to balance household budgets.
8. The present situation is compounded by emerging and significant short - term pressures linked to recent global events where a significant number of those seeking sanctuary in Cardiff require short term support to meet immediate needs.
9. The Council is proud of its housing development programme that is delivering new high quality, energy efficient homes across the city to help increase the supply of affordable housing. Several delivery routes are currently in operation including:
  - Cardiff Living Partnership programme with Wates Residential
  - Additional build programme (development sites being delivered on an individual basis & independently to the Cardiff Living Programme)
  - Direct property purchase
  - Package Deals
10. The overall housing development programme is the largest council led development programme in Wales and has the capacity to deliver at least 4,000 new homes consisting of at least 2,800 new council homes and 1,200 homes for sale. The programme includes 60 confirmed sites. Of these, 26 sites are currently being delivered through Cardiff Living and the remainder of the sites are being delivered outside of the Cardiff Living partnership as individual projects.
11. Current housing pressures mean that we are being challenged to deliver new homes more quickly, be more innovative in our approach to development and be more flexible within our new build programme to enable us to adapt effectively to changing housing needs & pressures.
12. The development programme and the identified sites within it also presents an opportunity to invest in our local communities and in some cases expand our schemes to provide a range of services and facilities – investing in more than just homes and helping us to deliver services in a more efficient and cost-effective way.
13. The programme is increasingly meeting identified accommodation needs in relation to Children's Services and Adult Services including the delivery of new specialist and supported accommodation.

14. The housing development programme also delivers wider benefits to the city and to the Cardiff capital region. With an estimated value of over £950 million the programme provides significant social value and local investment including supporting local supply chains and contractors.
15. The council's first Housing Partnership, The Cardiff Living Programme, is an award-winning development partnership between Cardiff Council and Wates Residential. Wates were appointed as partner developer in 2016 following a Competitive Dialogue process. The programme will deliver around 1,500 new homes, circa 800 council homes and 700 homes for sale. The value of the programme is in the region of £320 million with a shared vision for quality and low carbon standards. Of the 26 sites held within the programme 10 have been completed with a further 5 on site.
16. Cardiff Living is recognised as an innovative development programme identified as good practice by Welsh Government. The partnership approach has reduced delivery risk and improved the speed of process taken to get projects on site. The programme has also unified the standard of the council homes and homes built for sale by adopting a 'tenure blind' approach.
17. The experience of our Housing Partnership arrangements, when compared to the more traditional delivery mechanisms employed for a number of our additional development sites has provided strong evidence of the benefits of delivering the remaining sites in our programme through a new partnership arrangement.
18. Savills have been commissioned by the Council to help set out the delivery options and structure for a second partnership. This includes:
  - Providing advice on the different procurement routes available.
  - Undertaking a viability and costing exercise for the sites identified for a second partnership.
  - To explore partnership structure options and consider the risk and reward parameters of those options. This will assist in identifying how more value could be delivered through a partnership programme
  - To advise on potential collaboration options.
  - To provide a procurement timetable to inform the management of the procurement process

## **Issues**

19. Currently market conditions are challenging including significant material price increases, rising energy costs, shortages around the supply of labour and materials and uncertainty around borrowing and financing. It is likely that market conditions have impacted to limit the number of contractors who have bid for our projects outside of the Cardiff Living programme.
20. Experience so far of procuring schemes on an individual basis is that it is a slow and resource intensive process. Some schemes have elicited very little interest and in one procurement there were no tender returns. In

addition, the management of a large number of individual procurements is resource intensive with a significant reliance on consultants to help take a scheme through the design stages to planning, out to tender and then on to site.

21. The experience of the housing partnership has shown that once a development partner has been procured the pipeline of projects moves forward more swiftly supported by a key project team employed by the development partner. Additional benefits include:
- A better use of internal resources
  - Ability to innovate and respond swiftly to changing housing need and market conditions
  - Better certainty of delivery.
  - Better value from our land and resources
  - Shared risk and reward
  - Consistency of quality from site to site
  - A much larger programme of social value within our local communities
  - Speed of delivery

### **What can a Second Partnership look like?**

22. The advice the Council has commissioned sets out the partnering options open to us along with suitable procurement routes. In summary the procurement options are:
- **Open** - fastest route, but no opportunity for negotiation
  - **Restricted** – useful when you have a very large number of tenderers but again, no negotiation
  - **Competitive procedure with negotiation** - all negotiation to be completed prior to final tenders
  - **Competitive Dialogue** - allows the proposals to be refined during dialogue and negotiation following final tenders.
23. Either a competitive procedure with negotiation or competitive dialogue is likely to become the preferred procurement option. Both will enable the bidders to help shape the final partnership arrangements enabling the council to access the expertise from developers and to agree an arrangement that provides the best solution for both parties. This process generally worked well when the Council procured the Cardiff Living Partner, although was very lengthy. Timings can be accelerated by ensuring clarity of objectives and specified minimum requirements from the outset and with these in place, along with a robust project team, it is considered that a process of competitive dialogue or competitive negotiation could be completed within 12 months.
24. The presentation in **Appendix A** provides more details of the options that will be considered in taking forward the new partnership programme.

25. Currently the Cardiff Living Programme is delivered through an overarching Development Agreement (DA) with each site being drawn down individually and managed by separate JCT contracts. The Council retains ownership of the land and Wates build under licence to the Council. Wates finances the private homes and markets them for sale in return for a profit. The agreed profit and overhead margins are set within the DA and the council gets a share of the sales value as a land value which in turn helps to subsidise the affordable homes.
26. The council's current role in the Cardiff Living partnership includes;
- Land assembly
  - Funding the new affordable homes
  - Stakeholder and Political engagement
  - Inputting into the planning and design processes
  - Acting as lead partner to Wates
27. The wider roles that can be considered through a second partnerships include;
- Taking a larger role in the funding of homes for market sale, potentially funding the market sale homes in full for a full return of the sale profits or part funding for a larger share of the sales profits.
  - Developing an opportunity for the General Fund to fund the delivery of homes for private rent on suitable sites as an investment opportunity for the council in order to provide a long-term return for that investment.
  - Adopting a more open book approach and risk sharing methodology to better manage unknown aspects of development and improve the returns to the Council.
28. Using lessons learnt from the Cardiff Living programme, the structure of a second partnership and the proposals released to the market should ensure:
- that a robust set of baseline development costs are obtained along with a clear method of benchmarking all projects in the programme back to the tendered costs
  - a clear method and procedure for including additional sites within the programme is adopted – setting in place suitable parameters for this within the scope of the procurement
  - Innovation can be encouraged, promoting the use of modern methods of construction (MMC) where appropriate and enabling different construction methods to be considered on a site-by-site basis
  - Driving more value out of the programme and a better return to the council for its land & resources by adopting a risk/profit sharing approach
  - That the programme is delivered at scale and pace
  - The Development Agreement is flexible enough to reflect ongoing and unforeseen changes to policies and requirements associated with the development of new homes.

29. To ensure that a second Partnership is an attractive proposition for suitable development partners it is imperative that a suitable pipeline of development sites are included. The programme needs to have volume in unit numbers and sites able to deliver homes for sale. The majority of the sites being proposed are already identified within the approved development pipeline and have been profiled within the HRA Business Plan.
30. Two additional and significant sites have been included and these add both scale and market sale opportunity to the programme overall. The list of sites is Provided in **Appendix B** along with the viability assumptions and likely development costs identified within the business case. The sites identified so far have the potential to deliver circa 1,700 new homes.

### **Opportunities for Collaboration**

31. A second Partnership Programme could be structured to enable collaboration. Two opportunities have been identified which are detailed below. Collaboration could allow additional sites and development opportunities to be included within the programme, making it more attractive to Bidders and bringing in additional value and opportunities – such as an increased programme of social value and more strategic partnerships.
32. Discussions have taken place with the Vale of Glamorgan Council regarding a collaboration opportunity for the Vale to include a number of their own development sites with the second partnership. These sites could deliver around 475 new homes. If this were to happen a single Design Guide and Development Specification would be agreed to ensure homes are built to the same standards across the entire programme. This could bring additional benefits in a number of ways including;
  - Increased volume making the programme more attractive
  - Increased social value and more opportunities to develop long-term training and employment opportunities
  - Knowledge sharing across the Partnership
  - Potential to share resources
  - Increasing the supply of affordable housing across the region
  - Economies of scale & potential for cross-subsidy
33. Should the decision be made for collaboration between Cardiff and the Vale to take place a tender could be structured to enable Contractors to bid for 1. Cardiff's Programme, 2. the Vale's programme or 3. Both programmes combined.
34. A second opportunity for collaboration could be with Welsh Government and include the release of Welsh Government land in Cardiff for housing development. Welsh Government have recently undertaken a pilot land release for housing exercise in the Vale of Glamorgan to increase the supply of new housing, releasing land with minimum requirements in place regarding the quality and sustainability of the new homes across all

tenures— a vision which very much aligns with our own. It could be possible for land earmarked for release by Welsh Government for affordable housing could be included and delivered within Cardiff's second Partnership programme.

## Resources

35. In order to deliver a second Partnership Programme, it is imperative that adequate resources are in place to support the Development team. Within the Development Team a dedicated Project Manager and Project support will be required to manage the development of a second partnership as well as a procurement exercise, however the following will also be needed:
- **Legal** – drafting of Development Agreement, contract structure, procurement advice.
  - **Procurement** – managing the procurement process, drafting procurement documents, dealing with clarifications.
  - **Cost consultants** – Helping to structure tender packs, evaluation of costs, viability advice.
  - **Finance** – assessing bids, profiling Capital, helping with viability assessments.
36. If there are insufficient internal resources in these areas these gaps will need to be filled by external consultants.

## Local Member consultation

37. The majority of sites identified for inclusion in the second housing partnership have previously been considered and approved by cabinet through the Annual HRA Business Plan. Ward Members have been advised of the detail of the new additional sites. As the programme implementation will extend over around 10 years there will be on- going ward member consultation in relation to specific individual site progress as has been the case with the Cardiff Living Partnership.

## Reason for Recommendations

38. To set out the rationale behind implementing a second Cardiff Housing Partnership Programme in order to deliver new homes at scale and pace as opposed to delivering sites on an individual basis.
39. To obtain approval in principle to deliver the pipeline housing development sites identified within this report through a second partnership.
40. To approve the commencement of a procurement exercise to identify a preferred development partner. Delegating authority to the Corporate Director for People & Communities to manage all aspects of the procurement process including the agreement of the procurement route

and refining all aspects of the documents, evaluation criteria and the process.

41. To enable the creation of a project team to deliver a second partnership including the appointment of external support as necessary.

### **Financial Implications**

42. As part of any procurement a financial evaluation of any chosen supplier will need to be undertaken to ensure any supplier strength and capacity of the supplier to deliver the obligations under any partnership.
43. Design standards and scope of projects will need to be set out and agreed at an early stage so as many elements of the project as possible are subject to the tender and competitive process to ensure value for money.
44. A number of sites proposed are in the current capital HRA investment programme, however costings need to be updated as part of the further iteration of the programme for 2023/24 to reflect additional cost pressures, timing and resources diverted towards short term measures as such as meanwhile use at the gas works site. In addition, there are sites indicated in this report which are not currently included in the programme as well as those it is not clear as to whether they are surplus sites or where the delivery mechanism may not have been confirmed e.g Atlantic Wharf, Cardiff Pointe.
45. For sites proposed to be included in the programme, it needs to be clear that the council has the skills and capacity to deliver the outcomes, in line with any timescales for Capital receipts expected from relevant sites.
46. The report does not include for members an overall estimate of the proposals at this stage, however what is clear is that unless there is a significant allocation of subsidy grant from WG, the HRA borrowing requirement is likely to rise further to meet the objectives set out in the report. This will be updated as part of the budget report 2023/24 and HRA business plan, with mitigating actions on priorities, where required.
47. Any borrowing needs to be agreed as prudent, affordable and sustainable. Where the council does not have the key tools and control of mitigations to ensure that any future risks to affordability or market changes can be managed and the HRA remain viable, then such risks will need to be clearly highlighted, understood and mitigated.
48. New housing will generate additional income in the form of social housing rents. Viability assessments should be run for all developments at the various stages set out as best practice by the Directorate to ensure such income can meet costs of new development over a reasonable period in line with agreed thresholds. These should be recorded with any changes at each stage documented and approved. Given the scale of expenditure for each individual site, such assessments must demonstrate a robust business case approach, reasonableness of costs and aim to ensure that



investment paid for by borrowing can be repaid over a prudent period. It should be recognised that any borrowing is in the name of the Council as a whole.

49. The report sets out potential options for consideration of private market sale. Such activities will increase any short-term borrowing requirement and associated costs. This will require robust cash flow forecasting and to ensure receipts from sales are received and received promptly as to do otherwise will also increase the level of HRA borrowing requirement until such receipts are received. Any land appropriations nor the valuation of any such appropriations have not been identified in the report. These will need to be agreed by a qualified valuer and also be included in any HRA borrowing requirement.
50. The report refers to earning income from private sector rental investment income. Any such proposals, where within powers to do so, will need to be reviewed to ensure that there is no breach of HM Treasury regulations that prevent local authorities borrowing primarily for yield. Any such breach could result in borrowing restrictions for the whole council from the Public Works Loan Board and be a significant risk to financial resilience.
51. Developing the partnership is likely to result in additional short term revenue costs in delivering the partnership in the form of due diligence, professional advice etc. The estimated costs of this are not determined in this report, but these will need to be resourced by the HRA.

### **Legal Implications**

52. Section 123 of the Local Government Act 1972 provides power to dispose of land for not less than best consideration reasonably obtainable. When determining the value attributable to the proposed partnership/development agreement, the decision maker should have regard to the Council's Acquisition and disposal of Land Procedures rules and the advice of a qualified valuer.
53. Furthermore, the Council is required to comply with the Council's Contract Procedure Rules, the Public Contract Regulations 2015, and Procurement law generally to ensure the Council is obtaining value for money for the provisions of works and /or services anticipated to be procured via the partnership/development agreement.
54. It is noted that a further report is expected to be brought back to Cabinet to make the final decision before awarding the partnership/development agreement and further legal advice can be provided on any specific issues arising from the procurement and disposal of land processes. Prior to making a decision to enter into an agreement consideration should given to the need to advertise the disposal of any sites forming part of an open space, and the appropriation of land for planning purposes to assist facilitating development.

## Equalities & Welsh Language

55. In considering this matter the decision maker must have regard to the Council's duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must, in making decisions, have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are: (a). Age, (b) Gender reassignment (c) Sex (d) Race – including ethnic or national origin, colour or nationality, (e) Disability, (f) Pregnancy and maternity, (g) Marriage and civil partnership, (h) Sexual orientation (i) Religion or belief – including lack of belief.
56. When taking strategic decisions, the Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socio-economic disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers ([WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 \(gov.wales\)](#)) and must be able to demonstrate how it has discharged its duty.
57. An Equalities Impact Assessment aims to identify the equalities implications of the proposed decision, including inequalities arising from socio-economic disadvantage, and due regard should be given to the outcomes of the Equalities Impact Assessment where required.
58. The decision maker should be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

## The Well-being of Future Generations (Wales) Act 2015

59. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible. In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The wellbeing objectives are set out in Cardiff's Corporate Plan 2020 -23.
60. When exercising its functions, the Council is required to take all reasonable steps to meet its wellbeing objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the wellbeing objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.

61. The wellbeing duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrated approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

62. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible on line using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

63. The decision maker must be satisfied that the proposal is within the Policy and Budget Framework, if it is not then the matter must be referred to Council.

### **Property Implications**

64. Strategic Estates work closely with Housing and Communities on the appropriations of Council land from the General Fund to the HRA Account. Estates encourage the transfer of such land in order to support the ever increasing housing list.

65. Any further appropriation undertaken will need to be sanctioned through the internal valuation process as the delegation for this sits within Economic Development and Estates will need to sanction all land transactions through Head of Property or a separate Officers Decision Reports.

66. Estates will not be advising on the proposed private market sales directly, but will need to sanction the proposed process for managing any disposal from this portfolio. Similarly, if there are private rental investment income being generated, in order to achieve best value, Estates will need to sanction any proposed PRS transaction processes.

67. Whilst not directly involved in the procurement of the second partnership, it is advisable for Estates to be involved in the proposed Project Board to advise on any land transactions processes as necessary.

## **HR Implications**

68. Paragraph 35 of the report sets out the resources required to deliver the second Cardiff Housing Partnership Programme. Additional resources will be evaluated and recruited in line with the Council's corporately agreed processes.

## **RECOMMENDATIONS**

Cabinet is recommended to:

1. To approve in principle the implementation of a second Cardiff Housing Partnership Programme including the commencement of a procurement exercise to appoint a development partner.
2. To approve the list of development sites currently proposed to be included within a second partnership programme and approval that more suitable sites can be added into the programme, subject to complying with financial parameters including viability assessments and working within the HRA Business plan.
3. To delegate authority to the Corporate Director for People and Communities in consultation with the Cabinet member for Housing and Communities, to manage all matters relating to the procurement process including agreeing the procurement route, agreeing the parameters and delivery model of a second partnership programme, agreeing the procurement documents, agreeing the evaluation criteria and the evaluation of the bids.
4. To note that a subsequent report will be presented to Cabinet following the conclusion of the procurement process seeking approval to appoint the preferred Bidder.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>Sarah McGill</b> <b>Corporate Director People &amp; Communities</b>
	17 <sup>th</sup> October 2022

*The following confidential appendices are attached:*

Appendix A – Presentation to Cabinet

\*\* Appendix B – Site Detail (Confidential)



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# A Second Cardiff Housing Partnering Scheme

## APPENDIX A



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James Street,  
AHMM  
Early design concept



# Delivering a second Partnership Programme

## What will the report cover?

- What is our programme?
- What is our existing Partnership?
- What is our pipeline?
- How do we deliver other schemes?

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### Our challenge

- How can we deliver new homes more quickly
  - How can we ensure we deliver in a challenging market?
  - How can we improve the value returned to the council?
  - Can our partnership influence developers in Cardiff?
  - Flexibility of programme
- 
- What Partnership options do we have
  - Outcomes, opportunities & risk appetite
  - Procurement routes & timescales
  - Collaboration options
  - Resources
  - **Key principles**

HOMES  
JOBS  
TRAINING  
COMMUNITY  
INVESTMENT  
SERVICES  
ZERO CARBON  
INNOVATION  
VALUE  
SUSTAINABLE  
PARTNERSHIPS





# Our Development programme:



STRONGER  
FAIRER  
GREENER



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- ▶ The programme will deliver **4,000 new homes**
- ▶ At least 2,800 council and 1,200 for sale
- ▶ 60 sites – 26 in Cardiff Living
- ▶ Projected overall development value of **£ 1 billion**
- ▶ **The largest Council led development programme in Wales**
- ▶ **Low Carbon, energy efficient**
- ▶ Investing in local communities
- ▶ New Services, facilities & community buildings



# Our First Development programme: Award winning Cardiff Living.



- A development partnership between the Council and national developer Wates Residential
- A development value of £320 million
- Delivery of 1,500 new homes over a 10-year period on 26 sites across Cardiff
- Mixed tenure - The Council and Wates sharing the profit from market sale
- Tenure Neutral
- All of the properties meet high energy efficiency standards, tackling fuel poverty
- Truly innovative - identified by WG as an approach for other Local authorities to follow
- Reduces risk, speeds up delivery and gives us certainty that our programme will be delivered
- Removes the time lag from planning to commencing on site
- Raises the standards across social and market housing
- Delivers much wider benefits for the council including significant social value

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2019 Integration & Collaboration  
Award winners (Cardiff Living)



2019 Gold winners for best  
starter home scheme



Social Impact  
Awards  
2020

Winners for residential  
(Silverdale)



Wates Residential  
Winner of the Climate Crisis  
Initiative Residential Award 2022  
with Cardiff Council

ADEILADU  
ARBENIGRWYDD  
YNG NGHYMURU



CONSTRUCTING  
EXCELLENCE  
IN WALES

Gwobrau 2022 Enillydd

Awards 2022 Winner

# Our Wider Development Programme:

## How do we deliver sites outside of CL?



- Appoint a design team
- Manage the scheme to planning
- Develop tender pack
- Manage tender process
- Appoint contractor
- Act in client role during construction

### Sites being delivered outside of Cardiff Living:

- Caldicot Road
- Ferry Road pods
- Wakehurst Place
- **St. Mellons community centre** Jehu
- **Maelfa** Jehu
- lowerth Jones
- Bute Street
- Canton/Riverside community centre

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Individual tenders using Sell2Wales or Frameworks such as WPA

Our experience:

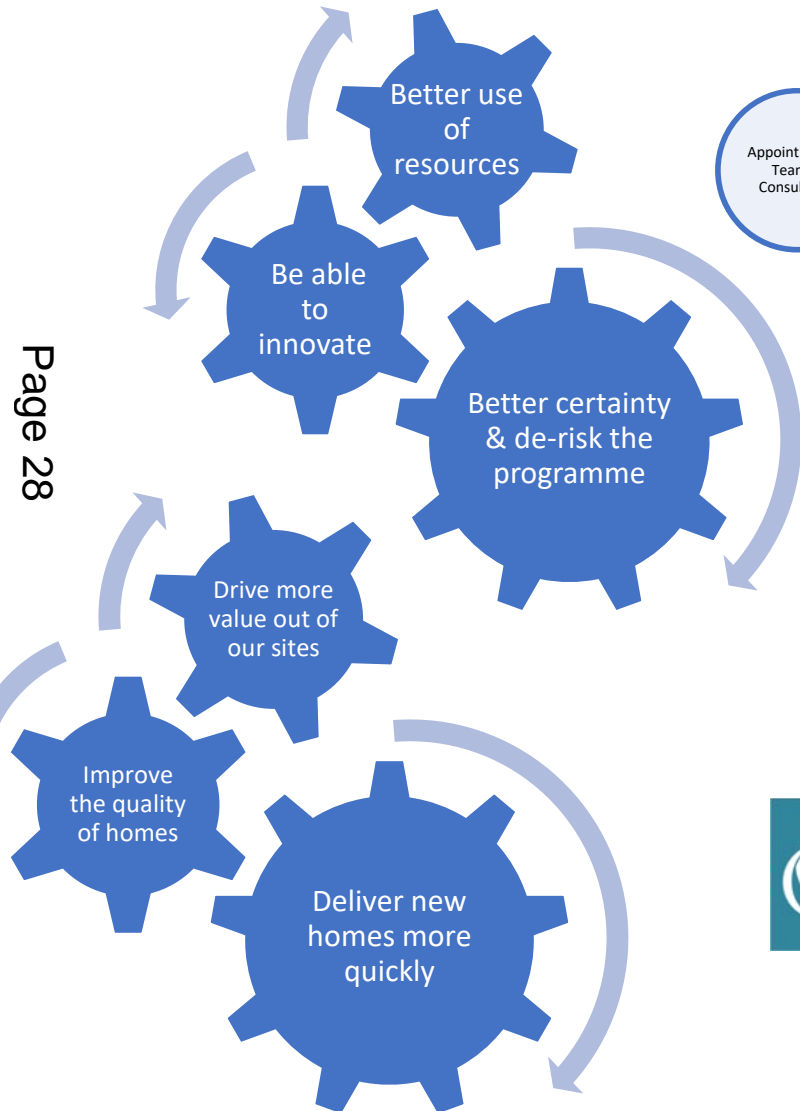
- Tend to be a small pool of medium size contractors bidding
- Market pressures & Capacity
- JEHU/WRW example
- Slow and resource intensive process
- No economies of scale or consistency



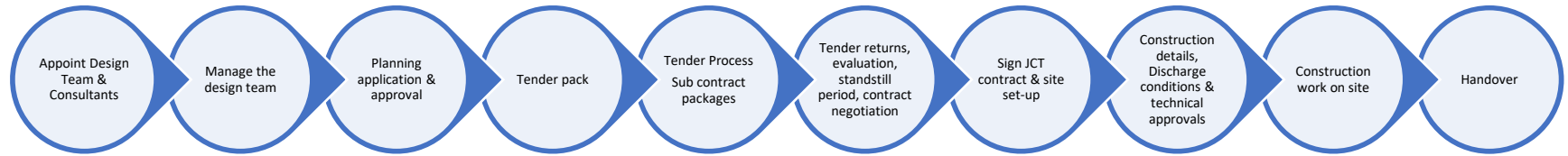
# A second partnering programme: Why choose this delivery option?



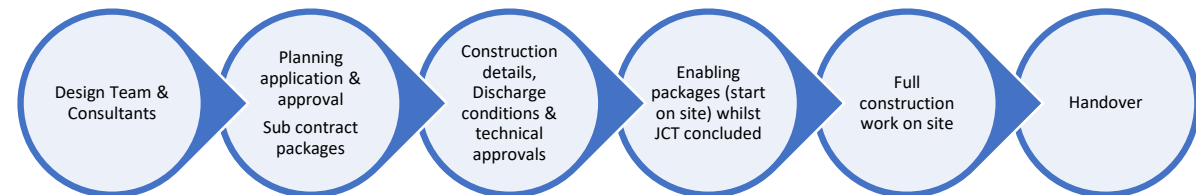
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## Canton/Riverside community centre



- Consultants appointed July '20
- Planning submitted July '21
- Planning decision Feb '22
- Tender start May '22
- Tender returns Aug '22
- Evaluation, reports, standstill Oct '22
- JCT Contract '22
- Discharge conditions March '23
- Start on site April '23
- Handover April '25



## Reduced stages of Cardiff living

# A second partnering programme: Delivering More: Health & Social Care



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James Street -  
Intergenerational Living

Community Living  
10 new projects  
£150 million  
Locality based working

Gasworks -  
Community Living  
LD  
Veterans Project

Respite  
Core & Cluster



Early CGI of proposed Plaza, GP, café, hub & community centre at Michaelston site

# A second partnering programme: Council's role in development



## Roles (and risks) the Council is currently undertaking:

- **Promotion** – unlocking the scheme in terms of stakeholder and political engagement
- **Planning and Design** – pre-planning engagement with LPA and prepare initial planning scheme (incurring greater costs associated with surveys / investigations and consultant commissioning) before refinement and further development with Partner
- **Land** – land assembly, delivering vacant possession
- **Funder of new affordable housing** – delivering increased housing supply and generating long term income stream

## Roles (and risks) the Council could consider undertaking in delivering the schemes:

- **Part or full funder of market sale housing** – share in development risk and receive developer profit
- **Offering collaboration opportunities for other councils** – can other councils add sites into our programme, can the Development team manage delivery for other Council's?

The Council needs to consider it's funding capacity, risk appetite, expertise and revenue generation requirements in the context of its objectives and the scheme profiles to decide the extent to which it takes on the above roles / risks.

# A second partnering programme: What delivery options do we have?

DELIVERY ROUTE	CRITERIA					
	Ability to control housing delivery (types, price point)	Ability to control economic/social outputs	Exposure to market risk	Need for direct capital investment	Commercial return	Need for property development expertise/resource
1. Land sale without planning consent	LOWER	LOWER	LOWER	LOWER	LOWER	LOWER
2. Land sale with planning consent						
3. Development Agreement						
4. Partnering / Joint Venture (corporate or contractual)						
5. Direct development	HIGHER	HIGHER	HIGHER	HIGHER	HIGHER	HIGHER

Cardiff Living currently adopts a Development Agreement through a Partnering Arrangement

# A second partnering programme: What delivery options do we have?



## DEVELOPMENT AGREEMENT

### Key Disadvantages / Risks

- Often considered more appropriate for simpler development schemes, where key project risks are well understood and / or manageable
- Less control – retains some controls around timings, quality but mainly influencing matters relating to the Affordable Housing (although can retain some control via the development brief).

### Key Opportunities / Rewards

- Benefit of collaboration throughout the project
- Greater certainty over delivery - parameters for partnership must be well-defined prior to entering into contract, meaning the Council could set out specific timescales for the development programme
- Development risks (e.g. slowing in sales income) passed on through the contract
- Ring fenced price for the affordable housing
- Aside from land assembly costs and any initial planning work, limited capital outlay – Lower financial exposure

## JOINT VENTURE

### Key Disadvantages / Risks

- Delivery and market risks need to be borne by the Council equal to the Council's stake in the JV (50% of risk borne in case of 50/50 JV)
- Requires substantial capital outlay (Council's investment at risk)
- Requires investment in resource to jointly manage the JV
- Can take longer to negotiate and enter into contract compared to a more traditional DA arrangement

### Key Opportunities / Rewards

- Greater contractual control over outputs post-contract
- Potential to capture greater financial reward through developer profit share
- Potential to access lower construction costs (depending on Developer and the supply-chain discounts they could bring to a JV arrangement)
- Opportunity for genuine risk sharing
- Pooling of expertise – benefits drawn from both partners, e.g. supply chain efficiencies from developer and political influence from the Council
- Benefit of collaboration throughout the project – long term relationship allows development of well-considered and sustainable project strategies

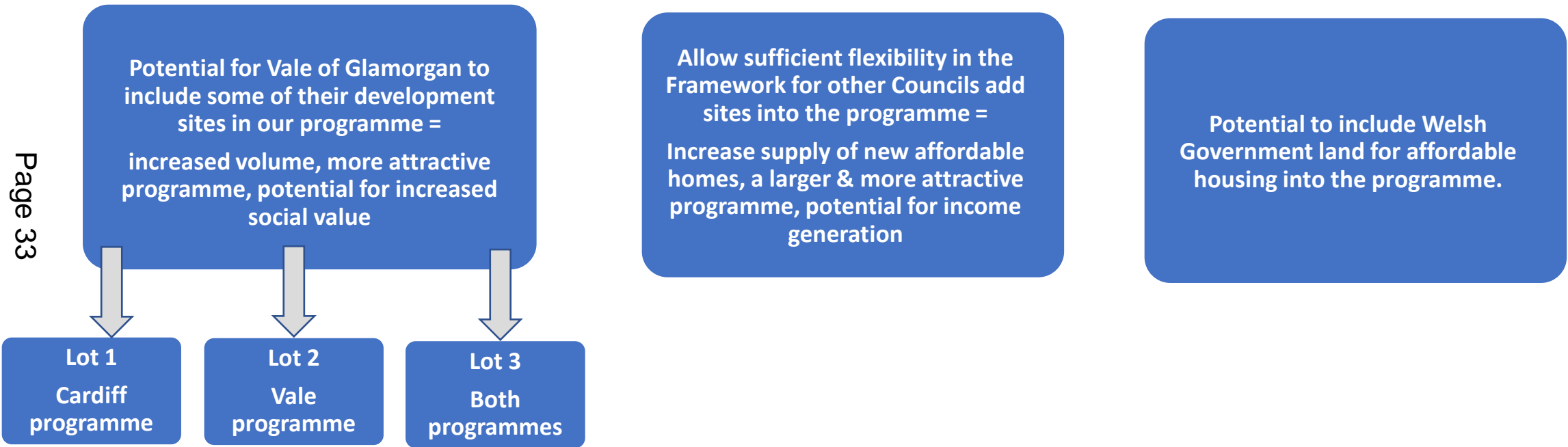
A hybrid of the two options? - Not going to the extent of a full Joint Venture but increasing our risk/profit profile?



# A second partnering programme: Opportunities to Collaborate



A second partnership programme could be structured to offer opportunities for collaboration:



Wider collaboration would be market leading and increase the supply of affordable housing and also bring rewards for the partnership. A larger programme could realise increased social value.

# A second partnering programme: Procurement Route



## Procurement Routes:

- **Open** - fastest route, but no opportunity for negotiation
- **Restricted** – useful when you have a very large number of tenderers but again, no negotiation
- **Competitive procedure with negotiation** - all negotiation to be completed prior to final tenders
- **Competitive Dialogue** - allows negotiation following final tenders

The next Partnership will most likely follow either the competitive procedure with negotiation or the competitive dialogue. The competitive dialogue may provide more flexibility in terms of allowing final negotiations post tender, to address any issues raised prior to legal close.

Timings can be accelerated by having clear objectives and the Council's 'red lines/non-negotiables' from the outset but this can be done **within 12 months**

Competitive Dialogue will allow us to discuss our requirements with Bidders during the procurement process and 'refine' the solutions up to final submission stage – getting the views of the market.

# A second partnering programme:

## Resources needed



- Development team will provide a lead officer & project management.
  - Dedicated Project Manager
  - Project Support
  
- Additional resources required:
  - **Legal** – drafting of Development Agreement, contract structure, procurement advice.
  - **Procurement** – managing the procurement process, drafting procurement documents, dealing with clarifications.
  - **Cost consultants** – Helping to structure tender packs, evaluation of costs, viability advice.
  - **Finance** – assessing bids, profiling Capital, helping with viability assessments.

Although some internal resources will be available it is like some additional external support will be required – particularly if we want to complete the process within 12 months.

# A second partnering programme: Outcomes & key Principles



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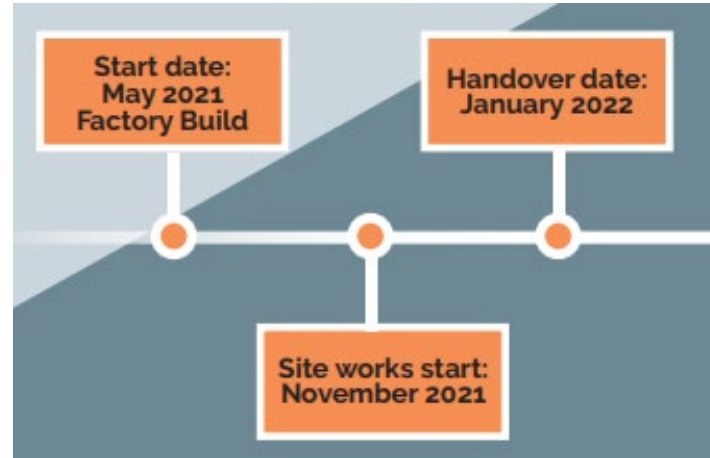
- Less resource intensive
- Increased collaboration
- Flexibility of programme – innovation
- Reduce time lag from planning to start on site
- De-risk the programme
- KPI's & Break clauses

More sustainable, affordable homes for Cardiff  
A bigger programme of Social Value

# Our Development programme, repeating our success: Croft Street : 9 modular Council Homes



**Contract value: £3,311,304.24**  
**Anticipated programme: 8 Months**  
**IHP Funding Grant: £1,451,624**



- Delivered at Pace
- Less disruptive
- Highly energy efficient
- Excellent quality control
- Completed January 2022
- Cardiff's first SAB approval!

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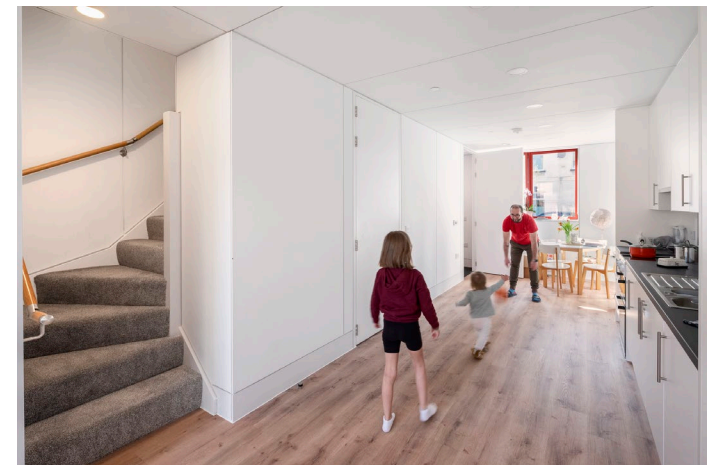


# Our Development programme: Croft Street : 9 modular Council Homes

Wates



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# Our Development programme: Eastern High – award winning, net zero ready.

Wates



- 214 homes in total
  - 149 Homes for Open Market Sale (6 LCHO)
  - 21 Homes for affordable rent
  - 44 Elderly person Community Living Apartments (Addison House)
- Innovative Housing Program Funding - Net Zero Carbon at Scale

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All properties meet the same standard

Tenure blind

No fossil fuels

- Ground Source Heat Pumps
  - Solar PV
  - Batteries
  - EV charging points for every home
- Welsh government grant of £4.5 million
  - Testing the sales market for low-carbon homes at scale
- Addison House, our first older person community living project – another 10 to be built!



# Our Development programme: Eastern High – award winning, net zero ready.

Wates



## Innovation:

- 5 year training HUB with C&V college & Council's into work team
- Highly energy efficient = lower utility bills for residents
- Demand for homes to buy on this site has been exceptional with over 500 people register an interest to buy
- **This must be our new 'Minimum Standard' for our sites**
- **Innovation recognised with the 2022 RESI award for Climate Crisis Initiative – best scheme in the UK!**





# Channel View redevelopment – phase 1



**STRONGER  
FAIRER  
GREENER**



Replacement of an existing sheltered housing scheme  
81 x 1 and 2 bed flats  
Planning Approved December 2021  
Out to tender

[Channel View \(amityplanning.co.uk\)](http://amityplanning.co.uk)



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By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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