

**CABINET MEETING: 15 JULY 2021**

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**HOUSING DEVELOPMENT NEW BUILD SCHEMES –  
AUTHORITY TO PROCEED.**

**HOUSING AND COMMUNITIES (COUNCILLOR LYNDA THORNE)**

**AGENDA ITEM: 7**

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*Appendices 1 and 2 of the report are not for publication as they contain exempt information of the description in paragraph 14 of part 4 and paragraph 21 of Part 5 of schedule 12A of the Local Government Act 1972.*

**Reasons for this Report**

1. To approve the Council entering into a legal agreement with Linc Housing Association to purchase the former Michaelston Pub site off Drope Road, Ely to deliver new council housing.
2. To approve the Council entering into a Collaboration Agreement with Hafod Housing Association to jointly develop the former Lansdown Hospital site and adjoining council (HRA) owned land to deliver a total of 106 new affordable homes of which 38 (40%) will be council homes. The estimated build costs for the council homes is provided in appendix 2.
3. To provide strategic support to Linc Housing Association with regards to the allocation of Social Housing Grant for the delivery of new social housing units with Willis Construction Ltd on the former Morrisons Local site, Pentwyn.

**Background**

4. Through Capital Ambition the Council has set a target of delivering at least 1,000 new council homes by 2022 and to have a development programme capable of delivering over 2,000 new council homes in the longer term. These targets have been set in direct response to the increasing demand we face for affordable housing in our city.
5. A Cabinet report approved in November 2020 gave an update on the development programme and detailed the delivery routes being utilised in order to meet our targets and deliver new council homes. These routes included the continuation of the Cardiff Living programme, entering into developer lead Package Deals, the development of new homes through

the Additional Build programme and the purchase of property from the open market.

6. More recently Welsh Government have been meeting with the stock retaining local authorities with build programmes in order to better understand the barriers to council housing development and to provide support and guidance to enable local authorities to build new council homes at scale & pace. One of the recommendations of Welsh Government has been to encourage Local Authorities to collaborate with Housing Associations where it is feasible to do so, in order to share resources and maximise the delivery of affordable homes and also to consider jointly developing where HRA land and adjoining RSL owned land can be brought together into one scheme.
7. Hafod Housing completed the acquisition of the former Lansdown Hospital site in 2019. The HRA appropriated an area of land between Ysgol Treganna and the former Lansdowne hospital site in 2020 and we have been exploring the potential to develop the two sites as a collaboration in order to jointly deliver an affordable housing scheme, sharing resources and delivering new affordable homes in a more cost-effective way.
8. The Council has an achieved an in principle agreement with Linc Housing Association to acquire the former Michaelston College site into the HRA for the purpose of delivering a Council led development. This would directly link with the Council's proposals for the adjoining Michaelston College site – focused on delivering affordable older person housing and a range of facilities for the wider community.
9. As part of this agreement the package deal previously being considered by the Council for the delivery of 28 flats on the former Morrisons Local site in Pentwyn with Willis Construction will be instead offered to Linc Housing Association and strategic support for the scheme given. This will allow the scheme to be considered as part of the Social Housing Grant Programme to be eligible for WG grant.

### **Issues – Land purchase**

10. Due to the likely site value, approval is being sought to acquire the freehold interest of the former Michaelston Pub site from its current owners Linc Housing Association. The valuation details are provide in Appendix 1.
11. The site is well located on the corner of Drope Road and Michaelston Road and is adjacent to the former Michaelston College site which the Council is already proposing to redevelop through The Cardiff Living Programme.
12. The acquisition of this site will enable the former pub site to be included in the wider masterplan for the Michaelston college site which is focused on delivering mix of affordable older person housing, family housing and a wide range of facilities for the local community. By including this site

within the masterplan for the college site a more holistic development proposal can be brought forward for consultation with the wider community. Redeveloping both sites in a more efficient way, making a positive impact for the local community.

13. A range of site surveys and design work has already been undertaken by Linc HA including public Pre-Application Consultation (PAC) and pre-application discussions with the planning department. The Council would benefit from these surveys as part of the acquisition and this also gives us the reassurances that the risks associated with developing this site are known and can be mitigated against.
14. Subject to the Cabinet approving this acquisition the Council will agree Heads of Terms with Linc Housing Association for the acquisition, obtain a valuation of the site and undertake the necessary due diligence associated with a land purchase.
15. The purchase and development of this site will be contained within the funding envelope of the current HRA business plan.

#### **Issues – Collaboration Agreement**

16. The Council has been working with Hafod Housing association in order to bring forward a joint development of the former Lansdown Hospital site and an adjoining parcel of HRA land. The development will provide 100% social housing and currently proposes 106 new homes across the site delivering a mix of flats and houses. the proposed mix for the council is:
  - 12 x 3 bed townhouses
  - 3 x 4 bed townhouses
  - 23 x 1 & 2 bed flats
17. The proposed scheme plans are provided in appendix 3.
18. An estimate of costs for the scheme has been produced and is provided in appendix 2. This report identifies the full mix of units and the proposed split between the council homes and the homes to be built for Hafod HA. There is roughly a 40/60% split of homes between Cardiff Council & Hafod HA.
19. A draft Collaboration Agreement has been drawn up by Hugh James solicitors on behalf of Hafod HA and will be reviewed and approved by the Council's Legal team.
20. The draft agreement provides full details of how a collaboration between Cardiff Council Hafod HA but essentially sets out the following;
  - Hafod HA will lead the development and provide project management to Cardiff Council at nil cost.
  - All pre-development costs are split between Cardiff CC and Hafod in line with the % allocation of units (40/60%)
  - The HRA land will be transferred to Hafod HA at a value to be agreed by the councils Valuer.

- Hafod HA will appoint an Employers Agent
  - Hafod will appoint a developer through an agreed procurement route – likely to be an open procedure through sell to wales using a 2 stage tender process.
  - Hafod will enter into a JCT 2016 Design & Build contract with the developer.
  - Cardiff Council will pay certified monthly certificates for its share of the construction costs associated with the 38 new council homes.
  - The infrastructure costs will be split on a 40/60% basis in line with the overall split of units.
  - Once completed Cardiff Council will be freeholder owners of the new council homes.
  - Cardiff Council will agree all documents including the specification and Employers Requirements
21. A full review of the Legal & Procurement issues associated with this proposal will need to be undertaken prior to the council entering into the final agreement.
22. A full assessment of the scheme viability will be required ahead of the Council entering into the collaboration agreement to ensure the scheme is affordable for the council within the approved viability parameters.
23. The scheme is accounted for within the current HRA Business Plan and within the current HRA development programme.
24. It is felt that working in a collaborate manner for the development of adjoining sites will ensure that a more holistic scheme is delivered with shared objectives and requirements resulting in efficiencies for both parties. Furthermore, the council will benefit from Hafod's Development Teams expertise & experience and the development will require a limited resource input from the council ensuring the councils own development resources are not stretched.

### **Local Member consultation**

25. Local Member consultation for the scheme at Lansdowne Hospital site has taken place through the Pre Application Consultation process and Ward Members have been consulted on the Michaelston proposal.

### **Scrutiny Consideration**

26. The Community & Adult Services Scrutiny Committee considered this item on 7 July 2021.

### **Reason for Recommendations**

27. To enable the Council to deliver against its new build housing targets and to ensure a more aligned and holistic development proposal is brought forward for the Michaelston Pub & College sites.

## **Financial Implications**

28. The report proposes the acquisition of land to develop new affordable council housing to let at social rent levels. Any decision to acquire a site should be based on a valuation demonstrating best value for the site to be acquired as well as an indication of the total costs of both the site acquisition (including any taxes) and an estimate of total development costs. Housing viability assessments to support decision making will need to be part of final due diligence and in actioning in any delegation to enter into land or construction agreements. Funding to acquire and develop the site can be re-prioritised from within the overall 5 year capital programme approved as part of the HRA budget setting proposals in March 2021. On acquiring any land, the Council will be responsible for the holding costs of the site until development proceeds. Where the Council is making payment for external advice in relation to the site, these should be novated to the council to ensure that the Council can rely on that advice, any loan payment compensation will need to be met from HRA revenue budgets.
29. Funding is included within the overall 5 year capital programme approved as part of the HRA budget setting proposals in March 2021, towards the development and construction of units at the Lansdown Hospital site. The report sets out the additional due diligence to be undertaken prior to entering into any contractual arrangements including legal, procurement and housing viability. Any approach to entering into contracts should also set out the process for maintenance of the development once the properties are completed. The due diligence should also confirm the VAT implications arising from any land transfer including advice on the valuations agreed.
30. Subject to the agreed valuation being that outlined in Appendix 1 or lower, to approve the Council entering into an acquisition contract with Linc Housing Association for the freehold interest of the former Michaelston Pub site, Drope Road to enable the site to be included with the wider Michaelston College development scheme.
31. To delegate authority to the Corporate Director for People & Communities and the Corporate Director Resources (S151 Officer) , in consultation with the Cabinet Member for People & Communities and the Cabinet Member for Finance and Modernisation to approve and enter into a Collaboration Agreement with Hafod Housing Association to jointly deliver 106 new affordable homes (38 council) at the former Lansdown Hospital site and adjoining HRA land in accordance with the terms set out in the body of this report.

## **Legal Implications**

32. The Council has powers under part II of the Housing Act 1985 to acquire land and provide houses for the purpose of providing housing accommodation. The Council is required to ensure value for money for its property transactions and the provision of any works and will need to take into account advice from a qualified valuer, and where appropriate,

external costs consultants. In relation to the provision of works and services in collaboration with its development partner, the Council should ensure that any contracts are awarded in line with the public procurement requirement and the Council's own standing orders for contracts.

### Equalities and Socio -Economic Duty

33. In considering this matter, the Council must have regard to its public sector equality duties under the Equality Act 2010 (including specific Welsh public sector duties). This means the Council must give 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. The protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.
34. 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.
35. 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 (Appendix 3).

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

36. 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 well being objectives are set out in Cardiff's Corporate Plan 2020 -23
37. When exercising its functions, the Council is required to take all reasonable steps to meet its well being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.
38. The well being 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

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>

### Welsh Language

39. The decision maker should be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

### Policy and Budget Framework

40. 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.

### HR Implications

41. There are no direct HR implications for this report.

### Property Implications

42. Strategic Estates have assisted People and Communities to secure the land adjoining the former Lansdown Hospital to provide the wider site to enable a collaboration agreement to move forward. We have also worked closely on Michaelstone College to ensure this forms part of the target outlined in the Capital Ambition for new homes.
43. An opportunity has arisen to incorporate the Michaelstone Inn/Pub which is located opposite Michaelstone College and Strategic Estates will support the HRA in securing an acquisition price commensurate with Section 123 within the parameters of the valuation attached as Appendix 1 which will require updating at an appropriate time.

## RECOMMENDATIONS

Cabinet is recommended to

1. Give approval to the Council entering into an acquisition contract with Linc Housing Association for the freehold interest of the former Michaelston Pub site, Drope Road to enable the site to be included with the wider Michaelston College development scheme.
2. Delegate authority to the Corporate Director for People & Communities, in consultation with the Cabinet Member for Housing & Communities to approve and enter into a Collaboration Agreement with Hafod Housing Association to jointly deliver 106 new affordable homes (38 council) at the former Lansdown Hospital site and adjoining HRA land in accordance with the terms set out in the body of this report.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>Sarah McGill</b> <b>Corporate Director</b> <b>People &amp; Communities</b>
	9 July 2021

*The following appendices are attached:*

- Appendix 1 - Valuation for Michaelston Inn (Confidential)
- Appendix 2 - Cost Plan (draft), Lansdowne site (Confidential)
- Appendix 3 - Site layout plan Lansdowne site
- Appendix 4 - EIA (new build)