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**Response to the Impact of Covid-19 on Cardiff Council's Housing Delivery Programme.**

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*Appendix 1 of the Cabinet Report at Appendix A is not for publication as it contains exempt information of the description contained in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It is viewed that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

**Purpose of the Report**

1. To give Members information to aid the scrutiny of the report to Cabinet regarding the impact of Covid-19 on the Council's Housing Delivery Programme and the proposed response to this. The report is due to be considered by Cabinet at their meeting on 11 June 2020.
2. Members should note that **Appendix 1** of the Cabinet report at **Appendix A** 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.

**Structure of the meeting**

3. The Chair will move that this item be considered in two parts: an open session, where Members will be able to ask questions on the issues and papers that are in the public domain; and a closed session, where members of the public will be excluded, where Members can ask questions that pertain to **Appendix 1 of Appendix A**.

4. 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.
5. Members will then be able to decide what comments, observations or recommendations they wish to pass on to the Cabinet for their consideration prior to making their decisions.

### **Structure of the Papers**

6. To facilitate the scrutiny the following appendices are attached to this report:

#### **Appendix A – Cabinet report**

*Response to the impact of Covid-19 on Cardiff Council's Housing Delivery Programme*

The following confidential appendix is attached to Appendix A:

- **Confidential Appendix 1** – *Costs associated with acquisition of additional property*

### **Scope of the Scrutiny**

7. Full Council established the COVID-19 Scrutiny Panel on 21 May 2020 to provide measured and proportionate scrutiny in the current emergency. The Terms of Reference for the Panel, set out on the agenda, specify the Panel should consider all Cabinet reports. In accordance with the Terms of Reference, Chairs sought the views of the relevant scrutiny committee members to use these to inform lines of enquiry.
8. At their meeting on 11 June 2020, the Cabinet will consider a report that sets out the impact of Covid-19 on the Housing Delivery Programme and the proposed response to this. The report seeks Cabinet approval in principle to acquire additional properties, with delegated authority to appropriate Cabinet Members and Directors to conclude the purchase agreement, and recommends Cabinet note the outline approach indicated in respect of future housing development sites.

9. During this scrutiny, Members have the opportunity to test the recommendations to Cabinet and explore:

- i. Key factors shaping proposals
- ii. Impact of the proposals on existing commitments
- iii. Criteria for Acquisition
- iv. Financial implications
- v. Risks to the Council
- vi. Next Steps and timelines.

## **Background**

10. The Administration's '*Capital Ambition: Our Continuing Commitments for Cardiff*' policy statement contains a commitment to deliver at least 2,000 new Council homes, of which 1,000 will be completed by 2022, and to work with developers and partners to deliver 6,500 affordable homes across the city by 2026.

11. In order to achieve this, the Council has established a number of delivery routes, as follows:

- Cardiff Living Development (*300 target*)
- Additional New Build Programme (outside of Cardiff Living) (*400 target*)
- Open Market Buy-Backs (*100 target*)
- Developer Package Deals (*100 target*)
- Convert buildings to Council Homes (*50 target*)
- Meanwhile Use of Land (*50 target*)

12. The targets listed above relate to the 1,000 properties aimed to be complete by May 2022. To date, there have been 354 completions. In 2016, Wates Residential was appointed as the partner developer for the Cardiff Living Programme, with a Developer Agreement specifying terms and conditions. This programme is across 40 sites, spread over nine years and will deliver 1,500 affordable homes, of which 600 are council homes for social rent and 900 are for affordable home ownership. Phase One has ten sites, six of which have completed, with four sites operational at the time of the Covid-19 pandemic.

## Issues identified in the Cabinet Report

13. The report outlines the impact of Covid-19 pandemic on the housing delivery programme, in terms of cessation of operations, furloughing of staff and impact on the housing market overall (*points 10-12*). Cumulatively, these mean in-year delivery targets may potentially prove challenging for 2020/21 and make predictions about the delivery of pipeline schemes more complex.
14. The report outlines a proposed approach to mitigate the impact of the Covid-19 pandemic on the Cardiff Living Programme (*points 13-27*). Covid-19 has caused concern regarding the appetite and opportunity for families and individuals to purchase new homes. Wates are requesting the Council purchase 102 unsold/ unreserved properties being built as part of Phase One. These would be purchased by the Housing Revenue Account<sup>1</sup> at agreed build cost with agreed overheads only, in line with the terms set out in the Development Agreement, and subject to due diligence. The costs associated with this proposal are provided within **Confidential Appendix 1** to the report to Cabinet and Members are reminded not to refer to these in the open session of the meeting.
15. The report states that the additional properties could be acquired for Council homes or for Council approved low cost home ownership and that it would also be possible for the Council to consider sale of some units for affordable key worker housing. As these properties are built to open market standard, they do not meet some aspect of the Welsh Government Design Quality standards: the report states that '*The differences between market sale properties and social rented do not prevent us from holding the properties within the councils housing stock as social properties*' (*point 22*).
16. The report sets out a new approach to delivering new affordable homes for Cardiff (*points 28-32*) which highlights the key role house building plays in economic regeneration and recovery. The report highlights the need for flexibility to deal with the volatilities of the housing market, for example by moving to tenure

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<sup>1</sup> Housing Revenue Account is a ring-fenced account for council housing

neutral developments capable of moving tenure in response to changing conditions.

17. The report states that to achieve this, the Council would need to use contracting partnerships, to deliver property directly for sale or rent, social and/or private rent, as appropriate. This would mean the Council would take a developers risk but would also be able to reinvest profits back into the development programme.
18. The report highlights that this approach requires significant further consideration and will be examined in detail as part of the proposed way forward for the delivery of the Channel View development in September.
19. Members' attention is drawn to the **Financial Implications** at *points 37-39* and **Legal Implications** at *points 40-46*.

### **Proposed Recommendations to Cabinet**

20. The report recommends that Cabinet:

- i. Approve in principle, subject to the satisfactory outcome of detailed due diligence checks by the authority, the request from Wates to acquire unsold property in phase 1 of the Cardiff Living sites as detailed in this report, as a direct response to the impact of Covid-19.
- ii. Grant delegated authority to the Corporate Director for People and Communities in consultation with the Cabinet Member for Communities and Housing following satisfactory outcome of detailed due diligence checks by the authority and formal approval by the Section 151 Officer in consultation with the Cabinet member for Finance to conclude the purchase agreement in respect of the unsold properties as described in this report
- iii. Note the outline approach indicated in the report in respect of future housing development sites. The approach to inform specific housing development scheme reports planned for consideration later in 2020.

### **Previous Scrutiny**

21. The Community and Adult Services Scrutiny Committee undertakes annual scrutiny of the Housing Revenue Account 30 Year Business Plan, has scrutinised

the Council House Building Strategy and discussed the Development Quality Requirements. Members discussed:

- i. The impact of the Welsh Government five year rent policy (*effective from April 2020 which states that tenants' rent could increase by CPI+1% plus up to £2, on condition that other rents are either frozen or reduced and that the landlord's overall increase for all their stock is no greater than CPI+1%*).
- ii. How potential, unforeseen challenges and variable could affect targets for new build council homes.
- iii. Quality standards of the Council House Building Strategy and the need to update the Cardiff Design Standards 2015 to align with new requirements.

### **Way Forward**

22. Councillor Lynda Thorne, Cabinet Member, Housing and Communities, Sarah McGill, Corporate Director People and Communities, and Dave Jaques, Operational Manager, Development and Regeneration, will attend to take questions from Members of the COVID- 19 Scrutiny Panel, representing the Members of all five Cardiff Council Scrutiny Committees.

23. All Members are reminded of the need to maintain confidentiality with regard to the information provided in **Appendix 1 of Appendix A**. Members will be invited to agree the meeting go into closed session to enable discussion of this information.

### **Legal Implications**

24. 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 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 of 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**

25. 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.

### **RECOMMENDATION**

The Panel is recommended to:

- i) Consider the information in this report, its appendices and the information provided during the meeting; and
- ii) Determine whether they would like to make any comments, observations or recommendations to the Cabinet on this matter in time for its meeting on 11 June 2020.

**DAVINA FIORE**

Director, Governance & Legal Services

5 June 2020