

Council Cabinet - Housing Agree

Agreed

**CABINET**

Report of: Director of Social Services and Housing

Date: 22 April 2024

Cabinet Portfolio: Planning and Housing Delivery

**NOT FOR PUBLICATION**

It is the view of the proper officer that the information contained in Appendix A should not be published as it relates to matters for which the meeting is not likely to be open to the public as it involves the likely disclosure of exempt information as defined in Paragraphs 14 and 16, Part 4, of Schedule 12A to the Local Government Act 1972. It is also the opinion of the proper officer that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**TITLE OF REPORT**

**Development of a Package Deal for the provision of affordable housing in Pembroke Dock**

**Purpose / Decision Sought**

To inform Cabinet of a proposal to enter into a package deal contract (which will include both an acquisition of land and construction works) for the delivery of circa 38 new homes for social and affordable housing on a development site at the former Cleddau Bridge Hotel site, Pembroke Dock.

Delegation of the decision to enter into the works contract to the Director for Social Services and Housing is sought under Contract Procedure Rule 18.31.3.

For the acquisition of the land, as a standalone matter it would be for the ICM under paragraph 6.b of the Scheme of Delegation to authorise, however, given the correlation with the works contract which is being brought to Cabinet for approval, Cabinet is also being asked to delegate the decision to proceed with the land acquisition to the Assistant Chief Executive.

**1. Background and Context**

1.1. The Council has a corporate priority that aims to increase the supply of affordable and social homes and is seeking to expand its housing stock and satisfy local housing need. This site would help towards both the Councils 300 new home target and also Welsh Governments 20,000 new homes target.

1.2. In the context of housing development, a package deal contract comprises the purchase of land from and entry into a construction works contract with a single

developer, who has exclusive rights to a site, by virtue of ownership, legal interest and / or a valid planning consent for the development and is prepared to develop the site.

- 1.3. The potential development site on the former Cleddau Bridge Hotel site, Pembroke Dock has been up for sale for some time, and its purchase by Castell Group Ltd ("Castell") is now imminent. Following completion of their purchase, Castell will submit an application for planning consent to develop the land for affordable and social housing. It would see the development of a high profile site with visual impact on surrounding areas that has sat dormant for many years.
- 1.4. Castell Construction Ltd are the delivery arm of Castell and specialise in the construction of affordable / social housing. They typically develop sites for registered social landlords ("RSLs") across South Wales. Castell has approached the Housing service to determine whether there is an interest in working with them to bring forward the development as a housing site.
- 1.5. The package deal contract offered to the Council proposes the delivery of circa 38 properties which would be built to Welsh Design Quality Requirements (WDQR) standard (which includes EPC A). WDQR standard is a minimum standard set by Welsh Government for affordable homes.

The initial proposal is as below but will be subject to change as detailed site layout is worked through following land survey results and subject to planning.

2P1B Flat – 12no.

4P2B House – 15no.

5P3B House – 5no.

6P4B House – 2no.

3P2B Bungalow – 4no.

Totalling – 38no.

The site will be a mix of social rent and affordable housing. Affordable housing includes a range of options including but not exclusive to intermediate rent (which is lower than market rent but higher than social rent) and shared ownership/low cost home ownership options. Allocations will be managed through the Choice Homes Allocations Policy which will include both the social and affordable housing options on the site.

- 1.6. The proposal by Castell Construction Ltd is for a development programme of 18 months following planning permission being secured. Castell Construction Ltd estimate commencing the development in March 2025, which would mean completion in autumn 2026. The speed of delivery is particularly attractive to the Council given in recent years the Council, when procuring its own contractors for residential developments, has experienced a lack of interest from the market, both when procuring under the South West Wales Regional Contractors Framework and outside of this. Attracting a new contractor to Pembrokeshire, who specialises in social housing builds with a proven track record of delivering such homes across



Wales at the standards of WDQR where we have struggled to attract housing contractors to the local market previously is desired.

- 1.7. The package ready nature of the development means that less input is needed from the Council as compared to those developments that are in the Council's core development programme (i.e. on our own land), and it therefore enables the Council's internal housing development team to concentrate on schemes currently being brought forward by the Council. RSLs utilise this method regularly to bring schemes forward quickly.
- 1.8. The housing need in this area as shown by the Housing register and latest draft Local Housing Market Assessment (LHMA 2023) confirms demand for social and affordable housing is high with an additional impact also anticipated on the local housing market as a result of the Celtic Freeport. The housing register shows 806 people have selected Pembroke Dock/Pembroke in gold and silver banding need, which are the highest assessed need for housing including 701 applicants on the register that have Pembroke Dock/Pembroke as their current home address (and hence have a local connection to the area). The LHMA over next 5 years shows need for affordable housing in Pembroke/Pembroke Dock is 360 units made up of 290 social and 70 intermediate rent.
- 1.9. In planning terms, this potential development aligns with the Local Development Plan requirements for a residential housing (C3) site given its location, which seeks to see 60% of developments in urban areas. Pembroke Dock is a Hub Town in the settlement hierarchy for the current LDP which is the highest priority for development and an area Planning are keen to see development take place. Additionally, the site is Brownfield land which is prioritised for development over Greenfield as it has previously been developed. It is also a Windfall site which means it has not previously been allocated for development, but unexpectedly has become available for development during the lifetime of the current development plan. Whilst the Council awaits adoption of LDP2, there are limited sites within the current LDP around Pembrokeshire that are within an urban settlement area and those in the Pembroke /Pembroke Dock area have been difficult to bring forward during the life of the current plan.
- 1.10. The current proposal is that once planning permission is obtained, the Council will purchase the land from Castell (subject to granting of an 'implementable planning permission') for an amount specified in Appendix A following a district valuation completed, and will immediately thereafter enter into a construction works contract with Castell Construction Ltd, in the form of a JCT Design and Build Contract 2016, for an amount specified in Appendix A (although this will be subject to change depending on the final mix, design and specification of the properties, and also should any Relevant Matters arise under the terms of the contract which result in an additional cost entitlement for the contractor).
- 1.11. Castell may require a firm commitment from the Council prior to the point at which planning permission is secured. If this is the case, the Council envisage a

conditional contract for purchase of the land and entry into the construction works contract being an option, with the relevant condition to be satisfied being Castell obtaining planning permission for the development.

## **2. Main Considerations**

- 2.1. The need to provide additional affordable and social housing is a high priority for the Council and if acquired, these new homes will be let at rents in line with the Council's rent policy, making the homes affordable for those in need.
- 2.2. The Housing Service has undertaken an initial viability appraisal for the development, considering Welsh Government Acceptable Cost Guidance (ACG), comparative data available from its own Development Programme and by identifying indicative rental values which have been fed into the Housing Business Plan 2024-25 to ensure enough HRA capital will be available if approval is given. Based on the figures contained in Appendix A the Housing Service considers the Scheme to be viable and the contract presents good value for money for the Authority.
- 2.3. As with all our developments the intention with this package deal is to part fund from HRA (circa 50%) and for the remainder utilise Social Housing Grant and/or second homes premium for affordable housing if it becomes available for the Housing Service to use in this manner. Potential residents will be offered accommodation from the housing waiting list via the Choice Homes Allocations policy. Any scheme that is to be put forward for SHG will need to go through the Welsh Government technical review process which ensures its compliance with WDQR and cost viability. Furthermore as the land value is over £650k as part of the submission to WG a valuation will be needed by the District Valuation office. Cost and timeframes are currently being sought regarding this by PCCs Property Service.
- 2.4. It is confirmed that sufficient capital funds are available in the HRA Business Plan to cover the costs of this development without pushing back the progress of other development sites in our core development programme.

The package deal would provide the Council with additional rental income of £230k annually based on current mix and 24/25 rates once complete

- 2.5. If PCC turn down the opportunity then this will most likely be taken by one of our RSL partners, who will be in a similar position in also requesting SHG for the site and given its location it would be something we would support being developed in a timely manner.

### **2.6 Legal considerations.**

The legal considerations are set out in Appendix A.



**Conclusion:**

An opportunity of increasing the pace of housing delivery into the Housing Revenue Account has presented itself through this potential Package Deal. The need for affordable housing in the development area is significant and if the Council were to proceed with the package deal, it would help the Council to meet housing demand in the area and the corporate priority of increasing the Council's stock of affordable housing.

**Outline the risks faced**

- Housing developer risks – pricing, receivership as with existing development programme – risk mitigated through staged payment, contract management
- The risk associated with a VEAT notice is as set out above

***Powers, policies and strategies***

Relevant strategies and plans that support this programme of increasing housing supply include:

Corporate Strategy 2023-2028.

Pembrokeshire Housing Strategy 2024-2029,

Housing Revenue Account Business Plan 2024-2054,

Rapid Rehousing Transition Plan for Homelessness 2022-2027,

**Options**

The options available in relation to this proposed package deal are:

- (i) That Cabinet agree with the recommendations and provide the delegations sought in order that the Council, following completion of any required due diligence, is able to proceed to enter into the relevant contracts under the package deal to secure the affordable housing development.
- (ii) That Cabinet does not agree to provide the delegations sought. This would mean that the Council would unlikely be able to respond in a timely manner to any offer by Castell and would likely see Castell entering into the package deal with alternative social housing providers i.e. housing associations in the county to progress.

**Comments by Director of Resources**

Has the Director of Resources been consulted on this matter? Yes (delete as appropriate)

If Yes, please state comments.

The financial matters are dealt with in the report.

**Comments by Head of Law and Governance**

Has the Head of Law & Governance been consulted on this matter? Yes

The legal issues associated with the procurement route are as detailed in Appendix A.

In relation to the acquisition of the development site, this should only proceed if the Assistant Chief Executive, taking advice from relevant colleagues, is satisfied with the outcome of the due diligence process.

It is noted that the construction contract is proposed to be in the form of a JCT Design and Build 2016 contract. The Council typically utilises NEC forms of contract for its construction projects but it is acknowledged that JCT is an alternative suite of standard contracts for construction. Legal support can be provided to review the contract before any decision is taken to enter into the contract.

### **Comments by Head of Human Resources**

Has the Head of Human Resources Officer been consulted on this matter? Yes (delete as appropriate)

If Yes, please state comments.

There are no HR issues with this report

### **Integrated Impact Assessment (IIA)**

In line with corporate guidance [delete as appropriate]:

An IIA is not required.

### **RECOMMENDATION:**

1. That Cabinet delegate the decision to acquire the development site to the Assistant Chief Executive, noting that this decision is only to be made once the Director, in conjunction with property, legal and finance colleagues, is satisfied as to the due diligence which has been conducted, and subject to the purchase price not exceeding the amount specified in Appendix A.
2. That Cabinet delegate the decision to enter into the works contract for construction of the social/affordable housing to the Director for Social Services and Housing, subject to the contract price not exceeding the amount specified in Appendix A, ensuring sufficient budget provision within the HRA Business Plan, Social Housing Grant programme and demonstration of cost efficiency for the development of WDQR compliant properties.

*REASON FOR RECOMMENDATION:*

*To comply with the requirements of the Constitution, to help bring this proposed development of affordable homes to fruition, to contribute towards corporate housing priorities.*

---

**Appendices:**

Appendix A Restricted Paper – Construction and Contract Cost estimates

**Background Documents:**

None

