
Affordable
Homes New
Build Programme
Phase 1 - 2016 &
2017

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version 3.0

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1. The purpose....

1.1 The purpose of this report is to outline the Phase 1 development programme for new build Council and Housing Association homes.

1.2 The report sets out how we will maximise the funding opportunities available over the next two years and deliver over 200 new build homes, with a total investment of over £15m.

1.3 The report also confirms the sites available to develop, the specification for new build Council homes and the procurement options available.

2. The context....

2.1 Carmarthenshire recently produced its Affordable Homes Delivery Plan¹ that will see the delivery of over 1,000 additional affordable homes over the next 5 years.

2.2 The delivery plan aims to increase the supply affordable homes using a range of innovative solutions including managing private sector homes (social lettings), bringing empty homes back into use, buying private sector homes as well as providing additional homes through Council and Housing Association new build schemes.

2.3 This report outlines how the Council and our Housing Association partners can make the best use of financial resources currently available to maximise the supply of new build homes in 2016 and 2017.

2.4 The report proposes over 60 new build Council homes over the next two years- our original target in the Delivery Plan was 45 homes over the full five year period. This further emphasises our commitment to providing as many additional homes as we can, making sure we fully utilise opportunities when they arise.

3. The background.....

3.1 The Affordable Homes Delivery Plan will increase the supply of affordable homes throughout the county based on housing need. It seeks to maximise the number of homes provided by being innovative with the investment available to the Council through its own resources and any new funding opportunities that can be accessed over the next five years.

3.2 The delivery plan takes account of funding that can be used directly by the Council and funding that can only be used by our partners. An example would include the £2m utilised by Housing Associations under the Social Housing Grant (SHG) programme.

3.3 The delivery plan looks to deliver the most cost effective solutions in the first instance which includes delivering 45 new build Council homes. This was based on the financial resources available at the time, being limited to Housing Revenue Account (HRA) funding².

¹ Agreed by County Council 10th March 2016

² £5.6m HRA funding for Council new build

3.4 Since writing the plan in March of this year, additional funding opportunities have become available from Welsh Government (WG) to enable us to build even more homes. This funding should enable the Council to exceed the original targets set in the delivery plan within the first two years.

3.5 Consequently, this report sets out firm proposals for the sites to be developed, the specification and procurement options for Council and Housing Association new build homes.

4. New Funding Opportunities for Council New Build.....

4.1 The delivery plan aims to invest £5.6m into Council new build homes.

4.2 WG has, however, recently announced a new grant called the Housing Finance Grant 2 (HFG). The aim of the grant is to enable Local Authorities and Housing Associations to build 2,000 additional affordable homes in Wales by 2020. The previous HFG grant only allowed Housing Associations to access the grant.

4.3 Carmarthenshire's HFG allocation, ring fenced for Council new build, is estimated to be £2.9m³. HFG will cover 58% of new build development costs, the remaining 42% being provided by the Council. The grant will be paid over a 30 year period but all building works must be completed by 2020. All HFG used by the Council, however, must be included within the current borrowing cap limits.

4.4 The ring fenced HFG will generate a total investment of £5m for the Council. (£2.9m or 58% funded from the grant and £2.1m or 42% funded by the Council through the HRA). This development programme will deliver approximately 38 new homes.

4.5 As mentioned earlier, the affordable homes delivery plan has identified a total investment of £5.6m for Council new build. The current HFG proposals would require £2.1m from this allocation. The remaining £3.5m could deliver an additional 23 new homes.

4.6 In total, this would generate a new build development programme for the Council of £8.5m. This will provide approximately 61 new homes in the first two years of the plan alone.

5. Council New Build Sites.....

5.1 New build feasibility studies have been carried out on land held within the HRA and Council Fund (CF) with the ability to accommodate more than 4 homes per site. The study has prioritised the sites based on housing need, build costs, land availability, new build options and deliverability.

³ This could change as the details of the scheme are yet to be finalised by WG.

5.2 The results of the study are shown in **Table 1** below. Based on the Council's assessment of housing need each development will be a mix of two and four bedroom homes.

5.3 It is proposed that the housing development at Pantycelyn will proceed in 2017, at the same time as the construction of the new school. We plan to include this within the contract for the re-development of the school in 2017.

Table 1 – Council New Build Sites prioritised by housing need, development costs, land availability and deliverability.

Priority	Site	Action Area	Number of Homes	Estimated Cost of Development
1	Dylan Llwynhendy	Llanelli & District	36	£5m
2	Garreglwyd, Pembrey	Llanelli & District	12	£1.6m
3	Maespiode, Llandybie	Ammanford & Amman Valley	8	£1.2m
4	Pantycelyn, Llandovery	Carmarthenshire Rural & Market Towns	5	£0.7m
5	Y Waun, Llwynhendy	Llanelli & District	26	£3.7m
6	Nantydderwen, Drefach	Ammanford & Amman Valley	14	£2.2m
7	Gwynfryn, Ammanford	Ammanford & Amman Valley	28	£4m
			129	£18.4m

5.4 Our current funding availability would enable us to progress with the four sites in greatest priority and deliver approximately 61 new homes in 2016 and 2017.

5.5 The remaining three sites could be added to the programme as more funding becomes available.

Recommendation 1

To confirm that the Council new build programme will begin by developing 61 affordable homes at the four highest priority sites identified in Table 1.

Recommendation 2

To confirm that the timescale for the delivery of affordable homes on part of the Pantycelyn site is aligned with the school development proposals.

Recommendation 3

To confirm that sites with priority 5, 6 and 7 in Table 1 will be developed in order of priority when funding becomes available.

6. Council New Build Specification.....

6.1 The specification we use to design the new Council homes will be key to the success of our new build programme. The specification of works will affect:

- The build and material costs.
- The cost of heating, lighting and living in the home experienced by future tenants.
- Our ability to attract grant funding from WG to help fund the building of the new homes.
- Energy efficiency performance and carbon emissions.
- Future ongoing maintenance and repair costs.
- New build delivery timescales.

6.2 In order to understand the various new build specification options available, a detailed study has been conducted assessing the different options. The results of the study are summarised in **Appendix 1**.

6.3 The study concluded that all Council new build homes should be built to the following specifications:

- Code for Sustainable Homes level 3plus
- DQR
- Life Time Homes
- Traditional Construction

6.4 These conclusions are based on the current volume of homes that the Council is in a position to build and the likely build costs. The average cost for a two bedroom home is approximately £139k per dwelling⁴. If a greater volume of homes were to be delivered timber frame construction methods may become more favourable. The actual construction method to be used could also be determined by consultation and agreement with the contractor during the procurement process in order to ensure efficiencies in delivery of the programme, leading to a potential reduction in costs. As indicated this would be dependent on volumes included within contracts.

Recommendation 4

To confirm that the specification used for Council new build homes will be traditional construction with all new homes built to meet the Code for Sustainable Homes Level 3 plus, DQR and the Life Time Homes Standard.

7. Procurement Options for Delivering New Council Homes.....

7.1 The procurement method used by the Council for building new Council homes could have a significant impact on value for money and maximising the wider benefits of the investment by keeping the pound (£) local, creating jobs and training opportunities, promoting sustainable communities and supporting the local supply chain.

⁴ By accessing HFG this reduces Council contribution to 91k per home

7.2 There are three main ways in which the Council could procure the new build schemes. These are summarised in **Table 2** below.

Table 2 – Council New Build Procurement Options

Procurement Method	Advantages and Disadvantages
<p>Use the Councils existing South West Wales Regional Contractor Partnering Framework</p>	<ul style="list-style-type: none"> • This would be a relatively quick procurement process as the framework is already up and running (following the issue of the tender documentation, a contractor could be in place within 2/3months with a potential start on site within 3/4 months). • The market is currently being tested. • The framework maximises the wider benefits of our investment and promotes local jobs, community benefits and training, whilst at the same time supporting local suppliers. • A number of the contractors on the existing framework have considerable experience of delivering social housing new build contracts for Housing Associations. • More specialist house building developers and contractors may be excluded from the framework.
<p>Open Market Approach</p>	<ul style="list-style-type: none"> • Specialist house building developers could tender for our schemes. • The specific new build tender would be tested on the open market. • It may offer less wider benefits to our investment including creating less local jobs, community benefits and training opportunities and offer less support to the local supply chain. • Procurement process would be far more onerous and over a far longer period (from issue of tender it is estimated that subject to no challenges at any of the stages, it could take between 9 to12 months to get the contractor on board). • The lead in time from developing the tender to commencing works on site will be more onerous and costly than using our existing Contractor Partnering Framework. (the likely timescale to get a start on site could exceed 12 months). • The 12 month appointment process would need to be repeated for each scheme unless a specific framework was set up.
<p>Hybrid approach using the Councils existing Contractor Partnering Framework for two Council New Build Schemes and using the Open Market approach for the other two New Build Schemes</p>	<ul style="list-style-type: none"> • This would enable both procurement methods to be tested and enable the Council to deliver future new build schemes using the most effective option. • Works on some sites would commence relatively quickly. • This approach would enable the Council to gain a better understanding of the new build market. • Costs per unit may increase due to the smaller volumes of work being procured (i.e. two separate lots instead of one

	<p>larger lot).</p> <ul style="list-style-type: none"> Some wider benefits would be realised including providing some local jobs and training opportunities.
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7.3 Due to the long timescale required to meet procurement rules, it is proposed that for Phase 1 of the Council new build programme a contractor is appointed through the South West Wales Regional Framework.

7.4 Before commencing Phase 2 of the Council new build programme, consideration should be given to setting up a new framework specifically for new build.

Recommendation 5

To confirm that Phase 1 of the Council new build programme is procured through the South West Wales Regional Contractors Framework

Recommendation 6

To confirm that consideration will be given to setting up a specific new build framework contract with to procure Phase 2 of the Council new build programme.

8. The Social Housing Grant (SHG) Programme and Housing Association New Build Sites....

8.1 SHG is allocated to each local authority in Wales by WG to increase the supply of social housing. The distribution of SHG is controlled by each Council. The grant is distributed in accordance with the Councils strategic priorities but it cannot be used by the Council itself. SHG can only be used by Housing Associations to increase the supply of social housing.

8.2 The SHG allocation for Carmarthenshire is approximately £2m per annum. SHG, like HFG 2, funds 58% of development costs, the remaining 42% must be match funded by private finance from the Housing Association. Each year the total investment generated from Carmarthenshire’s SHG programme is approximately £3.5m.

8.2 The SHG programme will increase the number of new build affordable homes delivered in the County. It will also increase the number of private sector homes bought by Housing Associations.

8.3 The Council is currently working in partnership with two Housing Associations, Pobl Group⁵ and Bro Myrddin Housing Association.

8.4 In the first instance, Bro Myrddin Housing Association propose to buy a total 7 private sector homes through the 2016 SHG programme in both the Carmarthenshire Rural and Market Towns Action Area and the Carmarthen and the West Action Area⁶.

Recommendation 7

⁵ Pobl established in April 2016 as a result of merging of Gwalia and Seren Housing Associations.

⁶ Subject to reasonable offers being accepted by the vendor.

To confirm that SHG can be used in 2016/17 to purchase 7 private sector homes.

8.5 Both Bro Myrddin Housing Association and Pobl Group can also to build new affordable homes by utilising SHG in 2016 and 2017. It is estimated that a total of 144 new build homes will be provided by our Housing Association partners. This includes three development schemes previously approved. A summary of the current and proposed sites are provided in **Table 3**.

8.4 Housing Associations can set rents at the social housing rent level or an intermediate rent level i.e. this will be something between social and market rent levels, through the SHG programme. We feel that we need to keep this flexibility in the programme. Decisions on what rent levels to charge for particular schemes will be based on housing need in the particular area and the rent levels needed to ensure scheme viability.

Table 3 – The Housing Association New Build Sites for 2016 and 2017

Site	Housing Association	Number of Homes	Action Area
Thomas Terrace, Llandeilo	Bro Myrddin	4	Carmarthenshire Rural and Market Towns
Llanfallteg, Whitland	Bro Myrddin	3	Carmarthenshire Rural and Market Towns
Cae Bryn Drain, Carmarthen *	Bro Myrddin	4	Carmarthen & the West
Pentrefelin Street, Carmarthen *	Bro Myrddin	28	Carmarthen & the West
Jobs Well Road, Carmarthen *	Pobl Group	27	Carmarthen & the West
Priory Street, Carmarthen	Bro Myrddin	38	Carmarthen & the West
Tir y Dail Lane, Ammanford	Pobl Group	18	Ammanford & Amman Valley
Buckleys Site, Llanelli	Pobl Group	22	Llanelli & District
		144	

*** Schemes previously approved and on site.**

Recommendation 8

To confirm that our Housing Association partners can prioritise their new build schemes on the sites listed in Table 4 and utilise SHG to support the development, if required.

Recommendation 9

To continue with a flexible approach around rent levels with SHG developments.

9. Carmarthenshire's New Build Programme – Phase 1 2016 and 2017.....

9.1 By maximising the funding opportunities available to the Council and Housing Associations over the next two years we will be able to deliver over 200 new homes.

9.2 New homes will be provided throughout the county within each of our four Action Areas. The overall programme is summarised in **Table 4** and **Appendix 2**.

Table 4 – Proposed Carmarthenshire New Build Programme 2016 and 2017

Site	Developer	Number of Homes	Action Area
Thomas Terrace, Llandeilo	Bro Myrddin	4	Carmarthenshire Rural and Market Towns
Llanfallteg, Whitland	Bro Myrddin	3	Carmarthenshire Rural and Market Towns
Pantycelyn, Llandovery	Carmarthenshire CC	5	Carmarthenshire Rural and Market Towns
Cae Bryn Drain, Carmarthen	Bro Myrddin	4	Carmarthen & the West
Pentrefelin Street, Carmarthen	Bro Myrddin	28	Carmarthen & the West
Jobs Well Road, Carmarthen	Pobl Group	27	Carmarthen & the West
Priory Street, Carmarthen	Bro Myrddin	38	Carmarthen & the West
Maespiode, Llandybie	Carmarthenshire CC	8	Ammanford & Amman Valley
Tir y Dail Lane, Ammanford	Pobl Group	18	Ammanford & Amman Valley
Dylan, Llwynhendy	Carmarthenshire CC	36	Llanelli & District
Garreglwyd, Pembrey	Carmarthenshire CC	12	Llanelli & District
Buckleys Site, Llanelli	Pobl Group	22	Llanelli & District
		205	

9.3 The sites shown will be the first phase of our new build programme. It is anticipated that even more new build homes will be built later in the plan as more funding opportunities are accessed and an alternative delivery vehicle established.

10. Revising the Current Housing Association Zoning Arrangements.....

10.1 Working in partnership with Housing Associations, as outlined in this report, will be a key requirement of maximising the supply of affordable homes in Carmarthenshire. The SHG programme itself generates at least £3.5m investment every year. We are confident that this investment can be increased if we are robust in our future partnering arrangements.

10.2 WG currently determines which Housing Associations develop within a local authority area. This is called 'zoning'. There are currently four Housing Associations zoned with Carmarthenshire, these are:

- Pobl Group
- Family Housing Association
- Bro Myrddin Housing Association
- Tai Cantref Housing Association

10.3 Even though we have four Housing Associations zoned to work within our geographical boundaries only two Housing Associations are currently actively involved in developing new homes i.e. Pobl and Bro Myrddin.

10.4 This does increase the risk to the Council of not being in a position to maximise all grant funding (and accessing any other funding). It also restricts the Council from learning and developing the various skills and expertise offered by many other Housing Associations in Wales around building new homes, town centre redevelopments and other regeneration opportunities, including non-residential developments.

10.5 Whilst we obviously want to work closely with existing Housing Association partners, we also want to reduce the risk of not maximising potential opportunities. Consequently, should we feel that we need a greater range of choice in developing new and innovative solutions we would want the flexibility to make an application (and business case) to the WG to revise current zoning arrangements.

10.6 This approach will also help promote good practice, potentially attract even more external funding and introduce a further level of competition for SHG or other funding.

Recommendation 10

To confirm that the Council can apply to WG to revise the current zoning arrangements for the county, if there is a significant risk of not taking up grant funding and other regeneration opportunities.

Appendix 1 – Council New build Specification Options

Specification	Advantages & Disadvantages
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Energy Efficient – SOLCER⁷	<ul style="list-style-type: none"> • Only one prototype has been constructed which complies with Design Quality Standards (DQR)⁸ and Life Time Homes Standard⁹. • End user suitability and performance has not been tested as the prototype is not occupied. • Very energy efficient with good thermal insulation and low air leakage. • All homes must be south facing to benefit from the energy efficient technology installed. This would significantly affect the number of homes on each new build site. • Cost of build and ongoing repairs high. • Technologies used not fully tested in operational use • Potentially long lead in times
Energy Efficient - Passivhaus	<ul style="list-style-type: none"> • Design complies with DQR and Life Time Homes Standard. • Very energy efficient with very good thermal insulation, low air leakage and low energy running costs.. • High Build costs – it is estimated that the cost of a Passivhaus build is 15% higher than traditional build costs in the UK. There is evidence, however, to show that there are potentially significant savings over the life of the buildings. • Potentially long lead in time.
Code for Sustainable Homes	<ul style="list-style-type: none"> • National standard for the design and construction of new homes and is a tool for improving environmental performance and reducing carbon emissions. • Code 3 is the minimum standard that new homes must achieve. • Code properties will comply with DQR and the Life Time Homes Standard. • Can be delivered through timber frame or traditional construction approaches.
National House Builder	<ul style="list-style-type: none"> • Standard designs used do not comply with DQR or the Life Time Homes Standard therefore WG grant funding towards build costs will not be applicable. • Lower construction costs experience due to the volume of homes being built and the low specification and quality of materials omitting standard items required in social housing. • The volume of homes that we are in a position to build currently, will not meet the volume built by national house builders to experience lower construction cost. • Due to the lower specification and quality of materials the ongoing repair and maintenance costs are likely to be high.
Timber Frame Construction	<ul style="list-style-type: none"> • Designs comply with DQR and the Life Time Homes Standard. • Higher construction costs than traditional construction with the volume of homes we are in a position to build.

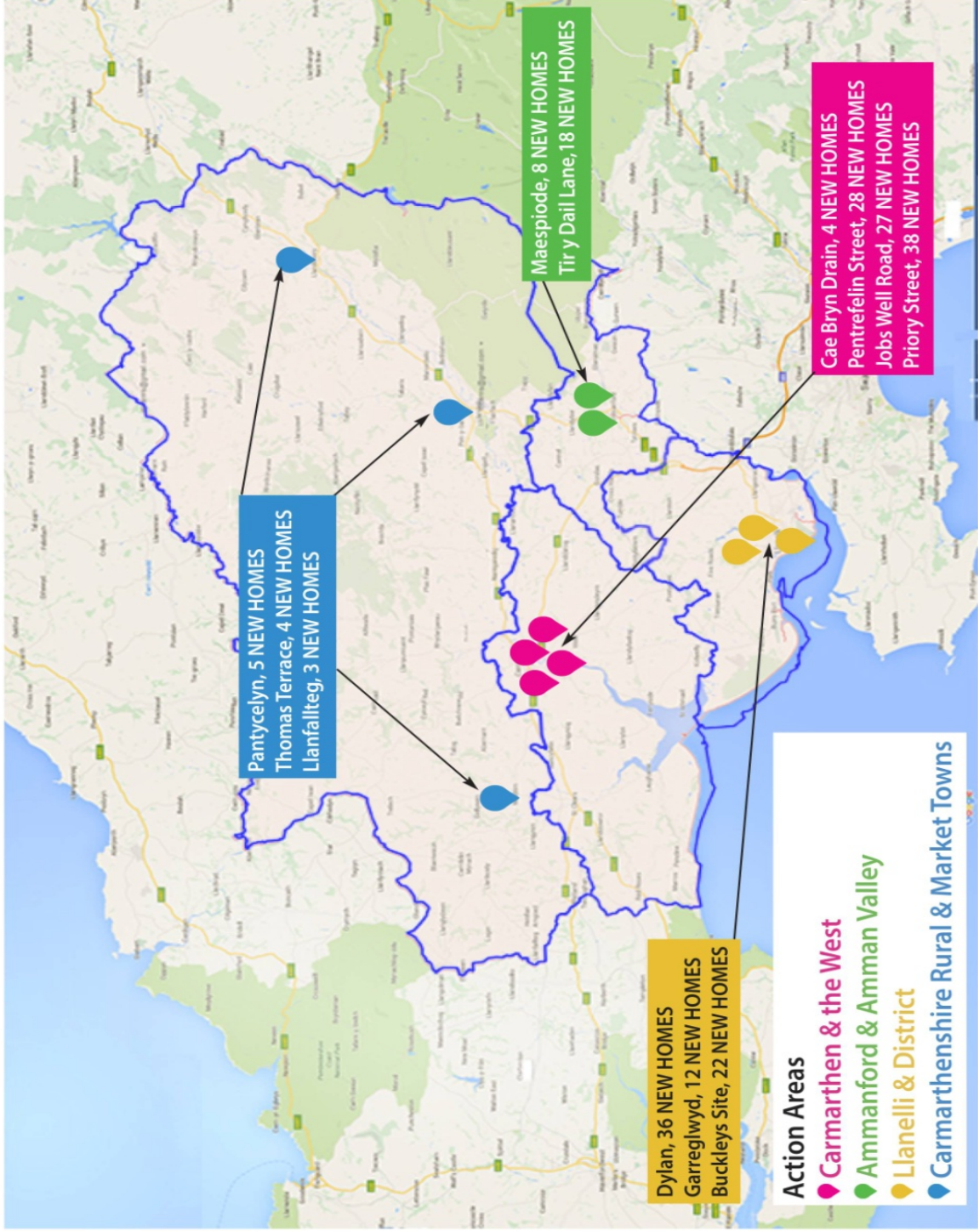
⁷ Smart Operation for Low Carbon Energy Region (SOLCER) – designed by Cardiff University.

⁸ Standard set by WG for all social new build housing in Wales. Homes must comply with these standards if WG grant funding is to be utilised.

⁹ A set of design criteria that provide a model for building accessible and adaptable homes.

	<ul style="list-style-type: none"> • Shorter on site timescales than traditional build. • Longer development lead in times than traditional construction due to the time required to fabricate the timber frames within the factory. • Good access required on sites for delivery and crane usage.
Traditional Construction	<ul style="list-style-type: none"> • Designs comply with DQR and the Life Time Homes Standard. • Lower construction costs than timber frame (dependent on volumes) • Shorter development lead in timescales. • Generally longer on site build times than timber frame construction.

Affordable Housing New Build Programme - Phase 1 2016 & 2017



Over 200 new homes will be developed