

CYFARFOD O'R CABINET

2 MEDI 2021

CARTREFI CROESO

Y Pwrpas:

Sefydlwyd Cartrefi Croeso, y Cwmni Tai Lleol yn 2018, i gefnogi'r Cyngor i ddarparu cartrefi fforddiadwy i'w gwerthu a'u rhentu. Roedd hyn er mwyn sicrhau bod gan y Cyngor amrywiaeth o opsiynau i gyflawni ei ymrwymiad i ddarparu cartrefi fforddiadwy wrth ddiwallu'r anghenion a'r dyheadau am dai, gan gefnogi twf economaidd ac adfywio strategol.

Pwrpas yr adroddiad hwn yw rhoi'r wybodaeth ddiweddaraf i'r aelodau am y canlynol:

- y cynnydd a wnaed gan Cartrefi Croeso hyd yma;
- bod Cyngor Sir Caerfyrddin bellach yn y sefyllfa orau i ddarparu ein rhaglen cartrefi fforddiadwy deiliadaeth gymysg o ganlyniad i newid yn y fframwaith polisi a'r datblygiad sylweddol o ran sgiliau a chapasiti yn y tîm mewnol; ac
- argymhellion ar rôl Cartrefi Croeso yn y dyfodol a pham.

Yr argymhellion / penderfyniadau allweddol sydd eu hangen:

1. Nodi'r cynnydd sydd wedi'i wneud hyd yma ar ddatblygiadau tai fforddiadwy deiliadaeth gymysg Cartrefi Croeso.
2. Cadarnhau bod y Cyngor yn ymgymryd â'r holl ddatblygiadau tai fforddiadwy deiliadaeth gymysg yn y dyfodol a bod Cartrefi Croeso, fel Cwmni, yn cael ei ddynodi yn segur ond yn parhau i fodoli ar gofrestr y cwmnïau yn Nhŷ'r Cwmnïau.
3. Gweithredu'r broses gyfreithiol ar gyfer Cartrefi Croeso i roi'r gorau i fasnachu ond cael ei gadw fel Cwmni "segur", rhag ofn bydd y Cyngor am werthu cartrefi drwy'r cyfrwng hwn rywbryd yn y dyfodol;
4. Caniatáu i'r Prif Weithredwr, ar ôl ymgynghori â Chyfarwyddwr y Gwasanaethau Corfforaethol, ac yn unol â'r trefniadau dirprwyo presennol, i weithredu ar ran y cyfranddaliwr (y Cyngor) mewn perthynas â'r Cytundeb Cyfranddaliwr.

Y Rhesymau:

- Sicrhau bod yr aelodau'n ymwybodol o nifer y datblygiadau tai fforddiadwy a gychwynnwyd gan Gartrefi Croeso a'r cynnydd a wnaed hyd yma;
- O ganlyniad i amgylchiadau gwahanol i'r hyn a oedd ar waith pan sefydlwyd Cartrefi Croeso yn y lle cyntaf, amlinellu sut y bydd y Cyngor yn awr yn arwain ar bob datblygiad tai fforddiadwy deiliadaeth gymysg yn y dyfodol o ganlyniad i ddatblygu ein sgiliau a'n capasiti yn sylweddol ar gyfer y dyfodol. Bydd hyn yn parhau i ganiatáu darparu cartrefi fforddiadwy newydd a fydd yn cyfrannu'n sylweddol at adferiad economaidd y Sir, ar ôl COVID;
- Sicrhau y gallwn barhau i ddefnyddio'r cwmni, rhywbryd yn y dyfodol, pe bai'n cael ei ystyried yn briodol gwneud hynny.

Angen ymgynghori â'r pwyllgor craffu perthnasol:
Oes – Pwyllgor Craffu Cymunedau ac Adfywio – 9 Awst 2021

Angen i'r Cabinet wneud penderfyniad Oes

Angen i'r Cyngor wneud penderfyniad Nac Oes

YR AELOD O'R CABINET SY'N GYFRIFOL AM Y PORTFFOLIO:-

Y Cyng. Linda Evans (Deiliad y Portffolio Tai)

Y Gyfarwyddiaeth

Cymunedau

Awdur yr Adroddiad:

Jake Morgan

Swyddi:

Cyfarwyddwr y
Gwasanaethau Cymunedol

Rhifau Ffôn / Cyfeiriadau E-bost:

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EXECUTIVE SUMMARY

CABINET MEETING 13TH SEPTEMBER 2021

CARTREFI CROESO

1. What is the purpose of this report?

Cartrefi Croeso, the Local Housing Company, was first established in 2018, to support the Council in delivering affordable homes for sale and rent. This was to ensure that the Council had a range of options to deliver on its affordable homes' commitment in meeting affordable housing need and aspiration, supporting economic growth and strategic regeneration.

The purpose of this report is to update members on:

- the progress made by Cartrefi Croeso to date;
- CCC now being best placed deliver our affordable homes delivery programme as a result of a change in the policy framework and the significant development of skills and capacity within the in-house team; and
- recommendations on the future role of Cartrefi Croeso and why.

2. Background:

Providing more affordable homes has been a key a strategic priority for the Council for the last five years. We published our five-year vision¹ for increasing the supply of affordable homes in 2015. In 2016, we set out our first ambitious programme to deliver over 1000 additional affordable homes across the County². Additionally, in September 2019, we published our exciting plans to build over 900 new Council homes³.

Our initial plan to deliver over 1000 additional affordable homes was achieved nearly a year ahead of schedule. To date, CCC have delivered over 1100 additional affordable homes through a range of solutions including:

- bringing empty homes back into use;
- making more affordable homes available for letting through our in -house Simple Lettings Agency;
- increasing the Councils housing stock buy buying private sector homes;
- building new affordable homes; and
- securing affordable homes for low cost home ownership on private developments through the planning system (Section 106 contributions).

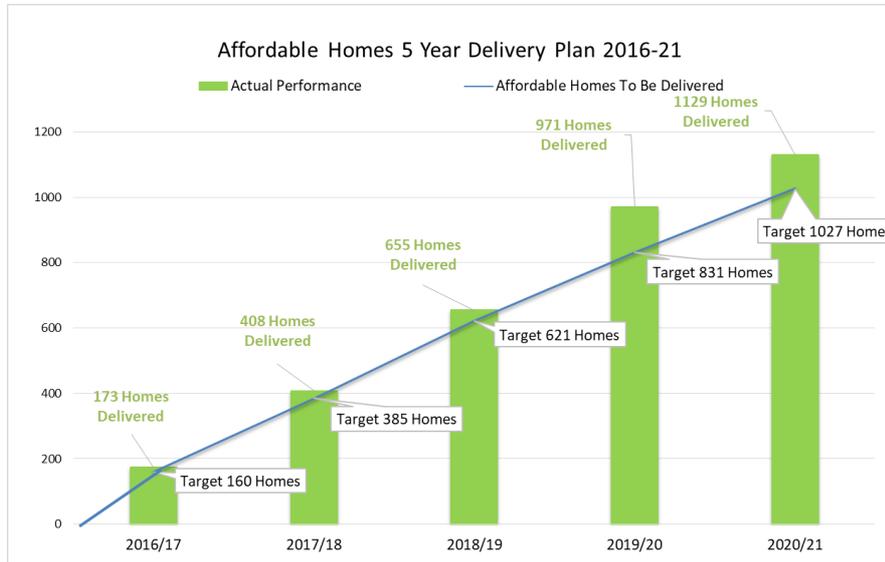
¹ Our Commitment to Affordable Homes – Agreed by Council in October 2015

² Affordable Homes Delivery Plan – Agreed by Council in March 2016

³ Building More Council Homes – Our Ambition and Plan of Action – Agreed by Council in September 2019

Figure 1 highlights the huge success CCC have had in affordable homes delivery over the last five years.

Figure 1- Affordable Home Delivery Between 2016-2021



3. What development progress has Cartrefi Croeso made to date?

Cartrefi Croeso has been commissioned in 2018 to develop **six** sites on a mixed tenure basis. These developments will deliver approximately 120 homes in our rural communities.

The company has made progress with each site, despite the significant restrictions imposed on the construction and development sector by the Covid 19 pandemic over the last 12 months. The progress is summarised below:

- **Land at Glanmor Terrace, Burry Port-** 32 home development, supported by the company securing Innovative Housing Programme funding of £4.7m. As this site was on HRA land and the development is 100% social rent for the Council, it was determined that the Council was best placed to oversee the construction of the development. This development is currently on site and will be completed in **2022**;
- **Land at Meidrim, Trelech-** specialist surveys have been undertaken to inform a scheme design for the site. Site proposals have been developed for 11 mixed tenure homes and a Pre-Application Consultation (PAC) report has been submitted to planning. The PAC highlighted highway issues which are currently being resolved before submitting outline planning consent;
- **Land adjacent to Llangadog Primary School-** specialist surveys have been undertaken to inform a scheme design for the development. Site proposals have been developed for 12 mixed tenure homes and submitted for PAC in February 2021. Planning consent will be submitted following the resolution of any issues raised by the PAC process;

- **Land at Maesgriffiths, Llansteffan-** the site has planning consent for the development of 16 mixed tenure homes. The current consent does not make the best use of the site. A value engineering and design review is now required to review the current design and planning implications of amending the current site proposals before commencing development works; and
- **Two further sites in the north of the County** are being worked up to PAC stage. This will result in a further 33 homes across both sites.

Recommendation 1

To note progress that has been made to date on Cartefi Croeso affordable housing developments.

4. The Function of Cartefi Croeso and what has changed?

Cartefi Croeso was established in February 2018 to further support the Council in delivering its ambition to build affordable homes for sale and rent. At the time the company was established the key drivers were:

- borrowing cap limits on the Housing Revenue Account (HRA) restricted the number of homes the Council could build itself;
- Cartefi Croeso could help increase investment opportunities to deliver more affordable homes and stimulate the local housing market; and
- Cartefi Croeso could be set up commercially to offer far more flexibility in delivering mixed tenure developments, selling affordable and open market homes.

Within 12 months of setting up Cartefi Croeso, the HRA borrowing restrictions were lifted by Welsh Government. This enabled the Council to become even much more ambitious and build up the appropriate skills and capacity in the number of affordable homes it could deliver.

It was also noted that:

- as borrowing rules had changed, the Council had more flexibility in delivering more homes itself;
- bespoke type delivery partnerships with private sector would be needed for certain developments e.g. going out to market on Carmarthen West;
- the Council could directly access WG grant funding schemes e.g. £4.7m Innovative Housing Grant for the Glanmor Terrace Scheme in Burry Port;
- access to the Social Housing Grant programme would now be available to Councils from April 2021;
- the market continued to fail for smaller low cost home ownership initiatives, especially in rural areas, where the financial viability is very challenging; and
- different delivery vehicles were going to be needed moving forward.

Since being set up, and as a result the above factors, Cartrefi Croeso role changed to focus on:

- implementing a range affordable housing options, in addition to council housing, in rural towns and villages, delivering social value by making the best use of council owned land (as described in section 3);

There was a recognition, however, that the company may require subsidy to deliver these developments, subject to suitable business cases being agreed.

As a result of these changes the Council developed plans to build over 900 new homes itself. Completions are due shortly on Maespiode, Garreglwyd and Dylan, as well as being on site at Glanmor Terrace, with a further **six** developments due to be on site by Spring 2022. The in-house team are also involved in key Town Centre and Rural developments as well as key major projects such as Tyisha and Pentre Awel.

5. Future options for Cartefi Croeso?

It can be seen that a range of affordable homes delivery vehicles will be needed and the type of vehicles used will change over time, dependant on the circumstances.

One of the key factors of our successful delivery to date has been the Council's ability to be flexible with its delivery options, accessing finance and continuing to look at the best options moving forward.

Due to the development of skills and capacity in-house, and the recent retirement of the Managing Director of Cartrefi Croeso, it seems sensible again, to look at the options for delivering affordable housing.

Options

The options for consideration include:

a. Cartrefi Croeso to lead on all mixed tenure affordable housing developments.

Cartrefi Croeso could deliver all mixed tenure developments throughout the county, both large and small. This would include strategic developments like Carmarthen West and Pentre Awel, as well as small developments in rural areas.

This approach does not offer flexibility and would limit the Councils delivery options. This option should, therefore, be discounted as it would impact on the Councils abilities to deliver its strategic affordable housing priorities in terms of housing, regeneration and maximising housing's contribution to the economic recovery of the County, post COVID

b. Cartrefi Croeso being utilised as, and when, it is considered the most appropriate delivery vehicle.

This option would resemble our current approach. Cartrefi Croeso would be commissioned to develop small mixed tenure developments in rural areas where the market is failing, as there is no appetite from the private sector or housing associations to build without subsidy. The Company is not driven to make a profit and can, therefore, intervene where other partners are unable to deliver.

The most recent changes in HRA funding arrangements, however, now makes it more financially favourable for the Council to deliver mixed tenure developments, for rent and sale. Existing consents are already in place to dispose of homes at market value and structures can be developed where this is not the case. This has already begun on a small development in Llandovery.

Due to the Council's ability to now deliver mixed tenure developments for rent and sale, this option can also be discounted, as there is unlikely to be situations where Cartrefi Croeso offers any additionality and flexibility to what the Council can do itself, at the present time.

c. The Council taking on all future affordable housing developments and making Cartrefi Croeso "dormant".

This approach would mean the Council leading on all mixed tenure affordable housing developments.

This option would enable the Council itself to maximise all funding opportunities, plan, commission and deliver all affordable housing delivery throughout the county strategically. This option would significantly reduce the on-going costs of the Company whilst still giving the opportunity to utilise should future circumstances dictate.

Future circumstances in which we would consider using the company could be:

- Should borrowing rules change again;
- Should additional grant funding become available that cannot be directly utilised by the Council itself;
- Should it be more attractive in utilising the company to generate additional income and cross subsidising new private affordable homes and sub-market housing; and
- Should it be an appropriate delivery vehicle for more bespoke one-off developments, based on the circumstances/branding at the time.

Recommendation 2

To confirm that the Council takes on all future mixed tenure affordable housing developments and Cartrefi Croeso, as a Company, is made dormant but kept in existence on the register of companies at Companies House.

6. What will be the steps to make Cartrefi “dormant” for the foreseeable future?

Legislation allows a company to cease trading but remain dormant. Certain legal requirements would still need to be met even though the company is economically inactive. To render the company “dormant” the following applies. The Company will need to:

- pay all outstanding bills and cancel/novate all business contracts to the Council;
- reconcile amounts due from your customers and ensure all expected payments received. Any agreements with customers will need to be terminated;
- if applicable, pay any outstanding VAT due to HMRC and (usually) cancel the company’s VAT registration; and
- hold the business bank account(s) with minimal balances.

On-going costs for the Company whilst dormant would be £13 per annum to file annual confirmation statements on-line.

All the above actions are straight forward and could happen quickly.

The Articles of Association of Cartrefi Croeso, however, currently require a minimum of three non-executive directors to be always appointed, who will then be responsible for any ongoing legal compliance by the company. Companies House, however, only require one and this will be further considered as part of the process of making the company “dormant”.

It is also anticipated that the appointed Directors will not be remunerated moving forward and a process will also be confirmed to do this.

In order to ensure continuity, particularly around existing contractual arrangements in the short term, it is planned to appoint existing senior manager as an interim Managing Director on a half a day a week basis, from within the Council. This would not be remunerated but would form part of current responsibilities. The Chief Executive, in conjunction with the Leader, has the delegated authority to agree the process for this appointment.

Before implementing the above actions discussions/agreement would take place with the current Chair of the Company in the first instance.

Finally, should we wish to make the Company active again in the future, for whatever reason, the above steps can be simply reversed.

Recommendation 3

To implement the legal process for Cartrefi Croeso to cease trading but be retained as a “dormant” Company for foreseeable future, in case the Council wants to sell homes through this delivery vehicle at some point in the future.

Recommendation 4

To allow the Chief Executive, following consultation with the Director of Corporate Services, and in line with existing delegations to act on behalf of the shareholder (the Council) with relation to the Shareholder agreement.

DETAILED REPORT ATTACHED?

NO

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: **Jonathan Morgan** **Head of Homes and Safer Communities**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
YES	YES	YES	NONE	YES	YES	YES

1. Policy, Crime & Disorder and Equalities

The approach recommended will still allow us the flexibility to deliver our ambitious Affordable Homes Delivery Plan over the next few years and will allow delivery to meet our future housing and regeneration intentions e.g. supporting the economic recovery plan, Town Centres and Rural Towns and supporting major projects such as Pentre Awel and Tyisha.

2. Legal

The legal process to make the Company “dormant” is explained in the main report. In summary

- Steps must be taken to make the company financially inactive
- Inform HMRC
- When the time comes to file the company accounts, inform Companies House.

RE- 6th July 2021

3. Finance

The company has taken forward the developments stated within the report and have been paid for the works undertaken. The company's trading results since its inception are:

Financial Year ended 31 st March 2019	£179,375 loss
Financial Year ended 31 st March 2020	£181,003 profit
Financial Year ended 31 st March 2021	£ 115 profit (subject to audit)

The company will need to bring its invoicing up to date for the current financial year to recover the costs incurred, and there will be low administrative annual costs of retaining the company in a dormant status.

Consideration will also need to be given to the current SLA's in place with the Company -CCC currently get in the region of £38k from the SLAs.

CM- 14/7/21

4. Risk Management Issues

Failure to implement the recommended approach will result in potential additional Company costs to deliver developments that can now be carried out in- house

5. Physical Assets

All physical assets attributed to the Company e.g. IT equipment, intellectual property rights etc will be subject to an assessment and further discussion with existing Company Board to confirm a way forward.

6. Staffing Implications

No direct staffing implications apart from cover for interim MD role on part-time basis for half day a week.

Additional resources to deliver the Affordable Homes Plan have already been identified within the in-house team as a result of the current re-structuring proposals within the Homes and Safer Communities Division.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Jonathan Morgan

Head of Homes and Safer Communities

1. Scrutiny Committee –

Community and Regeneration Scrutiny Committee – 9th August 2021

Members of Community and Regeneration Scrutiny Committee were fully supportive of what is being proposed

2. Local Member(s) - N/A

3. Community / Town Council – N/A

4. Relevant Partners – N/A

5. Staff Side Representatives and other Organisations – N/A

**CABINET MEMBER PORTFOLIO HOLDER
AWARE/CONSULTED:**

YES

Cllr. L. Evans, EBM for Housing is supportive of the proposal.

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

THERE ARE NONE