

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead, Housing and Employability****Council: 26 June 2019**

Subject: Queens Quay Affordable Housing Development**1. Purpose**

- 1.1** The purpose of this report is to seek approval to realign an element of the Council's General Services capital Regeneration Fund to fund the construction of the four commercial units within the affordable housing development at Queens Quay, Clydebank. This will help ensure the successful delivery of the affordable housing which will in turn accelerate the delivery of over 1,000 new homes within the Queens Quay major regeneration site.

2. Recommendations

- 2.1** It is recommended that Council:

- (i) Approves the acceleration of funding of £0.475m from the Council's General Fund capital regeneration fund, from 2020/21 into 2019/20, to finance the construction of the four commercial units in the affordable housing development within Queens Quay;
- (ii) Approves the transfer of Site A, Queens Quay to Cube Housing Association (part of Wheatley Group) and Clydebank Housing Association at nil cost to meet the intended housing development priorities, and note that Sites B and C will be retained within Council ownership;
- (iii) Authorises the Strategic Lead for Housing and Employability and Strategic Lead Regulatory to agree a development agreement with Wheatley Group as detailed in paragraph 4.12 of this report; and
- (iv) Authorises the Strategic Lead, Regulatory to conclude the above transactions subject to such legal conditions that are considered appropriate.

3. Background

- 3.1** This social housing project is the first and most significant residential development on Queens Quay. It will deliver social homes of the highest quality as the first development on the site and will set the standard for, and serve to attract future, private housing development. In 2015, the Council entered into a Development and Regeneration Agreement with Clydeside

Regeneration Limited (CRL), the owners of the former John Brown Yard. A masterplan with the required infrastructure works was approved by Council in March 2016. This was inclusive of the requirement for the site to contain an element of social housing. That original Development Agreement states that the Council and CRL will jointly share in income from land sales and related development revenue income (inclusive of any future commercial rental income), which is reflected in the Council's capital plan relating to the Council's capital investment in Queens Quay.

- 3.2** In February 2017, the Housing and Communities Committee approved the acquisition of 1.178 hectares of ground or thereby at Queens Quay, Clydebank from CRL at the following values at Site A and B for £1.46m; and £0.360m for Site C.
- 3.3** The acquisition of these sites within the Queens Quay priority regeneration area was fully funded by the Scottish Government's Affordable Housing Supply Programme (AHSP). Acquisition of the site allowed the Council in their role as strategic housing authority to facilitate the development of the site as part of More Homes West Dunbartonshire programme to deliver more than 1,000 new social rented homes across West Dunbartonshire before the end of 2021. The Scottish Government funding effectively provided additional grant of £1.820m in addition to the Resource Planning Assumption (RPA) 2016/17.
- 3.4** The acquisition was completed on 31 March 2017 and the Council entered into a Development and Sale Agreement with CRL. This included the obligation that as part of the social housing development five commercial units would be provided to shell specification; the provision of such had been reflected within the price the Council paid for this land. During the design and planning stage of the social housing development it was agreed to reduce the obligation from five to four commercial units to shell specification.
- 3.5** In accordance with the Development and Regeneration Agreement referenced in paragraph 3.1 of this report, the Council received 49% of the acquisition income for the sale of Sites A, B and C (£0.892m).
- 3.6** The delivery of the affordable housing at Sites A and B inclusive of the commercial units received full planning approval in March 2019.

4. Main Issues

- 4.1** The social housing development within Queens Quay has taken two years of intensive work to reach the point of final agreement and will provide an exemplar affordable housing scheme within this priority regeneration area. It will be key in setting high standards and acting as a catalyst for the delivery of over 1,000 new homes in this area of Clydebank. The development is a contemporary, place-making design and of an extremely high quality that reflects the Council's overall stated vision for the Queens Quay development. It received full planning permission in March 2019.

- 4.2** The delivery of the social housing within Queens Quay was identified as a RSL (Registered Social Landlord) development opportunity since the approval of the masterplan in 2016 and has been identified as such since its inclusion within the SHIP (Strategic Housing Investment Plan) in November 2016. The Scottish Government who provide key funding, and the Council have been working with the Council's strategic housing partner Wheatley Group and the local community based housing association Clydebank Housing Association to deliver the new social rented homes within the agreed timeframe. Wheatley Group has nominated Cube Housing Association, one of its member organisations to take forward the proposed development.
- 4.3** The provision of the four commercial units will all be contained within the curtilage of Site A which is a flatted development comprising 117 new homes, which will include 30 three bed flats, 68 two bed flats and 19 one bed flats. Nine of the flats will be fully wheelchair accessible. The building has been designed in a 'U' shape providing three street facing elevations to Glasgow Road, the soon to be created Titan Boulevard, and the Boulevard's basin area. The building will vary between 5 and 7 storeys in height.
- 4.4** As highlighted in paragraph 3.4 of this report the provision of commercial units to shell specification is an obligation contained within the Development and Sale agreement agreed by the Council. These units are an essential element of the place making aspirations of the social housing projects and for Queens Quay as a whole. They will provide the space for local commercial amenities which are fundamental to making attractive places and are built to commercial market specifications. The two corner units will be double height. The other smaller units on Titan Boulevard may accommodate commercial units which provide services for users for Health Centre and Care Home.
- 4.5** The Council's Economic Development team advises that these commercial units will not be in direct competition with the Regional Shopping Centre in Clydebank, as they will be providing local small scale amenities for residents and visitors to Queens Quay.
- 4.6** As the design was being developed, Wheatley Group advised that following discussion with the Scottish Housing Regulator the two Housing Associations cannot fund the cost of the delivery of the commercial units to shell specification as described in paragraph 3.4 and 4.4 of this report. The Scottish Government has also advised that affordable housing supply funding cannot be used for the provision of the commercial unit element.
- 4.7** This scenario creates a funding gap and time pressure as the Scottish Government funding is dependent on completion of the social housing programme by March 2021. Failure to deliver this will mean the Council area will lose considerable grant funding and not deliver much needed new homes. The only remaining option available to mitigate against this risk is for the Council, as signatories of the Development and Sale Agreement, to provide funding to allow the project to be fully funded. This would be achieved by financing the delivery of the four commercial units to shell specification. In

discussion with the two Housing Associations, this undertaking included the in-principle agreement that the 29 houses on Site B would be transferred to the Council, alongside the opportunity for the Council to develop Site C, as already agreed and reported to Members. The full construction cost of the units would be met within the Housing Revenue Account Affordable Housing Supply capital funding, and this increases the Council housing stock and secures rental income in perpetuity, as outlined in paragraph 4.9 of this report.

- 4.8** The Housing (Scotland) Act 1987 provides the Council with a legal power to provide additional buildings which will serve a beneficial purpose in connection with the requirements of the persons for whom the accommodation is provided. Legal services have confirmed that the provision of such units would legitimately fall within this power. Schedule 15 of the same Act is also clear that the Housing Revenue Account (HRA) cannot be used for such a specific purpose, therefore the cost of the provision of the commercial units to shell specification requires to be met by another means. One such means is for the Council to fund it from its General Fund.
- 4.9** To use this power officers have reached the in principle agreement (as referenced in paragraph 4.7 of this report) with the two Housing Associations that Queens Quay Sites B and C will become part of the Council's affordable housing development programme. Site B will be developed by Wheatley Group for the Council alongside their development of Site A. Wheatley Group and the Council will enter a development agreement for this purpose. While a suitable scheme is yet to be developed for Site C, it is anticipated that the overall development will result in an additional 60 new Council homes across Queens Quay (Site B/C). The Housing and Communities Committee approved the inclusion of Site C in the Council's affordable housing supply programme in February 2019.
- 4.10** As a result of this in principle agreement officers have re-examined the housing opportunities within Site B and this will now comprise of 29 flatted units, consisting of five three bedroom, 17 two bedroom and seven one bed flats which all will be suitable for supported living. Five of these units will be fully wheelchair accessible. Senior Housing officers are presently in discussion with the HSCP to identify preferred client groups for the new homes; this will have a positive outcome in terms of delivering positive housing solutions for some of our most vulnerable citizens and will also have a beneficial impact on HSCP finances and service provision. These benefits when fully assessed will be reported to members.
- 4.11** Legal Services has indicated that the proposal has State Aid implications which will require to be addressed if the proposal is to proceed. Any agreement to proceed in line with the recommendations is therefore dependent on such matters being satisfactorily addressed. At the time of writing the report, specialist external legal advice is being sought on this matter.

- 4.12** In respect of work being undertaken to procure, manage and deliver the new homes and the commercial units to shell specification at Sites A and B, Queens Quay, the Council will enter into an agreement with Wheatley Group who will take on responsibility for all development and risk management in relation to the overall project. A fee of £0.150m from the Housing Revenue Account (HRA) is proposed to provide the development and risk management requirements which equates to 3% of the total construction cost for the delivery of the new homes within Site B. There is no development management fee related to delivery of the commercial units. As both Housing Associations are parties who are entitled to provide services to the Council in terms of the Local Government (Goods and Services) Act 1970, there are no problems with proceeding in this manner from the viewpoint of compliance with procurement legislation.
- 4.13** It was previously envisaged in discussions with the Scottish Government that all three sites would be transferred to the two developing housing associations to facilitate the new social homes at nil cost and the grant which had been provided to acquire all three sites be reallocated. The proposed new arrangements require now only Site A to be transferred and this paper seeks approval to do so and this has been agreed with the Scottish Government.
- 4.14** The delivery of the social housing within the wider Queens Quay regeneration strategy is at a critical stage in its development. Facilitating the funding of commercial units to shell specification is a key element to unlock the delivery of 146 new social homes for rent and secure £15m of Scottish Government affordable housing grant funding to the RSL and the Council. It is anticipated that the development will start in August 2019.
- 4.15** An update on the development plans for Site C, Queens Quay will be provided to the Housing and Communities Committee in August 2019. Updates will also be provided to each Housing and Communities Committee on progress with the new build homes within Site A and Site B.
- 4.16** The cost of developing the commercial units at Site A is estimated at £0.475m and this spend is expected to be required during 2019/20.
- 4.17** In considering options to fund this development it is suggested that an element of the undistributed portion of the General Fund capital budget held for Regeneration be used. This budget has £6.133m unallocated and a further £1m held in contingency. This budget is currently phased for future years, with £2m planned for spend in 2020/21 and can accommodate the proposed expenditure with no detriment to other opportunities. In order to fund the required £0.475m in 2019/20 it will be necessary to accelerate this budget from 2020/21 into 2019/20.

5. People Implications

- 5.1** There are no people implications as a result of this report as the project will be taken forward and managed from existing staff resources.

6. Financial and Procurement Implications

- 6.1** It is proposed that the required total cost of the funding the delivery of the four commercial units identified as £0.475m at 4.12 above will be met from the Council's budgeted capital Regeneration Fund. An anticipated capital receipt for the commercial units could be in the region of around £1.7m or a rental income of approximately £160,000. The rental income would depend on prospective tenants that the Council were able to attract and the demand at the time of similar units. As noted at 4.17 above, it will be necessary to accelerate this budget from 2020/21 into 2019/20.
- 6.2** The Development and Regeneration Agreement for this site ensures that 49% of the income received for of these commercial units will return to the Council.
- 6.3** The other financial aspects of the cost of construction of the new homes and the proposed development management agreement as detailed at 4.7, 4.9 and 4.12 above are funded through the Housing Revenue Account (HRA) with provision for this expenditure within the HRA Capital Programme for new build Council housing, which was approved by Council on 14 February 2019.
- 6.4** It is estimated that the proposed 60 new council homes at Sites B and C within the Queens Quay development will have an average net unit cost of £120,000. This projection has been run through the Council's HRA Business Plan and is affordable with no negative impact to the future viability of the HRA.
- 6.5** The proposed social housing development within Sites and A & B will see the construction of 146 new homes and will also facilitate the delivery of four new commercial units, it is estimated that this would generate income to the Council in the region of £0.180m per annum based on the Council Tax based on Band D rating. In addition it is estimated that it will generate £74,000 in business rates per annum.
- 6.6** The appointment of Wheatley Group to provide development management services can be facilitated through the provisions of Local Government (Goods and Services) Act 1970 subject to the terms of the proposed Development Agreement.

7. Risk Analysis

- 7.1** As outlined in paragraph 4.7 of this report without the proposed Council intervention, the development will not proceed. The inability to provide social housing on Queens Quay threatens and undermines the wider regeneration

ambitions and consequently the economic benefits. It also poses a clear reputational risk to the Council.

- 7.2** As noted above there is a further risk that these proposals may contravene state aid regulations. To assess this risk the Council will engage external legal advisers to provide suitable advice in relation to State-Aid compliance.

8. Equalities Impact Assessment (EIA)

- 8.1** An Equality Impact Screening did not indicate any further action required in relation to any recommendations. The provision of modern, adaptable social housing enhances the Council's provision for disadvantaged groups

9. Consultation

- 9.1** The social housing development within Queen Quay has progressed and secured planning permission with relevant consultation forming part of this process. The and report have been scrutinised and agreed by Strategic Lead Resources who, along with the Strategic Lead Regulatory, have no concerns or issues regarding this report.

- 9.2** In addition in terms of the affordable housing development there have been extensive discussions with Scottish Government's More Homes Division, Wheatley Group and Clydebanks Housing Association to get to an agreed solution to deliver the affordable housing within Queens Quay and significantly contribute to the Council's wider regeneration aims.

10. Strategic Assessment

- 10.1** At its meeting on 25 October 2017, the Council agreed that its five main strategic priorities for 2017 - 2022 are as follows:

- A Strong local economy and improved employment opportunities;
- Supported individuals, families and carers living independently and with dignity;
- Meaningful community engagement with active empowered and informed citizens who feel safe and engaged;
- Open, accountable and accessible local government; and
- Efficient and effective frontline services that improve the everyday lives of residents.

- 10.2** This proposals within this report are in line with the Council's strategic priorities as stated above a follows:

- The delivery of the first housing on Queens Quay will be a major milestone in the largest economic development and regeneration project in the Council's history
- The design of the houses and development and the agreement with the social landlords, combined with the provision of local amenities will

adjacent to a new Health Centre and Care Home will deliver one of the best residential developments in Scotland, for social tenants

- The process of developing Queen's Quay, and this particular scheme, has been subject to wide consultation through the Charrette and planning processes

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Appendices: None

Background Papers: Equalities Impact Assessment Screening, June 2019
Queens Quay Development and Regeneration Agreement, CRL/West Dunbartonshire Council 2015
Queens Quay Development and Sale Agreement, March 2017
West Dunbartonshire Strategic Housing Investment Plan 2019-24
Report to Planning Committee, 20 March 2019 entitled DC18/272 – Erection of 146 flatted dwellings and four commercial units, associated car parking, amenity space and landscaping by the Wheatley Group
Report to IRED Committee, 21 November 2018, entitled Regeneration Fund Update
Report to Housing and Communities Committee, 22nd February 2017, entitled Provision of Social Housing – Queen Quay Regeneration Acquisition of 1.178 hectares (2.91 acres) or thereby of ground

Wards Affected: Ward 6.