

Bath & North East Somerset Council

MEETING:	Climate Emergency and Sustainability Policy Development and Scrutiny Panel	
MEETING DATE:	24th October 2022	EXECUTIVE FORWARD PLAN REFERENCE:
		n/a
TITLE:	Council House Building Update	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

1 THE ISSUE

- 1.1 The administration set a manifesto commitment to deliver Council Housing in addition to the social housing currently being delivered through established enabling activities. This report provides the panel with an update on progress to date.

2 RECOMMENDATION

The Panel is asked to;

- 2.1 Note current progress on meeting the manifesto commitment to deliver Council Housing, and
- 2.2 Provide a view on the direction of travel and other matters of principle the panel considers appropriate.

3 THE REPORT

Background

3.1 Since the transfer of the Council Housing stock to Curo (formerly Somer) in 1999 the delivery of affordable housing has typically been secured through either:

- Section 106 planning agreements negotiated between developers and the Council, with the resultant affordable housing being purchased by Registered Providers (also known as Housing Associations).
- 100% affordable housing schemes delivered by Registered Providers.
- Bespoke schemes, usually specialist support schemes, commissioned by the Council but delivered by partners.

3.2 Delivery through this route has been positive and in the last 10 years (up to March 2022) the Council has delivered 1,848 affordable homes. These comprise 1,357 (74%) for rent and 491 (26%) for intermediate/affordable home ownership. In addition, there are a further 750 affordable housing units that have planning consent and are in the process of being delivered or awaiting build-out.

3.1 Despite this positive rate of delivery demand for affordable housing in the district remains very high. There are now approximately 6,000 households on the Council's waiting list for social housing, with typically only around 500-600 properties becoming vacant each year, albeit last year this number dropped to just 479.

3.2 This high demand for social housing is, at least in part, a feature of high local housing prices. Indeed, at a ratio of 12.4x average lower quartile house price to average earnings the district remains one of the least affordable outside London¹. Using a typical mortgage multiplier of 3.5x income means that around 78% of all first-time buyers are unable to afford an average terraced property within the district. Renting is also expensive with the average market rent for a 2-bedroom property currently around £1,196 per month (whilst the Local Housing Allowance rate is £847 per month). It should also be noted that these figures are averages with the city being significantly less affordable.

3.3 It is in this context that the Council wishes to utilise Council resources, including surplus land and properties to further support the delivery of Council Housing where feasible and practical to do so.

Current Progress on Council House Building

3.4 The Council has been actively developing its own affordable housing schemes, under the title of "B&NES Homes". Whilst initially concentrating on supported housing schemes progress has also been made on general needs accommodation. Table 1 below summarises the current projections in relation to unit numbers over the short-medium term and only includes identified schemes.

¹ Hometrack Housing Intelligence (October 2022)
Printed on recycled paper

Table 1: Short-Medium Term Unit Projections

Scheme Type		Pipeline	Start on Site	Completed	Total
Supported Housing		18	14	24	56
Shared ownership				2	2
General Needs	8 Surplus sites	51	7		197
	Strategic Sites (BWR/Midland Road)	139			
Total		208	21	26	255

- Supported Housing Schemes

These rental schemes include temporary accommodation for homeless households; move-on accommodation for former rough sleepers and homes for clients with learning difficulties and/or autism. The schemes have, or will provide, a range of benefits including improved service user outcomes; increased Council capacity and resilience to meet statutory obligations and improved cost effectiveness. The Council retain the landlord function but depending on scheme the housing management & support functions are either provided directly by the Council or commissioned specialist partner agencies.

- Shared Ownership

Aequus, the Council's wholly owned development company, delivered 2 shared-ownership properties which were intended to be sold to another RP. However, this proved problematic and importantly the business case for shared-ownership properties supported the Council retaining ownership. To improve affordability the Council relaxed the typical ownership/rental formula to a 40% purchase share and 1.5% rent on the retained equity. Demand was very high for these homes and handover was achieved earlier this year.

- General Needs

In December 2021 the Cabinet decided to extend Council Housing delivery to deliver a further tranche of up to 58 affordable Council Houses by utilising eight surplus buildings and sites. These homes would be delivered directly by the Council. The 8 sites are currently at different stages of development: 117 Newbridge Hill, Bath will shortly be handed over to the Council; Planning consent has been obtained for Argyle Works, Bath; a planning application has been submitted for 19 Westgate Street, Bath; & pre-planning applications have been submitted for a further two other schemes.

The above table also includes indicative affordable housing figures which are likely to result from BWR and Midland Road strategic development sites. However, it should be noted that no delivery mechanism has yet be agreed for these schemes.

3.5 Overall the B&NES Homes programme provides the Council with a number strategic benefits, including:

- Secure “additionality” through 100% affordable housing schemes.

- Allowing the Council to have greater control over the homes delivered, potentially including accelerated delivery; low-carbon developments and potentially innovation through Modern Methods of Construction (MMC).
 - Provides the Council with enhanced operational resilience, through increased housing options for front-line services, notably Housing and Adults.
 - Relatively quick to mobilise and deliver.
 - Develops in-house skill and competence.
 - Reassures Homes England and the Regulator of Social Housing of our commitment to provide low-cost housing.
 - By focusing on existing Council sites/schemes the option is complementary, rather than in competition, with the activities of our Homewest Registered Providers.
- 3.6 Some of these benefits are now being realised in schemes. For example the Council's new development at 117 Newbridge Hill, Bath will shortly provide 7 high quality 1-bed and 2-bed apartments in former Council offices. The homes are generously proportioned, very energy-efficient and are very near the RUH. They will be let at social rent levels, which are typically only 50-60% of market rents. Whilst yet to be finalised the rent for a two-bedroom apartment will be around £600 per month, which is below LHA rates and around 50% of market rates. In addition, and given the local pressures on the NHS and RUH, the Council have made the decision that NHS workers will initially be prioritised for these homes.
- 3.7 The housing management functions related to the 7 apartments at 117 Newbridge Hill, Bath are being delivered in-house. These functions include: property allocation and letting; rent and service charge collection; tenancy management; repairs and maintenance etc. However, once the general needs programme gains momentum there will be a decision point around whether these are kept inhouse or commissioned through a third-party RP.

4 STATUTORY CONSIDERATIONS

4.1 The delivery of Council Housing is supported by the following:

- Local Government Act (section 2) which allows Councils to act to promote or improve the economic, social or environmental wellbeing of their area.
- Localism Act 2011 (sections 1-7) which provides the local authority's general power of competence.
- The Council is registered with the Regulator of Social Housing as a Local Authority Registered Provider of Social Housing.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 At this stage 40 units of supported housing and shared-ownership programme have been fully approved at a cost of approximately £3.7m. This is being funded by tenant rent supported borrowing of £770k, Government grants of £1.4m, shared-ownership sales of £360k and a Council subsidy of £1.17m coming principally from right to buy capital receipts. The programme is revenue neutral.

5.2 The capital costs of delivering the 58-unit social rented programme approved by Cabinet in December 2021 were estimated to be approximately £12.1m. This being funded by tenant rents supporting borrowing of £6.4m, Government grants of £3.4m (to be confirmed) and Council subsidy of £2.3m coming principally from

right to buy capital receipts. The model assumes a nil capital receipt for the surplus buildings and sites, though these assets would be retained and enhanced. It is important to note that each scheme is subject to a final business case review which will be informed by tendered costs rather than development assumptions. The programme, when using typical industry standards for Management, Maintenance, Voids & Bad Debts would be revenue neutral.

- 5.3 Any new schemes not included in the above figures would need to go through the corporate capital governance procedures once an initial business case has been developed.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.
- 6.2 There are a number of risks associated with development. However, it is important to note that the current climate, with high inflation and rising interest rates, is likely to be particularly challenging for residential development. These factors may have significant implications on the final business cases for schemes yet to be approved.

7 EQUALITIES

- 7.1 A formal equalities impact assessment has not been undertaken on the overall programme. However, the delivery of low-cost housing, particularly affordable housing, has a positive impact on equality. It provides affordable housing options for those residents who are unable to compete on the open-market and may otherwise be forced to leave the area or reside in unsuitable housing conditions. Nationally social housing also supports a disproportionate number of residents from minority ethnic groups, particularly black households; low-income residents including carers and those with a disability; and lone parents.

8 CLIMATE CHANGE

- 8.1 Housing is a key contributor to climate change. All Council specified housing will be designed to meet the highest energy efficiency standards and where new-build the AECB (or similar) standard for energy efficiency, thus contributing to meeting the Council's Climate Emergency targets.
- 8.2 Current outcomes, include:
- Modelling has indicated that the measures incorporated in the refurbishment of 23 Grosvenor Place have reduced both energy and carbon usage by almost 40% compared to the pre-improvement baseline.
 - The Theobald House Temporary Accommodation Scheme has been designed to achieve AECB certification. Modelling has indicated that the refurbishment would create significantly greater energy and carbon savings than above due to the ability to also being able to deploy air-source heating and wall insulation.

- The new build shared-ownership properties delivered by Aequus at St Joseph's Terrace, Sladebrook Road, have achieved an EPC A rating and are predicted to be carbon neutral in use.

9 OTHER OPTIONS CONSIDERED

9.1 Throughout the programme other options have been considered, depending upon the strategic objectives of the scheme and any funding conditions or requirements. These are documented in the relevant cabinet/SMD report.

10 CONSULTATION

10.1 Internal officer consultation, including with finance and legal services.

Contact person	Graham Sabourn, Head of Housing, (01225 477949).
Background papers	None
Please contact the report author if you need to access this report in an alternative format	