

<b>Bath &amp; North East Somerset Council</b>	
MEETING	<b>Climate Emergency &amp; Sustainability Policy Development &amp; Scrutiny Panel</b>
MEETING DATE:	<b>30<sup>th</sup> September 2019</b>
TITLE:	<b>Council House Building Programme Update</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b> Appendix 1: High Level Programme Plan	

## **1 THE ISSUE**

1.1 Cabinet have informally expressed a clear ambition to deliver a council house building programme to support and complement the existing affordable housing programme. The rationale for this has been articulated principally as:

- increasing the delivery of affordable housing, particularly rented homes; and
- having greater control over the homes being delivered, including design and environmental standards, rent, allocations and management.

1.2 This report provides the panel with an update on the programme plan. It also seeks the panel's view on the broad principle of developing a council housing programme and how panel would like to be involved in the process.

## **2 RECOMMENDATION**

The Panel is asked to:

- 2.1 Note the ambition of Cabinet to deliver a council housing programme and the high level programme plan, attached in appendix 1;
- 2.2 Provide an initial view on the principle of delivering council housing again as articulated by Cabinet in paragraph 3.6.

2.3 Provide a view on the proposal to involve Panel in the process as detailed in paragraph 3.18.

### **3 THE REPORT**

#### **BACKGROUND**

3.1 Affordable housing is a phrase used in many different situations and often means different things to different people. In the updated National Planning Policy Framework (2019) the Government has expanded the definition of Affordable Housing to state that it is “Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers).” However, for practical purposes it can usefully be categorised as:

- Social rent. Housing owned by registered housing providers<sup>1</sup> (RPs) for which target rents are determined through national rent regime, usually around 50-60% of market rents.
- Affordable rented tenure. Housing owned by registered housing providers and where rent is no more than 80% of the local market rent (inc. service charges, where applicable).
- Intermediate housing. Comprise homes for sale or rent provided at a cost below market levels, such as: shared ownership; discounted market sale; discounted private rented schemes; and rent to buy type schemes.

3.2 Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, are not considered to be affordable housing.

3.3 The Council transferred its affordable housing stock to Somer Community Housing Trust (now Curo) in April 1999 through a process known as a Large Scale Voluntary Transfer (LSVT) agreement. This decision was supported by a detailed business case which allowed for a significant post transfer repair and improvement programme. Key to this positive business case was the ability of Somer to raise capital by borrowing against the housing assets. This ability to borrow on the open market compared favourably to the restrictive nature of borrowing for Council housing in place at the time. This council borrowing restriction, known as the Housing Revenue Account (HRA) cap, has since been lifted.

3.4 Since the LSVT 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 RPs.
- 100% affordable housing schemes delivered by RPs.
- Bespoke schemes, usually specialist support schemes, commissioned by the Council.

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<sup>1</sup> Housing providers, such as Housing Associations or Council Housing Departments registered with Homes England.

- 3.5 Since April 2016 and up to 31st March 2019 the Council has delivered 669 affordable homes. The 669 properties comprise 434 (65%) for rent (371 social rent & 63 affordable rent) and 235 (35%) intermediate/affordable home ownership. Individual schemes, particularly larger schemes, can unduly affect the proportion of the types of homes delivered when viewed over a short time span. It is therefore helpful to note that over the past 8 years the Council has delivered 1,582 affordable homes comprising 1,145 (73%) for rent and 437 (27%) intermediate/affordable home ownership. This rate of delivery confirms that the delivery of affordable housing in the last 8 years has been excellent, particularly in relation to intermediate affordable home ownership.
- 3.6 Cabinet want to build upon and enhance this success with a council house building programme. In this context council housing means affordable homes that are directly delivered by the Council and with the Council having control over the management of the homes. It is important to note that this would support and complement the current affordable housing programme, rather than replace it. The rationale for this programme has been articulated principally as:
- increasing the delivery of affordable housing, particularly rented homes; and
  - having greater control over the homes being delivered, including design and environmental standards, rent, allocations and management.

## **PROGRAMME PLAN**

- 3.7 The attached high level programme plan provides an overview of the programme highlighting some of the key issues to be addressed, timescales and milestones. In summary this involves: identifying and short-listing the available options and models of delivery; commissioning professional advice on short-listed options, particularly around financial modelling, legal and operational issues; presenting recommendations and if agreed seeking a formal Council decision to proceed; and finally moving to implementation phase.
- 3.8 Some of the key issues which will be addressed through this process include:

### **What type of Council Housing**

- 3.9 There are a number of council housing models being adopted by various local authorities or that could be developed by this Council. These range from traditional social rented models, developed, delivered and managed wholly by the Council, "purchase & repair schemes", through to joint ventures with development & management partners. There are also options to deliver housing which meets other strategic objectives, such as, providing an intermediate housing solution for local key workers, including shared equity models.
- 3.10 A preliminary aspect of this project is therefore to short-list the options for detailed analysis and assessment. This will be done through a meeting with relevant Cabinet members and facilitated by an independent and specialist housing consultancy. **The Chair of this panel has been invited to the facilitated meeting.**

### **Understanding Scale of Delivery & Land Availability**

3.11 A key aspect of delivering a council housing programme is land availability. Given that private sector developers can sell their consented affordable housing to any RP, and that this system is working effectively, it is likely that the Council would wish to initially limit aspirations to delivering Council housing to land and assets that the Council owns or controls. An initial desktop exercise, and which will require further detailed analysis, has identified the potential to deliver between 35 - 70 homes over the next 5 years.

3.12 However, it should be noted that there is also an unquantified potential to access further land through the following routes over the medium to longer term and which could significantly lift the quantum of delivery:

- Future, and as yet unidentified, surplus operational assets and land that can be re-purposed or released for redevelopment.
- Commercial estate assets held for investment income that are disposed of for capital, re-investment or estate diversification.
- Regeneration sites held or assembled to intervene in the market to support the delivery Council policy.
- Participation in development projects where the Council utilises grant funding to deliver locally.
- Opportunistic acquisition of land brought to the market or as a special purchaser through direct negotiation.

### **Housing Revenue Account Limitations**

3.13 When the Council sold its housing stock in 1999 it also closed the Housing Revenue Account. The Housing Revenue Account (HRA) is a government prescribed system detailing how to record expenditure and income associated with running a Council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants. It can be administratively costly to establish and maintain. However, Councils that do not have an HRA can build up to 199 council homes without opening a HRA by borrowing prudentially through their General Fund.

### **Financial & Business Model**

3.14 Building, managing and maintaining affordable rented housing stock has the potential to be a significant change in the Council's operating model. However, until the short-listed options have been subject to detailed financial modelling it is impossible to quantify the impact and risks with any degree of confidence.

3.15 It is also important to note that whilst affordable housing will usually generate a revenue stream this is unlikely to be sufficient to fully cover the costs associated with the development and construction of the homes, voids, management, maintenance and bad debt. As such affordable housing generally requires significant public subsidy. The financial modelling will aim to identify the public subsidy requirement and the potential to secure Homes England (HE) affordable grant or alternative funding to offset this financial gap.

## **Required Skill Set**

- 3.16 The Council has always maintained a well-developed skill set around housing enabling, commissioning, tenancy and housing regulation. Over recent years, the Council has also significantly improved its in-house scheme development and construction skills, not least with the creation of ACL/ADL. Further work is required to ensure that we fully and effectively leverage our existing skill sets. However, we need to acknowledge that there is currently a significant skill gap relating to social housing management.

## **Housing Management**

- 3.17 If required this could be commissioned or developed in-house. However, it is important to note that any HE affordable housing grant would be conditional on the landlord being an RP. To meet this requirement the Council could seek to secure RP status or enter an agreement with an existing RP that would satisfy any HE requirements. Clearly this condition would not be applicable if the Council was not utilising HE financial assistance.

## **CONSULTATION WITH PANEL**

- 3.18 Given the significance of this programme Cabinet have expressed a clear wish to fully engage with the Panel. The view of Panel on the following proposal would be helpful:
- The Chair of the Panel, or a nominated deputy, attends the facilitated meeting to discuss and short-list the Council housing options to be taken forward for detailed analysis;
  - That the Cabinet Member for Planning, Homes and Economic Development provides regular verbal updates to Panel;
  - Panel to again be consulted, and their views considered by Informal Cabinet, once the outcomes of the commissioned research are known and before any decisions on how to proceed are made.

## **4 STATUTORY CONSIDERATIONS**

- 4.1 This report does not immediately give rise to legal implications. However, should the Council be minded to directly acquire or develop housing for social rent or other similar uses then consideration would need to be given to the power relied upon. Section 9 of the Housing Act 1985 would be the obvious and appropriate power.
- 4.2 Section 74(1) of the Local Government and Housing Act 1989 requires that the development must be accounted for in the Council's Housing Revenue Account albeit there is a saving that permits the Secretary of State, by direction, to permit up to 199 properties before this must occur.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 This report does not immediately give rise to any resource implications. However, building, managing and maintaining affordable rented housing stock would be a significant change in the Council's operating model and potentially create significant revenue and resource implications for the Council's medium

term financial plans. As such further detailed financial and business case modelling will be commissioned to ensure that the financial aspects are fully understood and the development and management operations efficiency structured.

## **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.

## **7 CLIMATE CHANGE**

- 7.1 Housing, both in terms of construction and usage, is a key contributor to climate change. A Council Housing programme would give the Council the ability to ensure that the construction and design of the homes is as energy efficient as reasonably practicable. Indeed Cabinet have advised that the rationale for a Council House building programme includes having greater control over the homes being delivered, including design and environmental standards.

## **8 OTHER OPTIONS CONSIDERED**

- 8.1 There are a number of Council housing options that are being explored. These will be short-listed through a facilitated workshop with relevant Cabinet members.

## **9 CONSULTATION**

- 9.1 The s151 Officer and Monitoring Officer have been made aware of this report. No other consultation has taken place.

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<b>Background papers</b>	None
<b>Please contact the report author if you need to access this report in an alternative format</b>	