

Bath & North East Somerset Council

MEETING	Cabinet	
MEETING DATE:	7th November 2019	EXECUTIVE FORWARD PLAN REFERENCE:
		E3178
TITLE:	Council House Building Programme Update	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1: High Level Programme Plan		

1 THE ISSUE

1.1 Cabinet have informally expressed an 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 Cabinet with an update on the programme plan.

2 RECOMMENDATION

That Cabinet is asked to:

2.1 Note the high-level programme plan and the options shortlisted for further investigation and detailed analysis.

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 providers¹ (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.

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

¹ Housing providers, such as Housing Associations or Council Housing Departments registered with Homes England.

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 have informally advised they 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 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.

3.9 To shortlist the options for detailed analysis and assessment a facilitated workshop was held with: the Council Leader; the Deputy Leader and Cabinet Member for Resources; the Cabinet Member for Homes, Planning and Economic Growth; the Vice-Chair of the Climate Emergency and Sustainability Policy Development and Scrutiny Panel; and relevant officers. The meeting was facilitated by Stuart Larkin of the Stuart Larkin Consultancy, an independent and specialist housing consultancy.

3.10 Following detailed discussions on a range of models and options it was agreed that the following options should be shortlisted for further detailed analysis and assessment:

- (1) That the Council considers registering with Homes England as a developing Registered Provider. This option has the benefit of allowing the Council to leverage existing assets and skills, including ADL/ACL, and to access Government funding for affordable housing. It is acknowledged that there is currently a significant skill gap

relating to social housing management. Options to fill this gap, such as, commissioning the housing management function will also be considered.

- (2) That the Council investigates a range of specific options to provide intermediate affordable housing options to residents meeting a Council defined criteria. These include:
- a) DIYSO model. A form of shared ownership that allows residents to select properties on the open market and purchase using a shared-ownership model provided by the Council.
 - b) Funding routes to enable the properties rented by ADL, currently at market rental rates, to be rented at sub-market rents, ideally at social rent levels.
 - c) Equity Stake model. An approach whereby the Council would take an equity stake in properties thus reducing the initial housing costs for residents. The equity would be returned to the Council when the property was sold.
 - d) The feasibility of utilising recovered empty properties or market purchased properties to rent, ideally at social rent levels.

3.11 The next stage of the programme is to commission professional advice on these short-listed options, particularly around financial modelling, legal and operational issues. The procurement briefs are currently being prepared. Once the commissions are in place the author will be in a better position to confirm timescales for any future decisions and to firm up the potential scale of development.

4 STATUTORY CONSIDERATIONS

4.1 This report does not immediately give rise to legal implications. However the legal implications of the options for further review will be commissioned as part of the procurement process.

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 capital, revenue, and staffing resource implications that need to be reflected within the Council's Medium Term Financial Plan. As such £100,000 has been allocated from the Budget Contingency Reserve to commission further detailed financial and business case modelling to ensure that the financial aspects are fully understood and the development and management operations efficiently 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 were a number of other options that were explored and discounted during the facilitated workshop for consideration at this stage, such as, joint ventures, and registering as a managing Registered Provider.

9 CONSULTATION

9.1 The s151 Officer and Monitoring Officer have been made aware of this report. The Climate Emergency and Sustainability Policy Development and Scrutiny Panel have been updated on the proposed programme.

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