

## Bath & North East Somerset Council

MEETING	<b>Cabinet</b>	
MEETING	<b>11<sup>th</sup> November 2021</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 3323</b>
TITLE:	<b>Council House Building Programme</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
<b>Exempt Appendix 1:</b> Sites		
<b>Exempt Appendix 2:</b> High-Level Financial Modelling		
Appendices are exempt information, according to the categories set out in the Local Government Act 1972 (amended Schedule 12A) – information relating to the financial or business affairs of any particular person (including the authority holding that information).		

### 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. A programme to directly deliver around 50 units of accommodation over the next 1-2 years, including both supported housing and shared-ownership housing, is currently in progress.
- 1.2 A decision is now required on the milestone to extend this programme to deliver a further tranche of up to 58 affordable Council Houses by utilising eight sites identified in this report. These homes would all be social rented homes.

### 2 RECOMMENDATION

The Cabinet is asked to agree:

- 2.1 The eight sites identified in Appendix 1 are progressed as 100% affordable housing sites, including 117 Newbridge Hill, and in accordance with the delivery route detailed in the report;

- 2.2 Fully approve £413K from Provisional Affordable Housing Budget in 2021/22 to immediately progress scheme development work on five sites with funding coming from earmarked Right to Buy Receipts
- 2.3 The balance of funding of £11.73m identified in Appendix 2, will be incorporated into 2022/23 budget setting with approval subject to a full business case and confirmation of grant awards.
- 2.4 Individual scheme business cases will be authorised through the existing capital processes and in consultation with the relevant Cabinet Member.

### **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 very positive and in the last 10 years (up to March 2021) the Council has delivered around 1,902 affordable homes. These comprise 1,397 (70%) for rent and 505 (30%) for intermediate/affordable home ownership. In addition, there are a further 546 affordable housing units that have planning consent and are awaiting build-out.
- 3.3 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 600 properties becoming vacant each year.
- 3.4 This high demand for social housing is, at least in part, a factor of high local housing prices. Indeed, at a ratio of 12.5x average house price to average earnings the district remains one of the least affordable outside London<sup>1</sup>. Using a typical mortgage multiplier of 3.5x income means that around 75% 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 flat currently around £1,096 per month. It should also be noted that these figures are averages with the city being significantly less affordable.
- 3.5 It is in context that the administration wishes to utilise Council resources, including surplus land and properties to further support the delivery of social housing where feasible and practical to do so.

#### Current (Agreed) Programme of Council Affordable Housing Delivery

- 3.6 Over the past year the Council has been actively developing its own affordable housing delivery and housing management function. To date this has concentrated on those schemes where direct delivery can support the strategic

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<sup>1</sup> Hometrack Housing Intelligence (October 2021)  
*Printed on recycled paper*

housing priorities of the Council and provide added value. A programme is defined to directly deliver between 50 units of accommodation over the next 1-2 years, including both supported housing and shared-ownership housing. This initial phase of development has been funded through a combination of successful MHCLG/Homes England funding, scheme supported borrowing and modest use of the Council's affordable housing funding.

### 3.7 The schemes include:

- Temporary Accommodation Scheme (13 units)  
Hub & spoke model providing the Council with enhanced capacity and capability to ensure that we meet our statutory responsibilities to provide temporary accommodation to eligible homeless households. The scheme will be managed directly by the Council.
- Supported Housing Scheme (20 units)  
Scheme will provide supported accommodation for former rough sleepers and build upon the good work achieved with rough sleepers during the covid pandemic. The Council will retain landlord functions but housing management & support functions will be provided by specialist partner agencies.
- Platform for Life Scheme (6-8 units)  
This scheme will provide supported move-on accommodation for former rough sleepers in a shared house setting. Each house will accommodate up to 4 residents. The Council will retain landlord functions but housing management & client support functions will be provided by specialist partner agencies.
- Shared Ownership (8+ Units)  
The original plan was to transfer these Aequus developed properties to another RP. However, this proved problematic and importantly the business case for shared-ownership properties supported the Council retaining ownership.

### General Needs Council Affordable Housing Proposal

### 3.8 By utilising a number of Council assets that have been deemed surplus (or present an opportunity for limited and innovative development) the Council could meet the following key strategic objectives:

- 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).

### 3.9 The eight sites considered feasible at this initial stage are detailed in Appendix 1.

### 3.10 It is proposed that these schemes are delivered and owned directly by the Council (including the use of Aequus, the council's wholly owned housing company, where appropriate). As such the Council would be responsible for commissioning all aspects of the delivery, including design; financing; securing planning consent; build-out; and ongoing ownership of the land and residential units. The strategic benefits of the direct delivery approach include:

- Provides the Council with full control over the design & build of units, thus full control over meeting strategic and corporate requirements, such as: product type; low-carbon development 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.
- Provides an asset that could be transferred at a subsequent date if required.

The disadvantages of the direct delivery approach include:

- Corporate risk. The Council takes all the development risk, both financial and reputational. This includes, but not limited to; planning risk and associated abortive costs, unforeseen works on-site and other potential cost pressures.
- Missing competences and capacity, mainly around project management, would need to be fully identified and plugged.
- Units would be subject to the Right to Buy legislation.
- The need to establish a Housing Revenue Account (HRA), should the total homes under management ultimately exceed 199 homes.

3.11 The high-level financial modelling of the council directly delivering these units can be seen in Appendix 2. The capital costs of delivering this 58-unit programme scheme would be around £12.1m of which £2.3m would be LA subsidy. The scheme, when using typical industry standards for Management, Maintenance, Voids & Bad Debts (MMVBD) would be revenue neutral. The model assumes a nil capital receipt, though the asset would be retained and enhanced.

3.12 On the five schemes where Aequus, the Council's wholly owned development company, have some prior involvement it is proposed that they are commissioned to support delivery. This utilises their development expertise and supports their ongoing work programme. The cost of this pre-development work would be approximately £413k. Officers will determine delivery proposals for the remaining three sites, which may also include Aequus.

3.13 Owning and managing council housing stock brings new responsibilities to the Council and risks. It is proposed to bring a full assessment of the options for the ongoing management of council housing to Cabinet in early 2022, following cross-party engagement and scrutiny in January. Housing Management functions include: property allocation and letting; rent and service charge collection; tenancy management; repairs and maintenance; and wider social conditions.

## **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 The potential opportunity costs to utilising these surplus sites is detailed in Appendix 1, where known. The high-level financial details of the delivery route is referenced above and in more detail in Appendix 2. The total cost of the proposals is up to £12.1m; funded by tenant rents supporting borrowing of £6.4m, government grants of £3.4m (to be confirmed) and Council subsidy of £2.4m coming principally from right to buy capital receipts
- 5.2 Financial analysis has been carried out which shows proposals fit within the existing Affordable Housing Programme. The analysis demonstrates proposals are within borrowing approvals, and whilst borrowing will be supported by tenant rents, corporate supported borrowing in first year will ensure financing is secure while rents are established.
- 5.3 After the proposals, the future provisional programme outlined to subsidise future housing schemes of £1.058m in 2022/23 and £0.405m 2023/24, before considering of any future RTB receipts. Borrowing from rentals ought to be established as programme enhancement, subject to future business cases.
- 5.4 2021/22 Council budget setting assumed capital receipt from disposal of Site 1 in Appendix 1 at £300K and the proposed re-use rather than sale will require uplift to borrowing to compensate. Other properties are understood to be void but may impact on lost opportunity for commercial rents.
- 5.5 The Housing Service intend to recruit a Housing Delivery Manager, specifically to support the Council activity in housing delivery covering the Council Housing programme defined alongside the Council's other strategic housing sites. This role will be defined and funded from the programme as part of the business case.

## **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 EQUALITIES**

- 7.1 A formal equalities impact assessment has not been undertaken on the proposal. However, the delivery of low-cost housing, particularly affordable housing, has a positive impact on equality. It provides affordable housing options for those residents would be 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. Any Council specified housing will be designed to meet the highest practical energy efficiency standards and where new-build the AECB standard for energy efficiency, thus contributing to meeting the Council's Climate Emergency targets.

## 9 OTHER OPTIONS CONSIDERED

9.1 As an alternative to direct delivery a joint venture/partnership approach with a Registered Provider was also considered. There are many models for joint ventures and partnerships. However, given the Council's strategic housing objectives and its existing (and potentially future) sites it is more likely that some form of contractual Strategic Development Partnership would be the most appropriate type of joint venture/partnership approach.

9.2 Developing the structure of partnership would require significant up-front procurement and legal work. However, the premise of similar such agreements is typically that the Council provides the land, and the partner funds, develops, owns and manages the homes. In return the Council receives 100% nomination rights. The partner would need to be an RP to meet HE grant funding and housing management requirements. An open procurement approach would demonstrate the value of the Council's offer to RP partners and whether all the Council's obligations could be met.

9.3 The benefits of the Joint Venture/Partnership Approach can include:

- De-risks the development programme both at development and housing management stages, particularly on large sites/programmes.
- Provides access to greater capacity and breadth of development and housing management competences and therefore the ability to operate at greater scale should future land opportunities arise.
- Removes any futures issues concerning opening an HRA.
- The Right to Acquire legislation (max of £11k discount), as applied to RP tenants, is less generous than Right to Buy, potentially reducing the likelihood of lost units.

9.4 The disadvantages of the Joint Venture/Partnership Approach are broadly the opposite of the benefits of the direct delivery approach, though the ones of particular note include:

- Long lead time for legal and procurement process, generally only cost effective when considering significant number of homes (typically 200+)
- Even if the Council secured 100% nomination rights the RP would have the final say in allocations. As such this option does not enhance the Council's operational resilience when trying to house challenging clients.
- The procurement and contracting of a suitable partner is unlikely to be quick and would take significant time to formalise.
- Our RP status could be at risk, given that this was based on an ambition to deliver our own social housing stock.

9.5 Whilst both delivery routes are practical and feasible the direct delivery route has been recommended on these eight sites as this is more aligned to the corporate

objectives, notably: providing the Council with full control over the design & build of units; enhanced operational resilience and quick to mobilise and deliver.

## 10 CONSULTATION

10.1 Internal officer consultation, including with finance and legal services. In Sept 2019 the Climate Emergency Policy, Development & Scrutiny Panel were also consulted on initial plans to develop a Council housing programme.

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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>	