

Report title: Affordable Housing Delivery Framework

Wards affected: ALL

Strategic Director: Netta Meadows/Mike Hennessey

Report Author: Nick Hooper/Nicky Debbage

RECOMMENDATION for the Mayor's approval:

It is recommended that Affordable Housing Delivery Framework be approved

Key background / detail:

a. Purpose of report:

Approval to an Affordable Housing Delivery Framework designed to significantly increase the supply of affordable housing over the next five years. The Framework will have an action plan that will be rolled forward each year

b. Key details:

1. The framework is designed to provide the basis for a major increase in the delivery of new affordable housing, such that by 2017/18 a predicted 850 new homes are being built.
2. The step change requires concerted effort across a range of areas – land, planning, Landlord Services, development of new delivery models, effective project and programme management and a new definition of affordability.
3. Critically, the Council's partners, in the form of developers, housing associations and community-based housing groups will all need to play a greater part if the ambitions are to be achieved.
4. An updated Affordable Housing Practice Note (one of the Development Plan documents) will be needed, and this is in an advanced stage of preparation.

**BRISTOL CITY COUNCIL
CABINET
31 October 2013**

REPORT TITLE: AFFORDABLE HOUSING DELIVERY FRAMEWORK

Ward(s) All

Strategic Director: Netta Meadows/Mike Hennessey, Interim Strategic Directors for Neighbourhoods

**Report authors: Nick Hooper, Service Director, Strategic Housing
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Purpose of the report:

Approval to an Affordable Housing Delivery Framework designed to significantly increase the supply of affordable housing over the next five years. The Framework will have an action plan that will be rolled forward each year.

RECOMMENDATION for the Mayor's approval:

- 1. It is recommended that Affordable Housing Delivery Framework be approved.**

The proposal:

1. Context

England is in a housing crisis. Notwithstanding the recent upturn in house prices in some areas, housing market activity remains much lower than pre-2007/08. Other demographic, economic and policy changes mean that housing is less affordable for those on lower incomes and there is a substantial excess of demand over supply. At the same time as demand is rising, production of both affordable and market housing has fallen significantly. Bristol's position is similar to other places, outside London, characterised by a relatively strong economic base. Availability of suitable housing at all market levels, but particularly affordable housing must be seen as critical 'infrastructure' if the economic potential of the city is to be realised. Housing production is also a significant direct and indirect (through the supply chain) generator of new jobs. Lack of suitable housing not only acts as an economic brake but also has significant social costs, with more households relying on sometimes unsuitable or costly private rented housing, households sharing and becoming overcrowded and rising levels of homelessness. A business case has been prepared which sets out in depth the rationale for investing in affordable housing. Whilst there are many aspects of government policy impacting on these issues, about which the

Council can do little, there are many areas of housing development at the local level that we can either directly control or influence. The Affordable Housing Delivery Framework sets these out and explains what we are going to do differently to increase production levels.

2. Recent Performance

The Council has a good record, with partners, of delivering a reasonable supply of affordable homes, - nearly 600 in the best year in the recent past, and 400 p.a. on average. However, in the last 3 years production has tailed off significantly as public capital subsidy (via HCA) has reduced and section 106 agreements have stalled or not materialised. Market production fell from a 2000 homes p.a. peak to under 900 homes in 2012/13 as the recession impacted significantly on demand for new homes. Forecast production of affordable homes in 2013/14 is just 100, though it is expected to rise back to 300 p.a. by 2015/16.

3. Bristol's Ambition

For reasons set out in the introduction it is imperative that new affordable housing production levels are raised. The Framework recommended here indicates that if all the proposed steps are taken, production should rise to 750 homes per year by 2016/17 and 900 by 2017/18. This would be nearly double the production level of the 'boom' year.

4. Approach to the Framework

Initial work on the Framework was commissioned by Ark housing consultants, specialist in housing development and delivery. The work included interviews with a number of social housing and market developers and identification of the key ingredients for successful delivery from other council's which are bucking the downward trend. One of the most important success factors Ark identified was the role of strong leadership. This is reflected both in the Framework and also in the emerging Corporate Plan and in new executive responsibilities sitting in one cabinet portfolio. Development of the Framework has been undertaken jointly by Ark and the Council. There is a two-fold approach:

- Whilst there are some direct actions for the Council, this has to be a partnership process if it is to have the desired impact. Homes4Bristol, the strategic housing partnership, has been involved in its development as has the Homes & Communities Agency, the principal funder.
- The Framework seeks to 'do better' than which we are already doing, but in order to get the real step up in delivery there are some new and potentially radical measures.

This is a Framework and not a detailed plan. Whilst there is some specificity in the document, such as the Council's use of its land assets, it requires new thinking and development of new approaches. Hence the Framework will have an associated action plan that will be regularly updated to ensure that actions are impacting on improved delivery.

5. The Framework

There are some key components to the Framework:

- A new definition of 'affordability' linked to the occupier's ability to pay their housing costs, rather than a tenure-based definition.
- Bringing forward development opportunities in the Council's ownership
- Using the planning system to best effect by aligning planning policy to delivery

- of affordable homes
- Encouraging the release of other public sector development land
- Council as direct developer of new homes
- Encouraging new models of provision
- Partnership working
- Creating a joined up council approach with streamlined decision-making

The Council is committing itself to some major new approaches:

- Development of 1000 new council-owned homes by 2028 (254 by 2017/18), and potentially more under certain conditions (see below)
- Market rent homes from new types of housing developer and institutional investor
- Major custom build/new build development
- A new, more flexible definition of 'affordability' that should enable extra homes to be built. This is because we will allow rents up to Local Housing Allowance levels to be charged (80% of market rent) thereby increasing revenue to housing associations so that they can fund more homes
- Use of its land assets as a direct investment on a joint venture basis. Thus, instead of realising an immediate capital receipt, the value will be deferred enabling it to be used as subsidy for affordable homes
- New governance and delivery arrangements designed to focus all efforts on the actions in the Framework

6. Role of Landlord Services as Developer

For the first time since 1979 the Council is in a position to become a significant provider of new council homes. Accounting changes to the HRA introduced in April 2012 mean that for the first time the Council is in direct control of its own expenditure without subsidy penalties. Landlord Services commissioned consultants to review the capacity for building new homes and this has resulted in a commitment to build 254 new homes by 2017/18, and 1000 by 2028. This will be on currently vacant HRA sites, such as former garage sites. Developing more homes is possible, but depends upon either rationalising current stock to create new sites, utilising non-HRA controlled land or acquiring land/stock privately. Development in excess of the proposed numbers, crucially, will require government decisions on the amount of money the HRA is allowed to borrow. The Mayor, supported by Cabinet, will be advised to continue to press the government for greater flexibility for the HRA.

7. Affordable Housing Practice Note

In order to support the new, more flexible, definition of affordability we require an updated Affordable Housing Practice Note (AHPN). This is guidance to developers on what our expectations are of them in support of s.106 agreements that achieve our Core Strategy policies. As the AHPN is not a policy document, once this has been consulted upon it will be approved by the Strategic Director, Regeneration.

8. Business Case

A full business case has been prepared, a summary of which is incorporated into the AHDP. A number of assumptions are made about how the required level of investment will be achieved. Even on an optimistic assumption of external investment it is clear that this will not be sufficient to deliver the forecast level of new homes. The Council will have to fund the gap itself and it is proposed that this is mainly achieved by utilising council land held in the General Fund on a joint venture investment basis. This is a significant change to current practice and will highlight determination to

adopt new approaches to boost supply.

Consultation and scrutiny input:

Scrutiny input was provided by a cross-party task group established by OSM and which has now reported back. A significant number of comments were made and have been incorporated into the Framework

a. Internal consultation:

- Robert Orrett, Service Director – Strategic Property
- Zoe Willcox, Service Director – Planning & Sustainable Development
- Alun Owen, Service Director – Major Projects
- Nicky Debbage, Landlord Services
- Neil Taylor, Strategic Director, Regeneration

b. External consultation:

- Homes4Bristol, Strategic Housing Partnership
- David Warburton, Homes & Communities Agency

Other options considered:

A mix of different approaches is set out in the Framework, and these will need to deploy flexibility as the work is taken forward. There is no one opinion that will have the desired effect, and hence there is no particular alternative option that has been considered.

Risk management / assessment:

FIGURE 1

The risks associated with the implementation of the (subject) decision :

No.	RISK	INHERENT RISK		RISK CONTROL MEASURES	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
		Impact	Probability		Impact	Probability	
1	Threat to achievement of the key objectives of the report Out-turn properties for market sale or rent on relevant mixed tenure schemes may not achieve sales on rents at the levels required to achieve target returns	Med	Med	Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation). <ul style="list-style-type: none"> • Carry out effective market research and take appropriate professional advice on values and development cost assumptions • Market properties effectively • Work in partnership with experienced developers where possible/relevant 	Low	Low	Registered providers / Robert Orrett
2	Development partners on joint venture investments perform below expected level or prove to be financially unstable	High	Med	<ul style="list-style-type: none"> • Carry out careful due diligence: legal, financial and commercial • Ensure that legal structure protects Council's investment and it's assets • Balance partnership working with private sector developers with some deals with HCA and with RPs where stability risks are lower 	Med	Low	Robert Orrett
3	Appetite for joint venture development partnerships proves to be lower than expected and makes it difficult to secure competitive or reasonable deals	High	Med	<ul style="list-style-type: none"> • Market potential of JV deals effectively • Ensure that deals are structured in a realistic and well-tried form and that risks and benefits are shared fairly • Explore the potential for a range of partnerships, offering the market deals of an accessible scale and with options available 	Med	Low	Nick Hooper / Robert Orrett

4	Forecast Revenue commitments on new models of provision prove to be onerous and result in schemes not proceeding	Med	High	<ul style="list-style-type: none"> Subject scheme models to intensive appraisal and scrutiny with scenario testing Ensure that likely management and maintenance costs are allowed for in appraisals Fully explore scope for insuring against rent collection/void risks (Rent Guarantee Insurance) 	Low	Med	Nick Hooper / Registered provider
5	Some forms of affordable tenure may prove to be difficult for target households to afford or sustain	Med	Med	<ul style="list-style-type: none"> Ensure that the portfolio of affordable tenures include some social rented housing Target affordable rents and intermediate home ownership to households with appropriate income levels 	Low	Low	Tim Southall
6	Council fails to implement new governance & project delivery arrangements	Med	Med	<ul style="list-style-type: none"> Ensure specific proposals are brought forward quickly Develop and agree new asset Strategy 	Low	Low	Neil Taylor
7	Council fails to develop strategic approach to use of land for affordable housing	High	High				
8	Additional New Homes Bonus is directed to LEP and is not used to build more homes.	Med	High	<ul style="list-style-type: none"> Agree with LEP how NHB will be used 	Low	Low	Neil Taylor
9	Other assumptions in the business case (e.g. value of BCC land; level or HCA investment; subsidy from RP's) change and undermine delivery	High	Med	<ul style="list-style-type: none"> Regular review of all financial assumptions and adjust business case for programme 	Med	Low	Nick Hooper

FIGURE 2

The risks associated with not implementing the (*subject*) decision:

No.	RISK Threat to achievement of the key objectives of the report	INHERENT RISK		RISK CONTROL MEASURES Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
		Impact	Probability		Impact	Probability	
1	Waiting lists continue to rise	High	High	None	High	High	
2	Use of emergency accommodation increases	High	High	Source more PRS accommodation with risks of further rises in rents	High	High	Nick Hooper
3	Failure to broaden the housing offer to meet growth needs	Med	High	Some people commute further to access homes they can afford	Med	Med	Nick Hooper
4	Overcrowding increases	High	Med	More enforcement in PRS (but this can lead to homelessness)	Med	Med	Nick Hooper

Summary

Public sector equality duties:

In developing the Affordable Housing Delivery Framework due regard has been given to the three Public Sector Equality Duties:

1. Promote Equality of Opportunity

The AHDF includes an in principle plan to build all 1000 new council homes to Lifetime Homes Standard and 600 new extra care homes (for older people) to Wheelchair Standard. There is a current shortage of accessible housing in Bristol and these new homes will go some way to ensuring the housing needs of Disabled people are better met. Lifetime Homes Standards principles of inclusivity, accessibility, adaptability, sustainability and good value will help provide housing that meets a broad range of housing need and enables simple, lower cost adaptations in the future.

2. Eliminate Discrimination

New sites developed on land owned by BCC will be subject to site planning to ensure streetscape design and access through the development is beneficial for disabled or older people and where possible that developments are well served by shops, amenities and bus routes. Poor design can discriminate against older and Disabled people by limiting their mobility and contributing to isolation. A new HRA design guide is being developed.

The council's Rehousing Policy (subject to a separate EqIA and separate policy review) will dictate how new housing is allocated. Some equality groups are more likely to benefit from new housing as their circumstances mean they are assessed as being in high housing need. This can be perceived, wrongly, to be positive discrimination by some Bristol residents.

3. Promote good relations between different equalities communities

New housing can help promote good relations between different equalities communities if it is designed with a range of people of different ages and backgrounds in mind. Providing a mix of dwelling sizes, tenure types and ensuring accessible housing included in any new development can help to create balanced, sustainable and cohesive communities.

Community cohesion will need careful consideration in terms of allocating new housing. The proposal to build some larger family homes will predominantly benefit black and minority ethnic families. The council and its housing association partners may need to undertake targeted community cohesion work with residents to prevent community tensions

Advice given by Anneke van Eijkern, Equalities Officer

Date 11 September 2013

Eco impact assessment

The significant impacts of this proposal are:

The potential negative impacts include those from any demolition and construction works which may take place which will consume non-renewable resources. Any new buildings constructed will create an ongoing energy and travel demand.

The proposals include the following measures to mitigate the impacts....

This proposal is an over-arching framework, and commitments will be tailored to specific proposals in the future. However, the following principles will be observed:

- Meeting planning policy guidance BCS13-16 as laid down in Bristol City Council's Core Strategy 2011. In order to demonstrate compliance with the core strategy Sustainability Statements, which will include an Energy and SUDS strategy, will submit-ted with planning applications;
- In order to comply with BCS14 any new development will incorporate on-site

renew-able energy sources in order to achieve a 20% reduction in CO2 emissions arising from residual energy demand, going beyond this if the viability of the project allows. Any new development will show that the heat hierarchy, as outlined in BSC14, has been followed;

- New buildings/ refurbishment will be built to high environmental standards included within Development agreements.

Many of the impacts arising from the Framework will be controlled through the Statutory Land Use Planning System. In addition the high environmental standards Bristol City Council will require in the Building Agreements will ensure that these impacts are minimised.

Steve Ransom, Environment Coordinator

Resource and legal implications:

Finance

a. Financial (revenue) implications:

The report sets out the framework for the development of affordable housing. Once a detailed plan is developed that identifies individual projects then further financial advice should be sought to ensure the financial implications on revenue budgets are considered.

Advice given by Shahida Nasim, Interim Finance Business Partner
Date 17th September 2013

b. Financial (capital) implications:

Once a detailed plan is developed that identifies individual projects, these will be considered by the Capital Programme Board. A business case identifying financial implications for the Council has been developed and stress tested. Further financial advice should be sought on the individual projects to ensure the capital implications are considered.

Advice given by Shahida Nasim, Interim Finance Business Partner
Date 17th September 2013

c. Legal implications:

Planning

The NPPF sets the national framework policy for the provision of affordable housing. Bristol City Council's Core Strategy sets out the requirement for development to provide a mix of affordable housing units in cases where a development proposal comprises 15 dwellings or more.

The proposed Affordable Housing Practice Note will need to be compliant with BCS17 and the NPPF, and set out the expectations of the Council for the delivery of affordable housing through the planning process.

Land and Property

S123 of the Local Government Act 1972 allows disposal of land by the Council for any purpose if best value is achieved.

If the land is sold for less than best value reasonably obtainable specific consent may be required. Specific consent will not be needed, if the disposal meets the terms of the Local

Government Act 1972 General Disposal Consent (England) 2003, the Local Authority needs to be satisfied that the development contributes to the promotion or improvement of social well being and the under value is less than £2 million.

If the land forms open space land any disposal will need to be in accordance with the provisions of s123 Local Government Act 1972.

If the land is held under Part II of the Housing Act 1985 and the terms of the scheme involve a disposal of land at an undervalue, Secretary of State consent will be required unless the buyer qualifies under the General Housing Consents 2013.

Procurement

Whenever the Council procures goods works or services, it must comply with the Public Contracts Regulations 2006 and the Council's Procurement Regulations (the Procurement Regulations).

State aid is prohibited under the Treaty on the Functioning of the European Union. Whenever the Council transfers a benefit to another organisation for less than the market value, the Council needs to ensure this transfer does not constitute State aid, or if the transfer does constitute State aid, that the transfer falls under one of the available exemptions.

Accordingly, when implementing any project pursuant to the Affordable Housing Delivery Framework, legal advice must be sought to ensure the Procurement Regulations are complied with and no aspect of the project constitutes illegal State aid.

Advice given by Shahzia Daya, Service Manager: Legal

Date 18th September 2013

d. Land and Property

The report identifies dependency on use of the Council's land assets as a major contributor to the strategy. The Council currently has in excess of 100ha of land which are identified as surplus and allocated for residential development. The rate of delivery of this land for development has been very low in recent years. There needs to be an immediate step change in approach to have a reasonable prospect of releasing land at the rate anticipated.

The support for affordable housing via deferral of receipts only has an impact where there would have been a material land value. The market is currently quite weak. Some sites have failed to be delivered due to inability of the market to justify a scheme which meets the requirements imposed in terms of either sustainability or community benefits. Care will need to be taken to retain deliverability of identified sites if the required rate of release is to be achieved. This is likely to require some compromise on wider aspirations.

The structure of land disposal transactions will need to be created to protect the deferred receipt for the Council.

Advice given by Robert Orrett, Service Director, Property

Date 18 October 2013

e. Human resources implications:

Direct actions for the Council indicates a requirement to consider the current capacity of the Council's Development Officers (DMO) to deliver to the anticipated increase in the submissions of plans and proposals, as well as the delivery of professional services via consultants. In consideration of the delivery services, this could result in a requirement to

increase resources to deliver the DMO role. Further consideration would be needed to determine if this should be a temporary increase in resource or permanent. There are no reductions, restructuring and/or redundancy implications. The potential resource costs and the source of funding are addressed in the relevant financial section of this report.

Advice given by: Sandra Farquharson
Neighbourhoods and Regeneration

Job title: People Business Partner,

Date 21/08/13

Appendices:

Appendix 1 – Affordable Housing Delivery Framework

Access to information (background papers): None



Bristol City Council

Draft Affordable Housing Delivery Framework - 2013 - 2018



HCA logo here

Version 3.5 4th October 2013

Affordable Housing Delivery Framework



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Mayor's Foreword to Affordable Housing Delivery Framework

1. Executive Summary

1.1 Purpose:

The Affordable Housing Delivery Framework (Framework) prepared in partnership by Bristol City Council (BCC), Homes4Bristol (H4B) and consultants Ark¹ sets out how BCC and H4B will work together to achieve a substantial increase in production of affordable housing (AH) and identify how all partners will contribute to this step change. The Framework which has been scrutinised by a Scrutiny Panel is published for the first time in October 2013 and it is expected that the document will evolve and be refined over time. We will prepare regular reports for H4B to track our performance on BCC land releases and AH delivery, checking whether our objectives (detailed in Section 10) are working well and identifying which are not working so well so we can direct our energies and resources to the things which achieve the best results. As well as setting out the actions and interventions to be undertaken to improve production, the Framework also addresses some policy issues and in particular what we understand by 'affordability' of housing as shown in 1.2 below.

1.2 Affordability Spectrum

1.2.1 This Framework proposes to redefine affordability at a local level. We consider that this key change will provide developers and registered providers with significantly more flexibility in how they bring forward housing schemes. It is proposed to change from the current practice of defining affordability by assessing 25% gross household income to a wider Affordability Spectrum (see 9.4) where the Government's Local Housing Allowance rates (see Appendix B) for specific property types are used to determine the limits of whether a property is affordable or unaffordable.

1.3 Big Ideas to achieve step change:

1.3.1 New programme of BCC Landlord Services (LLS) rented homes to be delivered principally on Housing Revenue Account (HRA) land and BCC corporate land .

1.3.2 New flexibility on BCC's approach to sales of BCC corporate land for affordable housing delivery with BCC acting as land investor adopting deferred purchase arrangements, equity stakes and joint ventures.

1.3.3 New programme of affordable homes in mixed tenure schemes secured through individual performance agreements with existing West of England (WoE) Housing Delivery Panel (HDP) partners

1.3.4 New partnerships with housing developers and institutional investors wishing to invest in innovative schemes to deliver market rent in Bristol, specifically targeting stalled sites

1.3.5 New major custom build home development that includes shared equity self-build and co-housing

1.3.6 New flexibility on BCC's approach to affordable housing delivery with adoption of new Affordable Housing Practice Note and new definition of affordability

¹ Ark's lead consultants Geoff Fox and John Paterson

- 1.4 Framework Action Plan (Short Term – initial 18 months)
- 1.4.1 By end December 2013
- * Custom Build - major development site agreed
 - * Adoption and publication of Affordable Housing Practice Note (AHPN)
 - * Agree approach with LEP, WOE UAs and HCA on stalled sites with planning permission
 - * Agree first BCC Land investor site to be sold to developer/institutional investor where Council defers land purchase price or shares development risk to maximise affordable housing delivery
 - * Establish revolving Finance facility of £0.5m and complete investigations whether this can be supplemented by New Homes Bonus (NHB)
- 1.4.2 By end March 2014
- * Establish BCC Housing Delivery Team arrangements
 - * 6 new Council rented homes delivered
 - * 20 social rented and 20 affordable rent family 3/4 bedroom homes delivered by WoE HDP partners through BCC and HCA funds
 - * Agree Framework Action Plan (Medium Term- 1 to 5 years)
 - * Agree individual performance agreements with major RP partners to deliver 100-150 AH pa and smaller community based RP partners to deliver 25-50 AH pa from 2014/15 onwards
 - * Programme of annual corporate land releases agreed, specifically identify sites totalling 11ha for AH delivery in 2015/16
- 1.4.3 By end Sept 2014
- * Agree Heads of Terms (HOTs) on first site to Market Rent Provider for 200 homes (with at least 30/40% AH provision) where Council defer land disposal or share development risk to maximise market rent/affordable housing delivery
- 1.4.4 By end March 2015
- * Agree revisions to Framework and medium term Action Plan
 - * 200 plus affordable homes through Homes & Communities Agency Affordable Housing Programme
 - * 40 plus social/affordable rent family homes through BCC funds delivered by WoE HDP partners
 - * 28 new Council rented homes delivered

2. Introduction

- 2.1 Bristol is a growing city, offering its citizens an opportunity to live and work in one of the UK's most dynamic and diverse centres.
- 2.2 Bristol has significantly the largest population and concentration of jobs and businesses in the South West of England. It is the engine for the economy of a large part of the region stretching north into Gloucestershire, east into Wiltshire and south into Somerset. The City's housing market 'pull' is extensive.
- 2.3 Despite our relative success in securing and sustaining economic growth in Bristol, the impact of the economic downturn has been felt in recent years and this is especially true for the development of new homes including affordable homes.
- 2.4 Over the last decade Bristol has worked very effectively with its existing Registered Providers and added around 400 (of which 100-150 s106) new affordable homes each year to help meet a substantial demand and need for such homes. In recent years after reaching a peak of 550 (of which 150 s106) in 2009/10 the AH production levels have tailed off with only 300 (of which 5 s106) new affordable homes delivered in 2012/13 and our forecast for 2013/14 lower still, at about 100 (of which 30 s106) new affordable homes.
- 2.5 Against this housing backdrop, Bristol's Mayor, George Ferguson and his Cabinet, have placed strong emphasis on stepping up housing production generally to meet the needs of Bristol's citizens and in particular the production of new affordable homes. In so doing BCC expects more impetus to housing development, leadership, encouragement of new ideas and approaches and working with focus and energy.
- 2.6 We have looked carefully at how we do things, the assets and resources we have, the potential of our partnerships and the factors influencing the housing market in and around our city. We are aiming to substantially increase the number of new affordable homes we generate over the next five years, by comparison with current levels of production. The Framework's intention is to set a very clear agenda for action and inspire our partners to do all they can to help in securing more affordable homes

3. Business Case (for Framework and associated investment)

3.1 Direct business and financial benefits

Affordable housing delivery in Bristol has declined significantly in recent years. Production has faced something of a 'perfect storm' with external grant funding reducing steeply and many market led schemes either stalled or with viabilities producing limited or no affordable housing, as developers adjust to the recessionary environment and the impact of the new Community Infrastructure Levy (CIL).

We recognise the importance of new affordable housing production to improving the balance of housing choice and tenure locally and stimulating economic activity including the creation of jobs in the city. It will be seen from the net position of the Business Case that the total direct and direct costs in the form of public subsidy and costs arising from BCC investing as a land investor, by accepting receipts for land disposal at less than market value or as deferred capital receipts estimated at £68m over the five year period, are significantly below the projected earnings accruing over the same period at £112m. See table below;

Table 1 : Business Case Net Position

	2013/14	2014/15	2015/16	2016/17	2017/18
AH Delivery	100	333	600	700	850
Cost £	2250000	3900000	15050000	19385000	27450000
Earnings £	1795200	8370000	27245000	28425000	46208000
Net £	-454800	+4470000	+12195000	+9040000	+18758000

There are a number of direct specific business and financial benefits of improving production of affordable housing including:

- a reduction in reliance on more expensive market housing solutions for accommodating homeless households, or other households in need of financial support, with related reductions in Housing Benefit and homelessness costs,
- additional affordable homes attracting New Homes Bonus funding from central Government and at double the standard rate,
- more people resident in the city giving rise to increase in Council Tax revenues.

3.2 Indirect economic benefits

There are indirect economic benefits of about £3 generated for Bristol's wider economy as result of every £1 spent on affordable housing through:

- an increase in inward investment in Bristol's physical environment, helping to regenerate parts of the city and enhance the city's attraction as a place to live and work,
- jobs and training opportunities associated with the design, construction and management of new homes,
- improved business opportunities for a number of companies based in and around Bristol helping to support their growth and prosperity and attracting further employment, training and general economic opportunities,

- adding new homes with higher energy and environmental performance and therefore improving the average environmental efficiency of our housing stock in the city.

3.3 Indirect business and financial benefits

- enhancement of the value of BCC and other organisations assets by utilising them to support development rather than cashing in by early disposal. The enhancement is, dependent on successful investment and means delaying the potential to realise the asset value,
- increasing the housing stock of BCC and therefore establishing additional assets with growing value and with scope for use as collateral to unlock further borrowing potential to support yet more investment activity,
- enabling the cost-efficiency of BCC Landlord Services to improve by increasing the number of dwellings being managed from our existing establishment,
- potentially creating an asset investing vehicle, in the Bristol Property Board (BPB), which will attract equivalent or matching investment from the Homes & Communities Agency and which will recycle funding and pump-prime schemes, all with the aim of stimulating development and growing the asset value of the BPB. BCC's shareholding in BPB should grow in value substantially over time,
- by using our investment and stimulus to support market housing production alongside affordable, we will accelerate the growth in Council Tax revenues from market housing and CIL contributions,
- the positive development environment created should encourage investors and developers to choose opportunities in Bristol ahead of other areas, optimising inward investment in the city.

3.4 Options considered:

- (a) Do nothing
- (b) Rely on Registered Providers (RPs)² and private landowners and developers to improve supply to desirable levels without direct support and investment by BCC
- (c) Release BCC, HRA and other statutory sites to external partners, with the aim of optimising affordable housing delivery
- (d) Develop BCC and other sites within headroom/business plan capacity but otherwise do not directly stimulate production
- (e) Framework proposals to include BCC and other sites, formalising the Bristol Property Board and streamlining structures

² Also known as Housing Associations

4. The Condition of the Housing Market

- 4.1 At the time of publishing this Framework, the UK economy remains sluggish as we experience a fifth year since the banking crisis of 2007/08 of little or no economic growth.
- 4.2 Bristol is in a housing crisis. Notwithstanding the recent upturn in house prices and housing market activity other demographic, economic and policy changes mean that housing is less affordable for those on lower incomes and there is a substantial excess of demand over supply. At the same time as demand is rising, production of both affordable and market housing has fallen significantly. Availability of suitable housing at all market levels, but particularly affordable housing is critical 'infrastructure' if the economic potential of the city is to be realised.
- 4.3 Growing employment, low mortgage rates and the forbearance of lenders to borrowers in arrears has helped to mitigate the potential worst effects of recession in the housing market. Nonetheless, the availability of mortgage funds has been a significant constraint on transactions, especially for first time buyers. These buyers tend especially to fuel the new homes construction sector and overall completions last year were at a very low level nationally of 140,000 when demand from newly establishing households is estimated to be around 230,000 per annum.
- 4.4 For the production of affordable housing, two critical factors have brought about a serious reduction in recent years:
- a number of larger private residential schemes which were expected to contribute a significant proportion of new affordable homes have stalled for viability or financing reasons or have produced far fewer affordable homes than anticipated
 - there has been a major reduction in public funding invested through the Homes & Communities Agency in new affordable homes. Even with grant levels per dwelling cut in order to 'stretch' that investment, the number of new HCA grant funded homes produced in Bristol is down from 475 in 2009/10 to 300 in 2012/13 and about 100 projected in 2013/14.
- 4.5 One facet of the tougher housing market conditions of recent years has been the growth in the private rented sector to respond to the housing needs of frustrated first time buyers but also reflecting a continuing trend towards the re-establishment of market renting as a tenure of choice/necessity for many households. This re-balancing of the tenure of homes is a trend likely to be sustained even though there is expected to be some recovery in the market sales sector.
- 4.6 For 2013 and beyond the Bank of England's Credit Conditions Survey suggests that more money for home loans is becoming available at competitive rates. The Government's initiatives to support the housing market, especially the new homes market (Funding for Lending, 'Help to Buy' and the loan guarantee schemes for market renting and affordable housing) are likely to make a material difference alongside generally (but gradually) improving confidence.
- 4.7 The national figures for housing production and for house price changes mask some very significant regional variations. Prices in London and parts of the South East have actually experienced increases since 2007 whereas falls have been fairly dramatic and persistent in the north of England, in parts of the Midlands and in Scotland and Wales. Also, it is the most economically prosperous parts of the

country, particularly London, that have experienced the greatest increases in market renting and in rent levels. Bristol sits somewhere 'in the middle' in terms of housing market fluctuations over recent years but it does have a disproportionate number of expensive to develop regeneration sites where viability has been hit especially hard during the downturn. The relative economic buoyancy of Bristol has supported a burgeoning market renting sector and the special housing market conditions relevant to our city are summarised in the next section of the Plan.

- 4.8 One factor always to bear in mind with house prices (and therefore by inference conditions for new home production) is that the long term average price to average earnings ratio is 4:1. After the late 1980s/early 1990s housing market recession, it took a decade for the price to earnings ratio to return to the long term trend position. Despite coming down from a peak of 6.5, in the current downturn the level is still 5. There could be further downward adjustment to come.

5 Learning from the Views and Achievements of Others

- 5.1 In looking to find ways to boost affordable housing supply in Bristol, BCC has been keen to learn lessons from other local authorities which are working hard to maximise their achievement of new homes.
- 5.2 We spoke with representatives from a number of other councils, mainly those larger urban conurbations facing challenges similar to those in Bristol of substantial pent-up demand, major regeneration needs and significant constraints on private sector led schemes because of economic viability problems.
- 5.3 We also sought, during our dialogue with developers mentioned in the last section, to identify how they felt Bristol could improve the environment for production of more homes.
- 5.4 Some of the key feedback which has influenced our strategic planning appears in the boxes below.

Developers' views of working with Bristol City Council:

- We adopt a flexible and 'listening' attitude
- We have positive ideas and try to improve the operating environment

BUT

- There are too many layers of decision-making
- We can be unrealistic in our 'ask' of developers once we add up all our (the Council's) expectations
- There is a disconnect between strategic direction and the application of policy
- No single Council voice – developers left to resolve competing departmental demands

Learning from other local authorities – some key lessons:

- Thorough preparatory work on sites offered for partnership schemes, especially on planning, pays dividends
- Bringing forward Council's General Fund sites for affordable housing development has maintained momentum on housing delivery
- Close collaboration between housing enabling and planning officers results in efficient and consistent decisions
- Housing continues to play a crucial role in leading large scale regeneration despite the downturn

Housing growth into neighbouring areas

- Is an important component in meeting housing pressures in large conurbations, and direct intervention (funding or land acquisition) has a role to play
- Having a senior local politician championing housing production and being

'hands on' is proving very successful in other cities

- Overcoming HRA borrowing constraints by temporary use of off-balance sheet subsidiaries/vehicles can be crucial to maximising development potential in the short term
- A number of large local authorities (LAs) are promoting major market rented housing schemes as part of a mixed approach to new housing supply and as a regeneration stimulus
- LAs are being more interventionist, bringing forward their own HRA and General Fund land and sharing development risks in partnership with others to make schemes happen.

5.5 We intend to stay alert to the experiences of others so that we can bring the best of these learning opportunities back to Bristol to keep refreshing our approach to providing new market and affordable homes.

6. The Bristol Context

- 6.1 Bristol is a fast-changing city with great prospects and a real vitality.
- 6.2 We are by some margin the largest conurbation in the South West and our economic and housing market pull spreads over a large surrounding area. Our economy has proven to be very resilient during the downturn, reflecting our diversity of economic activity and the major investment in regeneration and infrastructure which has been going on over recent years.

BRISTOL – A PROFILE:

Our population is around 428,000.

The population is expected to grow 26% between 2006 and 2026.

We have a relatively young and well educated population but we do have some pockets of high relative deprivation.

Bristol is the South West's office capital and is a nationally important location for banking, insurance and professional services.

Unemployment in Bristol was 4.1% in 2012 compared to 7.7% nationally.

- 6.3 Our housing market has not been immune to the effects of the downturn and a number of major housing projects have been delayed and others will deliver a good deal less affordable housing than we had hoped because of impaired viability. That and the effect of reduced public subsidy for affordable housing have taken their toll on production levels.

HOUSING FACTS – BRISTOL

The Strategic Housing Market Assessment (SHMA)2009 estimates that Bristol needs about 1,500 new affordable homes (77% social rent and 23% intermediate) each year. Owner occupation in Bristol is lower than regional and national averages with private renting being considerably higher..

Bristol has a higher than average proportion of flats and terraced housing in its stock. A substantial majority of new residential schemes which have stalled are to provide flats.

There are 14,000 Households on the housing register seeking an affordable home in Bristol (including existing tenants requesting a transfer)

Total housing completions in Bristol in 2012/13 was 878. Of these, 300 were affordable homes.. Affordable housing completions is likely to be 100 in 2013/14.

From 2001 to 2010/11 Bristol has averaged 400 affordable home completions a year.

- 6.4 We have seen the balance of local housing supply change significantly in Bristol in recent years. The market rented sector represents a much larger share of local stock than a decade ago: 21% compared to 9 %. We believe this has improved housing choice in the city and we are planning to promote more market renting but want this not to be at the expense of affordable housing or market sale but to provide additional much needed new homes.
- 6.5 What is clearly evident about the housing market in Bristol is that currently, population and household growth are outstripping the supply of new homes. Whilst over the period to 2026 the Core Strategy identifies sites for sufficient homes, it should be recognised that much of the demand for new homes in the wider labour market and travel-to-work area may need to be met beyond city boundaries.
- 6.6 We have already acknowledged that our economic impact extends into many neighbouring districts. Similarly many strategic residential development sites are outside of, but fringing, the council's administrative boundaries. These are delivering homes for people working within the greater Bristol economic zone. For many years we have worked in close partnership (see section 7.1) with neighbouring housing authorities like Bath and North East Somerset, North Somerset and South Gloucestershire through our West of England structures because we all recognise the common factors affecting our shared housing market. In this Framework we re-state the importance of this joint working and we would like to develop our co-operation on affordable housing delivery to new levels.

BRISTOL CITY COUNCIL – A MAJOR AFFORDABLE
HOUSING LANDLORD

- ❖ We own and manage over 28,000 homes making the council the largest landlord in the South West
- ❖ We let about 1,000 homes a year from vacancies (lettings to new tenants 2012-13)
- ❖ We turnover around £110million in our Housing Revenue Account (HRA)
- ❖ With the cap established by Government for our borrowing in the HRA, we have only £11m 'headroom' for any new borrowing.

BCC as a Direct Developer of New Homes

- 6.7 BCC Landlord Services has been given new financial freedoms by the Government which has provided BCC with sufficient borrowing capacity to be able to prepare a new programme of Council House building.
- 6.8 Prior to the launch of this Framework, we completed an analysis of the extent to which the BCC Landlord Service can directly develop new Council homes even allowing for our capital borrowing for housing being capped at the level already agreed with Government. Over the coming 15 years we should be able to develop, subject to further investigations to confirm VFM, at least 1,000 new homes to add to production secured from partners. Our Framework objectives set out later not only commit the Council to delivering on this target but emphasise that we will take further steps to examine our potential for generating more.
- 6.9 BCC Landlord Services wish to work proactively with private landowners and other corporate Services to engineer land swaps that will enable the new Council Homes to be built in more sustainable locations in areas of high demand as identified by the analysis of bids received on Homes Choice Bristol. (OBJECTIVE D1-D5)

HOUSING AFFORDABILITY IN BRISTOL

In a 2013 Centre for Cities survey report, Bristol was identified as the ninth least affordable 'city' in the UK. Many of the other conurbations were actually large towns like Bournemouth and Reading. Of the UK's larger cities Bristol is second only to London as having the least affordable housing relative to local incomes.

7. The Importance of Partnership

- 7.1 We rely heavily on a range of important partnerships in delivering new affordable homes in Bristol.

Neighbouring Local Authorities

- 7.2 BCC has worked closely with its neighbouring local authorities for some time, understanding needs and producing joint strategies across our shared economic and housing market area. Collectively, we have tended to refer to our shared territory as the 'West of England'.
- 7.3 We have in place effective joint working structures for the West of England, especially for transport, economic development and housing delivery.
- 7.4 We are very aware of the importance of development in neighbouring areas to addressing the economic and housing needs of Bristol. We are keen to build on the quality of our existing partnership working with our neighbouring authorities and to make sure that the administrative boundaries in our area do not work against the interests of people living and working in Bristol and our partners' areas. Housing growth locally has been more achievable in some neighbouring areas fringing the city and we do want to support this more directly, especially affordable housing delivery. (OBJECTIVE F6)

Registered Providers

- 7.5 For many years our main source of new affordable homes has been our local Registered Provider (or housing association) partners. Registered Providers (RPs) come in various shapes and sizes, some large and working over sizeable geographical areas and others smaller and more local. We have 17 significant RPs and other housing providers in Bristol working under the 'umbrella' of the Bristol Housing Partnership and with representation on H4B as a whole but not all are actively looking to develop new affordable homes. Many RPs using debt funding have found it difficult to develop family sized properties due to revenue uncertainties and have on occasions declined s106 opportunities.
- 7.6 Together with our neighbouring local authorities, we have created an OJEU³ compliant framework agreement which aims to make the best of our RP partnerships. The framework is called the West of England Housing Delivery Panel and identifies our preferred RPs and some private developers, and divides them into various groups. One group which includes larger housing associations is expected to develop the majority of larger new schemes. We have supported the L-IND development consortium within the panel which has enabled smaller community based housing associations to be involved in developing and managing schemes. (OBJECTIVE F1-F4)
- 7.7 Our RP partners have struggled to maintain their delivery of new affordable homes in Bristol, as explained earlier. We will continue to explore more efficient forms of production through Advantage South West and other organisations to encourage greater use of prefabricated panels and pods to improve speed and quality of delivery, which has many environmental advantages over traditional developments. We need to find new ways of increasing the number of new homes

³ Official Journal of the European Union – an EU compliant commissioning process already undertaken

developed by RPs in Bristol and the Framework identifies new financial and deliver models explored in more detail in Section 8 . (OBJECTIVE A1,A2 &A5)

Developers and Home Builders

- 7.8 We will work on developing strong working relationships with developers and home builders, through foras and one-to-one discussions. In 2010 we established Homes4Bristol (our strategic housing partnership), which builds on our partnerships with RPs and private developers and has brought on board representatives of a wider range of private landlords and other interests. The purpose of H4B is to deliver our Housing Strategy and will play a key role in delivering the Framework.(OBJECTIVE B1)
- 7.9 In delivering the Framework all housing providers will be expected to do so in accordance with the Bristol Local Plan, particularly when it comes to high quality design and sustainability. Where a scheme / proposal fails to do this there must be openness and clarity up front as to what trade-offs are being made and the impact on delivery.
- 7.10 We will encourage all larger scale developments to adopt the Planning Toolkit approach which is more of a 'deal' between stakeholders / players rather than a one-sided ask of BCC, and this approach is also relevant to the delivery of affordable homes. We will prepare planning briefs when disposing of BCC land that will ensure that the required number of affordable homes are provided on the development. (OBJECTIVE B8 & B9)
- 7.11 The Council works hard to maintain activity on current residential development sites and has continued to pursue dialogue with developers; shown a willingness to negotiate on existing planning consents in order to improve viability and get stalled schemes moving. New homes production in the private sector, especially for market sale, has been hit especially hard in the downturn. BCC is working with the HCA, the LEP and the three other WOE authorities to bring forward the stalled sites (of which there are about 5000 residential stalled units with live planning consents in Bristol) and bringing forward, with the HCA, schemes without planning permissions that are not progressing due to the current housing downturn. (OBJECTIVE B2 & B4) (OBJECTIVE F7)
- 7.12 As part of our preliminary research to support the formulation of this Framework we talked again to a number of private developers of varying types and with established interests in Bristol. What is clear is that we have little real influence over the business model for volume home builders. They control a lot of development land and look for substantial forward land supply and a very steady release to support business stability. The more specialist and local developers appear more opportunist and assertive in seeking to bring forward sites fairly swiftly.
- 7.13 We recognise the need for realism when considering the capacity of private developers and home builders to support affordable housing delivery. Many stalled sites are unlikely to be developed for some time. Those controlled by the larger home builders will be developed only gradually, over time frames we can barely influence. We recognise that we need to change our engagement with private developers and home builders if we want to improve affordable housing production. See sections 8 and 9

The Local Enterprise Partnership

- 7.14 The four Unitary authorities and the HCA are working together with local business and developers to support economic growth and attract new jobs and investment to Bristol, Bath, Weston-super-Mare and the surrounding countryside.
- 7.15 We need to advocate the key role that housing can play in the local economy and demonstrate the link between new homes and jobs. Through the WOE Strategic Growth Plan we need to promote the role of accelerated housing sites and ensure that resources such as New Homes Bonus are directed to new affordable housing delivery

Homes & Communities Agency (HCA)

- 7.16 The HCA is the Government's agency which provides funding for new affordable homes and brings forward land, especially public sector land, for residential development.
- 7.17 We recognise we need to develop stronger cohesion between BCC and the HCA so that we get the best from their support for affordable housing and regeneration in Bristol. We will all take advantage of the OJEU compliant recently renewed HCA Delivery Partner Panel to procure development partners where appropriate.
- 7.18 With the advent of the Affordable Housing Programme in 2011/12 the HCA's funding arrangements changed significantly and has led to a decline in the levels of new affordable homes being delivered. However, the HCA's role in other respects is broadening and has greater significance for Bristol. Short-term stimulus funding for market renting and for infrastructure costs on larger projects is welcome and we want to maximise Bristol's share of this. More important still is the HCA's growing role in acquiring and preparing sites for development and in facilitating the parcelling and disposal of other public sector land. That land assembly role alongside BCC's programme of land assembly and land release is a powerful tool for effecting big improvements in new homes delivery.

Bristol Property Board

- 7.19 In 2012 BCC established an informal partnership: the Bristol Property Board (BPB) with the HCA, Emergency Services and government land agencies and private sector representatives. The BPB's purpose is to review the different agencies property portfolios to identify where the joint office estate can be rationalised and where appropriate assemble assets for joint disposal.
- 7.20 We see the BPB as a platform for further developing our joint working with the HCA possibly leading to a partnership with a more formal structure. (OBJECTIVE A1 & A2, C1, C2, C)

Custom build and Community-led Housing Organisations

- 7.21 The Council has fostered the growth of the Bristol Community Land Trust which will be shortly starting on site with its first urban CLT scheme in the UK and other self build and community led housing initiatives throughout the city.
- 7.22 The Mayor has expressed his wish to see greater development opportunities for Custom Build and Self Build in the city to take advantage of new funding opportunities and increase the overall supply and range of housing available in the city.

- 7.23 Proposals for a major custom build scheme could lead to a significant proportion of homes being made available as affordable homes particularly through shared equity self build and rented opportunities through co- housing.

Extra Care Housing Providers

- 7.24 BCC launched a major new housing initiative: Bristol Retirement Living which is seeking private developers and institutional investors to deliver new housing opportunities for older people in three or four major schemes that will deliver alongside 400 private homes 200 affordable rent and shared ownership homes over the next ten years. The first two schemes have already been agreed.

8. Financial models and delivery vehicles

- 8.1 At the time of launching this Framework, the Council is actively evaluating the feasibility and financial effectiveness of a number new financial models and delivery vehicles for creating a new supply of affordable homes (OBJECTIVE E1)

8.2 Council led models

- 8.2.1 If BCC was to identify its own land resources and secure finance through its prudential borrowing facilities this approach could only be delivered if we could identify annual savings of £65,000 over 25 years for every £1m required as investment
- 8.2.2 BCC identifies its own land resources and works with a private developer/institutional investor/ custom build facilitator who take full/shared responsibility for site preparation and infrastructure costs in return for a proportion of the overall site for own housing scheme. This approach could be supported by a BCC revolving finance fund. The proportion sought will vary significantly between developers with some prepared for BCC to retain ownership and may only be seeking contracting opportunities or sites suitable for subdivision for self builders.
- 8.2.3 BCC establish new profit making Market Rent vehicle that would be able to reinvest into affordable housing (similar to Birmingham Mutual Housing Trust). In this way BCC would take both the risk and profits of development
- 8.2.4 BCC work with RPs in establishing community funded vehicle by launching a Bristol Bond (BOB)
(OBJECTIVE A6 & A7)
- #### 8.3 HCA/Council led models
- 8.3.1 BCC identifies its own land resources and secures HCA funds for site preparation, master planning and infrastructure secures finance from HCA provide land. HCA and BCC agree design brief with other stakeholders and market through WOE HDP and HCA delivery partner panel where appropriate
- 8.3.2 HCA identifies its own land resources and works with BCC to maximise shared funding to bring scheme forward. HCA and BCC agree design brief with other stakeholders and market through HCA delivery partner panel.

8.4 Developer led models

- 8.4.1 Developer/ housebuilder acquires site from BCC/statutory/private land owner and uses own resources to meet cost of infrastructure and site preparation to bring forward housing scheme in phases over a significant period of time.
- 8.4.2 Custom Build Developer/Facilitator acquires site from BCC/statutory/private land owner and through institutional finance meets upfront costs of infrastructure and site preparation to release sites simultaneously for a range of different custom build housing approaches, similar to the Almere⁴ approach, including self build plots, self finish, train and build, co-housing as well as releasing serviced sites to housebuilders and RPs
- 8.5 Joint Venture models
 - 8.5.1 BCC identifies RP/Developer/institutional investor to enter into a Joint Venture arrangement that through BCC making its land available on a deferred purchase basis enables housing provider to make available about 50% of the site for a wide range of affordable housing solutions. BCC has identified a site in South Bristol to pilot this approach
 - 8.5.2 BCC works with RP/Market Rent provider to enter into a joint venture arrangement that through BCC making its land available at nil is able to provide 100% of the homes at rent below LHA levels. This is the proposal that one WOE HDP partner has been promoting for an innovatively funded scheme through Bristol Community Investment Bond (BOB) It is proposed that BOB will encourage local investors to invest and work with us in increasing the supply of market rent and affordable rent housing. BCC by investing its land holding and sharing the development risk of resulting schemes could also share a proportion of the future rental revenues.
- 8.6 Alternative models
 - 8..5.1 We are working with RP partners and a research organisation (New Economics Foundation) to develop a new model of rented housing: Flexi rent. It is hoped that as the Council brings forward sites on deferred purchase basis that this new model and other innovative approaches brought forward by RPs will be able to secure the Council corporate land more easily than has been possible in the past

(OBJECTIVES A3 & A4, B7, B8, E2, E3 & E4) (OBJECTIVE F5)

⁴ Almere is a highly innovative large-scale self-build scheme in the Netherlands

9. What Do We Mean by Affordability?

- 9.1 We will move to a new approach to the delivery of affordable housing through private developers and registered providers which is consistent with BCCs Core Strategy and the NPPF⁵ definition of 'affordable housing' but is driven by a new local definition of affordability of the home to the individual occupier rather than reference to income groups and specific tenures.
- 9.2 BCC has adopted an Affordable Housing planning policy BCS17 that is consistent with the national definition in NPPF and specifically seeks to address the needs identified in the West of England Strategic Housing Market Assessment (WoE SHMA) 2009. By reference to our SHMA, we know that citywide we should be aiming to achieve 77% of affordable housing as social rented homes and the remaining 23% as intermediate -principally as shared ownership (delivered at 40% equity sale and 1% rental on the retained equity).
- 9.3 BCC, in a similar manner to other local authorities has adopted previous Government guidance on using 25% of gross household income as a definition of affordability. This was the definition of affordability used by the WoE SHMA. Over recent years the percentage of income adopted by the Homes & Communities Agency and RPs to determine affordability of rented or intermediate homes has varied significantly from 25 to 40% of gross income. This has led to an inconsistent approach when agreeing rental or purchase cost levels when delivering new AH.
- 9.4 Recent analysis undertaken by BCC has shown the required household incomes needed to afford different assisted market purchase, Affordable Rent, Social Rent and intermediate affordable housing options in Bristol. The table below shows Affordable Rent⁶ to be more expensive than other intermediate affordable housing models on a two bedroom property. It also shows that some forms of affordable housing such as Intermediate Rent could now be seen as affordable if housing costs are below LHA rates

Table 2
Affordability Spectrum of Housing Tenures: 2 Bedroom Homes in Bristol

Social Rent	Shared ownership (with 40% equity sale and up to 1.5% rent on unpurchased equity)	Affordable Home Ownership (with no greater than 50% equity sale and up to 3% rent on unpurchased equity)	Affordable Rent at up to 80% market rent (inc service charge) but below LHA limit	Intermediate Rent (inc service charge) below LHA limit	Market Sale Help to Buy	Market Rent
Up to £20,000	£18-23,000	£23-30,000	£26-30,000	£30-35000	£30-40,000	£40,000 plus
affordable	affordable	affordable	affordable	affordable	unaffordable ⁷	unaffordable

⁵ National Planning Policy Framework

⁶ A new rent level for AH at up to 80% of local market rent

⁷ Help to Buy is not an affordable housing product as it is not compliant with the definitions in NPPF 2012 and is not available to future households on resale

- 9.5 We propose to incorporate in the proposed new Affordable Housing Practice Note a new local definition of affordability that will be based on the Government's annually revised Local Housing Allowance (LHA) for Bristol that caps Housing Benefit entitlements for tenants of private rented housing and is derived from samples of lower level market rents applying across our area. After reviewing the different approaches to determine affordability it was considered that these LHA allowance figures will provide in future the most accessible, easily understood and consistent approach to determining affordability for both rental and intermediate homes delivered in the city. (OBJECTIVE B3)
- 9.6 The Council believes that this new approach will be consistent with NPPF and does not consider it will necessitate a change to the Council's Core Strategy. It will however require the adoption of a new Affordable Housing Practice Note that changes the guidance to developers and RPs to encourage new pioneering models of market rent provision and give new flexibility on the form of rental and intermediate homes. (OBJECTIVE B6) The new AHPN has been produced as a supplementary and complementary document to the Framework.
- 9.7 The new approach recognises that the affordability of different tenures can vary considerably between neighbourhoods and different dwelling types and recognises that Social Rents and Affordable Rents may be similar for one bedroom flats but significantly different for large family homes in different areas of the city. We recognise that the HCA's current funding arrangements and the planning system will not be able to address the acute shortage of four bedroom plus social rented homes in the city. To ensure that these larger homes are affordable to their occupiers the Framework acknowledges that we will need to separately fund these. (OBJECTIVE B5)

How this Framework will Lead to an Increase in Affordable Housing

Principles underlying our work together

- Investor friendly - offering housing investment opportunities
- Integrated – BCC and other agencies working effectively together
- Innovative – evaluating new financial and delivery models

Objectives of the New Approach:

- A. Bringing forward development opportunities in the Council's ownership
- B. Using the planning system to best effect
- C. Encouraging the release of other public sector development land
- D. The Council as a direct developer of new homes
- E. Encouraging new models of provision
- F. Working effectively with our partners
- G. Streamlining decision-making and working as a team



Bringing forward development opportunities in BCC's ownership

A1	<p>The Council owns a substantial number of development sites within our General Fund (in the region of 120 sites identified in our medium term programme). The market disposal of some of these sites, in order to meet existing capital receipt commitments, is essential to deliver our council-wide capital programme. We recognise that the land held by BCCs HRA will be largely focussed on delivering new Council rented homes so there is need for a new corporate priority for releasing corporate land assets specifically to meet affordable housing delivery requirements. However, where sites are not earmarked for priority sale we will urgently review these sites with a view to identifying an annual programme of land releases where affordable housing delivery is prioritised over the timing or maximising cash receipts.</p>
A2	<p>We intend to encourage a variety of delivery vehicles in order to secure affordable housing (AH) on sites in BCC's ownership. These will include joint ventures and partnerships with private developers and with RPs. As an early task for the roll-out of this Framework, we will investigate the potential for BCC to act as a land investor and defer land purchase and share development risk on a pilot site so that we can maximise AH delivery. This is likely to be particularly relevant where BCC Landlord Service seeks to take some or all of the resultant AH into its own ownership.</p>
A3	<p>We welcome the support of the Mayor and Assistant Mayor⁸ who have agreed to champion this initiative. For sites prioritised for AH delivery and especially where we intend to take an active role in their development it is planned to establish 'Housing Delivery' arrangements, with an identified project manager who will be responsible to the Affordable Housing Delivery Board. We will undertake on identified sites feasibility studies to establish development potential including preparation of planning and design briefs, site investigation, addressing title and other technical issues and preparatory planning work; the cost of which will be met from anticipated receipts. Our property services team will now be an integral part of delivering new affordable homes.</p>
A4	<p>Where our sites can achieve wider AH or regeneration gains for the city by contributing to larger land assembly opportunities, we will play an active role alongside our partners in helping to secure these opportunities. Again we will be imaginative about delivery vehicles and about balancing housing and community gains with capital receipts and their timing.</p>

⁸ Assistant Mayor for Transport, Planning, Strategic Housing and Regeneration

A5	<p>We intend to utilise some capital receipts, including those gained from our more direct participation in some development schemes, in a Revolving Finance Fund and which can support our AH development activity. This will expand an initial fund of £0.5m. As a priority task, we will explore the potential to add further to this Revolving Finance Fund by the inclusion of some New Homes Bonus monies. This funding will be used to pump-prime some schemes and on occasion to make acquisitions to enable AH development to take place. The Revolving Finance Fund will make relatively short term investments so that we can re-invest in new schemes as monies are returned from others which are built out or have made a net financial contribution.</p>
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A6	<p>We will undertake a comprehensive review of our corporate assets and consider our approach to realising AH delivery and the value of a strategic asset approach to meeting corporate objectives. This review will help identify specific to deliver AH requirements in 2015/16 and an annual land release programme that will help BCC make the step change in affordable housing delivery.</p>
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B. Using the Planning System to Best Effect

B1	We intend to maintain an 'Open for Business' approach and to continue applying the themes of realism and flexibility in our approach to agreeing planning obligations where market conditions impair the viability of development schemes.
B2	Where schemes have existing planning consents but have not been implemented because the planning obligations attaching to those consents make the schemes uneconomic to develop in the current climate, we will encourage developers to remodel schemes, consider other uses and re-negotiate the obligations.
B3	Adopt a new AHPN with a new definition of 'affordability' to enable greater flexibility in AH negotiations. If a developer can demonstrate improved viability without the provision of public subsidy, by changing the mix of affordable homes, which results in an increased amount of AH provided or if by providing homes off site it would be easier to achieve a policy compliant position, we will be prepared to consider these alternative approaches.
B4	In a negotiation with a developer regarding AH planning obligations, especially a re-negotiation of obligations on a stalled scheme, a material consideration will be an enforceable commitment from the developer to progress the scheme swiftly within twelve months of signing the s106 agreement and actually deliver the affordable homes. We are more likely in current market conditions to agree to a concession on AH obligations for a time limited period. If the consent is not implemented and the scheme not progressed in a meaningful way within an agreed period then we would expect the AH obligations to revert to the policy or originally agreed position.
B5	Where a scheme is being developed in a neighbourhood with an existing significant proportion of AH, especially social rented homes, we will be interested in promoting an improved balance of tenure including Affordable Rent and intermediate home ownership.
B6	We will be flexible in our application of planning obligations policies where schemes are pioneering new models of housing provision, including market rent and where it adds materially to AH supply in Bristol.

B7	We aim to use our increasing flexibility on planning obligations alongside other initiatives the BCC is setting out in this Framework, for example where BCC is acting as land investor or in a joint venture capacity with developers.
B8	We will ensure that development briefs or other guidance is produced to maximise affordable housing delivery whilst ensuring quality places are created on council (or other public sector) land being brought to the market.
B9	We will ensure that competing policy requirements which impact on viability will be pro-actively managed and co-ordinated so clarity around priorities is clearly communicated and the implications on delivery are understood by decision makers.

C. Encouraging the Release of Other Public Sector Development Land

C1	We plan to develop the role of the Bristol Property Board in being a vehicle to speed up the release of public sector development land in Bristol, especially to deliver new affordable homes.
C2	We want to strengthen our working relationship with the Homes and Communities Agency (HCA) to better integrate its release of land with the preparation and release of BCC land.
C3	We recognise that the HRA land held by the BCC's Landlord Services will be used exclusively for Council house development and will be inadequate to deliver the full programme. There is need for a new approach for releasing corporate land assets specifically to meet the AH delivery requirements detailed in this report and the land requirements of Council Landlord Services. These land issues could potentially be addressed through BPB.
C4	We will jointly work with the HCA and other Government departments and agencies through the Bristol Property Board to cooperate in joint land release programmes and prioritise securing new affordable homes on public sector sites ahead of maximising capital receipts.

D. BCC Landlord Services As a Direct Developer of New Homes

D1	BCC is committed to developing a new programme of 254 new rented homes within the HRA during the Framework period. By 2028 Landlord Services plan to deliver 1000 new rented homes of which approaching 600 of these will be developed on the 159 sites already in the HRA. We intend to develop the remaining 400+ homes on other Council, public sector or private sector sites. In addition 500 market sale homes will be provided on HRA land by 2028.
D2	BCC Landlord Services will explore the potential of significantly increasing the supply of new homes if our HRA borrowing cap was raised. We intend to continue to lobby Government for more financial flexibility on borrowing for new homes development, subject to this being prudent.
D3	<p>BCC Landlord Services is committed to reviewing its housing assets more comprehensively with a view to:</p> <ul style="list-style-type: none">• identifying existing housing assets which have a negative financial impact on the HRA business plan• improving understanding of development potential within our existing HRA stock and land holdings <p>Where a more comprehensive asset management strategy leads to an improvement in our reinvestment capacity within the HRA business plan we will prioritise that investment for developing additional new AH.</p>
D4	Although BCC Landlord Services is keen to develop new AH directly within our HRA and housing business, we are determined that this effort should not distract from our responsibility to deliver an excellent housing service to our 28,000+ existing tenants and leaseholders and to invest appropriately in the quality and sustainability of our existing housing assets.
D5	BCC Landlord Services will undertake further appraisal work to improve our capacity, to include: BCC owned funding vehicles, new financial mechanisms and also new models for provision (such as those promoted by partners and where the BCC's commitments are related to revenue rather than capital cost).

E. Encouraging New Models of Provision

E1	Where BCC is proposing to support new models of AH provision it will seek to embrace innovative construction methods and incorporate the best environmental and energy standards to underpin Bristol as a Green Capital of Europe. We plan to do this by direct participation in schemes, as envisaged in Objective A3 & D5, we will review VFM offered and carefully weigh the potential housing gains against the cumulative risks of these schemes and against other options for developing the schemes.
E2	We will encourage developers, funders and RPs to bring forward innovative ideas which will add to the amount of new AH produced in Bristol and to the housing choices available for local people.
E3	We propose that BCC acts as a Land Investor taking an active role including land and joint venture participation, where we are convinced that a model for new provision can make an important additional contribution to AH production.
E4	We will maintain an awareness of new initiatives being promoted elsewhere and challenge ourselves to be innovative in our approach to ownership, funding and risk management activities.

F. Working Effectively With Our Partners

F1	We continue to see Registered Providers as our most important source of new AH supply over the Plan period. We will work hard to maintain the vitality of our relationships with RPs and the structures we have in place to support these.
F2	In the interests of maximising production of AH, we will seek to encourage involvement in Bristol from a small number of additional, well-resourced and active developing RPs and agreeing annual performance agreements to delivered specified AH numbers.
F3	Our aim is to achieve a minimum of 500 new affordable homes per annum being produced by our range of larger developing RP partners through both existing and new forms of AH delivery. We want to hit this production target by 2015/16.
F4	We want to grow and sustain the number of new affordable homes produced by our smaller more local RPs which have a solid track record of delivery. From this source, our target is to secure 100 new homes per annum by 2015/16.
F5	From other new partners and from BCC's own direct development activity, our target is to secure at least 100 additional new affordable homes per annum by 2016/17.
F6	We aim to enhance our collaborative working with our neighbouring local authorities in the interests of maximising our collective achievement of new AH for people living and working in the greater Bristol economic and housing market area. We plan to explore ways in which we can improve access for Bristol people to AH developed across the wider city conurbation and ways in which we can more directly support AH on sites fringing our administrative area.
F7	We plan to work on achieving better and closer working relationships with private developers. We want to invest more in relationships which can genuinely unlock stalled schemes and improve on delivery of market and affordable homes and we are prepared to be flexible and pro-active to achieve this. We will concentrate our efforts where we can achieve results, by which we mean getting affordable homes on the ground within a sensible time-frame.

G. Streamlining Decision Making and Working as a Team

G1	The Mayor, the Assistant Mayor and BCC officers (which includes the role of Property Services as an integral part) intend to build on the recent improvements we have made to our governance structure for supporting AH delivery.
G2	To reinforce the significance of their functions and to smooth the path between member and officer level decisions, the Assistant Mayor with responsibility for transport, planning, strategic housing and regeneration and will take the lead in new AH delivery.
G3	We will streamline our delivery arrangements. Initially we will ensure that all projects that include AH will have a designated project manager drawn from the existing teams and ensure that there is an appropriately skilled Housing Delivery team reporting to the Affordable Housing Delivery Board.
G4	BCC Landlord Services will develop and implement a plan for resourcing the schemes it intends to undertake directly. That resourcing will include appropriate processes and systems as well as personnel with suitable skills and experience to deliver our programme.

11. Time Frame for the Framework and its' Review

- 11.1 The Framework is adopted by the Mayor and Cabinet in late October 2013 and launched later in the Autumn. It is expected to remain our key framework for promoting the delivery of AH, which will be reviewed and updated annually, up to March 2018.
- 11.2 The trajectory set by the Framework for improved delivery of AH is expected to have a life well beyond the five year period of the Framework itself. So, although we will expect to craft a new Framework in 2017/18, reflecting the changed market and policy circumstances applying at that time, we are looking to create an impetus for improved delivery and an environment of enterprise and flexibility which needs to endure if we are going to achieve the best we can for Bristol's citizens.
- 11.3 During the life of the Framework H4B will monitor our main Framework objectives, Action Plan targets and the direction of travel on a regular and rigorous six-monthly basis. We know that the Framework needs to stay relevant and we may need to respond to changes in market conditions or policy initiatives as they arise.

12. What the Framework Should Mean for Production Levels

- 12.1 As part of the preparation for the Framework, we have devised a system to help us track and forecast the amount of new AH to be produced in Bristol (or fringing Bristol in instances where we have helped directly to stimulate these new homes) from 2015/16 onwards.
- 12.2 Regrettably we know at the point of launching the Framework that AH production in 2013/14 will be at an all-time low of 100 homes. Ascending from this low point will take time as the completion of new homes typically takes at least two -three years from planning stage.
- 12.3 Based on the various initiatives we have outlined in section 10 and the likely volumes and production timescales for these, our target production levels for each year of the Plan period are as follows:

2013/14	less than 100
2014/15	Est. 333
2015/16	Est. 600
2016/17	Est. 700
2017/18	Est. 850

- 12.4 We can break down the production by some simple categories which include:
- (i) the source taking lead responsibility for developing the new homes, either:
- BCC Landlord Services
 - Larger Registered Providers
 - Smaller Registered Providers
 - Private Developers/ institutional investors
- (ii) the principal funding sources
- Developers subsidy through s106
 - BCC enabling grant/ resources (including discounted land sales)
 - HCA/ Government subsidy/investment
 - RP resources
 - BCC HRA funding and resources (land)
- (iii) the general development type by site characteristic and location,
- City Centre (typically higher density, complex and possibly involving some building conversion)
 - Brownfield (inner area or suburban but typically requiring fairly lengthy lead-in and being smaller than average city centre schemes with a greater likelihood of houses than flats)
 - Greenfield (suburban and typically achieving slightly higher dwelling numbers than brownfield sites and with a shorter lead-in).

13. 'Ask Not (Only) What City Hall Can Do For You, but Also What You Can Do for your City'

- 13.1 The tongue-in-cheek title to this final section is our way of stressing the importance of an energetic contribution to improving new affordable homes production and new homes production more generally from all parties who care about or have a stake in Bristol's economic prosperity and social well-being.
- 13.2 Together we can do much to unlock the potential for new affordable homes production in and around the city. The Mayor, BCC and H4B are keen to take the lead in energising housing development and galvanising new innovative approaches. One of the themes of this Framework is BCC being enterprising, innovative and taking a very direct role in bringing forward sites and in making the risk/reward balance of affordable housing development actually work for other partners.
- 13.3 We will require housing developers to deliver in accordance with the Council's Planning Policy Framework, particularly when it comes to high quality design and sustainability. Where a scheme / proposal fails to do this there must be openness and clarity upfront as to what compromises are being made and the impact on delivery
- 13.4 We will try hard to keep red-tape and bureaucracy to a minimum. We don't want to have potentially unproductive 'talking shops' and for these to be our main tools for communication with our partners. We want to focus on real opportunities, we want dialogue to concentrate on getting schemes on the ground. We promise to be consistent in the way we apply those policies we need to have but we will endeavour to be flexible in order to get the affordable homes the city needs.
- 13.5 We don't have a monopoly on good ideas and we welcome your ideas. tell us if you believe we can do something practical to produce more affordable housing. Be ready to respond positively to the opportunities we plan to create directly We urge you to check out the National Housing Federation's 'Yes to Homes' campaign for more info on the urgent need for homes and especially affordable homes.

Version 2.2 – fully revised and updated following consultation with H4B and internal (NH/TS) (11th July 2013).

Version 2.3 – further revisions incorporating HCA/ Select Committee and Assistant Mayors requirements 13- 21th August 2013

Version 3.0 – further revisions incorporating Consultees comments and revisions to take account of Business Case 21 August 2013

Version 3.1 – further revisions incorporating Select Committee and other consultees comments

Version 3.5 – further revisions incorporating additional comments

Version 3.6 – final version for Cabinet, minor wording/spelling changes