

Decision Pathway



PURPOSE: Key decision

MEETING: Cabinet

DATE: 06 October 2020

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| TITLE | HRA New Build Acquisitions | |
| Ward(s) | City Wide (All Wards) | |
| Author: Jon Feltham | Job title: Programme Director (Estate Regeneration) | |
| Cabinet lead: Mayor of Bristol | Executive Director lead: Stephen Peacock | |
| Proposal origin: <i>BCC Staff</i> | | |
| Decision maker: Cabinet Member Decision forum: <i>Cabinet</i> | | |
| <p>Purpose of Report: To seek Cabinet approval to re-schedule £20m of approved HRA capital spend between schemes for the years 2021/22 to 2024/25, to incorporate new build acquisitions of circa 100 no. homes from private developers/housebuilders. This will produce an additional delivery stream for the Council as part of its ongoing commitment to build more council homes in the City.</p> <p>This report also seeks delegated authority from Cabinet for the individual approval of schemes.</p> | | |
| <p>Evidence Base: <u>General</u></p> <ol style="list-style-type: none"> 1. Bristol City Council is committed to doing all it can to tackle the housing crisis head on; this includes the most ambitious new build council housebuilding programme in a generation. This will see nearly 1,000 new council homes delivered by 2025. 2. In October 2018, the Government announced that the Housing Revenue Account (HRA) borrowing cap was to be lifted to enable Local Authorities to make a meaningful contribution towards solving the national housing crisis through delivering more and better housing. As the main level of income to the HRA Business Plan comes from rents, it is imperative that the number of rental properties is maximised. 3. Our development programme to date has mainly involved 'direct' delivery of "land-led" deals on Council owned sites. We have already built 146 homes across twenty sites, and are currently on-site with our largest single development of 133 homes. 4. In January 2020, Cabinet approved the construction of an additional 242 council homes at a cost of circa £55.6m; with a budget of £31.978m to spend during 2020/21 (incl. existing schemes on site). Cabinet also gave approval to an additional 390 council homes through a new "pre-emption" programme for affordable homes developed on land disposed of by the Council. This was at a cost of circa £70m; with a budget of £5.1m to spend during 2020/21. 5. The coronavirus outbreak though has adversely impacted on our HRA Development Programme, and has delayed a number of key development projects in our approved programme. As a result this is a proposal to re-direct £20m of expenditure in the HRA Capital Programme 2020/21 to 2024/25 for acquiring approximately 100 'indicative' homes (i.e. unidentified homes) from private developers/housebuilders. This means that we will bring forward other schemes in place of those that have been delayed and slipped. 6. The £20m is likely to be contractually committed this financial year, but only a small part will be spent. The balance will be spent in subsequent years until the homes are completed. 7. The acquisition of "developer-led" homes being delivered by private developers/housebuilders as part of their planning consent (aka "Section 106 deals"), is a cost-effective and scalable way of contributing to the Council's aspirations to significantly increase the delivery of new council owned homes in the City. Such schemes are quicker and easier to deliver as they are "developer-led", and often involve the purchaser getting involved once | | |

planning permission has been secured. They also tend to be less expensive than the Council directly developing new housing through “land-led” deals.

8. We are looking to acquire either “standing-stock” (i.e. completed new homes) or “shovel-ready” (i.e. ready to start on-site) schemes; many of which other Homes West Bristol partners have either not bid on, or couldn’t successfully conclude a deal on.
9. The proposed acquisitions will increase the availability of housing to all, and will not adversely affect any protected characteristics.
10. Section 106 agreements see developers deliver affordable homes in exchange for permission to build and are the biggest contribution to affordable housing supply. When it was introduced in 2001, it delivered only around 2,000 of 33,000 overall affordable homes in England. Since then it has become the primary vehicle for affordable delivery – with 48.9% of 57,185 affordable homes built in 2018/19 coming through the mechanism. Over the past five years, it has accounted for 82,490 affordable homes – 46% of all those built – and has been important in maintaining a supply of socially rented properties (13,458 in five years – 53% of the total).
11. Anecdotal evidence is that many housing associations, including smaller and medium-sized organisations, are moving away from reliance on buying from developers and increasingly taking the reins of their own development programmes; this gives them more control: the number of homes, where they are and the quality of them.
12. There is a recognition that the delivery of more homes is part of the solution in terms of getting the economy moving post COVID-19. History has shown housebuilding contributes greatly to economic recovery and better housing supports better health and wellbeing.
13. There are advantageous deals to be done in the current climate, especially considering many RP’s are reining in their development plans. Work is underway to identify, evaluate and appraise emerging opportunities across the City, and we have initiated an on-going dialogue with private developers/housebuilders/agents in the region.
14. The type of deals we are proposing require an agile approach to instructing solicitors and getting in contract, and failure to do this will probably result in the private developer/housebuilder walking-away. As a result, we feel it necessary and beneficial to seek delegated authority for the approval of individual schemes covered by this report, as they are likely to be over £500k and a Key Decision. Individual scheme approval reports will then be prepared for delegated approval, and these will need to demonstrate the scheme/s meet our approved hurdles and financial envelope.
15. Conditional offers have ‘in-principle’ been accepted on the following schemes:
 - Brooks Dye Works, St Werburghs (Acorn Property Group) – 24 homes
 - 60-66 East St, Bedminster (Firmstone) – 8 homes
 - Cedar House, Blackberry Hill, Fishponds (Vistry) – 25 homes (conversion project)
 - Little Paradise, Bedminster (Dandara) – 21 homes
 - Westmoreland Hse/Carriage Works, Stokes Croft – 10 homes
16. Brooks Dye Works, St Werburghs is likely to be the Council’s first S.106 scheme negotiated and secured from a private developer. The scheme is currently on-site and became available when Elim Housing decided not to proceed due to the current economic climate.
17. Staffing and any other costs associated with the report’s recommendations are to be contained within the service’s existing revenue budget.
18. The new Estate Regeneration Team will oversee the delivery of this programme, and has a number of experienced officers already in post with a track record of successfully negotiating and securing similar deals.

Cabinet Member / Officer Recommendations:

That Cabinet:

1. Approve the use of HRA Capital Programme funds (that were to be spent over the period 2021/22 to 2024/25) to purchase approximately 100 affordable homes from private developers/housebuilders.
2. Authorise the Executive Director of Growth and Regeneration in consultation with the Mayor (with appropriate legal, finance and procurement advice) to take all steps required to agree the terms of, and enter into contracts required to successfully deliver the proposed homes.

Corporate Strategy alignment: This proposal aligns with Corporate Strategy Commitment to creating a fairer more equal City for everyone. The Council is committed to building a better Bristol that includes everyone in the city’s success. It is here to take care of the economic, social and environmental wellbeing of Bristol alongside many other key stakeholders. It also seeks to address inequalities, unemployment and poverty in the City through access to

warm, secure affordable homes, to achieve a higher quality of life. A priority for the City is finding innovative ways of increasing the availability and affordability of a range of housing types and creating mixed and balanced communities where people want to live and work.

City Benefits: The proposal will facilitate the supply of additional affordable housing which will be of benefit to the whole City. Housing is at the heart of the Council's drive to improve the quality of life for residents and to create thriving communities and attractive places where people positively choose to live. Housing should provide a springboard to achieving a high quality of life and create the opportunity for all to thrive in mixed communities of their choice. Creating a mixed and balanced community with a strong sense of place and liveable environment, can help benefit mental and physical health, social interaction and security. It will also help create greater equality of opportunity and quality of life. The lack of affordable housing causes homelessness and the people who are owed a homelessness duty by the Council are disproportionately young people, disabled people, BAME people and lone parents who are mainly women.

Consultation Details: N/A

Background Documents:

1. Bristol City Council Corporate Strategy 2018 – 2023.
2. HRA Budget proposals for 2020/2021 (Cabinet, 21st January 2020) [LINK HERE](#)

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|--|------|--|---|
| Revenue Cost | N/A | Source of Revenue Funding | N/A |
| Capital Cost | £20m | Source of Capital Funding | Financed through revenue and capital contributions. |
| One off cost <input checked="" type="checkbox"/> Ongoing cost <input type="checkbox"/> | | Saving Proposal <input type="checkbox"/> Income generation proposal <input type="checkbox"/> | |

Required information to be completed by Financial/Legal/ICT/ HR partners:

Finance Advice: The proposals have no additional financial implications beyond those already considered in setting the capital programme for the years 2020/21 to 2024/25, but will re-schedule the amounts and timings of that expenditure, whilst remaining focused on service objectives. This is shown in the following table:

| Account Description | CURRENT CAPITAL PROGRAMME | | | PROPOSED CAPITAL PROGRAMME | | | |
|---|---------------------------|---|----------------|----------------------------|---|--------------------------------|----------------|
| | Budget | Budget | Budget | Budget | Budget | | Budget |
| | 2020 (Current Year) | Future Years 2021/22 to 2024/25 | Total | 2020 (Current Year) | Future Years 2021/22 to 2024/25 | Movement to/from 2025/26 | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Schemes contractually committed within the 5yr Capital Programme* | 25,209 | 26,320 | 51,529 | 25,209 | 78,812 | (52,492) | 51,529 |
| Schemes contractually un-committed within the 5yr Capital Programme** | 18,169 | 128,315 | 146,484 | 16,169 | 0 | 130,315 | 146,484 |
| New Proposal as per Cabinet Report | 0 | 0 | 0 | 2,000 | 18,000 | (20,000) | 0 |
| Total New Build / Land Enabling Works | 43,378 | 154,635 | 198,013 | 43,378 | 96,812 | 57,823 | 198,013 |
| <i>* Includes £0.8m Housing Festival, £6.0m Pre-emptions</i> | | | | | | | |
| <i>** Includes £4.6m Right To Buy buy back budget</i> | | | | | | | |

The financing of the Capital Programme will continue to be funded from new borrowing and Right to Buy Capital Receipts. The proposed additional spend on acquisitions in the current year will be funded by slippage in the original programme due to Covid 19.

Finance Business Partner: Wendy Welsh, Finance Manager - 10th September 2020

2. Legal Advice: The report authorises the purchasing of approx. 100 affordable homes, the homes in question have not yet been identified, nor the purchase terms. It will need to be ensured that the terms offer the Council best value in line with its statutory obligations.

The terms will also need to be considered to assess whether the Public Contracts Regulations 2015 apply (if so the Council must purchase the units via a compliant tendering process) and whether any State aid is present (State aid is

prohibited unless it falls under one of the available exemptions). Accordingly, the relevant Officers will need to ensure that legal advice is sought at an early stage both in relation to these points on all proposed transactions authorised by this report.

The Council's power to acquire property by agreement and at market value falls within the Local Government Act 1972 for the purpose of any of its functions or for the benefit, improvement or development of the area and the HRA may acquire land to provide housing accommodation funded by borrowing (subject to a prudential assessment), retained capital receipts or other HRA resources.

Legal Team Leader: Andrew Jones/Sinead Willis, Team Leaders, Legal Services – 7th September 2020

3. Implications on IT: No anticipated impact on IT Services.

IT Team Leader: Simon Oliver, Director - Digital Transformation – 1st September 2020

4. HR Advice: There are no HR implications evident.

HR Partner: Celia Williams, HR Business Partner (Growth and Regeneration) – 6th September 2020

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| EDM Sign-off | Stephen Peacock | 19 th August 2020 |
| Cabinet Member sign-off | Cllr. Paul Smith | 1 st September 2020 |
| For Key Decisions - Mayor's Office sign-off | Mayor's Office | 8 th September 2020 |

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| Appendix A – Further essential background / detail on the proposal | NO |
| Appendix B – Details of consultation carried out - internal and external | NO |
| Appendix C – Summary of any engagement with scrutiny | NO |
| Appendix D – Risk assessment | NO |
| Appendix E – Equalities screening / impact assessment of proposal | NO |
| Appendix F – Eco-impact screening/ impact assessment of proposal | NO |
| Appendix G – Financial Advice | NO |
| Appendix H – Legal Advice | NO |
| Appendix I – Exempt Information | NO |
| Appendix J – HR advice | NO |
| Appendix K – ICT | NO |
| Appendix L – Procurement | NO |