

Audit Committee

26th July 2021



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| Report of: | Executive Director Growth & Regeneration & Director Development of Place |
| Title: | Review of two Corporate Risks relating to Housing Delivery |
| Ward: | Citywide |
| Officer Presenting Report: | Elaine Olphert, Head of Housing Delivery Nick Bryant, Strategic City Planning Manager |

Recommendation

The Committee to note the update on the housing delivery risks and approach taken to manage and mitigate these risks.

Summary

This report provides an update on the Corporate Risk Register risks: CRR18 failure to deliver enough homes to meet the City's needs; and CRR32 failure to deliver enough affordable homes to meet the City's needs.

Policy

Audit Committee Terms of Reference require the Committee to consider the effectiveness of the Council’s risk management arrangements. In doing so the Committee seek assurance that action is being taken on risk-related issues.

Consultation

- 1. Internal**
Not applicable
- 2. External**
Not applicable

National Context

Homes England have advised the impact of Covid-19 on housebuilding is an overall decrease in starts and completions in 2020-21, compared to the previous year.

In late-March, construction insight data showed that almost 1,900 schemes had been closed or delayed, directly affecting the completion of nearly 240,000 new homes.

As construction workers returned to sites in April and May 2020, social distancing requirements continued to mean fewer staff and contractors on site. Partners reported reduced capacity on site and sites being mothballed increased the average build-out time by three to eight months, delaying completions and starts on site.

Levels of completions were the lowest since the first six months of 2015-16 and can also be attributed to the housebuilding slow-down caused by the pandemic. Though some sites were able to re-open relatively quickly after the first lockdown, backlogs in the supply chain meant that some schemes faced delays. Partners reported shortages of plasterboard, bricks, mortar and logistical challenges which caused bottlenecks as supply chains caught up with demand. The construction sector is still being affected by significant increases in costs of materials, supply chain delays and delays on site through the availability materials and of construction workers.

These issues are compounded by Brexit, particularly around material supply chain and labour market.

In total, 7,612 affordable homes were completed, a decrease of 26 per cent on the previous year.

Corporate Risk Register

The Corporate Risk Register risks covered by this report are CRR18 failure to deliver enough homes to meet the City’s needs and CRR32 failure to deliver enough affordable Homes to meet the City’s needs. For both risks there are several common key potential causes of the failure noted in the Risk Register: inability of the housebuilding industry to deliver at this level; increased uncertainty in the market due to Brexit and Covid-19; insufficient housing land identified in planning documents; not enough planning applications submitted; and not enough permission granted. Additionally, for CRR32 there are other key potential causes of the failure stated: lack of capacity within the council’s delivery

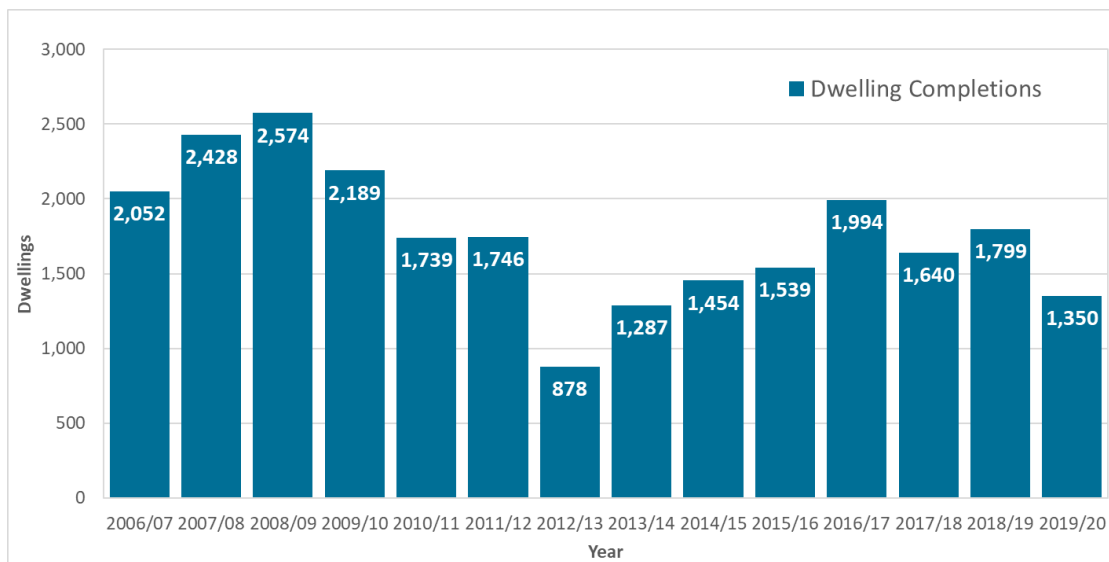
system and the local market; subsidy availability; and insufficient land available.

The biggest immediate impact on housing delivery both within Bristol and nationally comes from the combined effects Brexit and the Covid pandemic.

CRR18 – Failure to deliver enough homes to meet the City’s needs

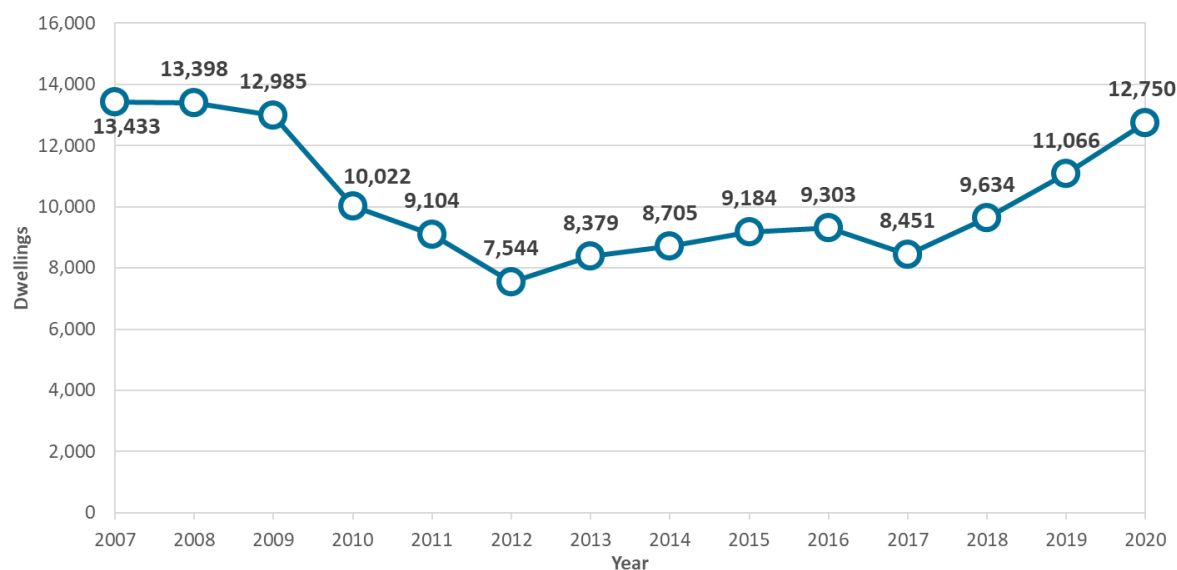
Whilst there has been a recovery in dwelling completions since 2012/13, following the global financial crisis in 2007-2008, there has been a downward trend in completions over the last three years (see Figure 1 below, note figures include student accommodation). Patterns of housing delivery in Bristol appear to be closely related to the state of the economy and the housing market.

Figure 1: Dwelling completions per year (net) in Bristol 2006-2020 (Source: Bristol City Council)



Even though the number of dwelling completions has fallen recently, the number of homes with planning permission continues to grow and in March 2020 there were planning permissions and sites agreed subject to s106 agreements in place to enable the delivery of a further 12,750 homes (see Figure 2 below). This suggests that the available capacity to deliver new homes is not being implemented by the housing sector, possibly due to economic uncertainties.

Figure 2: Dwellings with planning permission or agreed subject to s106 in Bristol (Source: Bristol City Council)



The recently published Five Year Housing Land Supply Assessment 2020 to 2025 (June 2021) also confirmed that Bristol had five year ‘deliverable’ supply of land for 10,579 dwellings, in line with the definition in the Government’s National Planning Policy Framework (NPPF).

In relation to overall housing delivery, the most significant key potential causes of the failure appear to be the inability of the housebuilding industry to deliver at this level and increased uncertainty in the market due to Brexit and Covid-19.

Key mitigations for meeting housing needs

Several actions are being carried out to support overall housing delivery and mitigate the risks identified:

- The Spatial Development Strategy (SDS) is being developed by the West of England Combined Authority and the statutory consultation on the SDS anticipated to take place in Spring 2022.
- Work to review the Local Plan is continuing and the consultation on the next stage is dependent on the progress of the SDS.
- Progressing Bristol’s Development was published in October 2020, which set out the approach to development of the city.

- A Housing Delivery Test Action Plan was published in August 2020 and is due to be updated in 2021.
- Housing Programme – bringing forward the development of sites particularly in Lockleaze, Southmead and Hengrove.
- Establishing and supporting the local housing company Goram Homes with an active pipeline of BCC sites for development.
- New Council Homes Programme - A significant number of homes are being delivered through the Housing Revenue Account.
- Supporting the Bristol Housing Festival and Innovate UK grant - Modern Methods of Construction.
- Carrying out public and stakeholder engagement in several Areas of Growth and Regeneration including Frome Gateway, Central Bedminster, Temple Quarter, and Western Harbour.

It should be noted that whilst the actions identified above will help to mitigate the risk of under delivery of housing, the Council's role is principally in the enabling of development, rather than direct delivery. The Council will continue to monitor delivery against housing targets and seek to ensure an on-going deliverable supply of housing land to provide a pipeline of consents but the proportion of dwellings delivered by BCC through regeneration / affordable housing is a relatively small component of housing completions.

CRR32 - Failure to deliver enough affordable Homes to meet the City's needs

There are some direct correlations between the risks and mitigations for overall housing delivery and affordable housing delivery, however the monitoring and governance surrounding the two issues is very different.

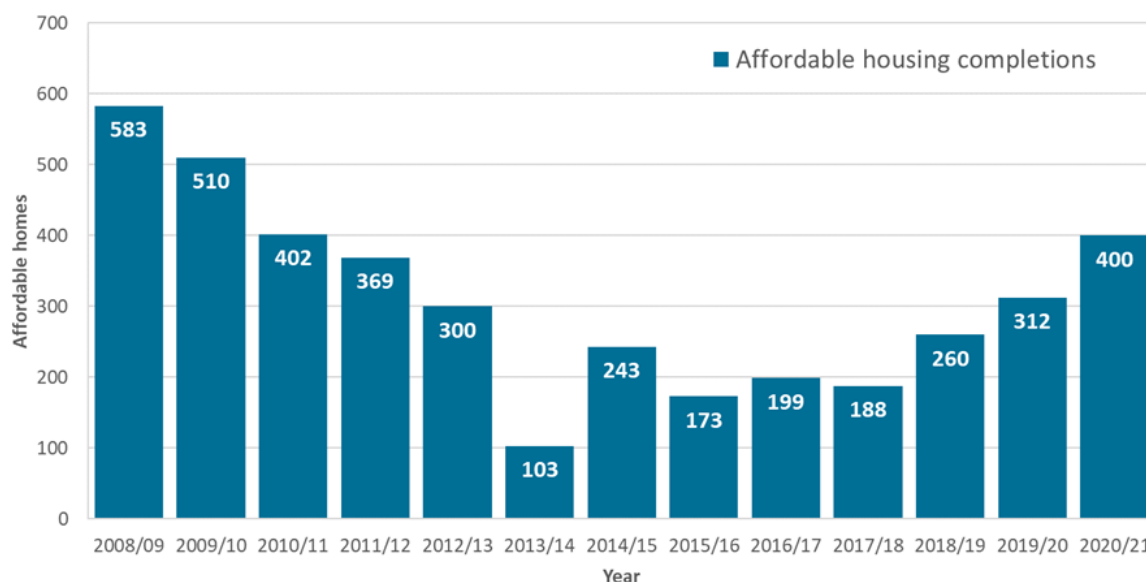
Affordable housing is delivered where the cost of developing or securing an affordable home is subsidised, enabling it to be sold or rented to a household in housing need at less than market value. The greater the discount from market value, the more affordable the home but the more subsidy is required to secure delivery. Subsidy can come from a developer (planning-led delivery through s106), in the form of capital funding from Homes England and / or the Council, through Right to Buy receipts and through the discounting of land. Not all affordable homes are captured as part of the overall Planning monitoring and completions are assessed using different criteria.

It is important to note that mitigations against the 'CRR18 failure to deliver enough homes to meet the City's needs' risk, and improvement on delivery, do not automatically result in an increase in affordable housing delivery. Student housing, C2 extracare, permitted development conversions and delivery through small sites (under 10 homes) do not allow the Council to secure affordable housing but contribute significantly to housing targets.

Affordable homes have traditionally been delivered by the Council's Registered Provider (RP) partners but in more recent years the City's supply is also being developed by the Council through direct delivery, by Build to Rent providers, Community-led housing groups, the charitable sector, Alms

houses and ethical investors. Looking forward private developers will be directly responsible for the delivery of First Homes.

Figure 3: Affordable Housing Delivery 2008-2021



The Housing Delivery Team was established in 2017, with the remit of accelerating and improving delivery of homes in the City on Council-owned assets. A new and better resourced Housing Strategy and Enabling Team (S&E) was created in 2020 to support the delivery of affordable housing.

The current delivery target for 2021/22 is 450 affordable homes. These are forecast to be delivered as a range of RP s106 (planning led) delivery, RP-led delivery, Council house building and acquisitions, RP acquisitions and specialist supported housing delivered by non-RP partners.

Key Mitigations to meet Affordable Housing Needs

Many of the mitigations to address the risk of not meeting affordable housing needs form part of the wider delivery of homes for the City, outlined above. In addition to these, delivery of affordable housing is being maximised by:

- Working Closely with Homes England to ensure additional subsidy is brought into Bristol by our RP Partners and to support HRA delivery.
- Acquisition of additional affordable homes from developers to bolster the HRA stock.
- De-risk the outstanding allocated sites in the City to prepare a pipeline of investable development opportunities for future delivery.
- Ensure affordable housing is negotiated to policy requirement on all eligible housing sites.
- Developing new frameworks for working collaboratively across different BCC service areas to resolve issues that exist on Residential Planning applications and conditions discharge.
- Review & amendment of Affordable Housing Practice note in 2021/22, creating an up to date framework to secure affordable housing that reflects national planning policy changes.
- Requiring Policy Compliant AH on all land released by the Council and seeking additional AH where possible to increase delivery above policy levels
- Supporting a programme of community-led housing delivery on council land

- Maintaining an active and enabling relationship with RP Partners to increase provision of affordable housing at every opportunity
- Working at the WoE, sub-regional level to develop robust affordable housing policies in the WECA Spatial Development Strategy that establish a framework for the Affordable Housing policies development in the new Local Plan

Recording and monitoring Affordable Housing Delivery

The Council's Strategy & Enabling Team holds the performance monitoring role for the delivery of affordable housing and has a dedicated Intelligence Officer to undertake this function.

A new and robust Monitoring system has been developed for 2021/22 which seeks to provide a framework to collect delivery data at a unit level, allowing us to record very detailed information that can reflect small changes in reporting unit starts on sites and completions. Previously monitoring was carried out at scheme level, which did not allow such accuracy in reporting.

Data is gathered directly from Providers by way of a quarterly return to support the data entry requirements of Spar.net. The provider will usually record a completion as the point at which a dwelling is 'handed over' by developer or contractor as ready for occupation, or the date it is acquired from a developer or the market. Exceptions to this approach are identified at an early stage and monitored carefully to ensure units are not missed from data capture.

Pipeline forecasting will now be RAG rated to prevent over forecasting of future delivery.

A better resourced Strategy and Enabling Service allows for greater opportunities to work with affordable housing providers to ensure information gathered is accurate and robust, whilst also enabling early identification of barriers to delivery and opportunities for the Council to work to resolve these and challenging under delivery where required.

Reporting and Governance

Affordable housing delivery was considered at Growth and Regeneration Scrutiny Commission in September 2020. The purpose of this was to give an update regarding affordable housing delivery trajectory and focusing on the range of delivery routes, tools and interventions that facilitate affordable housing delivery in the City.

Strategy and Enabling now complete a monthly Growth and Regeneration Highlight Report which includes delivery information and RAG rates risks to delivery. It also reports quarterly to the Council's Housing Delivery Board on monitoring.

Data reported through Spar.net is managed and reported in accordance with the Council's established Corporate reporting cycle.

Assurance Mapping of CRR18 and CRR32

Working with Internal Audit, sources of assurance in place relating to these risks have been mapped to identify any significant gaps in ongoing assurances. The assurance map is provided at Appendix A and demonstrates the processes in place that give line management assurances that risk mitigation is operating effectively (first line). Additionally, it demonstrates the risk oversight arrangements (second line) and any external assurance sources of assurance (third line). From this it can be seen that mechanisms are in place to monitor and assure how effectively the actions being taken, as detailed in this report, are mitigating these risks.

The Assurance Mapping Commentary is appended to this report (appendix 1)