

Appendix A2 – Framework for a New Affordable Housing Funding Policy 2022-25

Introduction:

At its meeting of 7th March 2017, Cabinet gave delegated authority to the Strategic Director Place, in consultation with the Cabinet Member for Homes and Communities, to approve the Affordable Housing Funding Policy (AHFP) and authorise grant funding payments to HomesWest Bristol Registered providers. The AHFP formed a key strand of work to support the 2017-2020 Housing Delivery Plan. It was later updated to support the allocation of BCC affordable housing grant to community-led and specialist housing organisations, following a Cabinet decision on 2nd April 2019.

The AHFP existed in a different financial environment than the Council is currently operating. It was established to encourage the accelerated delivery of affordable homes by the allocation of significant levels of capital subsidy. It also sought to redress the Government funding priority for shared ownership at the expense of funding rented homes.

A review of the Grants Policy was agreed as part of the Improvement Plan responding to the 2020 Audit of the AHFP.

During its operation, the Council has awarded £29,419,058 of capital grant to 26 developments, funding the delivery of 647 affordable homes and facilitating the delivery of enhanced sustainability measures, the use of Modern Methods of Construction (MMC) and the delivery of wheelchair accessible homes. As at 31st of December 2021, 153 Bristol City Council funded affordable homes have been completed on 11 developments, with the balance under construction or starting on site in 2022/23. All funded homes are programmed to complete by March 2023/24.

The ambition to see an accelerated programme of delivery has been less successful than anticipated, largely due to delivery being severely impacted by Covid and Brexit. Disruption to the construction industry has been noted at a national and local level.

The Council is now operating in an environment of a constrained capital budget and the previous approach to supporting affordable housing delivery with pre-set grant allowances is no longer considered the most appropriate route to financially supporting affordable housing delivery. Homes England have confirmed that they will take on a greater funding role for delivery in the City and will be supporting the development of social rented homes across Bristol.

The current un-allocated budget for affordable housing funding stands at (as at 31st December 2021):

- £5.4m of the approved AHFP capital budget. The budget included the use of £2m of AH commuted sums
- £42,000 of additional commuted sums

This funding is likely to marginally increase as additional Commuted sums are received:

- payment of £200,000 due into the Council before 31/03/22
- A further £735,000 of AH Commuted sums are secured in S106 agreements on sites in active development and are anticipated in 2022/23.

(note: we cannot allocate these funds until they are held in BCC accounts)

The Government's new First Homes product is likely to generate ring-fenced capital income to the Council that will need to be allocated for the provision of additional First Homes units. First Homes are a discounted sales model of affordable housing that will be secured as part of planning policy from the 31st of March 2022. The equivalent discount sum will be paid to the Council if a unit does not sell within 6 months of its first or subsequent sales. (link FH Practice note on web site?)

The Council is actively working with a number of Community-led housing organisations to deliver affordable homes on council-owned land. These projects were predicated on the expectation of significant levels of capital subsidy support. It is proposed to open a targeted bidding round for this CLH delivery as the fairest and most transparent way to allocate the limited, current available budget. This approach is not supported by the current policy. The assessment criteria for bids does not currently include the refined scoring required to rank schemes if the total cost exceeds the available budget.

Other service areas may periodically have capital funding to be allocated for specialist affordable housing delivery, for example there is currently capital funding sitting with the Better Lives at Home team to support the future delivery of Extracare and housing with care and support. A new policy framework could provide a robust and transparent mechanism of the allocation of any affordable housing subsidy the Council has to award.

Proposal

A revised AHFP policy will:

1. Establish the Council as the gap funder of affordable housing subsidy – requiring a robust scheme appraisal evidencing that every measure available has been taken to create a viable and deliverable scheme without AHFP support (ie maximising Homes England funding, use of Recycled Grant Fund / Disposal Proceeds Fund, internal reserves, maximising rental return or sales incomes (within an affordable context)). BCC would expect to fund the lowest level of BCC grant support required to make the scheme viable.
2. Remove the current schedule of grant allowances and supplementary grants
3. Create a more refined scoring system that supports a competitive ranking of bids if required. Focus will be on meeting identified affordable housing need, financial robustness, deliverability, value for money and addressing wider Corporate aims including social value and equalities.
4. Require better evidencing of development cost assumptions and introduce the option of independent, professional scrutiny of development appraisal costs for schemes as required
5. Create a requirement for non-RP providers to adhere to BCC Governance and Management Standards
6. Give Delegated Authority to Executive Director, in consultation with appropriate Cabinet lead/s, to set targeted bid rounds to meet specific Corporate aims, to fund specific projects and / or open a general AH bid round/s as funding becomes available. These will be supported by an Equalities Impact Assessment to support decision making.

7. Give Delegated Authority as above to approve additional scoring requirements to allow sector-specific assessment of bids if needed. (ie Extracare housing, supported housing / CLH)
8. Support housing delivery by a range of affordable housing providers in the city, including HomesWest Registered Provider Partners, Community-led Housing organisations and specialist housing providers
9. Provide a flexible framework for the allocation of all affordable housing subsidy that the Council may seek to award.

The proposed new policy will carry through some current policy positions:

- A focus on the delivery of rented homes, allocated through the Council's HomeChoice system
- Established arrangements around bid submission and appraisals, decision making process, governance, grant payment and legal grant agreement
- It will maintain the Executive Director role in approving grant allocations, in consultation with the appropriate Cabinet lead/s.

This proposed approach means the council will have a robust Affordable Housing Funding Policy that establishes the broad parameters around funding support for affordable housing but gives flexibility to target delivery without returning to Cabinet each time a different funding priority arises.

An AHFP bid round for Community-led Housing

Following shortly after the adoption of the revised AHFP, it is proposed to hold a targeted bid round for Community-led Housing delivery. Clear additional criteria to enable a robust assessment of CLH delivery will be developed to supplement the baseline scheme assessment information.

It is anticipated this bid round will be targeted towards any Community-led housing scheme where the CLH Group already has an established interest in a Council site (i.e. has a preferred bidder status awarded and is negotiating Heads of Terms for disposal)

A Delegated Decision will be made by the Executive Director for Growth & Regeneration, including consultation with the Cabinet Member for Housing Delivery and Homes, around the timing and specific terms of this proposed bid round.