

# Decision Pathway – Report

**PURPOSE:** [Key decision](#)

**MEETING:** Cabinet

**DATE:** 05 September 2023

<b>TITLE</b>	Trinity Road Police Facility – Strategic CIL Request	
<b>Ward(s)</b>	Lawrence Hill	
<b>Author:</b> Louise Davidson	<b>Job title:</b> Housing Strategy and Enabling Manager	
<b>Cabinet lead:</b> Councillor Tom Renhard – Cabinet Member Housing Delivery and Homes	<b>Executive Director lead:</b> John Smith, Interim Executive Director Growth and Regeneration	
<b>Proposal origin:</b> <a href="#">BCC Staff</a>		
<b>Decision maker:</b> <a href="#">Cabinet Member</a>		
<b>Decision forum:</b> <a href="#">Cabinet</a>		
<b>Purpose of Report:</b>		
<p>To seek Cabinet approval to support the Guinness Partnership (Guinness) with the delivery of a neighbourhood police facility through the allocation of strategic Community Infrastructure Levy (CIL) of c. £1.5m. as part of their mixed-use development at Trinity Road (Trinity Road Police Station Trinity Road Bristol BS2 0NW) that is delivering 104 affordable homes.</p>		
<b>Evidence Base:</b>		
<b>1. Introduction</b>		
<p>1.1 Guinness are one of the Council’s HomesWest affordable housing delivery partners and they are actively delivering high quality affordable homes at MacArthur’s Yard (17/03139/F). They are committed to bringing this mixed-use scheme known as Trinity Road Police Station (21/04338/F) which comprises of 104 no. one, two and three bed apartments, a police facility, and a commercial unit (flexible use class), together with open space, landscaping, parking and associated and ancillary development forward.</p>		
<p>1.2 Full planning permission was granted for this site on 3 August 2023 subject to conditions.</p>		
<p>1.3 Throughout the planning process Guinness have proposed delivering the housing element of this scheme as 100% Affordable Housing. The site is in the fast-track zone so 80% of the homes will be additional to those secured through Planning.</p>		
<p>1.4 This development will deliver 104 units of affordable housing to the city centre, and will significantly contribute to the Project 1000, supporting the Mayor’s aspiration to see the delivery of 1000 affordable homes a year from 2024.</p>		
<p>1.5 Guinness are preparing to commence development in 2023/24. However, concerns around the viability of the scheme have arisen due to significant divergence between the cost of delivering the scheme and income from shared ownership sales and rent since the scheme was first appraised in mid-2019.</p>		
<p>1.6 Due to the divergence in costs, there was a viability gap of c.£7.1m, Guinness have reduced this to the current</p>		

£4.1m funding gap. Guinness are committed to delivering these affordable homes and exploring additional funding streams, to further reduce the gap (this is further explained in the report).

## **2. Background information – The Site**

2.1 The Trinity Road Police Station site falls within the ward of Lawrence Hill Ward which is in ‘inner east’ Bristol. The site is also within the Old Market Neighbourhood Quarter Planning Area, which is subject to the Old Market Neighbourhood Development Plan.

2.2 The site is also closely situated to the Frome Gateway Projects core regeneration area. Frome Gateway has been identified as an ‘Area of Growth and Regeneration’ in the council’s emerging Local Plan and the Frome Gateway project is aiming to bring forward new workspaces, community facilities and up to 1000 new homes which will be delivered over a 10–15-year period.

2.3 The site was formerly a police station, and currently owned by Police and Crime Commissioner for Avon and Somerset. The decision was made to sell the site because it does not meet the police force’s operational requirements. However, the Guinness’s land purchase contract requires them to construct a new neighbourhood police facility that is fit for purpose (see appendix A1 for Trinity Rd – Police Facility Plans) – forming part of the proposed development and comprising approximately 480sqm – in accordance with an agreed specification, within 36 months of the land purchase date. Guinness have informed the Strategy and Enabling team that the cost of providing this facility will be c.£1.5m.

2.4 Avon and Somerset Police and the Police and Crime Commissioner have confirmed that they are committed to keeping a police station with an enquiry office in the Trinity Road area which will serve the Bristol East community. In addition, the Bristol East community is expanding including new homes being delivered through the Frome Gateway regeneration area as well as the new housing delivery in Old Market Street, Avon Street and St Philips. These will all require a new fit for purpose neighbourhood police facility.

2.5 The inner east zone of Bristol has some of the highest demand for housing in particular affordable housing, with 2,969 households with live housing register applications as of April 2022. This is the second highest number of applications out of the eight housing zones. The highest demand is for one-bed properties followed by two beds, with these types of properties experiencing a far greater turnover. The wait time for these property sizes is also significantly shorter when compared to three bed homes and above (see appendix A2 for the 2022/23 inner east housing profile).

2.6 In Lawrence Hill there are eight schemes in the affordable housing delivery pipeline that are set to deliver a total of 225 affordable homes over the next 5 years. The Trinity Road scheme proposed by Guinness makes up 46% of this pipeline delivery. It is the largest Registered Provider (RP) led scheme in the area and is currently forecast to acquire the site and start construction works in quarter three of this financial year.

## **3.0 Background Information – The Proposed Development**

3.1 The development proposed is set to deliver 104 residential units. The mix of the residential accommodation proposed is set out below:

- Block A includes 52 units (24 X 1beds, 21 X 2beds, and 7X 3beds)
- Block B includes 19 units (11 X 1beds and 8 X 2beds)
- Block C includes 33 units (23 X 1beds and 10 X 2beds)

3.2 Overall mix: 58 (55.8%) X 1- beds, 39 (37.5%) X 2- beds, and 7 (6.7%) X 3- beds and includes three fully accessible wheelchair user dwellings. All will be provided as affordable homes with a proposed tenure split of 37 (36%) Social Rent and 67 (64%) Shared ownership (see appendix A3 for 100% Affordable Trinity Rd Accommodation Schedule).

3.3 The land deal was won competitively by Guinness in 2019, in a strong open market environment. Despite current build costs and values, the land market in Bristol remains buoyant through scarcity of supply.

#### 4.0 The Funding Gap

4.1 The design of the scheme has remained largely fixed for the last two years. However, there have been delays in the projected Start on Site (SOS) date as well as extensions to the build programme. This has meant that the scheme has been affected by the exceptional levels of build cost inflation the industry has been subjected to in recent times which has been well reported nationally. The sector has gone from relatively benign inflation levels of a few percent per annum to double digit figures. Meanwhile, house prices are deflating and may take some time to recover to the required levels. Consequently, the Total Scheme Cost (TSC) has risen. This has had a significant impact on the viability of the scheme and contributed to a funding gap (Cabinet is referred to exempt appendix I1 for Trinity Road Costs Evidence).

4.2 Guinness have worked with the Council and Homes England to address the viability gap and have been able to reduce the gap down from £7.1m in January 2023 to the current figure of £4.1m.

4.3 Guinness have been able to increase the funding allocation for this scheme as part of renegotiating their Strategic Partnership (SP) contracted grant rate with Homes England, bringing an additional circa £2m to support the increased costs of delivering the scheme. Under the terms of their SP contracts, RPs are not allowed to disclose the individual grant rates they have secured for delivery of new homes.

4.4 In addition, Guinness are also allocating £5.855m of internal subsidy in the form of Recycled Capital Grant Funding (RCGF) (£2.895m) and Net Present Value subsidy (£2.960m).

4.5 Guinness have carried out the following to reduce the funding gap:

- Rationalisation of the scheme through the design process, resulting in a more efficient design
- Review of value engineering options
- Negotiation on main contractor OH&P and preliminary costs
- Interrogation of sub-contractor packages
- Sought to re-negotiate land value
- Secured additional funding from Homes England

4.6 Despite this, there exists a funding gap of £4.1m, which equates to more than £39K/unit. Included in this figure is £1.78m which relates to infrastructure costs including the c.£1.5m cost of providing the neighbourhood police facility.

4.7 A summary of the infrastructure costs breakdown of the of is provided below (Cabinet is referred to exempt appendix I1 for Trinity Road Costs Evidence which includes a detailed breakdown of infrastructure costs):

- Police Station Works including OH&P and specialist installation to Police station - £1.43m
- Infrastructure Costs (including District Heating Connection Costs) - £214K
- Play areas/Green areas (Including OH&P) - £146K

4.8 Guinness have carried out internal development viability assessments based on the costs they have for the project. A second challenge facing the RP is that the total scheme costs as April 2023 are £34.784m against a forecast open market value of £29.255m, resulting in a current cost to value of 119%. This means that the cost of delivering the scheme is higher than the projected income/value of the completed scheme which creates a negative cost to value.

4.9 This TSC for the development includes the cost of delivering the police facility which, as part of the negotiated land deal, nets Guinness no rental income. There is a strong possibility that TSC will increase further because of on-going discussions over the terms of the build contract. However, Guinness acknowledge that there is a negative cost to

value on this scheme and are willing to accept this as part of their wider development programme parameters.

4.10 Guinness acknowledge that even if strategic CIL funding of up to £1.5m is allocated to support the delivery of the neighbourhood police facility there will remain a funding shortfall. This means that the scheme's financial performance fails Guinness' standard Scheme Acceptance Criteria against which all schemes are assessed at Board approval stage. However, Guinness's Board have given approval for the scheme to go ahead despite this, subject to securing the BCC funding of £1.5m to reduce the deficit. Guinness continue to look at ways to reduce the level of strategic CIL required and further close this gap. They have already approached Homes England to explore the opportunities for infrastructure funding through the recently launched Brownfield, Infrastructure and Land Fund (announced at the end of July 2023). Closing the funding gap remains the responsibility of Guinness.

4.11 Guinness are committed to delivering high-quality long term affordable housing for the city on this site. However, if BCC funding is not awarded, there is a strong possibility that they will not be able to deliver the scheme, because the viability gap will be too large.

## **5. Strategic Community Infrastructure Levy (CIL)**

5.1 CIL guidance from DLUHC on spending the levy advises that it can be spent to "fund a wide range of infrastructure, including transport, flood defences, schools, hospitals, and other health and social care facilities". The CIL guidance goes on to explain that the definition allows for the levy to be spent on a very broad range of facilities which includes police stations and other community safety facilities.

5.2 The inclusion of a new neighbourhood police facility is essential to the delivery of the overall development including the 104 affordable homes proposed by Guinness. The land purchase deal will not go ahead if a new facility is not provided. It will also benefit the wider community as the police facility will serve Bristol East. However, the cost of providing this is adding extra pressure on the viability of the scheme and the risk is that Guinness are not able to progress which would result in a significant loss of affordable homes being delivered in Lawrence Hill.

5.3 Strategic CIL cannot be spent on affordable housing therefore it cannot be used to support the costs of infrastructure relating to the residential elements of the Trinity Road scheme. This means that if c.£1.5m of strategic CIL is allocated to the fund the neighbourhood police facility there will still be a funding gap of c.£2.6m.

5.4 The Councils Housing Strategy and Enabling team are also exploring the use of the Affordable Housing Funding Programme to support the Affordable Housing delivery and this will be following its separate policy-led decision pathway alongside the strategic CIL decision making. This may reduce the level of strategic CIL required, hence the request for the approval of up to £1.5m.

5.5 The amount of strategic CIL available changes on a day-to-day basis. Currently the Council has a negative CIL balance, meaning more has been allocated than is held at the moment. However, the Council's Planning Obligations Manager has advised that this is not relevant in determining whether to allocate CIL to the Trinity Road neighbourhood police facility as some of the existing CIL allocations will be drawn down over a 10-year period. The Council's Planning Obligations Manager has also advised that if Cabinet agree to allocate c.£1.5m strategic CIL to the new police facility, with the intention that it will be drawn down sometime between 2023/4, and 2025/6; then this would not cause any adverse issues for Strategic CIL cashflow.

5.6 Strategic CIL funding will only be allocated by Bristol City Council when Guinness determine this is a viable scheme.

## **6. Next Steps**

6.1 If Cabinet supports the request of funding support through the use of strategic CIL, the relevant officers will go on to negotiate and agree terms with Guinness to transfer Strategic CIL funds of up to £1.5m to deliver the neighbourhood police facility on the Trinity Road Police Station scheme.

6.2 Once Guinness receive confirmation of the Council's agreement to formally secure the use of Strategic CIL to support the delivery of the police facility, they will:

- complete on the purchase of land at Trinity Road
- enter into contract with their chosen building contractor.

### **7. Timescale/deadline**

7.1 In order to ensure the delivery of this 100% Affordable Housing Scheme, decisions on whether BCC will support Guinness financially need to be made by September 2023 so that Guinness can progress the scheme as intended:

- Start of enabling works / demolition: Quarter 3 -2023/24
- Start on site: Quarter 4 -2023/24
- Practical Completion: Quarter 4 -2025/26

### **Cabinet Member / Officer Recommendations:**

That Cabinet:

1. Authorise the Executive Director Growth & Regeneration (with the agreement of the S151 Officer, and in consultation with Cabinet Member for Finance, Governance & Performance, and Cabinet Member for Housing Delivery and Homes) to take all steps required to negotiate terms and enter into an agreement with the Guinness Partnership for the drawdown and spend of Strategic CIL funds of up to £1.5m to deliver the neighbourhood police facility on the Trinity Road Police Station scheme.
2. Note strategic CIL will only be committed when Guinness has determined that the scheme is viable and has commenced work on site. The final strategic CIL figure will be determined prior to finalising any funding agreement, when a full and detailed final viability appraisal from Guinness has been provided and an agreement has been made internally as to how much shall be allocated.

### **Corporate Strategy alignment:**

1. Authorising the use of Strategic CIL funds to support the delivery of the new neighbourhood police facility that will sit within a 100% Affordable Housing development aligns to the principles and themes of Bristol's Corporate Strategy 2022 to 2027 as it directly addresses the theme Homes and Communities as well as the following principles:
  - Development and delivery
  - Equality and Inclusion
  - Resilience
  - Environmental Sustainability
2. This will enable the delivery of new affordable homes and ensure that citizens in the neighbourhood continue to feel safe and secure. The new homes will significantly contribute to the new supply of affordable homes in Lawrence Hill, and to meeting the Council's Project 1000 targets.

### **City Benefits:**

1. This proposal will directly benefit the city and improve the outcomes for citizens because it will ensure that a fit for purpose neighbourhood police facility is delivered which will mean that there continues to be a visible and accessible police presence in the area which is important to local businesses and existing residents. This facility

will mean that the East Bristol Neighbourhood Policing team are able to continue to engage with the community, promote community safety.

2. On top of this authorising the use of strategic CIL to support the costs of building the police facility will mean that Guinness are able to bring the residential element of the proposed mixed-use scheme forward as 100% Affordable Housing this will contribute to the following:

- Increased supply of affordable housing in the inner east including homes that will be let at social rent and will be allocated to people on Bristol’s housing register including people that are currently in emergency homeless accommodation. Guinness are committed to working with the Council to explore how they can help meet key current issues including housing for people that are homeless through the allocation of these homes.
- Meeting the housing needs of people living with physical disabilities and mobility problems including people that are dependent on wheelchairs. The scheme proposed will deliver no.3 homes that meet Building Regulation ‘wheelchair user’ requirements apartments and the remaining apartments will meet M4(2) ‘accessible and adaptable’ standards.
- The overall development will meet the Councils sustainability and energy policies which will result in homes that are warm and more affordable to heat. Also, the scheme will essentially be car-free, and will be connecting to the district HEAT network.
- The accessible location that is close to public transport links and will mean that people are easily able to access employment and education in the area.

**Consultation Details:**

1. Development has had full consultation through the planning process and no further consultation around the CIL decision will be proposed.

**Background Documents:**

[Report to Development Control Committee A – 24 August 2022 - Application No. 21/04338/F: Trinity Road Police Station Trinity Road Bristol BS2 0NW](#)

Trinity Road Police Station 21/04338/F: [Demolition of existing police station and redevelopment of mixed-use scheme comprising 104 no. one, two and three bed apartments, a police facility and a commercial unit \(flexible use class\), together with open space, landscaping, parking and associated and ancillary development. | Trinity Road Police Station Trinity Road Bristol BS2 0NW](#)

<b>Revenue Cost</b>	n/a	<b>Source of Revenue Funding</b>	n/a
<b>Capital Cost</b>	Up to £1.5m	<b>Source of Capital Funding</b>	<b>Strategic Community Infrastructure Levy (CIL)</b>
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:**

**1. Finance Advice:** After financial due diligence the proposal outlines the conditions that are applicable prior to any allocation of strategic CIL, that in the updated business case will be assumed to be no more than £1.5m investment funding for infrastructure, particularly the police site, at Trinity Road.

- Prior to allocating any Council resources including CIL and or commuted sums complete due diligence (over and above that already progressed) will be carried out to ensure no external resources are available that can’t be funded from within Guinness own resources to minimise the amount of Council funds needed to support this Housing project.
- It should be noted that CIL is fully allocated and should the CIL cashflow materially change this could put at

risk the delivery timeframe of those schemes currently planned to be funded by CIL.

- See full financial appraisal template including net present value tests that confirm the funding gap after viability assessment.
- The Capital Strategy and Treasury Management Strategy includes an affordability principal to ensure the cost of capital financing does not exceed 10% of general fund net revenue budget over the medium to long term. Council reports presented in February indicate a forecast level of circa 9% but due to the changes to the global economy, the forecasted interest rates are generally 1% to 1.5% higher in the shorter to medium term bringing the affordability principal forecast closer circa 10%, preventing any further borrowing without the necessary approval, for this reason there is a condition applied to the release of CIL to the project that all other funding avenues available to Guinness must first be exhausted. Inflation pressures, cost overruns and higher borrowing costs are a significant risk to the delivery of capital projects. Robust procurement and delivery process will be essential for Guinness (and agreed under open book principles) to ensure costs do not escalate that could risk the planned delivery and in the event that happens be funded by Guinness.
- In the event that CIL is fully allocated, and additional borrowing is needed to support this project this would cause a revenue pressure of circa £82k per annum that will need to be funded from within existing budgets.
- The drawdown of funding to Guinness will be progressed as and when the neighbourhood police facility is constructed, ensuring the funding is utilised appropriately.

There would be no other direct contribution or cost to the Council of this proposal, but this would enable additional affordable homes to come to the market.

The strategic CIL can be used for this infrastructure as long as there is a clear boundary to ensure that the funding will not be aligned to the affordable housing element, however this would overcommit the existing available strategic CIL currently available and relies on future CIL receipts to enable. Pipeline of CIL spend currently indicates that this is a reasonable position as there are significant proportions of the current commitments that fall into future years, by which point further CIL sums would have been receipted.

This would not represent funding of a council owned asset, there are therefore no ongoing costs of maintenance and improvement that would be required by the Council as a result.

**Finance Business Partner:** Richard Young, Head of Strategic Finance, 11th August 2023

**2. Legal Advice:** Whenever the Council procures good, works and/or services, where the value is over certain thresholds, it will need to comply with the Council's Procurement Rules, and/or the Public Contracts Regulations 2015. There are exceptions including where a contract for works does not include a binding obligation to build (but merely to return the funds where the works are not provided). The relevant officers should seek legal advice prior to taking any steps to have the works carried out in relation whether these works need to be procured in accordance with the relevant regulations or fall under one of the available exceptions.

Whenever the Council provides a subsidy, regardless of the form it takes (e.g. grant funds including CIL, loans, land at an undervalue etc) to another organisation, it needs to ensure such subsidies are permitted under the Subsidy Control Act 2023. The report seeks authorisation to make CIL funding available to the Guinness Partnership. As above, the relevant officers should seek legal advice to ensure making such funding available is permitted under the Subsidy Control Act 2023.

The relevant officers should also ensure that the CIL funds will be repayable either in the event that the police station and/or the affordable housing is not built. The Council is providing funds to support the development of this area, including the provision of the affordable housing and needs to ensure this takes place.

S216 of the Planning Act 2008 and Regulation 59 of the CIL Regulations 2010 (as amended) permit the use of CIL monies to support development in the Council's area by permitting the provision, improvement, replacement, operation, or maintenance of infrastructure that includes community facilities. The proposal included within this report to allocate £1.5 million of CIL for the provision of a Police community facility is permitted by the Act and the Regulations. The funds so allocated cannot be used for any other purpose.

<b>Legal Team Leader:</b> Sinead Willis, Team Manager: Commercial and Governance, 11 August 2023		
<b>3. Implications on IT:</b> I can see no implications on IT regarding this activity.		
<b>IT Team Leader:</b> Alex Simpson, Lead Enterprise Architect, 13 July 2023		
<b>4. HR Advice:</b> There are no HR implications evident		
<b>HR Partner:</b> Celia Williams, HR Business Partner 26 June 2023		
<b>EDM Sign-off</b>	John Smith – Interim Executive Director Growth and Regeneration	5 July 2023
<b>Cabinet Member sign-off</b>	Councillor Tom Renhard – Cabinet Member Housing Delivery and Homes	11 July 2023
<b>For Key Decisions - Mayor's Office sign-off</b>	Mayor's Office	7 August 2023

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