



Affordable Housing Funding Policy 2019

1. Purpose

The Mayor of Bristol has set out the objective 'to build 2,000 new homes – 800 affordable – a year by 2020'. In response to this the Council has established the Housing Delivery Team a single multi-functional team that will deliver homes through a number of routes including grant funding to Registered Providers (RPs). The Council recognises that the provision of direct grants to RPs has been a significant measure in increasing the overall affordable housing supply. The Council has allocated, in the initial two years operation, a total of £13.1m helping to deliver 302 affordable homes. At an average grant rate of £43,000 per affordable rented homes the scheme has already demonstrated itself to be the single most cost effective measure in increasing the affordable housing supply. The Council's current policy adopted April 2018 has been reviewed following a further year's operation.

2. Eligible applicants

All current Homes West Registered Providers (RPs) registered with Homes England that are also non-profit making organisations. The 2019 policy has been extended to include other housing organisations including Community Land Trusts, Community led Housing Organisation and specialist housing providers on the proviso that they are non-profit making organisations. Please note that Homes England will only provide grant for affordable rent or social rent to CLTs or CLH organisations if they are registered as Registered Providers.

The Council will accept applications from RPs, as contracting authorities, and other eligible applicants principally for schemes on privately owned land (including land owned by charitable organisations) and other public land on a robust "continuous market engagement" basis. (See Appendix A for Grant Application Procedure Guide)

3. Financial Appraisal of Eligible applicants

All eligible applicants will be subject to a detailed Financial Appraisal that will examine the Annual Accounts, most recent management accounts, Credit Reports Loan Facilities and Final Forecasting Returns/ (FFR) Medium Term Financial (MTF) plans so that the Council can make an assessment about the soundness of the organisation as a going concern from past records and projected finance information. The Council will also appraise the scheme to ensure reasonable development assumptions and that the scheme is fully funded from a range of appropriate funding sources. In the event of an eligible applicant being unable to provide the information detailed above applicants are advised to contact the Council's Housing Delivery Manager:

housingdelivery@bristol.gov.uk

4. National definition for Affordable Housing for Rent

The Council acknowledges the definitions for “affordable housing” and “affordable housing for rent” as defined in the National Planning Policy Framework 2019 (NPPF): “housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with the following definition:

Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government’s rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision.”

5. Local definition of Affordable Homes to Rent

The Council is seeking to provide grant funding for housing schemes that will deliver a range of different affordable homes to rent in perpetuity. However, it should be noted that any homes delivered using Homes England grant would need to be eligible for the Right to Acquire. These affordable homes to rent or social rent will address the greatest housing needs identified in the Wider Bristol Strategic Housing Market Assessment 2015 (updated in 2019) and have the greatest impact on households registered on Homes Choice Bristol. It should be noted that there are some forms of affordable housing to rent defined in the national definition (homes let at 20% below market rents) which locally would not be acceptable. Affordable homes to rent let at rents only 20% below market rents are only affordable in relatively few areas of the city. For this reason this Council will always refer to the Local Housing Allowance limits for specific property types in the Bristol Area as the determinant of affordability.

The local definition includes:

- **Social Rent** on proviso that the initial rent (based on the Rent Scheme 2015) and the service charge element up to March 2020 are not in excess of Local Housing Allowance limits for the specific property type in the Bristol Area and after April 2020 inflated by no more than Consumer Price Index plus 1% and are shown not to be in excess of 35% gross household income.
- **Affordable Rent** at an agreed % of Open market rent (including the service charge element) on proviso that the initial rent up to March 2020 is not in excess of the LHA limits for the specific property type in the Bristol Area and after April 2020 inflated by no more than Consumer Price Index plus 1% and are shown not to be in excess of 35% gross household income.
- **Affordable Private Rent** (including the service charge element) at an agreed % of Open market rent set at the point of first letting at a level that is below the Local Housing Allowance (LHA) limits for the specific property type in Bristol Area; inflated by no more than Consumer Price Index plus 1%.

The Council acknowledges the need for RPs and other housing providers to inflate rents up to the date of the Government’s review of the Rent Scheme, expected in March 2020. The Funding Agreements therefore allow that all rents may be increased annually by Cost Price Indicator plus 1% until that date. After April 2020 the Funding Agreement inflated by no more than Consumer Price Index plus 1% and are shown not to be in excess of 35% gross household income.

6. National definition for ‘Other routes to homeownership’

The Council acknowledges the definitions for “affordable housing” and “other routes to homeownership” as defined in the National Planning Policy Framework 2018 (NPPF): “housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with the following definition:

Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

7. Local definition of ‘other routes to home ownership’

The Council, alone, is seeking to provide grant funding for housing schemes that will deliver shared equity housing solutions that are able in perpetuity to demonstrate that the new owners occupation costs are not in excess of 35% gross household income. It should be noted that any homes delivered by Registered Providers using Homes England grant would need to be a Shared Ownership products eligible for the Right to Acquire.

These grants for shared equity homes will be exclusively available to Community Land Trusts and other community led housing organisations to address identified local housing needs and aspirations. The future occupiers will be registered and access the properties through Homes Choice Bristol. The Funding Agreement will ensure that the Community Land Trust or other community-led housing organisation(s) retain a share (equivalent to the plot land value) that ensures the shared equity homes remain at an affordable price for future eligible households.

8. Eligible housing schemes

Grant applicants will be potentially eligible for grants on sites on previously developed land either allocated for housing development in the existing and emerging Local Plans or with planning permission or prior approval for housing, including:

- Previously developed private and public land allocated in the Local Plan or ‘windfall’ brownfield sites with a former commercial use in a residential area i.e. petrol filling stations, etc.
- Mixed use private schemes that re-provide existing commercial and retail activities
- Existing private, public and voluntary residential flatted schemes or other vacant dwellings
- Off the shelf existing satisfactory properties or properties under construction
- Former offices and other commercial buildings
- New build ‘additional’ homes from private developers, where the s106 affordable housing contribution has already been agreed and the Council is satisfied that the RP has achieved the best purchase price for the units from the developer.

9. Council's grant availability from April 2019

The Council has agreed to make the following sums available to registered providers and other eligible applicants for grant funding to support the delivery of up to 150 plus affordable homes each year:

- 2019/20 : £10.5m
- 2020/21 : £10m
- 2021/22 : £10m
- 2022/23 : £10m
- 2023/24: £6.5m

The Council is seeking RPs and other eligible applicants who will provide affordable homes to rent and shared equity homes that will meet the identified housing needs of all sizes of households in all house types.

The homes will be required to meet the Government's Building Regulation standards in addition to be in full compliance with [Bristol Local Plan](#) including the Urban Living SPD, Heat Hierarchy, Bristol's space standards and other emerging policies

The grant funding will be normally paid in tranches: 40% at acquisition, 35% start on site and 25% on practical completion (in alignment with Homes England). The Council will be prepared to consider 100% grant payments at acquisition stage where it can be evidenced that the grant payment enables the RP to acquire an eligible scheme that will be developed within 12 months. All applications for grant funding from the Council for affordable homes to rent and shared equity must be compliant with State Aid rules. (Please see Cabinet papers 2nd April 2019 for the legal and state aid implications of the Council making grants available to RPs and other eligible applicants).

10. Grant Rates

The Council will continue to use the Procedure, Appraisal and Scoring Criteria detailed in Appendix A and will continue to use a 'specific' grant approach, determined by an analysis of recent grant submissions made by RPs and CLTs in the city. It is clear that this grant certainty has accelerated the delivery of affordable homes to rent and given greater confidence to HW RP partners to create future development pipelines. This approach will also be used for the shared equity grants. In future, when it is known that a planning permission or acquisition will not be achieved in the year of application the Council may be prepared to make conditional grant offer for the next year.

Grants to deliver new affordable homes

G1	Scheme offers 100% Affordable Homes to Rent (Includes Affordable Rent (up to LHA limits) and Social Rent homes for RPs, CLTs and CLH	BCC sole funder – however encourages RP to identify other resources RCGF and Reserves	No more than £55,000/unit on schemes delivered principally on private land
G2	Scheme offers 100% Affordable Rent and Social Rent homes to meet Better Lives at Homes objectives to RPs	BCC sole funder however RPs encouraged to identify other resources RCGF and Reserves	No more than £80,000 for each new build self-contained accommodation unit or flat for wheelchair user or bed space in shared new build and refurbished houses.

G3	Scheme offers 100% Affordable Homes to Rent (Includes Affordable Rent (up to LHA limits) and Social Rent to RPs, CLTs and CLH on private sites where s106 has been previously agreed	BCC and Homes England partnership funders –may include RCGF as part of Homes England element and must comply with the Capital Funding Guide	No more than £75,000 per unit (total amount split between BCC and HE) on schemes delivered principally on private land
G4	Shared Equity homes where CLT/CLH retains a 'golden' share to ensure future affordability (occupants costs no greater 35% gross income) to only CLTs and CLH	BCC sole funder	No more than £35,000 per unit grant on private land or no more than £35,000 per unit grant/ plot value on Council land
G5	Shared Equity homes where CLT/CLH retains a 'golden' share to ensure future affordability (occupants costs no greater 35% gross income) to only CLTs and CLH	BCC and HE joint funders	No more than £45,000 per unit grant (total split between BCC and HE) on private land only
G6	Scheme secures 'additional' Affordable Rent (up to LHA limits) and Social Rent homes over and above AH secured through s106 or purchase existing satisfactory homes to RPs, CLTs and CLH	BCC sole funder – however encourages RP to identify other resources RCGF and Reserves	No more than £75,000 per unit on schemes delivered on private land – subject to demonstrating that no more than 90% of OMV paid for 'additional' homes
G7	Scheme secures 'additional' Affordable Rent (up to LHA limits) and Social Rent homes over and above AH secured at nil subsidy through s106 to RPs or where developers proposal was exempt from providing affordable housing	BCC and Homes England partnership funders –may include RCGF as part of Homes England element and must comply with the Capital Funding Guide	No more than £100,000 per unit grant on schemes delivered principally on private land –subject to demonstrating that no more than 90% of OMV paid for 'additional' homes

Supplementary Grants to deliver corporate objectives

SGA	Scheme requires additional grant to deliver Rented homes suitable for a wheelchair user to RPs, CLTs and CLH	BCC sole funder however encourages RP to identify other resources RCGF and Reserves	No more than £25,000 per Rented unit on schemes delivered. Can be combined with Grants for rented properties (1) above
SGB	Scheme requires grant to deliver BCC requirements through Heat Hierarchy to RPs, CLTs and CLH	BCC sole funder – however encourages RP to identify other resources RCGF and Reserves	No more than £10,000 per Rented or Shared Ownership unit on schemes delivered principally on private land
SGC	Scheme requires grant to deliver ‘modular homes’ to RPs, CLTs and CLH	BCC sole funder however encourages RP to identify other resources RCGF and Reserves	No more than £5000/ Rented or Shared Ownership unit on schemes delivered

In exceptional cases the Council will accept Business Case being submitted in electronic application to justify why a higher grant, than those detailed above, is needed. In these exceptional cases it will be at the absolute discretion of the Executive Director of Growth and Regeneration, in liaison with the Cabinet Member for Housing whether the request for a higher level of grant is accepted. The Council will also consider awarding a blended average rate over a package of schemes which includes both high grant and low grant requirements to enable the overall average to be at the appropriate grant rate.

The Council will undertake annual reviews of the levels of grant sought against the specific grant rates for each category and determine how successful the new grant categories have been and report the findings to the Housing Delivery Board and Homes West Bristol.

11. Joint Funding arrangements with Homes England

The Council and Homes England have agreed to work together on grant funding to make the best use of public resources to deliver 100% affordable homes to rent schemes and secure additional affordable homes where s106 has been agreed. The Council, Homes England and all Homes West RP partners have agreed that all affordable homes delivered will all be recorded on the HE Investment Management System. This will allow both the Council and Homes England access to this data and enable the two agencies to better share management information together. Please note that Homes England will only provide grant for affordable rent or social rent to CLTs or CLH organisations if they are registered as Registered Providers. Further any Homes England funding is subject to the specific requirements of our programmes (currently Strategic Partnerships, SOAHP, CHF, CASSH, Move on Fund) and also subject to compliance with the Homes England Capital Funding Guide.



Affordable Housing Funding Policy for Homes West Registered Providers, Community Land Trusts and Community Led Housing Organisations

Grant Application Procedure Guide

1. Grants available under new Affordable Housing Funding Policy – April 2019

RP's need to opt in their application for most appropriate grant (G1 to G7) and advise whether they wish to take up one of the supplementary grants (SGA, SGB or SGC)

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2. Application process for grant proposal(s)

- a. Frequency: The Council will accept grant submissions for affordable homes to rent *and shared equity* at any time through a Continuous Market Engagement process on Pro Contract; however applicants should note that applications will only be appraised by the Panel on a monthly basis with the last date of each month signalling the deadline for each bid round.
- b. Contact: All eligible applicants should either register their organisation on Pro Contract, the online system the Council processes the grant application or follow the online link from the Council's affordable housing webpage. Once the application process has commenced all communications will be managed via Pro Contract online

email facility. Applicants should note that any questions submitted will be anonymised with responses published to all RPs or other eligible applicants.

- c. RPs or other eligible applicants will be expected to include all information/data sought in Appraisal Criteria table below. The Panel will make recommendations based on their appraisals and may seek clarifications, further information/data or suggest that the organisation makes a new application.
- d. The Panel will report to the Housing Delivery Board and the Executive Director for Growth and Regeneration decision in liaison with the Cabinet Member for Homes within four- six weeks of the receipt of the application.
- e. The Panel will notify RPs or other eligible applicants of outcome within one - two weeks of Executive Director's decision. If unsuccessful RPs or other eligible applicants will be notified of the reason(s) why the grant application is not being progressed. Resubmissions will be acceptable. Please note the Council's decision may be subject to HE approval where joint funding is required.

3. Criteria based appraisal approach for Proposal(s)

All grant applications will be appraised against the following criteria and scoring chart in the Appraisal Criteria table below. Any application that does not achieve a score of at least 3 out of 5 on any of the criteria will be discounted and may be asked to make a new submission.

Appraisal criteria table

Ref	Topic & Weighting	Criteria	Evidence	Score
Quality				
1.	Housing proposal (10%)	Demonstrate how your Proposal(s), highlighting location, tenure mix, type, design and specification of units, responds to: <ul style="list-style-type: none"> • Corporate Strategy - including Mayoral Priority to increase and speed up delivery of AH • Bristol Local Plan –including compliance with Urban Living SPD, space standards and the Heat Hierarchy • Housing Needs demand data from Head of Housing Options - <i>July 2019 latest analysis shows preference for one bedroom (2 person) and four bedroom (8 person) homes delivered as social rent</i> 	Text response up to 500 words Supported by planning application drawings	0-5
2.	Deliverability of programme (20%)	Demonstrate that your scheme can start on site within next twelve months and be delivered by March 2021 by making available: <ul style="list-style-type: none"> • Land ownership or acquisition position: 	Text response up to 500 words Supported	0-5

		<ul style="list-style-type: none"> • Planning status • Deliverability of scheme i.e. highway access or other encumbrances. • Innovative construction practices – including use of modular homes to accelerate delivery 	with a Gantt Chart with key milestones	
3.	Social Value (20%)	<p>What additional social benefit will this scheme deliver? Tell us what issues will be addressed; the impact and outcomes that demonstrates how your proposal will respond to BCC Social Value Policy.</p> <p>It is important to include:</p> <ul style="list-style-type: none"> • What you propose to do and how • Firm commitments • How these commitments will be measured • How these commitments will be monitored <p>You are asked to submit your responses to this question on the Social Value Measures table available to download from ProContract and upload the completed table with your application. You should identify measures (column E) relevant to your scheme and include a description of your commitments together with details of evidence used to confirm commitments have been delivered (columns H and I).</p>	<p>Text response up to 500 words that responds to detailed issues</p> <p>Supported by completed Social Value Measures Table</p>	0-5

Cost and Value for Money

4.	Financial Appraisal (25%)	<p>Provide evidence of your organisation's financial standing as a going concern and demonstrate your capacity to deliver this housing scheme.</p> <ul style="list-style-type: none"> • Three years signed audited accounts • Most recent management accounts • Pro Val Appraisal • Confirmation of funding sources available to deliver scheme from the HE, RP Reserves & RCGF, private finance facilities, charitable and other funding sources • Financial Forecasting Returns / Medium Term Financial Plans • Credit/loan facilities – supported by letters from banks and financial institutions 	<p>Text response up to 500 words supported by following documents: Prior Annual Report (s) Pro Val appraisal (full and summary) in PDF format.</p> <p>Letter of intent or confirmation of availability of funding</p> <p>Other financial records (on request).</p>	0-5
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5.	BCC Grant requirement (25%)	Value-for-money justification following analysis of submitted Development Appraisal, Grant Review (identifying which grant(s) are being sought), the Affordability Review and the Funding Agreement compliance statement. This assessment will also take into account the difference between 100% AH scheme and a scheme that has secured AH through s106 at nil subsidy	Statement (up to 500 words) with BCC Development Appraisal Grant Review Affordability Review and Funding Agreement statement	0-5
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Guidance for awarding scores for Registered Providers seeking grant funding

Assessment	Score 0-5	Reason to award this score based on evidence provided against the criteria included
Unacceptable	0	<ul style="list-style-type: none"> Does not meet the criteria; Does not comply and/or insufficient information provided to demonstrate that the RP has the ability, understanding, experience, skills, resource & quality measures required to meet the objectives sought and deliver , with little or no evidence to support the proposal
Serious reservations	1	<ul style="list-style-type: none"> Satisfies the criteria with major reservations; Considerable reservations of the RPs relevant ability, understanding, experience, skills, and resource & quality measures required to meet the objectives sought and deliver, with little or no evidence to support the proposal.
Minor reservations	2	<ul style="list-style-type: none"> Satisfies the criteria with minor reservations; Some minor reservations of the RPs relevant ability, understanding, experience, skills and resource & quality measures required to meet the objectives sought and deliver with little or no evidence to support the proposal.
Satisfactory	3	<ul style="list-style-type: none"> Satisfies the criteria; Demonstration by the RP of the relevant ability, understanding, experience, skills, resource & quality measures required to meet the objectives sought and deliver with evidence to support the proposal
Good	4	<ul style="list-style-type: none"> Satisfies the criteria with minor additional benefits; Above average demonstration by the RP of the relevant ability, understanding, experience, skills, resource & quality measures required to meet the objectives sought and deliver; Proposal identifies factors that will offer potential added value, with evidence to support the proposal.
Excellent	5	<ul style="list-style-type: none"> Significantly exceeds the criteria ; Exceptional demonstration by the RP of the relevant ability, understanding, experience, skills, resource & quality measures required to meet the objectives sought and deliver; Proposal identifies factors that will offer potential added value, with evidence to support the proposal.