Affordable Housing Funding Policy

2025- 2027



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1. Introduction

1.1. The Council's previous Affordable Housing Funding Policy (AHFP) was adopted in 2017 and further reviewed in 2019, and 2022. The 2017 adopted policy existed in a different financial environment than the Council is currently operating and was established to encourage the accelerated delivery of affordable homes by the allocation of significant levels of capital subsidy. This 2025 update reflects the need to continue to have a policy in place that aligns with the 'Homes for Bristol: Interim Affordable Housing Delivery Plan 2025-27'.

1.2. 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 appropriate.

1.3. This new AHFP is establishing the Council as a 'gap funder' and will use our limited capital funding to meet targeted areas of housing delivery and only where there remains a subsidy gap once all other measures to secure funding, or reduce the reliance on subsidy, have been exhausted.

1.4. There is currently no long-term affordable housing funding budget. Capital to support delivery will be made available through *Commuted Sums* received in lieu of on-site planning-led delivery of affordable homes, the balance available from the 2017-26 AHFP and other capital funding as may periodically be identified to address housing need.

1.5. The Council is no longer operating a monthly open bidding process for the allocation of funding support for affordable housing but will be operating specific and / or targeted bidding rounds as funding becomes available. Each bidding round will be open for a limited amount of time.

1.6. This Policy framework for the allocation of affordable housing capital subsidy will be used to award grants for affordable housing through the Council's Housing Delivery Team but also serves as a robust allocation framework for other housing delivery being explored by the Council, including the Better Lives At Home project.

2. Purpose

2.1. The One City Plan sets expectations on delivering an inclusive, sustainable Bristol that meets the housing and community needs of its citizens by supporting the delivery of affordable, decent homes in thriving, accessible and safe communities.

2.2. The Council will use its available capital funding for affordable housing to support these ambitions and will target funding to address specific priorities as they arise.

2.3. The Council will only make available the funding required, once all other funding / subsidy streams have been exhausted or maximised, to bring a development to a positive Net Present Value (NPV) to secure affordable housing delivery for the City.

3. Who will the Council fund to deliver affordable housing in the City?

3.1. The Council is committed to ensuring that affordable homes are delivered and managed by organisations who have the financial capacity, governance, and structures to provide excellent, long-term services to their customers. We will fund affordable housing provision by:

- *HomesWest* Registered Provider Partners – these affordable housing providers are registered with *Homes England* (HE) and regulated by the *Housing Regulator* and have committed to delivering affordable homes in the City of Bristol. The Council will not usually fund profit-making RP's.
- *Community-led housing* organisations and Community-Land Trusts.
- Not-for-profit *specialist housing* providers.

3.2. The Council will undertake a robust financial review of organisations bidding for funding under the AHFP. This will be proportional for the nature of the organisation bidding but will include examination of:

- Financial accounts
- Credit reports
- Loan facilities
- Financial Forecasting Returns and Mid-term Financial Plans

3.3. This will be done so the Council can be certain that there is no risk associated with the awarding of grant to an organisation that is financially unsound.

3.4. The Council recognises that newer community-led housing organisations will not have the same level of historic financial information as well established groups or *Registered Providers* (RP's). These groups should instead provide sound Business Plans supported by firm evidence of other funding / borrowing routes to support delivery. They must also show robust exit strategies for developments and any housing assets. The Council may look at the financial information of parent or associated organisations/companies where applicable. The Council will act reasonably in making assessments of grant applications by community-led housing associations, but the Council will reserve the final discretion as to whether to make a grant funding to any particular organisation.

3.5. The Council's HomesWest RPs are regulated by the Housing Regulator and their development programmes controlled by the requirements of the *Homes England Capital Funding Guide*. They are subject to Regulatory Judgements which rate their Viability and Governance. HomesWest partners have also signed up to the HomesWest Partnership agreement. No further scrutiny of management and governance will be required of these partners.

3.6. Community-led housing organisations, who are not RPs, will be expected to adhere to the Council's *Governance and Finance Standard* and *Management Standard*, including Equality and Diversity requirements, and will be asked to submit a method statement with any bid to demonstrate this. Funding support will only be made available to groups who satisfactorily meet these requirements. All bidders making applications for grant funding, who are successful, will be required to enter into the Council's standard agreements for distribution of grant funding. The Council is obliged to comply with the UK Subsidy Control (formerly State Aid) legislation in relation to any grant applications and distributions to recipients.

4. What affordable homes will the Council fund?

4.1. Affordable Housing Providers should agree tenure and unit mix for the development with the Strategy and Enabling Team prior to the application of grant funding. This includes agreeing which units could be subject to funding support from BCC.

4.2. The Council continues to prioritise the delivery of affordable rented homes and as a preference will target funding to secure the delivery of *Social Rented* homes. The Council will fund *Affordable Rents* and *Affordable Private Rents* where scheme financial appraisal shows social rented provision to be unviable or as part of a strategic approach to mixed tenure delivery.

4.3. Without exception, all general needs rented homes delivered with funding support will be allocated through the Council's '*HomeChoice*' housing register. *Local lettings plans* and specialist allocations will be supported if delivered in accordance with the Council's Housing Allocations scheme.

4.4. Housing with care and / or support will have an appropriate allocations approach agreed as required if this differs from 4.3.

4.5. No affordable rents shall exceed *Local Housing Allowance* (LHA) (or any subsequent capping mechanism the Council may introduce to ensure the affordability of rents) at the letting of a new tenancy and all rents shall rise in accordance with the national rent regimes established by Government.

4.6. In the relevant grant agreement there will be provisions and mechanisms that capture rules relating to grant recovery for rented delivery or any shared ownership staircasing, that is subject to the Homes England *Right to Acquire* or *Right to Shared Ownership*. The Council will seek to protect its interest in the long-term investment of grant funding to ensure that any such funding is applied to the agreed objectives of any affordable housing scheme and protected against misuse or wrongful application or profit-making to the Council's detriment.

4.7. The Council will support the delivery of affordable home ownership products where these are being provided by specialist or community-led housing organisations. Staircasing to outright ownership will be restricted or mechanisms will be put in place for the recycling or return of BCC subsidy. This will be as part of mixed-tenure delivery only, where rented homes make up the majority of homes being delivered.

4.8. This policy will provide the basis through which the Council will allocate *First Homes* receipts in accordance with *National Planning Policy Guidance*. We may use receipts from arising from First Homes provision to periodically fund an RP / CLH First Homes delivery programme or use them to fund more traditional forms of affordable housing.

4.9. As far as is legally possible, all affordable home ownership homes will have local connection and allocation criteria applied to ensure they are meeting the greatest housing demands of the city and there is an expectation that a 35% gross income test will be applied to prospective purchasers.

4.10. The Council will not fund the provision of subsidy-free s106 affordable housing units secured as planning-led delivery. Subject to funding and the strategic priorities of the Council at the time, it may fund:

- Additionality
  - 100% AH delivery
  - Off-the-shelf new build *acquisitions* in addition to s106 delivery
- Property purchases in the open market
- Conversions / refurbishment of office, commercial and private residential buildings

4.11. There will no longer be supplementary grants to specifically support the delivery of other Council priorities. All costs associated with a development will be looked at and gap funding to ensure a viable affordable housing development awarded, subject to budget and successful appraisal of the bid. Nonetheless, providers are expected to address National and local building and planning requirements, including the Bristol Heat Hierarchy, Space Standards and Urban Living SPD and for developments to meet locally identified housing priorities, including those for accessible housing and larger homes.

5. Demonstrating BCC subsidy requirements

5.1. Bidders will be expected to submit a full scheme Development Appraisal (*Optimix/ Proval* is preferred) which demonstrates a negative NPV and then shows how with the BCC grant, the scheme will become financially viable. This appraisal will be less than 3 months old*, based on recent costs and values and will show:

- Total scheme costs including land costs, ground works, infrastructure and build cost assumptions supported by Cost Consultant evidence (EA, QS or other appropriately recognised development consultant)
- all on-cost assumptions including professional fees & consultancy costs, legal fees, sales and marketing costs, internal capitalisation of staff costs
- an appropriate contingency for the nature of the development
- Unit mix, values and rent / sales income assumptions and growth
- Management, maintenance, and repairs assumptions
- Borrowing assumptions and interest costs
- Internal financial support and contributions

- The total sum of HE funding and Recycled Capital Grant Fund (RCGF) (The Council acknowledges the requirements of HE Strategic Partners to keep grant rates confidential)
- Other subsidy or financial contributions
- The BCC subsidy required to create a viable scheme
- Payback of the development of between 30 and 40 years (exceptions may apply please discuss with the Strategy and Enabling Team)
- Service charge assumptions

All financial appraisal information will be treated in commercial confidence and used only for the purpose of assessing a bid application.

*The Council acknowledges that CLH organisations may not be able to submit an appraisal that is less than 3 months old therefore the Council may consider in these instances to assess appraisals up to 6 months old, as long as a case can be made that the assumptions are still valid. Please include a justification for an older appraisal when submitting a bid.

5.2. The Council reserves the right to have this appraisal scrutinised by an appropriate Cost Consultant to ensure that cost assumptions are reasonable and will discuss the appraisal with the housing provider as needed. Where Homes England funding is being included, the Council may hold open discussions with the HE Programme Manager around their levels of funding commitment (not for Strategic Partners).

5.3. If a housing provider uses an alternative to Proval for scheme appraisals, please discuss this with Strategy & Enabling Team before a bid is submitted

6. Bidding for funding

6.1. The Council is no longer operating a monthly open bidding process for the allocation of funding support for affordable housing.

6.2. Periodically the Executive Director for Growth and Regeneration, in consultation with the Chair of the Homes and Housing Delivery Policy Committee (or their duly appointed successors) shall either:

- **Open a targeted and competitive bid round** i.e. to address a specific housing issue in the City for example Community-Led Housing delivery, Supported Housing delivery or a First Homes delivery programme
- **Invite a specific affordable housing provider to submit a funding bid for a named scheme** i.e. to support delivery of Extracare on Council-owned land, secure the delivery of a specific supported housing project or address known funding gaps on a 100% AH development following extensive collaboration and discussion with the provider, Homes England and other funders

6.3. Bids under this Affordable Housing Funding Policy will continue to be made through Bristol's e-procurement system (currently ProContract) that the Council uses to process tenders and bid applications. All Providers wishing to bid for funding need to register with the appropriate e-procurement system. Once the application process has commenced all communications will be managed via ProContract online email facility. Applicants should note that any questions submitted will be anonymised with responses

published to all applicants in a bidding round.

6.4. Notification of any open bidding rounds will usually be issued 4 weeks prior to opening and the round will be open for 4 weeks. Site specific invitations to bid will be managed to suit the Council and the Provider(s).

6.5. Bidders will be expected to include all information/data sought in the Scoring Framework (appendix A). An independent Assessment Panel will make a recommendation for funding based on their appraisal of the bid/s and may seek clarifications, further information/data. An application must pass each criterion for its funding to be considered. The requirements for evidence and scoring and pass mark for each criterion is provided in the table.

6.6. In a competitive bid round, the appraisal score will rank bids in priority for the funding available, subject to the bid meeting policy requirements. Where a sole bid is being assessed, the success of the application will depend on passing each criterion in accordance with this policy.

6.7. For specialist delivery an additional set of specific criteria may be added to the assessment and /or the criteria in the Scoring Framework may be amended. Providers will be given advance notice of these prior to the bid round going live on Bristol's e-procurement system.

6.8. The Panel will aim to report to the Housing Delivery Board and the Executive Director for Growth and Regeneration decision, in liaison with the Chair of the Homes and Housing Delivery Policy Committee within six weeks of the receipt of the application.

6.9. The outcome of a bid or bidding round will be communicated to Providers within two weeks of Executive Director's decision. If unsuccessful, applicants will be notified of the reason(s) why the grant application is not being progressed. Please note the Council's decision may be subject to Homes England approval where joint funding is required.

7. Grant Agreements and draw down of funding

7.1. All awards of funding under the AHFP will be subject to a legal grant agreement using the Council's standard format or as agreed specifically with the Executive Director of Growth and Regeneration (proposed variations to the Grant agreement need to be flagged at bid stage).

7.2. Grant payment will be conditional on Full or Reserve Matters Planning and (unless special circumstances apply) will be paid out in against the following milestones for development:

- 40% at *Acquisition*
- 35% at *Start on Site*
- 25% at *Practical Completion*

These milestones are in line with, and as defined in, the *Homes England Capital Funding guide*.

7.3. The Grant agreement will stipulate the supporting evidence required to demonstrate each tranche and the milestone dates for drawdown. Social Value commitments made as part of the bid will be secured in the Grant Agreement and will be monitored.

7.4. The Grant Agreement will include provisions and mechanisms for grant clawback (re-payment) on non-performance against milestones and Social Value performance and for the return / recycling of funding for homes lost to the market.

7.5. All applications for grant funding from the Council for affordable homes to rent and for Affordable Home Ownership must be compliant with Subsidy Control rules (available on the Council's website).

Glossary:

Affordable Housing: Affordable housing includes social and affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.
Affordable Rent: Affordable homes where properties are let at below market rent by a Registered Provider. The national definition of Affordable Rent sets rent levels at up to 80% of local market rent (inclusive of service charges).. In Bristol, our grant funding establishes an expectation that affordable rents shall not exceed *Local Housing Allowance* (LHA) (or any subsequent capping mechanism the Council may introduce to ensure the affordability of rents) at the letting of a new tenancy and all rents shall rise in accordance with the national rent regimes established by Government.
Affordable Private Rents: Properties let at discounted market rent **by non-RP partners.** No affordable private rents shall exceed *Local Housing Allowance* (LHA) (or any subsequent capping mechanism the Council may introduce to ensure the affordability of rents) at the letting of a new tenancy and rents shall rise in accordance with the national rent regimes established by Government. Rents shall include all housing related service charges.
Acquisition: The completion date of contracts to purchase land or property.
Community-led housing: Community led housing is where people in the community find solutions to housing needs. The legal form and activities of each community-led housing group and scheme may differ. For clarity, the definition used for the purpose of the AHFP will be taken from BCC's Community Led Housing Land Disposal Policy 2020.
Commuted Sums: are off- site financial contributions in lieu of on- site affordable housing delivery.
First Homes: Is a government policy to promote home ownership. First Homes are sold with a minimum 30% discount, kept in perpetuity. They are only for first time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief).
Governance and Management Standards: BCC's Governance & Finance standard for CLH & BCC's Management Standards for CLH which have been adopted by the Council to ensure CLH delivery has a proportional regulatory framework that mirrors the expectations placed on Registered providers.
HomeChoice: HomeChoice Bristol is the Council's system for the allocation of affordable rented homes in the city.
Homes England Capital Funding Guide (CFG): provides the rules and requirements for grant funded schemes by Registered Housing providers, that grant recipients must

follow. The CFG can be found at Capital Funding Guide - Guidance - GOV.UK (www.gov.uk).
Housing Regulator: means the Regulator of Social Housing pursuant to the 2008 Act or any future body or authority (including any statutory successor) carrying on similar regulatory or supervisory functions.
HomesWest: is the affordable housing delivery partnership made up of Bath & North East Somerset Council, North Somerset Council, South Gloucestershire Council and Bristol City Council working with approved Registered Providers.
Local Housing Allowance (LHA): are rates used by the Department for Work and Pensions to determine the level of housing related benefits that low-income tenants are entitled to. LHA rates relate to an area in which a claim is made, and they are based on private market rents being paid in the area - these areas are called Broad Rental Market Areas (BRMA). Bristol LHA rates can be found at Local Housing Allowance - bristol.gov.uk.
Local Lettings Plan: is an agreement between the Local Authority and a Registered Provider. It provides additional details on the allocation of rented homes on a particular development.
National Planning Policy Guidance: is a land-use planning policy in the United Kingdom and can be found at National Planning Policy Framework - Guidance - GOV.UK (www.gov.uk).
Optimix: financial viability software used by many developers.
Practical Completion: Practical completion is reached when the works are completed and the homes are fit for occupation as a residential development, in accordance with NHBC requirements, and are sufficiently free of defects that the employer (the provider) is willing to accept the properties as operational i.e. able to be used. A certificate of partial completion may be issued when all the dwellings are handed over to the provider, but some external works are incomplete, such as landscaping or boundary walls.
Proval: financial viability software used by many developers.
Registered Provider: Organisations registered with the Social Housing Regulator as a registered provider of social housing. This can include housing associations, local authorities, charities and private companies.
Right to Acquire: is a statutory scheme which offers tenants the opportunity to purchase the home they currently rent at a discount, provided that both they and the property are eligible.
Right to Shared Ownership (RtSO): is a condition of grant funding for all social and affordable rented homes and as such will only apply to homes that are grant funded through the Affordable Homes Programme (AHP) 2021 to 2026, except where a specific exemption applies. This condition also applies to rented homes funded with recycled grant from a provider's RCGF but delivered outside the programme.
Social Rent: low cost rented housing that is made available at rent levels set in accordance with the Regulator of Social Housing's [Rent Standard] (https://www.gov.uk/government/publications/rent-standard) (including Rent Standard Guidance).
Specialist Housing: Specialist housing is housing that is a for a targeted client group which can include older, vulnerable, and disabled people as well as provision for Gypsies, Travellers and Show People. This includes supported housing and designated housing where access to support is provided where needed.
Shared Ownership: Housing sold on a part rent/part sale basis. The shared owner buys a percentage of the property, funded by a mortgage and/or savings. The remaining percentage is still owned by the developing organisation who charges rent on it.

Start on Site: The milestone recording the start of a scheme, including where appropriate the payment of the first tranche of grant, The start on site milestone is triggered by the building contractor taking possession of the site or property, and the provider and builder having both signed the building contract and start on site works have commenced.
State Subsidy Control: The UK scheme for regulation of the application of public funding which replaces the former EU State Aid Regulations and which is likely to apply to grant funding under this AHFP.

Appendix **A3:** Scoring Framework