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| HOUSING & NEW HOMES COMMITTEE | Agenda Item 24 Brighton & Hove City Council |
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| Subject: | Housing Delivery Options | | |
| Date of Meeting: | 21 September 2016 – Housing & New Homes Committee 13 October 2016 – Policy, Resources & Growth Committee | | |
| Report of: | Acting Executive Director Economy, Environment & Culture | | |
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| Ward(s) affected: | All | | |

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 Brighton & Hove City Council’s Housing & New Homes and Policy & Resources Committees approved a Housing Delivery Options report in March 2016 which outlined options for the delivery of new affordable homes in the city and agreed to the procurement of legal and other specialist advisers to pursue this work. The opportunities considered are:

- **Living Wage Joint Venture** - with Hyde Housing Association to acquire land and develop new homes for lower cost rental and sale to meet identified housing need in the city. The company would deliver a significant number of lower cost rented homes, which the market is not currently delivering at sufficient rates to keep pace with local needs.
- **Housing Market Intervention (wholly owned Special Purpose Vehicle)** - options for the council to develop a housing company to deliver additional homes in a range of ways: including intervening in the housing market as a potential purchaser / lessee of new accommodation being brought forward on development sites in the city or sub-region in order to meet identified housing needs; and, the direct development of new homes.

1.2 The key aim of these projects is the provision of lower cost rented housing. Supply of new lower cost rented homes is not keeping pace with demand and there is limited evidence of market appetite from developers and Registered Providers to deliver this product. There is also potential to generate a long term income for the council through funding returns and/or a margin through lending from the council.

1.3 The council has appointed Bevan Brittan LLP as its legal advisors. This report provides an overview of an offer to develop a Joint Venture (JV) for the development of new affordable homes and regeneration from Hyde Housing Association and a proposal to establish a wholly owned Special Purpose Vehicle to provide a range of options to increase the supply of homes. Appendix 1 provides an overview of legal advice to date that has been provided by Bevan Brittan in

relation to this opportunity. Appendix 2 provides an overview of governance considerations. Appendix 3 provides an overview of legal advice to date on the establishment of a wholly owned Special Purpose Vehicle or Housing Company. Appendix 4 provides a copy of the high level Heads of Terms document. Appendix 5 in Part 2 of the report provides a summary of Strategic Financial Viability Model and sensitivity analysis.

2. RECOMMENDATIONS:

2.1 That Housing & New Homes Committee:

- i) Recommends the report to Policy, Resources & Growth Committee as out at paragraph 2.2

2.2 That Policy, Resources & Growth Committee:

- i) Support in principle the living wage joint venture proposal; and
- ii) give delegated authority to the Executive Director of Economy, Environment & Culture following consultation with the Executive Lead Officer for Strategy Governance & Law, the Executive Director of Finance & Resources, the Estate Regeneration Board and the Strategic Delivery Board to:
 - a. develop and negotiate the deal with Hyde;
 - b. agree and authorise execution of the Heads of Terms and subsequently the documentation required to implement the proposed Joint Venture;
 - c. make the appointments from the Council to the management board;
- iii) Give delegated authority to the Executive Director of Economy, Environment & Culture in consultation with the Executive Lead Officer for Strategy Governance & Law and Executive Director of Finance & Resources to:
 - a. progress a wholly owned Special Purpose Vehicle or Housing Company to support the provision of additional homes in the city;
 - b. agree and authorise execution of documentation required to implement the model;
 - c. make the appointments to the management board;
- iv) Note that reserved matters will come back to committee for approval including any business plans which are to be delivered through either the Joint Venture or SPV , and the disposal of land/sites to either vehicle.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 Brighton & Hove is a growing city with high housing prices, low incomes, an ageing population and a significant proportion of households with support needs. There are over 23,000 households on the joint housing register, 1,800 households in temporary accommodation and rising homelessness. Social housing makes up only a small proportion of the overall housing in the city with 9.8% of homes owned by the local authority and 5.1% by Registered Providers (RPs).

3.2 Housing demand, growth in the private rented sector and rising rents has an adverse effect on affordability of housing in the City. This has contributed to a decline in owner occupation as those seeking to buy their own home are

increasingly unable to take advantage of housing for sale either through cost or as a result of sales of residential accommodation meeting demand from buy to let or other landlord investors rather than prospective home owners.

- 3.3 This increasing housing demand, reduced public subsidy for affordable homes (in particular no funding for lower cost general needs rented homes) and a shift away from development of rented and family homes remain key challenges identified by the council's Housing Strategy and Budget. This has an adverse impact upon the council's ability to respond to the needs of a growing more diverse population and the council's capacity to maintain mixed and balanced communities and retention of lower income working households and employment in the city.
- 3.4 For stock holding authorities such as Brighton & Hove, the Housing Revenue Account debt cap, reduction in rental income of 1% per annum over the next four years and the potential impact of Housing & Planning Act (in particular proposed High Value Void tariff) will restrict resources available for new build and regeneration.
- 3.5 The HRA medium term and 30 year financial forecast was reported to Housing & New Homes Committee (13 January 2016) which showed that the council is nearing its self-financing cap (or limit) on the amount of HRA borrowing permissible for capital investment. For Brighton & Hove this limit is currently set at £156.8m and the outstanding debt reaches its peak in 2023/24 where the borrowing level is £147.4m leaving headroom of only £9.4m.
- 3.6 This position means that the council needs to look at alternative funding and delivery mechanisms if it is to deliver the new affordable homes the city needs. The council has also been looking at larger scale opportunities including those related to the structures researched in the Housing Market Intervention project in order to deliver a large number of new homes financed from outside the HRA.
- 3.7 Options to mitigate reduced public subsidy for affordable rented homes and Registered Provider shift away from development of this type of accommodation have been subject to regular discussion and review at our Affordable Housing Delivery Partnership (RPs, Homes & Community Agency (HCA) and council) meetings. In particular, as addressing the acute shortage of affordable rented homes and in particular family housing has been identified as a key priority in our Housing Strategy.

Joint Venture with Hyde Housing

- 3.8 Hyde Housing Association (Hyde), a long standing member of our Affordable Housing Delivery Partnership, has approached the council with a proposal which could deliver 1,000 plus new lower cost rental and sale homes for low income working households in the city whilst generating a long term return for the council and Hyde.

The Hyde Living Wage Housing proposal

- 3.9 This is a proposal for a JV partnership between Hyde and the council to be established as a 50:50 Limited Liability Partnership (LLP). The concept behind the Joint Venture is that the sum of the whole is greater than the value of the individual parts. By combining resources, funding, technical expertise and supply chain, the council and Hyde could deliver more together than individually.

- 3.10 There are risks and opportunities entering into any joint venture and there are a number of important considerations for the council. The first is selecting the right partner with the same objectives. The objectives of Hyde as a charitable housing association whose core purpose is as a housing charity providing low cost homes is a good fit with the council's aspirations to deliver a supply of good quality low cost homes for local people in housing need.
- 3.11 The joint venture model also enables the council to access Hyde's commercial developer skills, expertise and resources, in particular the volume buying power of their framework agreements for both consultancy and construction services which would deliver commercial savings, reducing the cost of delivery. Hyde also has substantial experience delivering major regeneration projects as part of its house building programme of circa 1,500 homes per annum. Hyde have an excellent track record of delivery of new homes within the city and the council is confident that the joint venture will deliver the new homes that are so needed in Brighton & Hove.
- 3.12 The cost and risk of developing the homes would be shared equally between the project partners as would the commercial returns.
- 3.13 The JV would deliver 1,000 new homes let and sold on sub-market terms as well as regeneration projects detailed elsewhere in this report:
- 500 homes at sub market prices which are affordable to rent for working Brighton & Hove residents earning the new National Living Wage (assumed delivery from 2019 onwards); and
 - 500 shared ownership homes affordable to buy for Brighton & Hove residents on average incomes.
- 3.14 Living Wage housing in this context is defined as a home provided at a cost which is at 40% of gross pay to a household earning the new national Living Wage. Current estimates are that this would require an average 40% discount on the market rent. This compares to a 20% discount for the Government's Affordable Rent product.
- 3.15 The Housing Strategy approved at Council in March 2015 highlighted key themes including the availability of affordable family homes, in particular rented homes, and the economic impact of this lack of housing supply on our ability to retain lower income working households and employment in the City. In our Housing Strategy we are committed work collaboratively with Adult Social Care, Children's Services and Health colleagues to meet our shared objectives including the availability of homes in the city to meet the needs of their workforce and those of other employers for whom the recruitment and retention of lower income workers in Brighton & Hove has increasingly become an issue. The proposed Living Wage joint venture would align to our strategic aim of contributing to addressing this issue.
- 3.16 The nature of the joint venture would provide the flexibility to sell homes from developments if it was in the JV's best interests. This is not currently envisaged, however the model would allow this flexibility subject to agreement from both LLP Members and within legal constraints on commercial activity.
- 3.17 The LLP will operate within the parameters of a Business Plan approved by both parties and subject to reserved matters. The initial Business Plan would be annexed to the shareholder agreement for the LLP (known as a Member's Agreement) which would be signed by the Council and Hyde. This is an important

document that sets out, how the LLP will be run, including amongst other things: how profits are shared, who needs to agree decisions, members' responsibilities, dispute resolution and how members can join or leave the LLP.

- 3.18 It is proposed that the joint venture would have no direct staff, with services contracted in from the partners or from external contractors as necessary. The proposal from Hyde which is currently under consideration and is subject to negotiation is that they would provide development, sales and marketing and letting services to the JV with the council providing financial and corporate services (the council will need to ensure that full costs of providing the service are met). A services agreement would be put in place with each of the partners at the point of forming the joint venture. It is yet to be agreed which party will provide the property management services.
- 3.19 The business case is supported by a Strategic Financial Viability Model (SFVM) to demonstrate a viable financial model and the scale of development that could be supported by an approximate level of investment. The council's finance team have reviewed the financial model, carrying out due diligence on the business case and SFVM.
- 3.20 The initial proposal is for £105.47M total investment and Hyde propose that the council and Hyde both provide £52.7M funding to achieve this.
- 3.21 It will also be possible for the council to invest commuted sums it is able to raise from developers in lieu of onsite s106 affordable housing into the JV and therefore reduce the level of cash that the Council has to source from PWLB or existing resources. The council agreed how commuted sums should be calculated in relation to planning applications at the June 2016 meeting of Economic Development and Culture Committee and they are likely to continue to accumulate in the future. However it should be noted that the level of commuted sums collected is only likely to constitute a small percentage of the overall investment requirement. In addition, this is likely to be affected by the introduction of the requirement of Starter Home on all major planning applications.
- 3.22 Value would be returned to the council and Hyde through profit distributions and / or repayment of debt in respect of loans made, with the balance depending on the final agreed approach to funding. Sensitivities and scenarios have been modelled evidencing the impact of various events including rising construction costs, changes to property prices, changes in rental amounts, interest rate increases, different ratios of equity and debt funding and different accommodation sizes and standards. Profit generated from the JV will be an ongoing revenue income to the council as detailed in the Financial Implications section of this report and associated appendices.
- 3.23 An advantage of the proposed Limited Liability Partnership corporate structure is that the LLP Members retain their own tax profile. In other words the corporate structure is tax transparent and the profits would be subject to tax based on the corporate tax status and affairs of each individual LLP member.
- 3.24 Investment into the joint venture will be on State Aid compliant terms at a market rate. In the longer term the JV may opt to retain the portfolio but seek an external funder to invest.
- 3.25 The initial estimate of the investment requirement taken from the SFVM is detailed on the table below. The table details the anticipated development costs for each of

the five years of the project. The BHCC contribution is based on half of these costs minus the anticipated annual shared ownership sales.

| Year | Costs £M | BHCC £M | Sales £M | JV Debt £M |
|------|----------|---------|----------|------------|
| 1 | 17.13 | 8.57 | 0 | 17.13 |
| 2 | 17.32 | 7.95 | -1.41 | 33.04 |
| 3 | 45.50 | 14.28 | -16.95 | 61.59 |
| 4 | 48.60 | 15.75 | -16.95 | 93.10 |
| 5 | 35.92 | 9.48 | -16.95 | 112.02 |
| 6 | 7.54 | -3.30 | -14.13 | 105.47 |

Governance of the Joint venture

3.26 Governance of the JV will be key to ensuring it is able to operate effectively and meet the best interests of the council and key considerations are outlined in more detail in Appendix 2. The Council will interact with, and be able to exercise control over, the joint ventures activities in three principal ways:

- as a landowner, with contractual rights governing what sites the Council wants to transfer and on what terms;
- as a member of the LLP, which in broad terms is equivalent to being a shareholder of a company (i.e. an owner of the vehicle);
- through appointees to the management board, which is comparable to a company's board of directors.

3.27 The Council, and Hyde, will retain strategic control over the LLP's operation through their rights as members of the LLP. This will be achieved through the Council having the right to approve the LLP's annual Business Plan and the requirement that certain listed decisions, referred to as reserved matters, will have to be referred back to it rather than being within the discretion of the management board. It is proposed that this level of strategic control, i.e. the right to make decisions as member of the LLP, is retained by councillors. This will reflect the role of councillors within the Council – i.e. a role focused on leadership and strategic control rather than the task of operational delivery.

3.28 The Council and Hyde will have the right to appoint a management board. The board will be given a role equivalent to a company's board of directors meaning the individuals will have duties to manage the activity of the LLP acting in the best commercial interests of the LLP for the benefit of the Council and Hyde as its members and will have the task and remit of implementing the Business Plan set by the Council and Hyde and subject to those matters / decisions reserved to the members.

3.29 The level of discretion given to the management board will depend on the precise framing of the Business Plan – i.e. how prescriptive or flexible it is – and what the reserved matters are. By way of example, these could include approving transactions above a specified value and subjecting the LLP's assets to security. Matters within the remit of the Business Plan would not need to be referred back as reserved matters as well.

3.30 The proposal is for a board of six, three to be appointed by Hyde and three by the Council. The Council proposes to appoint senior officers as this will focus on the

operational delivery of the new homes. The relatively low number of management board members should ensure that the LLP is focussed and operationally flexible, enabling it to deliver the objectives of the Living Wage proposal faster and in a more streamlined way. Potential conflicts of interest will need to be managed and these are outlined in more detail in Appendix 2

Allocations and nominations:

- 3.31 The Living Wage proposal concurs with our draft Allocation policy which proposes an income cap against size of accommodation needed so that those high earners who can resolve their housing in the private rented sector are no longer on the Housing register whilst retaining those on lower incomes who would benefit from the Living Wage housing. The income caps have been set such that households who could expect to pay more than half of their income on average market rents would be retained on the Register whilst those who would expect to pay a lesser percentage would no longer be on the Register and hence would ensure they do not benefit from Living Wage homes. We can also develop a Local Letting Policy for these properties to give priority to those on the Housing Register who are working

Land disposal to the Joint Venture

- 3.32 The council may dispose of land to the JV on the basis of open market valuation assessed in line with legal obligations in respect of land disposals by councils to secure 'best consideration'. Any land disposal by the council would follow the usual processes and procedures within the council prior to transacting any disposal including committee approval in the normal way.
- 3.33 The joint venture would complete the transaction to purchase the land once it is satisfied that any scheme is viable as evidenced by the individual Scheme Financial Viability Appraisal (SFVA). Any land purchase by the JV would follow agreed corporate governance procedures within the JV as set out in the initial Business Plan.
- 3.34 For any disposal of land by the council to the JV, the council would follow all normal and prudent commercial practices, including obtaining the opinion of a professionally qualified independent valuer, in order to comply with the required legal process for any disposal of an interest in land.

Using a JV for regeneration projects

- 3.35 The establishment of joint ventures may also be an effective way of delivering specific regeneration projects which could potentially involve the regeneration of existing estates or buildings that are coming to the end of their life and where additional homes could be delivered by increasing the capacity of the site.
- 3.36 This type of regeneration activity would involve working with local communities to develop proposals for the regeneration of estates in greatest need of investment and where there are development opportunities. This would involve liaising with colleagues across the council to make sure that our estate regeneration activities

join up with other initiatives and major projects and that we maximise the opportunities available for residents.

Wholly owned Council Housing Company

- 3.37 As well as the joint venture opportunity the council would also like to take forward the establishment of a wholly owned special purpose vehicle or housing company. This has become common practice amongst local authorities and will provide the council with flexibility to look at a wide range of housing delivery options including those identified in the previous Housing Market Intervention report and continuing to develop new homes directly.
- 3.38 As reported to March 2016 Housing & New Homes and Policy & Resources Committees Savills and Trowers & Hamlins were procured by the council to review options for the council to intervene in the local housing market as a potential purchaser (or lessee) of new housing being brought forward on development sites in the city. The aim would be to meet housing needs, including delivery of homes let at Local Housing Allowance (LHA) rates to households to whom the council owes a statutory duty to accommodate.
- 3.39 The principal assumption in the case studies is that the council would be able to use its position of influence and financial strength to acquire a number of properties off-plan, at a discount to full market value based on the property acquisition assumptions. The financial modelling then uses market information and reasonably standard assumptions in terms of rental yields and operating costs, to show if/how such a proposition could be financially deliverable. Case study financial modelling shows a proposition which could be viable from the perspective of the company and council.
- 3.40 The report sets out the options which are likely to be available in funding and structuring a new council vehicle to support the objectives of this project and outlines the principal funding options. Whilst there is a wide range of options in terms of structuring (including third party involvement through a JV), and in funding (including third party or internal funding arrangements), the likelihood is that the objectives of this project could be most effectively delivered through a wholly owned and funded company. This is a relatively straightforward route which is being followed by a number of local authorities for similar projects.
- 3.41 Bevan Brittan LLP has advised that establishing a wholly owned company is now common and relatively straightforward to achieve. As well as exploring the opportunities to purchase 'off-plan', the company would give the council more flexibility in developing a range of ways of delivering additional housing in the city and managing properties in the current New Homes for Neighbourhoods programme. Bevan Brittan LLP advise that the company structure could be used for continuing the management and financing of homes built directly by the council.
- 3.42 Should the council take forward a new council owned and funded company, in terms of funding, the Savills and Trowers & Hamlins report assumes that the council provides the company with finance to allow it to acquire the properties. The financial arrangements between the council and company are then set up so that:
- They are fully compliant with the regulatory environment (tax, state aid and other government regulation);
 - The company can afford to meet its financial commitment (interest payment to the council) from the retained net rental income – i.e. it has a viable and deliverable Business Plan;

- The council receives sufficient payment from the company to allow it to cover the additional interest cost it will incur in raising the finance provided to the company.
- Take into consideration the risks identified in paragraph 4.1 in this report.

4. RISK AND OPPORTUNITIES

4.1 A number of risks have been identified by the project team and the council's legal advisors:

- **Consents and Best Consideration:** Failure to structure arrangements to meet general consents could mean needing to go to the Secretary of State which would create uncertainty over timing and ultimately whether or on what terms consent would be given. Legal advice has been taken to ensure regulations are met.
- **State Aid:** An issue if contribution of land for no consideration or additional rights. Legal advice is being taken to ensure that the project is compliant.
- **Site identification:** Not able to identify suitable sites to transfer to the JV. Sites are being reviewed and any council sites will be brought to future committees once identified.
- **Project financing:** Understanding of financial risks and mitigation. Commuted sums may not be realised. Financial due diligence work is has been undertaken to mitigate this risk, for example modelling the councils investment using 100% borrowing and sensitivity analysis of the SFVM.
- **Governance:** The governance structure needs to be fit for purpose in managing delivery of development and does not cause inappropriate conflict issues that affect ability of the Council to manage the JV or the JV to manage its business. Legal team are working to develop as structure that best meets the council interests.
- **Planning:** Changes to national and / or local Planning policy framework. Including potential impact of Housing & Planning Act, in particular in relation to Starter Homes. Not able to gain planning permission for specific schemes or maximise capacity of sites. Early planning advice will be taken on individual schemes.
- **Community opposition:** Potential opposition to schemes. Communities will be engaged in a similar way to they have been for the New Homes for Neighbourhoods programme, for example using Planning for Real techniques.
- **Tax:** Tax implication and liabilities such as SDLT and VAT need to be reviewed in relation to the proposed structure. Tax advice has been sought on the proposed suture and will be reviewed with any relevant changes.
- **Policies and standards:** The current proposals do not fully meet the council's Affordable Housing Brief standards in terms of unit size, mix, Life Time Homes and percent of wheelchair accessible units. However the proposal do address issues of housing supply and in particular the provision of lower cost rented homes.

- **Housing Market:** Impact of any future economic uncertainty on the housing market and construction costs will be monitored. A significant fall in the housing market may require additional borrowing or increased percentage of sales. Any modifications identified in the annual Business Plan to be reviewed by committee.

5. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 5.1 The council has been investigating a number of delivery options in order to find a range of mechanisms to increase the supply of affordable housing in the city. This includes the work undertaken in the recent Housing Market Intervention report by Trowers & Hamblins and Savills, as well as recent JV proposals from Hyde Housing.
- 5.2 Alternative options that have been considered are provided in the list below. It is likely that a range of delivery options will be progressed in the longer term in order to maximise the delivery of new homes. Individual proposals would need to be agreed by relevant committees.
- Wholly owned council vehicle e.g. Housing Company
 - JV with a Registered Provider
 - OJEU procured joint venture
 - Disposal of sites to private developers
 - Do nothing

6. COMMUNITY ENGAGEMENT & CONSULTATION

- 6.1 General consultation on our approach to stimulating new house building, making best use of our Housing Revenue Account (HRA) assets and estate regeneration through the New Homes for Neighbourhoods programme has been undertaken with councillors, council tenants and leaseholders through reports and presentations to Housing & New Homes Committee. The cross party Estate Regeneration Members Board oversees development and delivery of our estate regeneration activities.
- 6.2 Consultation with residents and ward councillors on specific schemes and sites will require a similar level of community engagement as with the existing New Homes for Neighbourhoods Programme, for example Planning for Real techniques. This has followed a comprehensive process with ward councillors, residents and other stakeholders engaged and consulted at all key stages of individual projects. Consultation will also be undertaken via the Planning process.

7. CONCLUSION

- 7.1 The offer from Hyde to establish a Joint Venture company provides an excellent opportunity to combine resources and expertise to make a significant contribution to tackling the city's housing crisis by delivering additional affordable homes. It is considered that Hyde's track record of delivery, along with their scale and experience will enable the council to deliver new homes that represent value for money and that are of good quality.

- 7.2 The establishment of a wholly owned housing company will give the council the flexibility to provide additional housing in a range of ways including purchasing off plan as outlined in the Housing Market Intervention report and continuing to directly develop new homes. Establishing this type of Housing company is now 'tried and tested' by other local authorities and relatively straightforward way to increase options and opportunities for the council to deliver new homes.

8. FINANCIAL & OTHER IMPLICATIONS:

- 8.1 The report sets out two options for the council to increase affordable housing in the city which supports the council's strategic objectives.

Joint Venture Proposal

- 8.2 The recommendation in 2.2.i) is to agree the Heads of Terms and other principle documentation in order to develop and implement the proposed Joint Venture, the Strategic Financial Viability Model (SFVM) supports the business case for this recommendation. If this recommendation is approved, finance officers, as part of the JV project team, will ensure financial due diligence is followed to ensure financial risk exposure to the council is kept to a minimum and benefits of the proposal are achieved.
- 8.3 Officers have reviewed the SFVM for the Hyde Joint Venture proposal, which includes review and testing of the assumptions, and various sensitivity analysis of the SFVM. Part 2 of this report (Appendix 5), includes a summary of the financial model results, main assumptions used and sensitivity analysis that has been carried out.
- 8.4 The JV proposal requires £105.47 million total investment to develop 1000 new homes over a 5 year period. The proposal is that Hyde and the council provide 50/50 funding of £52.7 million each to fund the investment requirements.
- 8.5 The council's investment of £52.7 million will be financed mainly from borrowing and some commuted sums. The financial modelling shows that the returns on investment will achieve surpluses to the council after financing costs of borrowing (both interest and capital repayments). The financial modelling shows that the council's share of surpluses are forecast to total £221.4 million over 64 years with a net present value (NPV) £37.6 m (i.e. the return at today's values).
- 8.6 The table in paragraph 3.24 provides the forecast investment requirement for the JV profiled over the first 5 years. Any borrowing undertaken by the council to fund the council's share of investment will need to be included councils capital borrowing limits which are approved Policy, Resources and Growth Committee.
- 8.7 The council will need consider how it is going to cover the financing costs of borrowing during the construction stage and include in its medium term financial plans. This will be required to be funded through the General Fund and the best economic option for this interest cover will need to be considered as part of the councils Treasury management decisions. Initial estimates of the cost to the General Fund could be in the range of £0.023 - £0.045 million over a 4 year period.

- 8.8 The reserved matters will include any Business Plans and disposal of land/sites to either vehicle and will be reported to appropriate committees for approval

Wholly owned Special Purpose Vehicle or Housing Company

- 8.9 The recommendation in paragraph 2.2.ii) is for delegated authority to progress and implement the establishment of a wholly owned Special Purpose Vehicle or Housing Company to support the provision of additional homes in the city. If this recommendation is approved, finance officers will assess the financial implications upon development of the proposals to ensure financial due diligence is followed, minimising financial risk to the council and achieve the benefits this proposal sets out to achieve. The Business Plan to support this and the financial implications will be required to be reported back to the appropriate committee.
- 8.10 It is anticipated that the cost of the appointed legal consultants to provide expert legal advice will be met within the total capital budget allocation of £0.151m for these Housing Delivery Options. If there are any significant variations to these costs, this would be reported and approval sort through the council's budget management process.

Finance Officer consulted: Susie Allen Date: 12/09/16

Legal Implications:

- 8.11 As set out in the body of the report, the Council has appointed Bevan Brittan LLP as its legal advisor. The legal advice so far is set out in the body of the report as well as in Appendix 1, 2, 3 and 4 attached to this report.

Lawyer consulted: Isabella Sidoli Date: 12/09/16

Equalities Implications:

- 8.12 An increase in housing supply will extend opportunities to provide new, well designed homes to accommodate households on the Housing Register who are in housing need.

Sustainability Implications:

- 8.13 Attaining high sustainability standards is an important in delivering homes that are energy efficient, minimise carbon emissions and reduce water usage. Addressing fuel poverty and reducing total costs of rental or ownership is also an important consideration.

SUPPORTING DOCUMENTATION

Appendices:

1. Bevan Brittan advice to BHCC on the Joint Venture proposal
2. Bevan Brittan advice to BHCC on Governance considerations in relation to the JV proposal
3. Bevan Brittan advice to BHCC on the establishment of a wholly owned Housing Company or Special Purpose Vehicle
4. Illustrative draft Heads of Terms
5. Part 2 Summary of Strategic Financial Viability Model and sensitivity analysis

Documents in Members' Rooms

None

Background Documents

1. Housing Delivery Options - Housing & New Homes Committee Report 2 March 16
2. Housing Delivery Options – Policy & Resources Committee Report 17 March 16

Crime & Disorder Implications:

- 9.1 The development of Special Purpose Vehicle and / or Joint Venture partnerships offers the opportunity to provide new, well-designed homes which link to the council's wider regeneration aspirations for the city, including the council's economic development and sustainability objectives. Well-designed urban housing has been shown to influence the rate of crime and disorder as well as the quality of life for future occupants.
- 9.2 Vacant sites can sometimes attract anti-social behaviour. With careful planning, the future development of these sites is likely to improve the safety of existing neighbourhoods by reducing crime and the fear of crime.

Public Health Implications:

- 9.3 There are strong links between improving housing, providing new affordable homes and reducing health inequalities. Energy efficient homes which are easier and cheaper to heat are likely to have a positive influence on the health of occupants of the new homes.

Corporate / Citywide Implications:

- 9.4 Increasing Housing Supply is a City Plan and Housing Strategy priority. In particular, meeting our housing target of 13,200 new homes in the City by 2030.
- 9.5 In addition, in our Housing Strategy (2015) priority of increasing housing supply to meet identified needs, we are committed work collaboratively with Adult Social Care, Children's Services and Health to reduce long term social care cost pressures and address issues arising with recruitment and retention of lower income staff in the City essential to the operation of these services.
- 9.6 In exploring Housing Delivery Options we are also working in support of the following Corporate priorities:
 - **Increasing Equality**- Coordinate services and spending better between public services to improve equality.
 - **Economy, Jobs and Homes** - Enable development of new, affordable homes, working with government, Registered Providers and other partners to maximize investment.
 - **Health & Wellbeing** - support for key worker housing to meet Health and Social Care employee requirements.
 - **Contributing to the Medium Term Financial Strategy** - Maximising New Homes Bonus and Council Tax revenue resources through improving housing supply; Ensuring Housing investment aligns with the Corporate Plan priorities.
 - **Greater Brighton** – Accelerating housing delivery through exploring housing market intervention / housing company models at a Greater Brighton level. Delivering activity alongside other initiatives and ensuring that the

strength of the housing market is captured to meet local needs including housing type and tenure

9.7 The JV will bring a number of benefits to the city and council including:

- 1000 new affordable homes
- Potential long term revenue income from surpluses
- Regeneration of key sites and public realm improvements
- Each new home has potential to generate new Council Tax and New Homes Bonus
- Any business and retail units will generate additional Business Rates
- Potential £3 of economic output for every £1 of public investment based on national calculations
- Apprenticeships and training
- Potential regeneration of existing council stock that is in need of investment or coming to the end of its life

