

HOMES FOR BRIGHTON AND HOVE UPDATED BUSINESS PLAN

April 2022

1. Project background and introduction

i Homes for Brighton & Hove (HBH) is a Limited Liability Partnership (LLP) owned 50:50 between Brighton & Hove City Council (the Council) and The Hyde Group (Hyde). The Partnership Agreement was completed in December 2017.

The original Business Plan for Homes for the City of Brighton & Hove LLP (HBH) was prepared by Hyde and the Council and was annexed to the LLP Members Agreement.

The context for the formation of HBH partnership was a serious shortfall in delivery of affordable housing within the city. It was envisaged that HBH could contribute to regeneration in the city and assist in providing affordable homes for local people. Its purpose is to provide over 1,000 new homes for low income, working households in Brighton and Hove whilst delivering commercially acceptable returns for the investment partners.

Achievements to date include:

- *Optimised planning consents for two initial sites*
- *Cost effective, efficient design*
- *Streamlined planning and construction procurement processes*
- *Advanced stage construction of 346 affordable homes*
- *Effective communications and public relations*
- *Healthy projected investment returns*
- *Widely recognised as an example of good practice.*

2. Context for update

i The key changes in the Updated Business Plan are:

- *To move away from the development of a portfolio to be owned by HBH to a Development Company (DevCo) model where the completed homes are sold to the partner organisations.*
- *To focus on the development of affordable housing models that are eligible for grant funding*

The environment in which we are operating has changed from when HBH was incorporated.

Key changes include:

- *A changed funding environment*
- *More affordable housing development in the city*
- *Rising costs and labour shortages*

Changing to a DevCo model will enable the partners to attract Homes England funding helping deliver lower rents and improving project viability. This change requires HBH to move away from providing rented housing linked to the Living Wage and made available for working households only to general needs housing and government defined social rents.

More detail on the Project History and Context is attached as Appendix 1.

3. Objectives

i *The core objective of HBH is to develop affordable housing on behalf of Hyde Housing Association and Brighton & Hove City Council and to bring additionality to the delivery of affordable housing in the Brighton and Hove area, in particular the delivery of grant funded rented housing let at Social Rents. The partners will work together to secure Homes England grant and other subsidies to support this objective. This will include grant sharing and pooling.*

Development of affordable housing for Institutional Investment will be considered if it enables the purchase of sites that cannot be secured for sale to BHCC and Hyde HA.

While HBH's primary purpose is to bring forward schemes that deliver 100% affordable housing, private sale development will be considered if it enables the delivery of at least 40% (of total scheme) affordable housing and achieves minimum return requirements.

Key Milestones and Targets.

- *Completion of the two sites currently underway by the end of 2024*
- *Planning permission and starts achieved for 654 additional affordable homes*
- *Completion of 1000 new homes*

4. Strategic plan

i *HBH will positively work towards identifying a pipeline of sites with potential for delivery by the LLP. Sites in BHCC ownership present the best opportunity to maximise Affordable Housing provision, while sites where BHCC has leverage with the landowner give potential for the LLP to acquire land for the delivery of viable schemes. HBH will be flexible in its approach, remaining live to opportunities within the market, focusing upon:*

- Stalled strategic sites in Brighton and Hove
- Development opportunities within the Hyde estate
- The whole affordable housing requirement/content of large strategic sites

HBH development will be one of or a mix of the following development scenarios:

- *The current LLP model of 100% affordable housing developed for purchase by the partners with the input of Affordable Housing Grant.*
- *A planning compliant mix of tenures with 40% affordable housing delivered through a s106 agreement (and therefore no grant funding).*
- *A mix of private and affordable tenures with an enhanced affordable housing content to enable grant funding to be attracted for the affordable housing.*
- *Affordable Housing Development for Institutional Investment.*

A target unit type mix will be adopted for new schemes - 40% 1 bed, 40% 2 bed, 20% 3 bed. This approach is considered to optimise the balance between financial viability and meeting planning requirements.

This target mix will be adopted for financial modelling purposes, in practice the final mix for each scheme will vary to reflect site location and design, planning and viability considerations.

Opportunities to provide family houses as well as apartments will be actively pursued. Apartment schemes will give particular attention to providing private outdoor amenity space, good quality communal landscaping, pocket parks and other facilities to meet the needs of families with children and a range of age groups.

HBH is committed to developing homes that are both cost effective to live in and meet high standards of environmental sustainability in line with the city's 2030 Net Zero Carbon targets and helping tackle the Climate Change and Bio-diversity Emergencies. More detail on the approach proposed is included in Appendix 2.

HBH is committed to fulfilling its duty under the Social Value Act 2012 as well as maximising the social value and impact of all its actions and resources. Our procurement processes seek not only to maximise Value for Money in terms of our spending and outcomes for residents but also seek to:

- *Encourage innovative approaches to social, environmental, health and economic issues;*
- *Encourage solutions which benefit and engage underrepresented communities and vulnerable residents;*
- *Deliver sustainable solutions, benefiting local communities beyond the length of a contract;*
- *Provide apprenticeships, job opportunities and skills for local people;*
- *Provide Contractors with potential opportunities to further demonstrate their commitment to the Considerate Contractors Scheme's Code of Considerate Practice*

In order to optimise financial viability and ability to compete for new sites in the open market without compromising the quality of accommodation provided, HBH has developed a Design Guide. The aim is to optimise net to gross ratios and build efficiency whilst meeting all planning

requirements This includes target unit sizes and templates for unit layouts (including family houses) and for the ideal apartment block (in terms of build efficiency). Block layouts will focus on thermal efficiency and make allowance for connection to District Heating Systems, Shared Ambient Ground Source Loops and for the location of photo-voltaic and/or solar panels. Consideration will be given to construction methodology and materials with an aspiration to use Modern Methods of Construction (MMC) and to minimise future maintenance costs. Opportunities to integrate circular economy principles in projects will also be maximised in order to minimise waste and identify potential for re-using materials. The Design Guide is included as Appendix 3

5. Strategic Financial Model:

i *The plan to deliver 1000 homes is underpinned by a Strategic Financial Model, this has been updated to reflect a DevCo model, with an additional 654 homes delivered from 2024-2028.*

The Updated Strategic Model includes up to date actual costs and revenues for the 2 initial sites and reflects a build for sale as affordable housing (to partners) approach for new schemes. Key cost and revenue assumptions have been updated.

The summary Sheet for the Strategic Financial Model is included as Appendix 4 and a narrative on cost and revenue assumptions is included as Appendix 5 Total development costs of £215,792,807 and total development income of £236,080,000 are currently forecast.

The base assumption in the model is that future development activity will be affordable housing development - 50% Shared Ownership and 50% Social/Affordable Rent - on-sold to HBH Partners purchasing with the benefit of grant funding. This is HBH's base model approach but does not restrict the Board from agreeing to a different mix on future sites. On a scheme by scheme basis the ambition is to look at increasing the proportion of rented housing on a subject to viability basis. For the purposes of the base model on-sale values have been set with reference to those agreed with the partners for the Portslade and Coldean schemes. For future development payments from the partners for the developed units will be negotiated on a site by site basis with the aim of achieving unit values in excess of those in the base model, in particular for shared ownership units. The Strategic Model will be updated to reflect prices agreed as new schemes are approved.

The Updated Business Plan allows for HBH to develop different housing tenures and this may be necessary to secure sufficient land to deliver 1000 homes. Actual costs, revenues and scheme composition will vary from core assumptions for each new project and in practice each scheme will need individual Board Approval, the Strategic Financial Model will be updated to reflect costs, revenues, tenure and mix for each newly approved scheme.

HBH has agreed minimum target investment return requirements for different development tenures. These are set out in Appendix 6.

Key Sensitivities for the Updated Strategic Financial Model have been modelled, a summary table is included as Appendix 7.

6. Governance and Staffing

i *The ownership structure of HBH is 50:50 between the Council and Hyde.*

HBH is operated based on equal decision making on sound commercial investment principles.

Neither party to HBH will have a majority and therefore, in the unlikely event that there is serious disagreement or conflict arises between the parties over the management of HBH, the LLP Agreement contains Deadlock provisions designed to resolve such situations.

HBH has a six-member Board with three representatives appointed by the Council and three representatives appointed by Hyde.

The role of the HBH Board is to deliver this Business Plan and any updated Business Plan that may be approved by HBH's Member's.

More detail on the Governance Structure is included in the Members Agreement.

HBH does not employ staff. Services are sub-contracted and either bought in from HBH's Members or procured through Hyde's OJEU compliant Framework Agreements for Consultancy and/or Construction services

The following services have been sub-contracted to the Members:

- *Development Management – Hyde*
- *Sales & Marketing – Hyde*
- *Corporate & Financial Services – the Council*

More detail on the appointments and service agreements is included as appendix 8.

7. Shared Sites

i *Where sites are developed for the partners and blocks or units are sold to both partners on the same site, HBH will transfer the Headlease for the site to one of the partners. Prior to acquiring sites, members will need to agree long term ownership and management arrangements for any shared communal areas and which partner is best placed to take on the Headlease and responsibility for management and maintenance of shared communal areas.*

8. Review date

i *The Business Plan will be reviewed by the joint Project Team annually and more frequently if required. Any changes will be agreed by the LLP Board and each partner organisation.*

LIST OF APPENDICES

APPENDIX 1	CONTEXT FOR BUSINESS PLAN UPDATE
APPENDIX 2	UPDATED APPROACH TO FUTURE HOMES AND SUSTAINABILITY
APPENDIX 3	UPDATED DESIGN GUIDE (DRAFT)
APPENDIX 4	UPDATED STRATEGIC FINANCIAL MODEL AND TARGET MODEL
APPENDIX 5	UPDATED STRATEGIC FINANCIAL MODEL ASSUMPTIONS
APPENDIX 6	INVESTMENT RETURNS NARRATIVE
APPENDIX 7	UPDATED STRATEGIC FINANCIAL MODEL SENSITIVITY ANALYSIS
APPENDIX 8	APPOINTMENTS AND SERVICE AGREEMENT