

<b>Subject:</b>	<b>Living Wage Joint Venture Business Plan</b>		
<b>Date of Meeting:</b>	<b>12 October 2017</b> 25 September 2017 – Special Housing & New Homes Committee		
<b>Report of:</b>	<b>Executive Director for Economy, Environment &amp; Culture</b>		
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Improving housing supply, in particular the supply of affordable homes for rent is a key priority of both our Housing Strategy and City Plan. Housing & New Homes and Policy, Resources & Growth Committees agreed to support in principle the establishment of the Living Wage Joint Venture (LWJV) at their meetings in November and December 2016. It was also agreed that the final Business Plan which sets the parameters within which the partnership will operate would be brought back to committee for approval. This is now ready to be considered by members following a period of due diligence checks by council officers and the council's legal advisors.
- 1.2 The key aim of this project is the provision of lower cost rented housing for low income working households in the city. 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 to meet our identified housing needs in the City. There is also potential to generate a long term income for the council through the generation of an annual surplus.
- 1.3 The recommendations for consideration in this report follow on from the decisions made in November and December 2016, by seeking approval of the Business Plan that will frame the delivery of the LWJV's projects as it moves forward. This report provides an overview of the following areas of work:
  - An overview of the appended Business Plan
  - Progress with legal documents
  - An update on the governance arrangements for the LWJV

## **2. RECOMMENDATIONS:**

### **That Housing & New Homes Committee:**

- 2.1 Note progress with the legal documentation required to implement the Living Wage Joint Venture; and
- 2.2 Recommends the report to Policy, Resources & Growth Committee as out at paragraphs 2.3 to 2.10

### **That Policy, Resources & Growth Committee:**

- 2.3 Agree the Business Plan in Part 2 of the report and delegate authority to the Executive Director Economy, Environment and Culture to take all steps necessary to enable and facilitate the implementation of the Business Plan;
- 2.4 Authorise the disposal of Former Belgrave Site Day (South Portslade Industrial Estate), Clarendon Place, Portslade (as shown in Appendix 1) by way of long leasehold and that delegated authority be given to the Executive Director Economy, Environment and Culture, Assistant Director of Property & Design and Executive Lead Officer Strategy, Governance & Law to agree terms and execute all legal documentation necessary to dispose of the site to the LWJV;
- 2.5 Authorise the disposal of Land north of Varley Halls, Coldean Lane, Brighton (as shown in Appendix 2) by way of long leasehold and that delegated authority be given to the Executive Director Economy, Environment and Culture, Assistant Director of Property & Design and Executive Lead Officer Strategy, Governance & Law to agree terms and execute all legal documentation necessary to dispose of the site to the LWJV;
- 2.6 Authorise the disposal of Land north west of Whitehawk, Brighton (as shown in Appendix 3) by way of long leasehold and that delegated authority be given to the Executive Director Economy, Environment and Culture, Assistant Director of Property & Design and Executive Lead Officer Strategy, Governance & Law to agree terms and execute all legal documentation necessary to dispose of the site to the LWJV;
- 2.7 Note the value for the disposals will accord with the valuations for each of the sites assessed by Savills and set out in Part 2 of the report;
- 2.8 Agree the capital receipts from the disposal of these sites are used for the council's investment into the Living Wage Joint Venture;
- 2.9 Approve the inclusion of loans to the Living Wage Joint Venture within the Councils Capital Investment Programme in line with agreed drawdowns approved by the Living Wage Joint Venture Board and;
- 2.10 Agree the appointment of the council's representatives on the Board of the Limited Liability Partnership (LLP) and the Design & Build

subsidiary company.

### **3. CONTEXT/ BACKGROUND INFORMATION**

#### **Action since the 2016 committee decisions**

3.1 Since the Committees agreement in principle to establish the Living Wage Joint Venture (LWJV) in November and December 2016 Council officers, Hyde and our respective legal advisors have been working to progress the LWJV. This has included preparation for the establishment of the Limited Liability Partnership (LLP) to deliver the new homes and the Business Plan which will set the parameters within which the partnership will operate subject to reserved matters which it has been agreed would come back to each organisation for agreement. This has included:

- Updating the Heads of Terms in order to reflect the committee decision and associated amendments (see Appendix 4)
- Developing and negotiating on a range of legal documents and the Business Plan, appended to this report
- Undertaking a range of due diligence checks on the Strategic Financial Model and Business Plan (see Appendix 6 and Part 2 report)
- Progressing the identification and assessment Priority Sites for development by the LWJ V, the first three sites proposed for the new homes are included in this report (see Appendices 1, 2 and 3 for site maps)
- Progressing the governance arrangements for the Limited Liability Partnership
- Updating Estate Regeneration Board and Strategic Delivery Board on progress.
- Considering the interface between the local authority and Hyde as public bodies and the LLP as a private and independent body.
- Developing the Frequently Asked Questions document to provide further clarity on the proposals (see Appendix 5).

#### **Background**

3.2 Brighton & Hove is a growing city. Improving Housing Supply to meet identified local needs is a priority of both our Housing Strategy and City Plan. A key theme of our Housing Strategy is the lack of availability of affordable homes, in particular family 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 across all sectors. This is in addition to the council's ability to meet the needs of those who approach us for housing and those to whom we owe a duty to accommodate. Brighton & Hove has over 21,000 households on our Housing Register, 1,800 in temporary accommodation and a significant shortage of affordable homes available to let.

3.3 The city also has areas of serious deprivation and its population has significant health needs and inequalities. In our Housing Strategy we are committed to 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.

- 3.4 Housing demand, growth in the private rented sector and rising rents have 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 through affordability and a result of sales of residential accommodation meeting demand from buy to let or other landlord investors rather than prospective home owners who live and / or work in Brighton & Hove. This has led to concerns that housing supply that is delivered locally fails to meet local housing needs and exploration of options to address this.
- 3.5 For stock holding authorities such as Brighton & Hove, the Housing Revenue Account (HRA) debt cap, reduction in rental income of 1% per annum over four years and the potential impact of Housing & Planning Act will restrict resources available for new build and regeneration.
- 3.6 The council has therefore been looking 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 other opportunities including those related to the structures researched in the Housing Market Intervention project in order to deliver new homes potentially 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.
- 3.8 Options already under consideration include the council's investigation of alternative funding and delivery mechanisms through the LWJV to deliver new housing supply to meet the needs of those who live and work in the City and contribute toward addressing the issues outlined above. .

#### The Living Wage Joint Venture

- 3.9 The Committee decisions in 2016 gave agreement in principle to establishing the LWJV between Hyde and the council as a 50:50 Limited Liability Partnership (LLP). The LWJV would deliver 1,000 new homes let and sold on sub-market terms:
  - 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.
- 3.10 Living Wage housing in this context is defined as homes provided at a cost which is at 37.5% of gross pay to a household earning the new national Living Wage. The table below shows the rents assumed in the LWJV Financial Model which are lower than those charged for Affordable Rent tenancies in the City. These

rents are also inclusive of an assumed £10 per week service charge cost to ensure the overall costs to tenants are affordable.

<i>Studio</i>	<i>£118.13 per week</i>	<i>Studio: £9 p/h x 35 hrs per week x37.5%</i>
<i>1 bed</i>	<i>£147.66 per week</i>	<i>1 bed: ((£9 p/h x 35 hrs per week) x 1.25)x37.5%</i>
<i>2 bed</i>	<i>£177.19 per week</i>	<i>2 bed: ((£9 p/h x 35 hrs per week) x 1.5)x37.5%</i>
<i>3 bed</i>	<i>£206.72 per week</i>	<i>3 bed: ((£9 p/h x 35 hrs per week) x 1.75)x37.5%</i>

- 3.11 Rent increases will be in line with the Consumer Price Index (CPI). This will ensure that rents do not rise at a higher rate than the cost of living and should keep pace with wage increases.

#### Business Plan

- 3.12 The LLP will operate within the parameters of the Business Plan approved by both parties and subject to reserved matters. The initial Business Plan will be annexed to the Members Agreement for the LLP which would be signed by the Council and Hyde. The Business Plan contains commercially sensitive information about the LWJV including anticipated costs for delivering the new homes and therefore is attached as Part 2 of this report. It is an important document that sets out how the LWJV will operate and deliver the new homes; ensuring that a surplus is delivered to each member. Material changes to the Business Plan would be classed as 'Reserved Matters' and would therefore need to go back to each organisation for agreement.

- 3.13 The Business Plan has the following sections and appendices:

<b>No</b>	<b>Section</b>	<b>Content</b>
1	Introduction	Overview
2	Background	History, structure, governance and key appointments
3	Project Mobilisation	Project team, viability tests, site purchase and transfer
4	Project delivery	Site identification, financial modelling, due diligence, Project Monitor role, LLP internal approval processes, consultation, design, planning, construction, procurement, governance, start on site, reporting and stakeholders
5	Timetable	The anticipated timetable for delivery of the homes
6	Initial budget and funding	Anticipated initial costs and budget
7	Strategic Financial Model	Funding requirement, assumptions, tenure

	(SFM)	mix, costs, revenues, National Living Wage rent, Shared Ownership, Inflation and growth
App 1	Flow charts	Key processes including procurement and land & planning
App 2	Project Monitor and development Management	Appointments and scope of services
App 3	Structure charts	Structure charts for the LLP and its governance
App 4	Initial council sites	List of initial council sites
App 5	Design and quality document	Overview of design and quality standards
App 6	Initial audit report	Format for Project Monitor reporting
App 7	SFM and target model	Details of base model and target model
App 8	SFM assumptions	Details of assumptions used in the model
App 9	SFM Cost narrative	Information about costs within the model
App 10	SFM Revenues narrative	Information about revenue streams within the model
App 11	Inflation and growth assumptions	Information about assumptions around inflation and growth
App 12	Lettings Strategy	Overview of principles of the Lettings Strategy
App 13	Shared Ownership Strategy	Strategy for marketing and selling Shared Ownership properties including eligibility criteria
App 14	Sensitively analysis results	Details of sensitivity analysis results undertaken as part of the due diligence process
App 15	Exit Strategy modelling	Modelling of impacts of both parties exiting the LWJV

- 3.14 It is proposed that the LWJV would have no direct staff, with services contracted in from the partners or from external contractors as necessary. Hyde will provide development, sales and marketing services to the LWJV with the council providing financial and corporate services. The provider of each services need to ensure that full costs are recovered and this will be subject to final schedule of service agreed with the LLP and approval of the independent Project Monitor. A services agreement would be put in place with each of the partners at the point of forming the LWJV . The housing and property management services will be provided by either party to be agreed by the LWJV Board.
- 3.15 The LWJV will make use of a design and build subsidiary for the contracting of the supply chain (D&B Co). D&B Co will fit in with the structure and governance arrangements of the LLP as set out in the Business Plan and the LLP legal documentation and not affect the position between the parties and the LLP.
- 3.16 The Business Plan is supported by a Strategic Financial Model (SFM) to demonstrate a viable financial model and the scale of development that could be supported by an approximate level of investment. As part of the due diligence process the council's Finance Team has reviewed the financial model and its

inputs, testing assumptions and auditing the validity of the outputs which are detailed in the appendices of the Business Plan.

- 3.17 The initial proposal, presented in November and December 2016 was for a total investment in the LLP of £105.5million, with the council and Hyde both providing funding of £52.7million this is now the target model for the Development Manager (Hyde) to work towards. The core model has been updated as a result of the due diligence process in which the council requested a higher allowance for the purchase of sites that would cover both the purchase price and any site specific abnormal costs. This has led to an increase in the funding requirement of £13.8million to £119.3million in total, a £59.7million investment both for the Council and Hyde. Hyde have agreed to this increase, but Hyde, as the Development Manager will to work to achieve the target model based on the original allowances and assumptions and are confident of achieving this. If achieved this would reduce the funding requirement for the LLP.
- 3.18 Value would be returned to the Council and Hyde through surplus distributions. Sensitivities and scenarios have been remodelled on the updated Business Plan evidencing the impact of rising construction costs changes to property prices. Surplus cash generated from the LWJV will be an ongoing revenue income to the council as detailed in the Financial Implications section of this report and appendices.
- 3.19 An advantage of the proposed LLP corporate structure is that the LLP Members retain their own tax profile. In other words the corporate structure is tax transparent and the surplus cash would be subject to tax based on the corporate tax status and affairs of each individual LLP member.
- 3.20 Investment into the LWJV will be through a non interest bearing loan, in effect like equity, although it will be secured against the land. It is consistent with State Aid rules on the basis of the market economy investor principle, which provides that if the council can demonstrate that it is acting as a rational private sector investor in similar circumstances would, then the activity is not a breach of State Aid rules.
- 3.21 The estimate of the investment requirement based on the SFM is detailed on the table below. The table details the anticipated development costs for each of the five years of the project. The Council contribution is based on half of these costs minus the anticipated shared ownership receipts in each year.

Year	Costs £M	Shared Ownership Sales £M	JV Investment requirement £M	BHCC Investment £M
1	10.22	0	10.22	5.11
2	52.83	0	52.83	26.42
3	57.49	-7.81	49.68	24.84
4	42.89	-23.44	19.45	9.73
5	19.30	-23.44	-4.14	-2.07
6	3.04	-11.72	-8.68	-4.34
<b>Total</b>	<b>185.77</b>	<b>-66.41</b>	<b>119.32</b>	<b>59.66</b>

## Legal Documents

3.22 Following the decisions in 2016, the Heads of Terms were updated by the council's legal advisors (Bevan Brittan). The amended Heads of Terms are attached in Appendix 4 showing how the committee amendments have been incorporated. Policy, Resources & Growth committee delegated authority to agree and authorise the execution of the Heads of Terms and subsequently the documentation required to implement the LWJV to the Executive Director of Economy, Environment and Culture following consultation with the Executive Lead Officer for Strategy, Governance & Law, the Executive Director of Finance & Resources, the Estate Regeneration Member Board and the Strategic Delivery Board. If the Business Plan is agreed a joint meeting of these boards will be convened to discuss the documentation required to implement the LWJV as an LLP. The core legal documents are listed in the table below. These documents are in a near final draft form and will be finalised following committee decisions and in light of any necessary amendments coming out of committee decisions / discussions.

<b>Document</b>	<b>Description</b>
LLP Member Agreement	Core legal agreement incorporating key areas of how the LLP will function including governance, dispute resolution and other key areas
Overarching Strategic Land Agreement	Document detailing how sites will be transferred between the council and LLP
Funding Agreement	Document detailing how parties will provide funding to the LLP
Development Management Agreement	Document detailing how the Development Management Service will be provided by Hyde to the LLP
Corporate & Financial Services Agreement	Document detailing how the Corporate and Financial Services will be provided by the council to the LLP

## Governance of the Living Wage Joint Venture

3.23 Governance of the LWJV will be key to ensuring it is able to operate effectively and meet the best interests of the council. The council will interact with, and be able to exercise control over, the joint ventures activities in three principal ways:

- 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), which gives the Council certain fundamental rights such as approving the business plan and being the decision maker on fundamental 'reserved matters';
- through appointees to the management board, which is comparable to a company's board of directors;
- as a landowner, with contractual rights governing what sites the council wants to transfer and on what terms.

- 3.24 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. The Board 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. The proposal is for a board of six, three to be appointed by Hyde and three by the Council. It is for the Council to determine who represents it on the Board. The management board will have officer support and the development manager to implement its decisions and the business plan.
- 3.25 Members indicated in the previous Committee meetings that they have a preference for councillors to be the council's representatives on the LWJV Board. This will give councillors from each political group ongoing involvement in key decisions and projects delivered through the LWJV.

#### Lettings and Shared Ownership marketing

- 3.26 The Living Wage proposal concords with the council's Allocation Policy which has 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 Joint Venture will have an agreed Letting Strategy to prioritise low income working households.
- 3.27 The Shared Ownership homes will not include Government funding which gives greater flexibility to target homes to households who live and work in Brighton & Hove. Government shared and lower cost home ownership schemes are resourced to meet national housing strategy requirements and do not apply local connection criteria with regard to applicants for homes for low cost sale developed through Registered Providers in the City.

#### Development Sites

- 3.28 It was agreed in the previous reports that the Council may dispose of general fund land to the LWJV on the basis of open market valuation assessed in line with legal obligations in respect of land disposals by councils to secure 'best consideration' under s123a of the Local Government Act 1972. Potential General Fund sites have been reviewed and three sites have been identified. Recommendations to dispose of these sites to the LWJV are included in this committee report and will be in-line with an Overarching Strategic Land Agreement (OSLA).
- 3.29 The purchase of these sites will be progressed once it is satisfied that any scheme is viable as evidenced by the individual Scheme Financial Viability Appraisal (SFA). The purchase and transfer of these sites by the LWJV would follow agreed corporate governance procedures within the LWJV as set out in the Business Plan.
- 3.30 The transfer of these sites will need to comply with the required legal process as with any disposal of an interest in land by the council. Savills have been

appointed to undertake the valuation with the agreement of both parties in line with the previous Committee agreement to have a professionally qualified independent valuer.

## 4 RISK AND OPPORTUNITIES

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

<b>Risk</b>	<b>Details</b>	<b>Action</b>
<b>Consents and Best Consideration</b>	Failure to structure arrangements to meet general consents could mean needing to go to the Secretary of State for express consent to dispose at less than best consideration.	Legal advice has been taken to ensure regulations are met.
<b>State Aid</b>	An issue if contribution of land for no consideration or additional rights.	Legal advice has been taken that advise that the project is compliant
<b>Site identification</b>	Not able to identify suitable sites to transfer to the LWJV.	Sites are being reviewed and any general fund council sites will be brought to committee once confirmed as suitable for the LWJV.
<b>Project financing</b>	Understanding of financial risks and mitigation.	Extensive financial due diligence work has been undertaken to mitigate this risk and is included in this report.
<b>Governance</b>	The governance structure needs to be fit for purpose in managing delivery of development and does not cause inappropriate conflict issues that affect the ability of the Council to manage the LWJV or the LWJV to manage its business.	Governance structure has been developed to give clarity of roles for owners, board and delivery partners and clear conflicts of interests provisions to allow providers to be effectively managed.
<b>Planning</b>	Changes to national and / or local Planning policy framework. Including potential impact of Housing & Planning Act Not able to gain planning permission for specific schemes or maximise capacity of sites.	Early planning advice will be taken on individual schemes. Planning Performance Agreements and Design Panels will be used for individual projects as required.
<b>Community opposition</b>	Potential opposition to schemes.	Communities will be engaged in a similar way to how they have been for the New Homes for Neighbourhoods programme, for example using Planning for Real techniques.
<b>Tax</b>	Tax implication and liabilities such as SDLT and VAT need to	Tax advice has been given on the proposed structure and will

	be reviewed in relation to the proposed structure.	continue to be reviewed with the progression of the JV proposals. The financial model includes an allowance for SDLT. Legal advice is that VAT liability is low risk as there are well established methods to ensure VAT is recoverable on developments. Legal advice is that the council can directly enter the LLP, therefore the returns to the council would not be liable for Corporation Tax. Counsel advice has been sought to confirm this.
<b>Housing Market</b>	Impact of any future economic uncertainty on the housing market and construction costs will be monitored. A significant fall in the housing market or increase in construction costs may require additional borrowing or increased percentage of sales.	Sensitivity analysis has been undertaken on a potential drop in house prices and increase construction costs. House prices would have to fall significantly to incur a loss on shared ownership sales.

## 5 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

5.1 The Council has a number of existing options to deliver of new lower cost homes in the city including: continued work with our Affordable Housing Development Partnership; our New Homes for Neighbourhoods Programme (subject to Housing Revenue Account borrowing Cap); joint work with Planning in support of delivering Planning Policy Affordable Housing Requirements. For the reasons outlined in this report the Council has also been investigating a number of additional delivery options in order to find a range of mechanisms to increase the supply of affordable housing in the city. This includes our LWJV with Hyde and our work on a wholly owned housing company to take forward any opportunities for the Council to buy homes off plan on new developments in the City through our Housing Market Intervention approach.

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, and agreeing this Business Plan does not rule any of those out. Individual proposals would need to be agreed by relevant committees.

- Wholly owned council vehicle e.g. Housing Company
- JV with a Registered Provider
- A joint venture procured under The Public Contracts Regulations 2015
- Disposal of sites to an RP or private developers
- Do nothing

## **6 COMMUNITY ENGAGEMENT & CONSULTATION**

- 6.1 Consultation with residents and ward councillors on specific schemes and sites will be undertaken as part of the development process.

## **7 CONCLUSION**

- 7.1 Comprehensive work has been undertaken by the council's officers and legal advisors in order to undertake due diligence checks and progress the establishment of the LWJV. On this basis the Business Plan is considered to be sound and this has been supported in a review by the independent Project Monitor. Legal negotiations and documents are at an advanced stage and will be shared with councillors of the relevant Boards before the LWJV is established in line with the previous decision and officer delegations. The three sites have all been identified in planning policy as suitable for residential development and full consultation will be undertaken as part of the development process. The governance arrangements will give councillors from each political group full involvement with the management of the LLP for the long-term and they will be involved key decisions and the development of each project.

## **8 FINANCIAL & OTHER IMPLICATIONS:**

### Finance Implications:

- 8.1 The Strategic financial Model (SFM) has been amended to reflect higher site purchase costs/ site specific abnormal costs as the base case. This change allows for a greater level of assurance that the assumptions within the model are robust. In addition, the updated SFM takes into account the income from ground rents from shared ownership tenants and therefore more accurately reflects the cashflows. The SFM has been reviewed by the newly appointed project monitor who concluded that the business case appraisal was appropriate for this stage and can confirm that it demonstrates a viable business proposition.
- 8.2 The revised initial investment is £119.3m of which the council's contribution is £59.7m or 50%. This investment is net of receipts from shared ownership sales as shown in the table at paragraph 3.20 and will be provided through non-interest bearing loans.
- 8.3 The funding of these loans will be a combination of capital receipts and borrowing through the PWLB.
- 8.4 The council will receive distributions of 50% of the net surpluses of the Joint Venture and these will be used to offset the financing costs of the borrowing. However, during the construction phase of the business plan there is a cashflow shortfall for the council, estimated at £4.4m at its peak due to financing costs being incurred before homes are completed and rental income received. To reduce this impact it is proposed to use the capital receipts from the disposal of the 3 sites identified in Paragraph 2.2 for investment into the Living Wage Joint Venture in place of borrowing reducing the shortfall to £3.8m and reduces ongoing financing costs and MRP by approximately £0.2m per annum. This

remaining shortfall will be managed through the council's review of reserves and earmarking longer term reserves to cover the cashflow shortfall in the short term.

- 8.5 The Councils Minimum Revenue Provision (MRP) Statement for borrowing will be updated as part of the mid year review of the Treasury Management Policy Statement report to Policy resources and Growth committee on the 29<sup>th</sup> November 2017 and for final decision at Council. This update will reflect a prudent MRP for the loan requirements of the Joint Venture in line with the anticipated cash flows over the 40 year loan period.
- 8.6 The impact of the changes to both the higher purchase costs and inclusion of ground rent income results in a revised Net Present Value for the council of £38.6m, £1m increase since the December report and therefore has had a limited impact on the overall viability of the Joint venture.
- 8.7 The council will provide corporate financial services and the Company Secretary role for the LLP Board and these costs will be passed onto the Joint venture with the income being reflected within service budgets.
- 8.8 The council can rely on both its general powers of competence through the Localism Act 2011 and Section 12 of the Local Government Act 2003, for its power to invest in the Joint Venture. Counsels opinion has been provided and supports this assumption.
- 8.9 As with other new developments in the city, the council will also receive income associated with the development of 1,000 new homes. S106 income is estimated in the region of £6.0 million. It is also estimated that the delivery of an additional 1,000 properties in the city would raise in the region of £0.845 million in council tax income per annum, this is a prudent estimate based on a number of assumptions such as council bands, discounts applied and assumed council tax increases.
- 8.10 The council could also receive New Homes Bonus however this is difficult to assess as the Government has introduced a 0.4% threshold for increases in properties in the city which has to be exceeded before any New Homes Bonus grant is received. Therefore, the council could receive a maximum of £1.2 million per annum over 4 years for delivery of 1,000 properties, if these were over and above the 0.4% threshold.

Finance Officer consulted: James Hengeveld Date: 15/09/17

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 implications of establishing the joint venture and the relationships between the Council and the joint venture, including issues of vires, state aid and procurement, were considered as part of the committee decisions approving the legal structure and heads of terms in 2016.
- 8.12 Section 123 of the Local Government Act 1972 enables a local authority to dispose of land provided it achieves the best consideration reasonably obtainable. The Council is able to demonstrate that it is disposing of the sites

described in the report for best value as it has obtained an independent valuation of each of the sites. The sites are being disposed of for best value so there is no question that these disposals would amount to state aid.

- 8.13 The detail of the LLP's letting policy and how it relates to the council's allocation policy will be developed in accordance with legal advice.

Lawyer consulted: Isabella Sidoli

Date: 15/09/17

Equalities Implications:

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

Sustainability Implications:

- 8.15 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.

Crime & Disorder Implications:

- 8.16 The development of partnerships such as LWJV offers the opportunity to provide new, well-designed homes which link to the council's wider housing and regeneration aspirations for the city, including the council's economic development and sustainability objectives. Well-designed housing has been shown to positively influence the rate of crime and disorder as well as the quality of life for future occupants.
- 8.17 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:

- 8.18 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:

- 8.19 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.
- 8.20 In addition, in our Housing Strategy (2015) priority of increasing housing supply to meet identified needs, we are committed to 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.

8.21 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.

8.22 The LWJV 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
- Potential £3 of economic output for every £1 of public investment based on national calculations
- Apprenticeships and training

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Site map of Former Belgrave Day Centre (South Portslade Industrial Estate), Clarendon Place, Portslade
2. Site map of Land north of Varley Halls, Coldean Lane, Brighton
3. Site map of Land north west of Whitehawk, Brighton
4. Updated Heads of Terms including a table of how previous amendments have been incorporated
5. Frequently Asked Questions
6. Overview of Overarching Strategic Land Agreement
7. Confidential Part 2 Business Plan document – Exempt Category 3,
8. Confidential Part 2 Financial Summary of Business Plan, – Exempt Category 3

9. Confidential Part 2 Project Monitor Review of Business Plan, – Exempt Category 3

10. Confidential Part 2 Site Valuations, – Exempt Category 3

### **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
3. Housing Delivery Options Living Wage Joint Venture - Housing & New Homes Committee Report 16 November 16
4. Housing Delivery Options Living Wage Joint Venture – Policy, Resources & Growth Committee Report 8 December 16