

Title: Dunmail Housing Scheme	
Ward: Southmead	Cabinet lead: Cllr Paul Smith
Author: Jan Reichel	Job title: Senior <u>Development Surveyor</u>

Revenue Cost: £0	Source of Revenue Funding:
Capital Cost: £500k	Source of Capital Funding: Housing Delivery Capital Programme
One off <input type="checkbox"/>	Saving <input type="checkbox"/>
Ongoing <input type="checkbox"/>	Income generation <input type="checkbox"/>

Finance narrative: The detailed financial implications are contained appendix A. Approval of the recommended approach would deliver £6.1m of investment from Bristol and Bath Regional Capital (BBRC) backed by Cheyne Capital which will result in 40 private rental (PRS) homes. As requested by BBRC and as a condition of the financing provided by Cheyne Capital the Council will underwrite the rental income over the life of the lease agreement. The financial risk to the Council over the 40 year period is assessed to be low and if the recommended option is approved will require the Council to initially put £500k in a capital reserve to cover the residual risk over the life of the lease period, with the £500k reducing over the life of the lease. If approved the lease will be accounted for in the appropriate manner.

The capital receipt associated with the disposal of the Dunmail site of £1.8m has already been assumed as being received in 2017/18 and contributes to the in-year capital receipts target of £500m.

Finance Officer: Neil Sinclair – Interim Finance Business Partner

Summary of issue / proposal:

The purpose of the report is to consider the options for funding the proposed Private Rented Sector housing element within the scheme and to recommend providing a rental guarantee.

Summary of proposal & options appraisal:

- This is a very important site in north Bristol, and will demonstrate the Council's commitment to building new homes, to creating mixed and balanced communities and developing homes to high design and environmental standards. In many ways this will be an exemplar scheme for the city.
- The Council marketed this site and selected United Communities/HAB to provide 161 homes including 51 affordable housing properties. As part of the mixed tenure approach UC/HAB proposes to include 40 PRS homes funded via Bristol and Bath Regional Capital (BBRC), a community interest company, using an innovative funding arrangement based on long-term 'patient' investment.
- BBRC has requested council financial underwriting to secure the third party funding to support the PRS homes. This report recommends providing financial backing in order that the scheme can commence shortly.

This report has been made to Cabinet under the 'special urgency' arrangements because:

- The lease is due to be signed in the next two weeks, so that the scheme can start on site in June, and failure to agree the underwriting will hold up the development of much needed homes on a long vacant site
- United Communities is in the process of changing its governance structure (changing the current informal partnership between Bristol Community Housing Foundation and United housing association into a formally merged new association, registered as one body). This also involves them in restructuring all their debts and other financial arrangements. The rent guarantee needs to be in place before this can happen.
- The need for the financial underwriting has only emerged recently

Recommendations :

1.That the Council provides a rental guarantee, not exceeding £500k over the life of the lease, to secure investment to develop 40 Private Rent Sector homes as set out in Appendix A.

2.That the Council seeks a share in any financial or equivalent returns, where these are achieved,

and delegates to the Strategic Director Place and the Service Director Finance to agree the terms of an arrangement.

City Outcome: One of the Housing Delivery Plan main outcomes during 2017/18 is commencing existing housing schemes that will deliver towards the Mayoral objective in the Corporate Plan of 2000 homes of which 800 affordable homes by 2020.

Health Outcome summary: New high quality rented homes have the following health outcomes:

- Alleviates overcrowding and makes more household resources available to pay for healthcare, heating and healthy food
- Reduces exposure to harmful environmental conditions leading to reduction in respiratory ailments
- Offers stable living environment which promotes good mental health by limiting stressors related to financial burden or frequent moves, or by offering an escape from an abusive home environment.

Sustainability Outcome summary: Housing has the biggest impact on reducing CO2 emissions. By building all new affordable homes to Code 4 this will lead to a significant reduction in CO2 emissions

Equalities Outcome summary: A safe, secure, homes let at rentals below market rents are accessible to people on lower incomes in the local labour market and provide the foundation that is needed for people to build their lives and realise their potential

Impact / Involvement of partners: Developers and Registered Providers in Homes West have welcomed the Housing Delivery Plan commitment to deliver mixed tenure housing schemes to meet the Mayoral housing objective. This particular scheme involves 2 council partners, United Communities and Bristol and Bath Regional Capital.

Consultation carried out: Prior to marketing the land the council consulted both the Southmead Neighbourhood Forum and the local BS10 Parks and Planning Group directly and through a number of events. The BS10 was consulted on and contributed to the drafting of the design and planning statement for the site that was issued to potential bidders.

Internal consultation has been undertaken with Property; Legal; Planning and Urban Design; Affordable Housing Development; City Innovation and Sustainability; the Housing Delivery Board.

Legal Issues: The proposal to provide a guarantee to the developers' funder is a significant departure from the terms upon which the site was first marketed. This could expose the Council to a risk of challenge on procurement grounds; albeit the risk may be low. The underwriting of BBRC's financial obligations may constitute State aid (ie any benefit the Council grants to another organisation will be State aid if the benefit confers an advantage on that organisation, the organisation operates in a market, and it effects trade between member states, and on current guidance this scheme will probably meet all these tests.). The solution is for the Council to obtain market value in return for the guarantee, or we bring the arrangement within one of the permitted exemptions (eg de minimis or potentially SGEI – service of general economic interest, or SME) Each of which would require more detailed consideration. In addition, guarantees must comply with general guidance on the provision of guarantees from the EU Commission.

Legal Officer: *Eric Andrews, Senior Solicitor*

DLT sign-off	SLT sign-off	Cabinet Member sign-off
Alison Comley 12th May 2017	Anna Klonowski 12 th May 2017	Cllr Paul Smith 12 th May 2017

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	YES
Appendix E – Equalities screening / impact assessment of proposal	NO

Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Exempt Information	NO