

# Brighton & Hove City Council

## Housing Committee

## Agenda Item 44

**Subject:** Community Housing Pilot update

**Date of meeting:** Housing Committee 16 November 2022

**Report of:** Executive Director Housing, Neighbourhoods & Communities  
Chief Finance Officer

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**Ward(s) affected:** Hollingdean & Stanmer

### For general release

#### 1. Purpose of the report and policy context.

- 1.1 This report outlines the proposal to agree in principle to establishing a pilot scheme through agreeing a loan to Bunker Housing Co-Operative (Bunker). This will support the development of two affordable homes at Dunster Close, Brighton. The report supports the 2019-2023 Housing Committee Workplan aim to create an ethical loan scheme where Brighton & Hove City Council matches community investors.
- 1.2 The 2021/22 budget report included one-off revenue resources of £0.020m to support the set-up costs for the creation of a self-financing 'revolving door fund' for community housing projects.

#### 2. Recommendations

- 2.1 That Committee agrees in principle to loan £0.385m to Bunker Co-Operative to support the development of two new affordable homes at Dunster Close, Brighton.

#### 3. Context and background information

- 3.1 The Housing Committee Work Plan 2019-23 includes a commitment to research and review an ethical loan scheme, with a revenue budget commitment included in 2021/22 budget to support the set up costs of a pilot scheme.
- 3.2 Such a scheme would support community-led housing developments in the city by providing access to long-term, fixed interest rate finance. Housing Needs & Supply work closely with the community-led housing sector both through Brighton & Hove Community Land Trust (BHCLT) acting as the lead representative for groups in the city and with individual groups such as

Bunker. Discussions have been held with the BHCLT about this pilot and Bunker have indicated their desire to take part in a pilot scheme.

- 3.3 The council has a history of working with Bunker. They were the chosen partner for the council's pilot small sites co-op scheme, working with the council to develop two houses on a former council garage site at Plumpton Close. Bunker were identified as the partner for the proposed development of two further homes at Dunster Close, Brighton because of this previous experience. A proposal was put forward which was agreed at Housing Committee in September 2019 and a design taken through to planning permission being granted on the site.
- 3.4 It is recognised by BHCLT, the national CLH sector and the council that the cost of borrowing on the open market can be a key obstacle to developing CLH schemes especially those being developed on small and difficult urban infill sites. Sites like those that Bunker are leasing from the council that require bespoke design and building solutions and where there is no opportunity for economies of scale.
- 3.5 Bunker are seeking to access lending of up to £0.385m to progress their next site and build 1 x 2-bed and 1 x 3-bed home on the Dunster Close site. This equates to 61% of the loan-to value of the project. The rest of the development is projected to be funded through:
- Community Housing Fund pre-development, which is already secured and has been spent
  - Brownfield Land Release Fund (capital infrastructure costs), which is already secured
  - Affordable Homes Programme (capital grant funding), not yet secured
  - Loan stock, partially secured but with plans to raise more.
- 3.6 Any amount will be loaned at the prevailing interest rates at the time in which the borrowing is required by Bunker and will be set on an annuity basis. The loan will be secured against the assets being developed and repayment commencing from the first year over a specified period. This could typically be between 30 and 50 years and will enable the business case to be viable for Bunker. The issuing of the loan will be required to be provided on a stage basis to ensure the risks for the council are mitigated and the loan can be secured against the development as it progresses.
- 3.7 The loan which the council will lend is anticipated to be more advantageous rates than Bunker would be able to obtain from a commercial lender. This means the council is granting a subsidy to Bunker. However, under the Subsidy Control Act 2022 which comes into force in January 2023 there are provisions that allow a public authority to grant "minimal financial assistance" of up to £0.315m over a rolling three-year period. Given the size of the loan, the difference between a commercial rate and the rate applied by the council is unlikely to breach this limit. A review will need to be taken at the time to ensure the council remain within that limit.
- 3.8 To provide further assurance before lending Bunker the money to construct the Homes, the council requires Bunker to be a Registered Provider (RP).

An application has been submitted. However, one of the key hurdles for Bunker to gain RP status is assurance around their funding arrangements. Therefore, the paper is seeking an in-principle decision to lend money subject to a successful RP application, agreement on the nominations and further due diligence on the business plan. This in-principle decision will be sufficient for Bunker's RP application to progress and unlocks the barriers to this arrangement.

- 3.9 A further report will need to be presented to Housing Committee and subsequently Policy & Resources committee for final budget approval when all milestones have been met and agreed.
- 3.10 Part of the 2021/22 revenue budget one off revenue support of £0.020m was approved to support the set up costs for this loan. This funding will be used to fund the arrangement fees associated with the Public Works Loan Board borrowing.
- 3.11 Community led housing can provide an alternative, more affordable housing solution for those that are priced out of the private housing market in the city, and also offers an opportunity for the development of more co-operative and/or co-housing living with an emphasis on community.
- 3.12 As part of working with the council Bunker has committed to a nominations arrangement that reflect the council's assistance.

#### **4. Analysis and consideration of alternative options**

- 4.1 The revenue resource of £0.020m could be used to support the refinancing of the existing loan which Bunker have secured against the existing homes that have been developed at Plumpton Road, however this would not result in the development of new affordable housing in the city for which this was the purpose which this was set up.
- 4.2 As part of the review of the Business Plan Bunker have been reviewing alternative funding sources/lenders to help determine the best option available to them in order to complete this scheme.

#### **5. Community engagement and consultation**

- 5.1 Bunker carried out community engagement and consultation related to achieving planning permission at this site. The council aims to work closely with both existing residents and the group looking to build new homes in the community.

#### **6. Conclusion**

- 6.1 It is recommended that the lending pilot is taken forward for the loan required to fund the Dunster Close development, which will allow the council to monitor the outcomes of on lending to third parties whilst mitigating the risks that the council are exposed to.

## **7. Financial implications**

- 7.1 There are no direct financial implications arising from this report. The decision to support the proposal in principle does not commit the council to lending the money now moreover it unlocks the barriers currently in place for this project to progress.
- 7.2 The £0.020m that was approved as part of the 2020/21 budget report will provide one-off revenue resources to support the set-up costs associated with the revolving loan facility when applied.
- 7.3 The value and timing of the loan facility is still to be determined and will depend on the extent of the final scheme; Income received from Bunker will pay for the financing costs incurred by the council.

Name of finance officer consulted: Craig Garoghan    Date consulted  
17/10/22

## **8. Legal implications**

- 8.1 The subsidy control implications are set out in the body of the report. The council will need to take a charge over the site to protect its investment and further details relating to the legal agreements will be set out in future reports.

Name of lawyer consulted: Alice Rowland    Date consulted 2/11/22

## **9. Equalities implications**

- 9.1 Community led housing allows local people to take control of their housing and creates alternatives to the limited choices that may be available in the local housing market. Community led housing offers a range of tenures benefiting a range of people and communities including older or vulnerable people. An increase in housing supply may also extend opportunities to accommodate households on the Housing Register who are in housing need including vulnerable groups.

## **10. Sustainability implications**

- 10.1 Community led housing provides a housing option that enables people to remain in their local area and ensure neighbourhood services remain sustainable. Community led housing developments can benefit from being innovative with environmentally sustainable design which contributes to the 2030 carbon neutral objectives. In addition it supports the council's community wealth building commitment by ensuring that as an anchor organisation it can make its financial power work for local places.

**11. Other Implications**

None

**Supporting Documentation**

1. **Appendices:** None
2. **Background documents:** None

