

## BRIGHTON & HOVE CITY COUNCIL

### HOUSING & NEW HOMES COMMITTEE

4.00pm 28 JUNE 2017

COUNCIL CHAMBER, BRIGHTON TOWN HALL

#### MINUTES

**Present:** Councillor Meadows (Chair) Councillor Hill (Deputy Chair), Councillor Mears (Opposition Spokesperson), Councillor Gibson (Group Spokesperson), Councillors Atkinson, Barnett, Bell, Druitt, Lewry and Moonan

#### PART ONE

#### 19 PROCEDURAL BUSINESS

##### 19a) Declarations of Substitutes

19.1 Councillor Phillips substituted for Councillor Druitt.

##### 19b) Declarations of Interests

19.2 There were none.

##### 19c) Exclusion of the Press and Public

19.3 In accordance with section 100A(4) of the Local Government Act 1972, it was considered whether the press and public should be excluded from the meeting during the consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in section 100I (1) of the said Act.

19.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of Item 22 – New Homes for Neighbourhoods – Scheme Approval – Appendix 4 – Exempt Category 3.

#### 20 PUBLIC INVOLVEMENT

##### Questions

20.1 There were none.

## Deputation

20.2 The Committee considered the following deputation which was presented by Carrie Hynds:

### (a) Deputation Lynchet Close Rent Levels

Supported by: Sheila Rimmer, Nichole Brennan, Carrie Hynds, John Hadman, Zoe Polydorou

### Deputation to Housing and New Homes from the Living Rent Campaign

“We are here to urge the housing committee to agree to more affordable new council housing. Rents are too high for ordinary people to afford and live on in the city and we argue that public providers of housing (such as the council) should not be setting rents in relation to the market, but rents should be based on what people can afford.

We understand that each year on average 80 social rented homes are lost to the city through the right to buy. These homes are being replaced by so called “affordable rents” which are twice as much. But the council could replace some of these homes with rents much closer to ordinary council “social rents”.

We therefore ask the committee to consider building new homes at less than so called “affordable”, private sector or LHA rates (all these rates are linked to the private rental market rather than incomes. In contrast a living rent is linked to household incomes. Social rents are also set mostly in relation to incomes as are the council’s welcome concept of a “living wage rent”

If we take the middle income of households in the city and assume they should not have to spend more than a third on rent, then rents need to be less than £9,000 a year for middle earners and even less than £9,000 for half of households whose incomes are less than this. 10,000 households can only afford to pay social rents and many others not much more.

One option (option 5 in previous committee papers) would involve the council making no surplus from the new council houses over the first 40 years. Under this option two of the rents are around 60% more than council rents which is the level calculated by the Living Rent campaign as a “living rent” for Brighton and Hove. We urge you to support this option. This would be a historic step forward and the council would be setting an important example to others.

We also understand that there is an option to charge the same level of rents as the Joint Venture with Hyde “Living wage rents” and that charging these rents still generates a surplus for the council. This option enshrines the principle of linking rents to income and though the rents are a bit higher than our campaign calculates they should be, we support also this option. Partly as we accept that the higher rents are partly mitigated by the lower energy bills expected.

In general we ask that in providing new council homes that the committee as a matter of policy always consider providing rents at Living rents and Living wage rent levels. As a not for profit landlord, the council is one of the few bodies able to provide more

genuinely affordable rents needed by the lowest 50% of households in the city. It is vital you do this.”

20.3 The Chair responded as follows:

“Building new homes on council land is a council priority and essential if City Plan housing targets are to be met and the city’s ‘housing crisis’ tackled. Increasing the supply of housing is a primary objective in the council’s Housing Strategy 2015. The strategy identifies the lack of new affordable rented housing as a key issue for the city, and specifically the need for family homes.

The council recognises that market rents are high in the city and can be unaffordable to residents, especially those on lower incomes. It has capped rents on its own developments at Local Housing Allowance levels in response to this. The council is also taking action through initiatives such as the proposed Joint Venture with Hyde Housing which aims to provide 1,000 homes; 500 of which will have lower rents which are affordable to those on the National Living Wage. This is possible as they will be cross-subsidised by 500 Shared Ownership properties.

The council’s New Homes for Neighbourhoods programme addresses this undersupply by developing new homes on suitable council owned sites across the city in order to meet City Plan targets and housing need. To date, 34 council homes for affordable rent have been completed under the New Homes for Neighbourhoods programme. 131 are on site and will be completed in this financial year, another 12 have planning permission and over 100 more are in the pipeline.

In order to finance this programme, Housing and New Homes Committee and its predecessor Housing Committee have to date set Affordable Rents for new build council homes at the lower of 80% market rent or Local Housing Allowance (LHA) rates, in accordance with the council’s Tenancy Strategy. This followed analysis in a report to Housing Committee introducing the New Homes for Neighbourhoods estate regeneration programme in March 2013 that indicated the council could build five and a half new homes for Affordable Rent for every one new home at Target Rent.

When setting the level of affordable rents for the City the council has to take account of and balance the following factors:

- to maximise the number of homes built in the City that are below current market rents and are affordable;
- to minimise the subsidy made by the HRA towards new build schemes to ensure it protects the level of service and investment on current tenants’ homes;
- the need for consistency in rents across the City so that tenants pay the same rent for a new two bedroom home, for example, regardless of whether it is in a scheme that happens to be relatively more or less costly to develop. That can be argued to be fair and equitable to tenants;

- current Government policy limits the contribution that Right to Buy receipts can make towards new build schemes to 30% of the build cost which means that the HRA has to find the other 70%;
- It needs to minimise the amount of borrowing made by the HRA in order to stay within the borrowing cap set by Government. Currently the HRA can only borrow a further £14.3 million

Even at the current agreed level of setting rents at the lower of 80% market rent or (LHA) rates, subsidies have been required from the HRA for schemes agreed to date. This means that current and future tenants' rents make a contribution towards the new build schemes rather than rents being used for improving the landlord service or improving current homes.

Your deputation makes reference to the report on Lynchet Close, discussed and deferred at Housing & New Homes Committee on 14<sup>th</sup> June 2017 for which 6 options for rent were costed including some options for living wage rent. This scheme is unique in that for various rent options it makes a surplus for the HRA. However, even for this scheme, the report recommends either Option 1 or 2 be chosen, in order to maximise the surplus to the HRA. The reason for this is because all the other new homes for neighbourhood schemes have so far required a subsidy. Therefore, options 1 or 2, enables more funds to go back into the HRA to offset these subsidies. This scheme will be considered by the special Housing and New Homes Committee this evening.

So, in conclusion, the current level of affordable rents being the lower of 80% market rent or LHA rent, does mean the council can increase the numbers of homes built for rent below market rents in the city. These homes are built to a high specification with good thermal properties allowing these residents to benefit from lower energy costs."

20.4 Councillor Mears made the following points:

- The Lynchet Close properties were not affordable. There was a need to review build costs as well as rent levels.
- Councillor Mears understood the concerns expressed by signatories to the deputation.
- The council was only building for people on benefits and not for people just above that level.

20.5 Councillor Gibson made the following points:

- He was sympathetic to the Living Rent Campaign deputation and supported the objectives and central points.
- The council had to build affordable properties for working households and people whose wages are topped up by benefits. The Council was the only provider who could provide properties for this range of people.
- He supported the idea that the council could develop clear policies around affordability. He hoped that it could be agreed to link rents to household incomes.

20.6 Councillor Bell supported the deputation. Rents needed to be linked to people's earnings to enable the most vulnerable to obtain housing.

20.7 The Chair thanked Ms Hynds and the signatories to the deputation and wished them well for the future.

20.8 **RESOLVED:-**

That the deputation be noted.

## **21 NEW HOMES FOR NEIGHBOURHOODS – SCHEME APPROVAL - LYNCHET CLOSE**

21.1 The Committee considered a report of the Executive Director, Economy, Environment and Culture which included the findings of the business case for eight new council homes for rent at a primarily HRA owned, grassed site at Lynchet Close, Hollingdean and sought scheme and budget approval to develop them. The implications of various rent options, including those requested in members' proposed amendments to the report circulated for the March Housing & New Homes Committee, were included in order for the Committee to agree the rent levels. The report also requested approval to appropriate a small strip of land from the council's Environmental Services department to the HRA in order to let the development proceed. The report was presented by The Estate Regeneration Project Manager and The Lead City Regeneration Programme Manager.

21.2 Members were informed that there was very little information to add to the report since the meeting on 14 June, but officers had added some clarity. This included information with regard to an agreed expected lower s106 planning contribution as set out in paragraph 3.11. This was a £14,000 decrease. New information was contained in paragraphs 3.12 and 3.13 of the report. Potential small savings had been identified. There was a new Appendix 4 which contained commercially sensitive information and was in Part Two of the agenda. Appendix 3 contained information with regard to rent option 4a which members had proposed at the 14 June meeting. There was additional information set out in the legal implications.

21.3 Councillor Gibson spoke in support of a Green amendment and made the following points:

- It was possible for the council to produce a scheme with low affordable rents. He mentioned a recent scheme produced by Lewes District Council as an example.
- The options the Green Group were proposing were over 40 years. Both options were good for the health of the HRA.
- The Green Group options would lead to affordable rents that were linked to household incomes rather than market rents.
- More policy guidance was needed. It was suggested that a report be commissioned for the next meeting with options for a rent setting policy
- The council was the only provider that could produce affordable homes and should do whatever possible to produce more affordable income related rents.
- There was a need to look at bringing down building costs and making housing more affordable.

- The key objection to the Green proposal was that it would lead to inconsistencies in rent levels. However, there were already massive inconsistencies with a range of rents being paid for a range of properties.
- It had been stated that the Green proposals would be vulnerable to challenge. The legal implications in the report contained helpful information. There were supporting strategies to justify a decision based on the amendment. (Paragraphs 7.12 and 7.13). Paragraph 7.15 provided information regarding case law that demonstrated that the council were entitled to charge different rents.
- Members were urged to support Option 4 or 5.

21.4 Councillor Gibson proposed the following amendment which was seconded by Councillor Phillips:

“2.1 That Housing and New Homes Committee approves:

(ii) One of the either Option **4** or Option **5** of the **seven** options for scheme rent levels as set out in Appendix 3 to the report, as follows:

***Option 4: That the Committee agrees rents at 37.5% of the living wage rents calculation, equating to a cost of £219.23 per week for the proposed four-bed houses, and £164.42 per week for the two-bed flats, producing an estimated surplus of £241,000 over 40 years.***

***Option 5: that no net surplus is made on the homes over the first 40 years; (still accruing a surplus after this period) leading to an estimated rent of £206 per week for the proposed four-bed houses and £136 per week for the two-bed flats.***

***2.2 That a report be provided to the next Housing and New Homes Committee setting out the options for a ‘rent setting policy’ for new council homes, with consideration given to the following:***

***- applying rent level decisions on a scheme by scheme basis***

***- the rent level options of either LHA, ‘affordable’ rents, living wage rents (37.5%), living rent (60% more than target social council rents) or social rents.”***

21.5 Councillor Mears made the following points:

- Paragraph 3.16 referred to tenant support for higher rents for new homes. This was identified at the City Assembly in 2012; however the property market had changed a great deal since then.
- Councillor Mears was confident no tenant would support Option 1.
- Clarification was sought as to whether private architects had been involved in the scheme before going in house (paragraph 3.6).
- Paragraphs 7.6 and 7.7 indicated that an independent valuation could lead to higher costs.
- The Conservative Group would not support Options 1 or 2 as the rents were not acceptable. Houses should be built that were truly affordable.
- The proposed properties were not affordable. Rent levels were too high. There was a need to build properties that were affordable to people on low incomes.

- 21.6 Councillor Barnett gave the example of two relatives who had recently bought property in another local authority that cost less than the build cost of the proposed properties. She questioned the build costs which she considered were too high and could not support. Her relatives' mortgage would be cheaper than the proposed rents.
- 21.7 The Lead City Regeneration Programme Manager confirmed that officers took forward schemes in a variety of ways. This scheme had been designed by internal architects; however early feasibility work had been carried out by outside architects. The outlined costs were an assumed figure and pricing of works packages now being carried out indicated they were on target at the current time. However, there was always the potential for costs to increase. The size and specification of the 4 bed properties was superior to volume house builders.
- 21.8 Councillor Bell made the following points:
- Reference was made to paragraph 3.23 regarding median annual household incomes. It was stressed that council housing should be for the most vulnerable and that there needed to be a change in mind-set. Build costs were extortionate.
  - There was a need for four bed affordable houses.
  - Officers needed to come back to committee with a clear strategy to achieve the aim of building affordable homes
- 21.9 Councillor Hill made the following points:
- She had received no complaints that council rents were too high, whereas numerous people in the private sector stated that rents were too high.
  - There was a housing crisis in the city and a shortage of homes. There was a need to provide desperately needed homes.
  - It was necessary to understand the impact of the Green amendment on the build programme.
  - It was unfair to have someone in a newer property paying less than another person in a smaller new build.
  - With regard to build costs, it was a false economy to use cheaper materials. The council was proposing this scheme to make the best use of the land to build houses, to maintain the homes cost effectively and to allow a surplus to enable more homes to be built.
- 21.10 Councillor Phillips stressed that the council already had schemes with social rents. The proposed scheme was not social housing. This view was echoed by Councillor Mears, who quoted rents that were considerably lower than the rents proposed for this scheme. Councillor Mears considered that build costs were too high. Meanwhile, she could not support the Green amendment as currently worded.
- 21.11 Councillor Gibson provided clarification regarding 2.2 of the amendment. The intention was for a report to include consideration of the options outlined. It was not intended to short circuit debate. Meanwhile, he stressed that if the scheme (as amended) was projected over 50 years it would produce a surplus.
- 21.12 Councillor Atkinson made the following points:

- Option 4 would lead to residents in existing three bedroom new builds paying more than the residents in the four bed houses. There would be no surplus if Option 5 was agreed.
- Both options affected the council's ability to build new houses.
- Rents should not be set in an ad hoc way. There was a need for comprehensive discussion.

21.13 Councillor Bell asked for clarification with regard to paragraph 7.1 of the report which stated that it was assumed that 30% of the development costs were met from retained Right to Buy (RTB) Receipts. The Lead City Regeneration Programme Manager stated that the government allowed the council to use Right to Buy receipts to fund up to 30% of the cost of new homes. It was confirmed that 30% of the scheme development costs would be met from Right to Buy receipts. The Principal Accountant confirmed that some Right to Buy receipts went to the General Fund.

21.14 At this point of the proceedings members decided they needed to ask questions with regard to Item 22 - Appendix 4 – Development Cost Briefing – Exempt Category 3. The press and public were excluded from the meeting during this discussion.

21.15 Following the discussion the meeting went back to open session at 5.54pm.

21.16 Councillor Hill stated that the Labour group could not support the Green amendment. She stressed the importance of having a proposal for Policy, Resources & Growth Committee. Councillor Hill proposed the following amendment which was seconded by Councillor Atkinson.

“2. Recommendations:

2.1 That Housing & New Homes Committee approves:

- i. The proposed scheme of eight new council homes at Lynchet Close, Brighton under the New Homes for neighbourhoods programme;
- ii. **Delete Options 1 & 2 and replace with Option 3. 40% Living Wage Rate for 4-bed houses and LHA rate for 2-bed flats.**

2.2 That the Housing & New Homes Committee recommends to Policy, Resources & Growth Committee to:

- i. Approve that the Environmental Services land marked with hatching in Appendix 1 be appropriated to the Housing Revenue Account for a nil capital receipt for planning purposes to enable the whole vacant Lynchet Close site to be developed for new council building.
- ii. Approve a budget of £2.532m for the Lynchet Close scheme in the HRA Capital Programme which will be financed through a mixture of HRA borrowing and retained Right to Buy capital receipts.”

21.17 Councillor Mears stated that the Conservative Group wanted to propose an amendment which would support Option 4 and would request a report on build costs.



21.18 It was agreed to have an adjournment to allow the Labour and Conservative amendments to be copied and circulated. The adjournment commenced at 6pm and the Committee reconvened at 6.30pm.

21.19 Councillor Mears proposed the following amendment which was seconded by Councillor Gibson:

“Recommendations:

2.1 That the Housing and New Homes Committee approves:

- i. The proposed scheme of eight new council homes at Lynchet Close, Brighton under the New Homes for Neighbourhoods programme;
- ii. That rent option 4 is used for the scheme rent levels as set out in Appendix 3 to the report.

2.2 That Housing & New Homes Committee recommends to Policy, Resources & Growth Committee to:

- i. Approve that the Environmental Services land marked with hatching in Appendix 1 be appropriated to the Housing Revenue Account for a nil capital receipt for planning purposes to enable the whole vacant Lynchet Close site to be developed for new council building.
- ii. Approve a budget of £2.532m for the Lynchet Close scheme in the HRA Capital Programme which will be financed through a mixture of HRA borrowing and retained Right to Buy capital receipts.”

2.3 That the Housing & New Homes Committee requests a full report on housing construction costs be brought to the next meeting of the committee to inform the future programme.

2.4 That a report be provided to the next Housing & New Homes Committee setting out the options for a new ‘rent policy’ for new council homes.”

21.20 Councillor Moonan asked the Senior Lawyer how exposed the council would be if Option 4 was agreed. The Senior Lawyer explained that the further the council deviated from its custom and practice, the greater the risk. In practice she considered the risk was quite low.

21.21 Councillor Hill referred the Committee to exempt Appendix 3. The total of the 5<sup>th</sup> column of the table on page 35 of the agenda showed how much rental income could be lost each year if Option 4 was agreed.

21.22 Councillor Gibson stated that he would be withdrawing the Green amendment. He asked the Senior Lawyer if she felt that the principle of making a decision to agree Option 4 was a good and defensible basis to make a decision. The Senior Lawyer replied that

the committee needed to be objective. She thought it was a defensible position. Any challenge would only be for rents for this particular scheme.

- 21.23 Councillor Moonan asked about the position if the case went to judicial review. Could this result in other 2 bed rents being decreased or others being increased? The Executive Director Economy, Environment and Culture explained that if the tenancy was secure it would be difficult to increase rents.
- 21.24 Councillor Atkinson stated that he would welcome a workshop on building costs. The Assistant Director stated that a workshop could be provided along with a report on construction costs. He stated that it would be challenging for officers to produce a report setting out options for a new rent policy for new council homes in time for the next meeting. Councillor Mears stated that she appreciated that the report may not be able to provide detail at that stage and that a longer timescale may be needed.
- 21.25 The Chair expressed her disappointment that approval of rent option 4 would result in an unfair rent correlation.
- 21.26 The Committee voted on the Labour amendment. Four voted in favour and 6 voted against the amendment which was not agreed.
- 21.27 The Committee voted on the Conservative/Green amendment. 6 voted for Recommendation 2.1 (i) and (ii) and 4 against. Recommendations 2.2 (i) & (ii) 2.3 and 2.4 were agreed unanimously. The amendment was therefore agreed. Members voted on the original recommendations as amended and these were agreed unanimously.

21.28 **RESOLVED:-**

- (1) That Housing and New Homes Committee approves:
- i. The proposed scheme of eight new council homes at Lynchet Close, Brighton under the New Homes for Neighbourhoods programme;
  - ii. That rent option 4 is used for the scheme rent levels as set out in Appendix 3 to the report.
- (2) That Housing and New Homes Committee recommends to Policy, Resources and Growth Committee to:
- i. Approve that the Environmental Services land marked with hatching in Appendix 1 be appropriated to the Housing Revenue Account for a nil capital receipt for planning purposes to enable the whole vacant Lynchet Close site to be developed for new council housing;
  - ii. Approve a budget of £2.532m for the Lynchet Close scheme in the HRA Capital Programme which will be financed through a mixture of HRA borrowing and retained Right to Buy capital receipts.

- (3) That the Housing & New Homes Committee requests a full report on housing construction costs be brought to the next meeting of the committee to inform the future programme.
- (4) That a report be provided to the next Housing & New Homes Committee setting out the options for a new 'rent policy' for new council houses.

**Part Two**

**22 NEW HOMES FOR NEIGHBOURHOODS – SCHEME APPROVAL - LYNCHET CLOSE (EXEMPT CATEGORY 3)**

22.1 Members had the opportunity to ask questions on the Part Two appendix during the previous discussion (paragraph 21.14).

**22.2 RESOLVED:**

- (1) That the appendix and discussion is noted.

**23 PART TWO PROCEEDINGS**

**23.1 RESOLVED -**

That the appendix attached at Item 22 remains exempt to the press and public.

The meeting concluded at 6.47pm

Signed

Chair

Dated this

day of

