

Subject: New Homes for Neighbourhood – Scheme Approval –
Lynchet Close

Date of Meeting: 13 July 2017

Report of: Executive Director Economy, Environment and Culture

Contact Officer: Name: **Caroline De Marco** Tel: **29-1063**

E-mail: Caroline.demarco@brighton-hove.gov.uk

Wards Affected: All

FOR GENERAL RELEASE

Action Required of the Committee:

To receive the item referred from the Housing & New Homes Committee for approval:

Recommendation: That the following be referred to the Committee for consideration:

- (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.

BRIGHTON & HOVE CITY COUNCIL**HOUSING & NEW HOMES COMMITTEE****28 JUNE 2017****COUNCIL CHAMBER, HOVE TOWN HALL**

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

DRAFT MINUTE**PART ONE****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 5th 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:
- iii. 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;
 - iv. 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.