

Council

Agenda Item 55

Brighton & Hove City Council

Subject: Housing Delivery Options – Living Wage Joint Venture - Extract from the proceedings of the Policy, Resources & Growth Committee Meeting held on the 8 December 2016

Date of Meeting: 15 December 2016

Report of: Executive Lead for Strategy, Governance & Law

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Wards Affected: All

FOR GENERAL RELEASE

Action Required of Council:

To receive the item referred from the Council for information:

Recommendation:

That Council note the report.

BRIGHTON & HOVE CITY COUNCIL

POLICY, RESOURCES & GROWTH COMMITTEE

4.00pm 8 DECEMBER 2016

COUNCIL CHAMBER, HOVE TOWN HALL, NORTON ROAD, HOVE, BN3 3BQ

MINUTES

Present: Councillors Morgan (Chair), Hamilton (Deputy Chair), G Theobald (Opposition Spokesperson), Mac Cafferty (Group Spokesperson), Bewick, Janio, Mitchell, A Norman, Sykes and Wealls

PART ONE**92 HOUSING DELIVERY OPTIONS - LIVING WAGE JOINT VENTURE**

- 92.1 The Committee considered a report of the Executive Director for Neighbourhoods, Communities & Housing in relation to Housing Delivery Options - Living Wage Joint Venture, the Chair noted that the report had been referred from the Housing & New Homes Committee meeting on 16 November 2016 as set out in the circulated extract. The opportunity considered in the report was a proposal from Hyde Housing Association to develop a Living Wage Joint Venture with the Council to acquire land and develop new homes for lower cost rental and sale for low income working households in the city. This proposal was informed by the outcome of the Housing Market Intervention options study presented to Housing & New Homes Committee in March 2016. That Committee approved the Housing Delivery Options report and agreed to the procurement of legal and other specialist advisers to pursue this work. The key aim of the project was the provision of lower cost rented housing. Supply of new lower cost rented homes was not keeping pace with demand and there was limited evidence of market appetite from developers and Registered Providers to deliver this product. There was also potential to generate a long term income for the Council through funding returns and/or a margin through lending from the Council.
- 92.2 Councillor Janio formally moved amendments on behalf of the Conservative Group, and thanked Officers for all the work they had undertaken to date. These were formally seconded by Councillor G. Theobald.
- 92.3 Councillor Sykes formally moved the amendments on behalf of the Green Group; he thanked all those involved with the piece of work, and highlighted that it was not the intention of the Group to block the proposal, but they were seeking the best resolution possible.
- 92.4 Councillor Mac Cafferty formally seconded the amendments, and thanked Officers for all the work they had undertaken to date. He highlighted that the Green Group were

seeking to get a lower rent value and ensure the surplus was put back into housing; he noted the Group were very happy with the cross-party progress made to date.

- 92.5 The Chair thanked Councillor Meadows, Chair of the Housing & New Homes Committee, and the input of all Members. He highlighted that the venture would create 'truly' affordable housing, and paid special thanks to work of Councillor Gibson.
- 92.6 The Chair invited Councillor Meadows, Chair of the Housing & New Homes Committee, to speak. Councillor Meadows welcomed the thorough approach of all those involved, and hoped this would lead to truly affordable housing in the city.
- 92.7 Councillor Janio highlighted that the Conservative Group wanted to achieve the very best deal for residents in the city, and the Group's amendments sought to make the scheme more robust, he hoped other Groups would be able to support their proposals.
- 92.8 The Chair put the Conservative Group amendments to the vote, these are taken in parts. Amendments 2.2 i) & 2.2 iii) were **carried**, and amendment 2.2 ii) was **not carried**.
- 92.9 The Committee then agreed to go into Part Two to consider the information in Item 95 under section 100a(4) of the local government act 1972.
- 92.10 When the Committee returned to Part One the Green Group's amendments were put to the voter, these were **carried**.
- 92.11 The Chair then put the amended recommendations to the vote. These were **carried**.
- 92.12 **RESOLVED** - That the Committee:
- 1) Support in principle the living wage joint venture proposal subject to the further safeguards being put in place outlined below;
 - a) That no HRA asset will be transferred or sold into the Joint Venture and this shall be written into the Heads of Terms, or equivalent legal agreement or final contracts.
 - b) That the Council review options for any General Fund land being sold to the Joint Venture (including direct development), with member oversight of this being considered for any sum above and including zero pence at the Estate Regeneration Board.
 - c) In order to ensure best value for money, any transfer of council owned land to the JV is publicised on the council website to any potential bidders, valued by an independent valuer or the District Valuer to ensure best consideration reasonably obtainable is achieved and submitted in the Committee papers for approval relating to the transfer.
 - d) In the event of the Council's General Fund revenue budget being placed under stress or in a deficit position as a result of the JV, that the Committee note mechanisms exist for the Section 151 Chief Financial Officer to advise

Members of options for managing the deficit position in order to mitigate the impact on the General Fund services. Such mechanisms include reviewing the adequacy of risk provisions and/or reserves under Section 25 of the Local Government Act 2003 or, alternatively, re-financing.

- e) It should be explicit in the heads of terms or subsequent contracts that any profit from the Joint Venture should be split on a 50/50 basis.
 - f) That the Council notes in future land transfers, a buy back clause for the council will be included if development does not commence by the JV within 3 years at the same price it was purchased by the JV.
 - g) Changes to the Heads of Terms be made to ensure that only the relevant Committee can agree to a change in the reserved matters list and this cannot form part of the annual business plan to be changed.
 - h) The Heads of Terms be amended at 4.15 to read that 90% of fair value of 3 independent valuers, including the district valuer, shall be transferred in the event of a default.
 - i) That the Heads of Terms lock in period should read 10 not 7 years.
- 2) Give delegated authority 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 Board and the Strategic Delivery Board to:
- (a) Develop and negotiate the deal with Hyde; in which the following are agreed:
 - (1) The Shared Ownership properties should first be marketed locally to buyers with a connection to Brighton & Hove with a cascade for wider marketing to be triggered only after such reasonable marketing period has first expired.
 - (2) That the rent formula proposed for the National Living Rent calculation in the SFVM be changed to make the rents more affordable for local people on lower incomes. Specifically that the current rent formula which is calculated based on 40% of gross income be reduced to 37.5% of gross income in the SFVM.
 - (3) Should cost of living increases in rents for tenants of the joint venture rise at a rate that is in excess of actual increases in the rate of the National Living Wage, the parties to the Joint Venture agree to discuss the scope to address this issue when reviewing the business plan. Having regard to the required commercial performance of the project in line with the SFVM and Business Plan,
 - (4) Should cost of living increases in rents for tenants of the joint venture rise at a rate that leads gross rents to exceed the Local Housing Allowance, the parties to the Joint Venture agree to discuss the scope to address this

issue when reviewing the business plan. Having regard to the required commercial performance of the project in line with the SFVM and Business Plan.

- (5) That should the business model exceed its projected rate of return, all Brighton & Hove City Council surplus monies be ring fenced exclusively to provide additional council owned emergency accommodation for homeless people and additional living wage rented housing.
 - b) Agree and authorise execution of the Heads of Terms and subsequently the documentation required to implement the proposed Joint Venture;
 - c) Make the appointments from the Council to the management board;
- 3) Note that reserved matters (as detailed in 3.30) will come back to the Housing and New Homes committee, as well as the Policy Resources and Growth Committee for approval including any business plans which are to be delivered through the Joint Venture, and the disposal of land/sites to the JV.

