

MINUTES OF THE HOUSING SELECT COMMITTEE

Tuesday, 27 October 2015 at 7.30 pm

Present: Councillors Carl Handley (Chair), Peter Bernards (Vice-Chair), John Coughlin, Amanda De Ryk, Maja Hilton, Simon Hooks, Liz Johnston-Franklin, Olurotimi Ogunbadewa and Jonathan Slater.

Apologies: Councillor Susan Wise.

Also present: Kevin Sheehan (Executive Director, Customer Services), Genevieve Macklin (Head of Strategic Housing), Mark Humphreys (Group Finance Manager, Customer Services), Michael Westbrook (Housing Policy & Partnerships Manager), Martin O'Brien (Sustainable Resources Group Manager), Petra Der Man (Principal Lawyer - Housing, Housing & Litigation), Neil McCall (Group Operations Director, Affinity Sutton), Steve Moseley (Assistant Director, Strategy & Operations, L&Q) and Roger Raymond (Scrutiny Manager).

1. Minutes of the Meeting Held on 16 September 2015

- 1.1 **RESOLVED:** That the minutes of the meeting held on 16 September 2015 be signed as an accurate record of the meeting.

2. Declarations of Interest

- 2.1 There were no declarations of interest.

3. Communal Heating Systems Review - Response from Mayor and Cabinet

- 3.1 Martin O'Brien (Sustainable Resources Group Manager) and Petra Der Man (Principal Lawyer - Housing, Housing & Litigation), presented the report to the meeting. The key points to note were:

- The Committee's review raised a number of important questions particularly in relation to the gap between predicted and actual performance of communal heating systems and heard evidence of problems associated with this in some systems within the borough in relation to overheating, reliability and the cost to residents.
- The Committee's review was also an opportunity to bring together a range of external industry and housing practitioners working in this area including from the Greater London Authority (GLA), the Association of Decentralised Energy (ADE), social housing providers, housing developers and architects. The themes of the review were widely acknowledged by those participating and reflected experience elsewhere, particularly in relation to the need to ensure systems are specified properly and with a clear understanding of the whole life cost of design, construction and management.

- The review aligned with work going on elsewhere, most notably the ADE's Code of Practice for heat networks, published after the conclusion of the scrutiny review in July 2015.
- The visits by Councillors to Bunhill (London Borough (LB) of Islington), Pimlico District Heating Undertaking (PDHU) (LB Westminster) and South East London Combined Heat and Power (SELCHP) in this borough as part of the review has shown a positive viewpoint in respect of Communal Heating.
- The review recognised the need for work to compare costs, heat loss, carbon savings etc. for communal heating systems. To this end, the Heat Trust is working on a Heat Cost Comparator which will provide a like-for-like comparison of the cost of heat in different systems. The comparator, which was reviewed by an independent committee of consumer groups, industry participants and government officials, will look at not just the unit price of fuel but also other variables such as boiler maintenance and replacement.
- Another initiative is that Lewisham has received funding from the Heat Networks Development Unit in the Department of Energy & Climate Change (DECC) to conduct a feasibility study in 2015/16 for a network from SELCHP to Goldsmiths College in New Cross.
- Officers will look to write to the DECC and the GLA to inform them of the work Lewisham is doing to improve the performance and planning of communal heating systems in light of the review and spread this knowledge so it can have a wider impact.
- Under the Equality Act 2010 there is no provision under the Act to cover deprivation in finances. However residents do have some mechanisms they can pursue under the law, for example, private long leaseholders (over 21 years duration) & including council/social tenants who have exercised their right to buy and their landlords have certain rights to challenge or substantiate service charges which would the cost of provision of heating via a communal heating system. Service charges must be limited to an amount that is reasonable.

3.2 In response to questions from the Committee, the following was noted:

- DECC have looked into setting up a national databases for all heat networks, but there is not one at present. As part of the SELCHP feasibility, Lewisham will look into whether it is possible to compile a local heat network database.
- The definition of a 'local development' – as in 10 or more properties - is not in the gift of the local authority – it is a national policy. However Lewisham will not agree to a communal heat network if it believes that it is not a viable option as part of a proposed development.

3.3 **RESOLVED:** That the Committee

- a) Note the Mayoral Response.
- b) Will review the progress on the recommendations to the review in a year's time.

- c) Support the proposal to write to the DECC and the GLA about the initiatives being carried out by the Council to oversee the use of communal heating systems in the borough.

4. Affordability Review - Evidence Session 1

4.1 Neil McCall (Group Operations Director, Affinity Sutton) gave an overview of Affinity Sutton's research and rent setting policy to the meeting. The key points to note were:

- In Lewisham, Affinity Sutton has 593 properties, which are in the Orchard Gardens and Leybridge & Newstead estates, which were both stock transfers from the Council.
- In light of the research into affordability undertaken in 2011, Affinity Sutton chose to limit the rent charged on larger units to 65% as these were judged to be unaffordable at 80% to larger households with higher outgoings.
- With the reduction in capital grant rates for new housing supply reduced and other housing policy changes since 2010 like the Affordable Rent Policy, Affinity Sutton felt that some research needed to be conducted to consider what the principles of setting a rent policy should be and what Affinity Sutton's new Affordable Rent policy might look like.
- Affinity decided that it would work alongside Cambridge Centre for Housing and Planning Research (CCHPR), as they had already worked alongside them for a research paper in 2014 called 'Housing Costs, Affordability and Rent Setting'.
- As the impact of Affordable Rents and other changes - notably those to the welfare regime – have become more obvious, Affinity Sutton felt that it was an appropriate time to assess what has happened since the policy was introduced; to review the principles and evidence on the impact of different rent structures; and set out possible future approaches to rent determination.
- The research paper looked to focus on relating rents with income and devising a more realistic formula to affordable rents in their properties.
- The report was published in May 2015, entitled 'Affordability: A Step Forward': Establishing principles for rent setting'.
- The work in the report may need to be reviewed in light of the Government proposals since the elections, such as the 1% year-on-year reduction in social rent. Affinity Sutton has estimated that this could have the potential to cost them around £340m over the next 10 years.

4.2 In response to questions from the Committee, the following was noted:

- Affinity Sutton refers to Social Rent as the 'Target Rent' in its report.
- Affinity Sutton would like to move more of its residents off Housing Benefit, as this benefits both the rent payer and the taxpayer in the long run.
- The rent-setting policy is deliberately linked to the London Living Wage to make the rental link to earnings more prevalent.

- Neil McCall estimated that approximately 55-60% of Affinity Sutton residents would be in receipt of Housing Benefit.
- Even though many Housing Associations run at a surplus, most of the finances are already earmarked for property improvements and new builds. They also need to borrow from financial institutions to deliver on their developments. This has to be balanced with setting rent levels that are 'affordable' for their residents.
- The Committee applauded the aim of reducing the amount of Affinity Sutton residents that are in receipt of Housing Benefit.
- Housing Associations and housing providers like Affinity Sutton needed to be open to new arrangements – such as considering temporary accommodation – to tackle the housing crisis in London. Affinity Sutton does have some hostels in the London Borough of Bromley.
- Affinity Sutton's rent policy is linked to the National Minimum Wage and London Living Wage, and will take into account the Government's new National Living Wage, which will replace the Minimum Wage (which at the present rates will be lower).
- Affinity Sutton pays its staff the London Living Wage.

4.3 Steve Moseley (Assistant Director, Strategy & Operations, L&Q) gave an overview of L&A's rent setting policy, and its review in light of the recent Government announcements on housing, to the meeting. The key points to note were:

- L&Q manages over 7,000 properties in Lewisham. Their property portfolio in the borough mainly consists of properties the Council has transferred to them in the Grove Park, Catford, Rushey Green, Forest Hill and Sydenham areas.
- 300 properties within Lewisham are of 'Affordable Rent'
- L&Q devised its Affordable Rents policy in 2011. The objectives of the policy were:
 - Affordability
 - Simple and easy to explain
 - Meet the relevant guidance and legislation
- Like Affinity Sutton, the reduction in capital grant rates for new housing supply reduced and other housing policy changes since 2010, meant that L&Q felt it needed to review the rents policy, to try to ensure that they were affordable, but still allow enough revenue to improve existing properties and create new developments.
- L&Q decided that their rents policy would not have any properties at '80% of the market value'. Most of their properties are between 55-70% of the market rent.
- L&Q's rent policy will have to be reviewed again at the end of 2015-2016 in light of the new Government's housing policy proposals that have been announced since the General Election.
- The Government's plans for a 1% year-on-year cut in social rent could lead to L&Q building 18,000 fewer homes up to 2020 due to loss of revenue. L&Q has chosen to bridge this gap through efficiencies and increasing income to maintain its development pipeline.

- The proposed new the Benefits Cap of £23,000 inside London and £20,000, is estimated to cause average shortfall of £65 per week on those affected by it in L&Q properties. Larger households on low incomes could be affected by as much as a £110 per week shortfall.
- L&Q has always taken a more conservative approach to rent setting, which is why no affordable rents are charged at 80% of the market rate – they have never seen that as ‘affordable’ rent.
- As housing associations housing providers do not have any control over welfare and tax policy, any efforts to make rents more affordable could be offset by Government policy. This might mean there is no reduction in the percentage residents pay on rent in relation to their household income.
- L&Q need to look further into the implications of the Governments latest welfare and housing policy changes to understand their implications on L&Q’s rent setting policy.

4.4 In response to questions from the Committee, the following was noted:

- L&Q has an L&Q Foundation, which was established in 2011, that helps residents with a number of community investments and initiatives. It has funding of approximately £4.5m a year does a number of things such as run ‘job-ready’ work and training programmes to providing discretionary housing payments for qualifying residents. These are measures that can help alleviate the benefits cap and other welfare changes that have been enacted since 2010.
- L&Q recognise that there are some anomalies in respect of rent charges. Some of these have been caused by the move to affordable rents policy and they will be willing to look into any problems this caused to residents.
- The Government’s ‘pay-to-stay’ policy may also cause a situation where people who live in similar properties, but pay different levels of rent.
- L&Q believe that the average rent for Lewisham is approximately 65% of market rents, which is in line with similar Housing Associations and properties across London.
- L&Q pays its staff the London Living Wage.
- Members will receive additional information on L&Q’s rent levels in Lewisham.

4.5 **RESOLVED:** That the Committee noted the evidence given as part of its review, and thanked both witnesses for attending.

5. Locational Priority Policy and Temporary Accommodation Procurement Strategy

5.1 Genevieve Macklin (Head of Strategic Housing) presented the report to the meeting. The key points to note were:

- The catalyst to the change of policy was the Supreme Court judgment in the case of *Nzolameso v Westminster City Council*, which required local authorities to have ‘a policy for procuring sufficient units of temporary

accommodation secondly, each local authority should have and keep up to date, [and] a policy for allocating those units to individual homeless households.

- Lewisham had an increase of 40% for households that have been placed outside the borough (June 2014-June 2015).
- Lewisham has approximately 1,800 in temporary accommodation, and the cost of this is rapidly increasing.
- The Council currently spends in excess of £5m per annum on the provision of accommodation and other services for homeless families under s17 Children Act 1989 who are excluded from support under Housing Act 1996, for example because they have no recourse to public funds or have made themselves intentionally homeless.
- The Location Priority Policy requires that if the local authority has a duty to secure accommodation, an assessment will be carried out to determine the location priority of the applicant. The assessment will determine whether the applicant has:
 - Priority to be located in the London Borough of Lewisham
 - Priority to be located close to the London Borough of Lewisham
 - No priority as to the location of a property.
- Regardless of the location priority, the Council will have regard to the principal needs of any children in the household, and the need to safeguard and promote the children's welfare. In particular, regard will be had to any disruption to schools, medical care, social work, other key services and other support.
- In respect of the categories of location priority for 'close to borough', the Locational Priority Policy defines 'close to borough' as located within 90 minutes travelling distance of the London Borough of Lewisham by public transport. 90 minutes was considered as a 'reasonable' commuting time in-line with the 90 minutes jobseekers could be required to travel to work.
- There are a number of qualification criteria that households must satisfy to be eligible for a 'close to borough' placement, for example, children who are enrolled in GCSE, AS, or A level courses in the London Borough of Lewisham, with public exams to be taken within the current or next academic year.

5.2 In response to questions from the Committee, the following was noted:

- The Committee raised concerns about the 90 minutes travelling distance as stipulated in the Locational Priority Policy. Members felt that it was problematic for schoolchildren, especially primary schoolchildren to get to and from school in Lewisham.
- The Committee also raised concerns about the 90 minutes travelling distance being based on the distance jobseekers can be required to travel to work.
- Officers stated that it would not look to place families outside the borough unless it had no choice but to do so.
- Officers stated that they were committed to placing homeless families with children as close to the borough as possible, and would only use

the 90 minutes stipulation when there were no suitable, available properties closer to Lewisham.

- There was a shortfall of 2-bedroom and 3-bedroom properties available across London to place homeless families.
- Lewisham has issues with over-occupation of property and under-occupation of some properties, which is similar to many London boroughs.
- When a family is placed on the Housing Register, officers will liaise with the family to ensure they have been placed in the right banding and given the best opportunity to be provided with the most suitable accommodation.
- Officers will look at innovative ways to expand their accommodation portfolios, such as pop-up housing and 'decamped' housing to help alleviate the temporary accommodation shortage. Accommodation must be of suitable standard to be considered.
- The Council can signpost charities and organisations to individuals if they are interested in housing homeless families, but there are safeguarding and administrative concerns if the Council itself tried to operate such a scheme themselves.
- Officers consulted with other Council Directorates and London Boroughs before devising its own policy.
- Those families who make themselves homeless would need to find their own solution to getting accommodation, even though the Council will look at the representations sympathetically.

5.3 **RESOLVED:** That the Committee refer the following as part of the Locational Priority Policy that will be presented to Mayor and Cabinet on 11 November 2015:

'The Housing Select Committee discussed the proposals in the Locational Priority Policy and Temporary Accommodation Procurement Strategy at its meeting on 27 October.

The Committee raised concerns about the Location Priority Policy defining 'close to borough' as "located within 90 minutes travelling distance of the London Borough of Lewisham by public transport." The Committee understood that the policy had considered 90 minutes as a 'reasonable' commuting time, as it was in line with the 90 minutes jobseekers could be required to travel to work, but raised concerns about primary schoolchildren having to travel that far to and from school.

The Committee were reassured by officers that they were committed to placing homeless families with children as close to the borough as possible, and would only use the 90 minutes stipulation when there were no suitable, available properties closer to Lewisham. The Committee were informed that the policy had been discussed with the Council's legal team and was drafted in light of the recent judgement in *Nzolameso v Westminster City Council*, and to ensure that it satisfied the requirements of the case and protect the Council from future legal challenge.

The Committee agreed to keep the policy under review, and would also receive from officers the modelling information that was used to help devise the Location Priority Policy. The Committee also requested the information on the ages of children of families placed outside of the borough to help monitor the policy.

The Committee also asked for an amendment to the policy that would explicitly stipulate that “officers would endeavour to place families with children as close as possible to the borough.”

6. Key Housing Issues

6.1 Genevieve Macklin (Head of Strategic Housing) presented the report to the meeting. The key points to note were:

- The Coalition Government 2010-2015 had delivered a number of changes to Housing Policy over their lifetime, such as
 - Discharge into the private rented sector (PRS) to end the homeless duty
 - 5 year fixed term tenancies
 - Grant rates for new housing supply reduced by 70%
 - Affordable rents – up to 80% market rents on new supply and % of relets
 - Welfare Benefit Changes
- The effect of these changes have been numerous, such as:
 - Acute shortage of housing
 - New supply reduces hugely
 - Turnaround in available properties to let also dries up
 - Major increase in demand / homelessness
 - Affordability problems across all tenures
 - Massive growth in PRS
 - Housing Crisis becomes common parlance
 - Move households in need to cheaper areas
 - Encourage people into work (low pay)
 - Councils build new housing again
 - More partnership/cross borough solutions for housing
- The effect of housing policy 2010-2015 has been that housing supply has gone down, at the same time as demand has gone up; plus there have been fewer new builds for social rent and an increase in affordable home ownership products. 2013-2014 was the first year that there were less lettings than those needing temporary accommodation.
- The new Conservative Government have brought forward a number of proposal for Housing Policy, namely the Housing and Planning Bill: published 13 October and Welfare Reform and Work Bill. These include the following measures:
 - Introduction of ‘Right To Buy’ for Housing Associations
 - Forcing the sale of “high value” Council void properties
 - “Pay to stay”
 - Planning policy and affordable rented housing
 - PRS changes

- 1% rent reductions
- Reductions in UC
- Withdrawal of benefit form under 21 year olds
- With the introduction of 'Right To Buy' for Housing Associations, after some resistance this was agreed voluntarily by Registered Providers and is not set out in legislation, though the Bill states that it will be monitored by the Homes and Communities Agency (HCA).
- The National Housing Federation (NHF) has provided an 'offer' to the Government in respect of 'Right to Buy', which includes such things as:
 - All Housing Association tenants (2.3m v 1.3m stated by Government) to be offered the 'Right to Buy' at the existing discount
 - Housing Associations will have the discretion to sell the tenant an alternative property at the same discount in certain circumstances such as in a rural area or where the property is operationally specific e.g. Sheltered/Supported or it has been built exclusively from charitable funds
 - Housing Associations are to be compensated the full value of the 'Right to Buy' discount
 - Housing Associations can replace sold homes on a 1 for 1 basis and with alternative tenures within 3 years
 - Government to enable Housing Associations to convert empty properties from social or affordable rent to other tenures
 - Government to enable Housing Associations to have greater control over who they house i.e. nominations by local authorities to Housing Associations to be appropriate to the properties
- Some of the issues that affect local authorities in the Housing Bill include forcing the sale of "high value" Council void properties. Some of the modelling that has been carried out, shows that:
 - If average prices across London are used to determine "expensive" then Lewisham could be expected to sell 27 voids (6.4%) per year.
 - 27 times our average property value of £282,094 provides an estimate of £7,616,538 to be repayable to the government each year
 - If average prices across Lewisham are used to determine "expensive" then Lewisham could be expected to sell 137 voids (32.6%) per year.
 - 137 times our average property value of £282,094 provides an estimate of £38,646,878 to be repayable to the government each year.
- The 'pay-to-stay' proposal - forcing Councils (and all social housing providers) to assess tenants' incomes and charge up to a market rent to any tenants in London with a household income of more than £40,000 – will lead to approximately 1,800-2,200 people falling above the threshold, that might lead to higher income tenants to exercise their 'Right to Buy'.
- The proposed 1% year-on-year reduction in social rents will lead to Lewisham losing approximately £25m over the next 4 years to improve existing social housing and new builds.

- The Benefits Cap will be reduced to £23,000 inside London and £20,000 outside London. It would affect the 311 current households subject to the benefit cap plus a further 777 will be affected when the reduction is introduced.
- There would be no Housing Benefit for 18–21 year olds (with exemptions).
- There was also a new proposal by the Government, which would amend planning laws so that Councils can no longer require affordable homes to be rented, enabling starter homes to count as affordable instead. Councils would be expected to promote the supply of Starter Homes. The Secretary of State will have powers to veto developments if he believes the local authority has failed to secure enough Starter Homes.
- There are other proposals, such as dealing with Rogue Landlords with a Rogue Landlords Database, with Councils will having the responsibility for maintaining the content of the database, local authorities can impose financial penalties rather than prosecute for unlicensed homes of multiple occupation and changes to Buy-to-Let tax relief.

Standing Orders were suspended at 9.55pm.

6.2 In response to questions from the Committee, the following was noted:

- The Mayoral candidates for London Mayor might have their own proposals in relation to Housing that might impact local authorities and housing association plans.
- Lewisham is looking at a model to help provide homes for the private rented sector like Newham's Red Door Ventures.
- Local authorities and Housing Associations will be looking at the actual proposals that will come out in regulations before deciding how they will be implemented, or if any bodies will look to pursue a judicial review.
- Officers will get back to Members about the sanctions regime in respect of Housing Benefit.
- There are some stipulations in the Housing Bill in relation to self-builds, but officers are awaiting the implications of these in the upcoming regulations.
- The Council will continue to pursue its house-building programme in light of the difficulties with shortfall of materials and labour, and an increase in developments.

6.3 **RESOLVED:** That the Committee note the report.

7. Community Centres on Estates (Information Item)

7.1 The Chair noted that the report was an information item, and that any questions were to be referred to the report author, as mentioned in the Scrutiny Manager's e-mail. He also noted that this report was also discussed extensively at the Safer Stronger Communities Select Committee meeting on 21 October 2015.

8. Select Committee Work Programme

8.1 Roger Raymond (Scrutiny Manager) introduced the report. The key points to note were:

- The items scheduled for the December 2015 meeting are as follows:
 - Affordability Review –Evidence Session 2
 - Monitoring Homeless Discharge - Update
 - Housing-led Regeneration Opportunities/Housing and Development Companies
 - Lewisham Homes - Management Agreement: Update
 - Proposed rent and service charge increases
 - Private rented sector update/licensing scheme – Update
 - Key Housing Issues

8.2 In response to questions from the Committee, the following was noted:

- That an item be added on the work programme to discuss the work of charities and other organisations on the rehousing of refugees and/or homeless people.
- The Health and Housing item will be added to the agenda of the January 2016 meeting.

8.3 **RESOLVED:** That the Committee agree the work programme for 2015-16.

9. Referrals to Mayor and Cabinet

9.1 The Committee made a referral to Mayor and Cabinet; at 6.3.

The meeting ended at 10.10pm

Chair:

Date:
