

KENT COUNTY COUNCIL

SELECT COMMITTEE - AFFORDABLE HOUSING

MINUTES of a meeting of the Select Committee - Affordable Housing held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 19 February 2020.

PRESENT: Mrs P M Beresford, Mr D L Brazier, Mr P C Cooper,
Mrs T Dean, MBE, Mr D Farrell, Ms S Hamilton, Mr D Murphy and
Mr R J Thomas (Chairman)

ALSO PRESENT:

IN ATTENDANCE: Miss T A Grayell (Democratic Services Officer) and
Mrs A Taylor (Scrutiny Research Officer)

UNRESTRICTED ITEMS

1. **Bob Heapy (Chief Executive, Town & Country Housing), Kerry Kyriacou (Executive Director of Development and Sales, Optivo) and Mark Leader (Property Director, West Kent Housing Association)**
(Item 2)
 1. Apologies had been received from Mr Bond.
 2. The Chairman welcomed guests and members and explained the background to the Affordable Housing Select Committee.
 3. A Member asked that witnesses consider good affordable housing outside of Kent in their answers and the discussion.
 4. Bob Heapy explained that Town and Country Housing Group was a charitable provider of housing operating in Kent and Sussex. It developed around 400 homes per year and in May 2019 it merged with Peabody Trust.
 5. Kerry Kyriacou explained that Optivo had over 45,000 homes across London, the South East and the Midlands. He suggested that when looking outside of Kent Cambridge would be a good location with challenges with affordability and some excellent ideas.
 6. A Member asked what would an affordable house be if it were linked to wages, would it be twice, three times the available wages for example. This was a difficult question to answer, the hope was that 'affordable homes' were affordable to someone on benefits. With regards to shared ownership this varied depending on location and market conditions. In any event there was a dichotomy between East and West Kent in terms of affordability and market. Social rents were based on a framework prescribed by government with

affordable rent linked to the local market. It was hoped that the rents would be as low as possible but as soon as this was lower than Homes England charged companies couldn't afford to buy the land.

7. The guests confirmed that both their organisations were charities, this meant they were favourable because they did not pay corporation tax and the profits generated were reinvested into more homes or better service.
8. A Member asked whether the organisations had difficulty buying land or whether there were problems with planning permission. Mr Kyriacou explained that all homes built were lifetime homes, it was their intention to maximise affordable housing but if a house builder purchased the land they wanted to maximise value and this could lead to minimising affordable housing. Whilst committed to buying the land the organisations recognised that they were in competition with developers. It was vital that the planning authority retained the importance of affordable housing.
9. Mr Heapy explained that he had had mixed experiences with planning authorities, some were very good with open conversations and others were more difficult. Regarding Council owned land the experiences were mixed.
10. In response to a question about Parish Councils, Mr Heapy explained that they did work with Parish Councils, Town and Country Housing were convinced that small rural interventions made a difference to supporting rural communities.
11. A Member asked how best KCC could support affordable housing schemes and the guests explained that any influence on planning authorities was beneficial, the intention was to make schemes sustainable and to keep communities together.
12. A Member asked how borrowing would be affected in the future with increased borrowing costs. The guests explained that if it cost more to borrow this reduced the capacity to build. If the cost of borrowing was to go up the organisations would look to deliver efficiency savings to support development of new homes.
13. Referring to Parish Councils Members discussed the fact that many wanted a scheme which would remain in local control in perpetuity. There was also many residents who were critical of the right to buy scheme and who suggested it should end. Mr Heapy explained that he was not a huge fan of right to buy as it took the social housing out of the market. However, where it was possible to sell homes at a premium it could result in more homes being built elsewhere. In any event right to buy was a small part of both organisation's business, it was a handful of homes per year.
14. A Member commented that KCC had a policy of investing pension funds only outside of Kent. Why was KCC not investing in housing inside Kent? The guests did not see any reason why KCC could not invest in Kent Social Housing. It might not be the highest return but it would be steady and safe.

Both organisations were fully engaged with Kent Housing Group which was a great vehicle to get the affordable message across the county.

15. In response to a question about how best KCC could help to meet the housing needs of older residents and disabled people the guests explained that both organisations built lifetime homes but did not deliver care and support services. This was bought in. There was perhaps a gap between the conversations had and the partnership working between the landlord and the care provider.
16. A Member commented that KCC was a major landowner which was interested in affordable housing. If KCC decided to create a vehicle that enabled it to act at arms length and become an affordable housing provider in its own right how would the market regard that? Mr Kyriacou explained that being the landowner it would be KCC's intention to maximise the value but have more strategic objectives about what it wanted to achieve from the land. It would be advisable to find a joint venture partner so KCC had full control, this partner would help fund and manage and then both parties could share in any profits that arose from the land and make future decisions. The guests were clear that it was necessary to take advice, lots of house builders offered joint venture opportunities but many were unequal. The joint venture model was good providing the partners were aligned, housing associations were probably more aligned. Mr Kyriacou explained that he had been an independent director on three local authority housing development companies.
17. A Member asked whether there was a wider role in terms of the management of housing stock, staffing was quite challenging particularly regarding technical skills.
18. In response to a question about key worker homes Mr Kyriacou explained that his organisation was but it was not a very big part, there was approximately 700/800 homes out of a portfolio of 45,000. The challenge was to ensure that the homes were to people in most need, not necessarily key workers.
19. Referring to the local housing allowance, because the rate was not keeping up with other market factors, was it sufficient for business. Mr Heapy explained that it was about viability and this was linked to location. The other issue was regarding developers looking for an immediate return where housing associations can be patient investors.
20. Referring to environment standards, homes were built to a high environmental standard, there were challenges with existing stock which needed to be brought up to an existing level. There were competing demands for financial captiancy to build new homes or invest in existing homes.
21. The Chairman concluded by asked whether there was anything else KCC should or could do, the guests explained that KCC's ability to lobby either Central Government or Homes England regarding infrastructure, who is responsible for funding this and how it is achieved.

22. The Chairman thanked the guests for attending the Select Committee and for their helpful responses and he explained that the evidence would be typed up and shared, if the guests had anything else they wanted to feed into the process it would be welcomed.

2. Interview with Cllr Kevin Maskell, Housing & Health Deputy Portfolio Holder, Sevenoaks District Council, and Gavin Missons, Housing Policy Manager, Sevenoaks District Council
(Item 3)

1. The Chairman welcomed Cllr Maskell and Mr Missons and thanked them for attending

2. Mr Missons presented a series of slides (*included in the agenda pack*) which he had prepared in response to the questions sent to him in advance by the Research Officer. The presentation set out statistics for the District's housing stock and type and the priorities of the housing strategy which was adopted in 2017 and then focused on rural and modular housing in Sevenoaks district. It set out the background to the District Council's housing strategy and ideas for joint working between the District Council and the County Council.

3. So far in the current financial year, 219 new-build homes had been completed, an excellent achievement, but this only scratched the surface of the number of new homes needed each year. The District Council had achieved 40% of its housing contribution as affordable housing on one scheme, had enabled the delivery of its first affordable modular housing scheme, had achieved 100% affordable housing on a land-led development and established a rural housing work programme. Quercus Housing, the District Council's own housing company, had been set up in 2019 and had acquired its first affordable housing development, as well as exploring some temporary accommodation across the district. The presentation then set out information on housing developments in Edenbridge, Swanley and Westerham, the latter being the Quercus Housing project.

4. In its community engagement, the District Council had been told by older people that most older people seeking to downsize to smaller retirement homes did not want to live among other older people but in mixed communities of all ages. The District Council therefore sought to enable the development of 1- or 2-bed housing suitable for any and all age groups, to meet the Lifetime Homes Standard by building in features to cater for the needs of an ageing population so these did not need to be retro-fitted later. Further phases of the development in Oakley Park in Edenbridge would be built in 2021-22.

5. The Mallards development in Swanley featured the district's first modular affordable housing. Asked how long this process had taken, Mr Missons explained that planning consent had been granted in April 2019 after a straightforward application process and groundworks had been started soon after. Mr Missons went on to explain that developments could be undertaken by experienced precision engineers and units could be constructed in one day with

minimal snagging. The modular units were proving both popular and fashionable, particularly with young families. The opening ceremony for the Mallards development would take place shortly and he undertook to provide details, once known, so Members of the Select Committee could attend.

6. Rural housing had previously been developed on an *ad hoc* basis, working with interested Parish Councils, but this did not address the needs of households requiring affordable housing who lived in other parishes. The new Rural Housing Work Programme (RHWP) had been developed to address this and introduce a formal process of surveying *all* housing needs across the whole district and produce an evidence-based programme, to seek to make provision fairer. The new RHWP would be considered by the District Council's Strategic Management Team, Housing and Health Advisory Committee and Cabinet.

7. Key issues affecting the housing market in the district included the high price and very limited supply of land suitable for development, with 93% of this land being in the greenbelt and 60% being in an Area of Outstanding Natural Beauty. The District Council had negotiated to build ten 1-bed homes for shared-ownership but, being high-standard units, these would likely attract well-paid professionals who would commute into London to work. As part of its Housing Strategy, the District Council hoped that, if it allowed developers to build on prime sites, the trade-off could be that it could encourage developers to build low-cost housing on other sites, to meet the local need for affordable housing. The district experienced levels of out-migration among 25- to 44-year olds as there were few housing opportunities for them, and a higher-than-average number of homeowners in the 55+, 65+ and 85+ age groups.

8. The Government had recently changed the requirements governing local qualification for shared ownership, so Housing Associations were informally targeting people with local connections first. As with the first Right to Buy scheme, younger people taking advantage of the Right to Buy 2 scheme could buy their parents' home and sell it on once their parents had passed away. Previously, there had been cases where people would buy their home, sell it on, retire abroad on the proceeds and then come back to the UK and seek another local authority property for their later years! With a limited private rented sector, private landlords could afford to pick and choose the tenants they wanted and would avoid people on the housing register in favour of well-paid professionals. A major change in taxation was coming shortly and would have a big impact on private renting. Any support the KCC could give to increase Local Housing Allowance (LHA) levels with the District's two broad rental market areas (BRMAs) could help this. The Localism Act of 2011 had led to a push for fixed-term tenancies and this was introduced in the District.

9. Other areas in which the County Council could give support and have influence included selling or gifting small parcels of its unused land for use for affordable housing development, joint ventures with Quercus Housing (QH) and supporting the exploration of air-space developments, for example, building accommodation for teachers near schools. Although land-gifting projects existed elsewhere, landowners in Sevenoaks district did not tend to support this but sought to realise as much as possible of the financial value of their land. Any help

and influence the County Council could bring to this would be appreciated. Nationally, 25% of private landlords were expected to leave the sector this year, due to the taxation changes outlined above. Institutional landlords offered tenants a good reliable service and tended to maintain their properties better than some other private landlords. A return to renovation grant assistance could improve the standard of the existing housing stock. It was hoped that Housing Associations could be encouraged to develop more private rented housing to create income which could subsidise affordable housing schemes. Micro-housing, a form of modular housing resembling modern bedsit units, was very well designed and was fashionable and popular with young people, who had bought many units off-plan, and could be built in high-density developments. High-density development would always need to be well designed. The District Council was keen to develop this type. If land supply were an issue in an area, there could be an option to seek planning consent for a temporary development of modular housing and return the land to greenbelt afterwards, for example, after 5 years. It was hoped that modular housing development could be scaled up across the county, and the County Council could possibly design its own modular housing as a Kent-wide design product.

10. Looking to the future, there was much in the new draft Local Plan which would strengthen the District Council's position as regards affordable housing, including off-site s106 contributions, developing the work of Quercus Housing, which was not intended to replace existing Housing Associations but to support those programmes, and a supported downsizing strategy for people over 55, which it was hoped the County Council could support.

11. Mr Missons and Cllr Maskell then responded to comments and questions from the committee, including the following:-

- a. asked if modular housing would be available for rental only, or if it could be purchased, Mr Missons explained that it could be acquired through shared ownership with an affordable housing company, although the rental market was the main focus. Work would be pursued with banks, however, to create a bespoke product to which traditional mortgages could be applied;
- b. Mr Missons was then asked how this would fit with the mortgage lending code set in the Financial Conduct Authority's prudential regulations, which placed high restrictions on 'prefabs', and if the Government was likely to relax these restrictions in the near future. Brian Horton (Strategic Housing Advisor, South East Local Enterprise Partnership), who was attending the hearing as an observer, having been interviewed previously by the Select Committee, explained that he had worked with councils, mortgage providers and the Royal Institute of Chartered Surveyors (RICS) to promote the Buildoffsite Property Assurance Scheme (BOPAS). This provided a 60-year assurance warranty on homes and allowed mortgages to be offered via recognition of the scheme by the Council for Mortgage Lenders (CML). Nick Fenton, Chairman, Kent Developers Group, who was attending prior to being interviewed by the Select Committee, advised that some

lenders would take on this arrangement. He undertook to find out which lenders and advise the Select Committee outside the meeting. Mr Horton undertook to send the Select Committee a link to the BOPAS website;

- c. asked if the District Council would welcome a standardised approach to housing provision across the county, Mr Missons said that a centralised, standardised approach would be welcome as it would save time and effort. Developers may also be more likely to come forward to provide affordable housing if the process to be followed were uniform and applied the same rules across the whole county, where it could, still appreciating some district/borough-level differences. Cllr Maskell added that clarity was important, along with full consultation and a thorough assessment of the issues which any District Council might find, and that no part of the process should contradict any other. Partnership was very important and would help to overcome any contradictions shown up between participating district councils' current processes;
- d. asked if Sevenoaks district was in danger of running out of development land, and if development was still an option in rural villages, Mr Missons advised that the District Council worked by the type of land, for example, greenbelt, rather than its location. The agricultural value of the land to the landowner would be low and landowners with this land were likely to be keen to use it or sell it for development at a higher value of around £10,000 per plot. Being still low-cost to the relevant housing association, this opened up options for the land and made development viable. However, in rural areas around Sevenoaks, there was much opposition in some areas to a local development of affordable housing; half a village may support it as it would give their children and elderly neighbours a chance to remain living within their community and the other half of the village would fight any development of affordable housing near their homes. This very polarised reaction would make such a development difficult to achieve, but local examples, for example, Gibbs Field in Leigh, showed that it was worth the struggle. Cllr Maskell added that it could be a challenge to find ways of adding value to a development. Infrastructure and facilities which could improve residents' health and wellbeing had a large role to play in adding value and could help local people to accept a proposed development;
- e. asked if building on agricultural land had been successful and if the approach could be copied elsewhere, Mr Missons advised that, arising from housing legislation passed in 1996, a former Government department had developed maps which identified rural areas designated as being suitable for rural exceptions sites and enabled the protection of such homes for local people in perpetuity. However, it was not clear how these sites had been identified and what criteria had been used in the designation. If such a site were still to be covered by its previous designation, this designation could outweigh and override

greenbelt policy if building within an area were to be only for people from that area who wished to stay there, rather than incomers. Such maps could prove useful in establishing a local connection in perpetuity;

- f. it was pointed out that engagement and joint working seeking to develop affordable housing would need to be backed up with sufficient funding to bring plans to fruition. The County Council could help to cut through the talk and make things happen. The 'No Use Empty' (NUE) initiative was a good example of this. Mr Missons advised that 8 houses had been brought back into use in the last reporting period, some with NUE funding. County Council loans for this, for a period of 5 years, had helped a lot;
- g. a view was expressed that the Select Committee needed to engage and involve the County Council's Director of Finance to give a professional opinion on the substantial financial element of the issues it had heard about and the recommendations it might want to make. The County Council was close to its 75% borrowing limit for housing; and
- h. a view was expressed that the Sevenoaks district was atypical of Kent districts as it was the wealthiest in Kent and so would have been first to lose its Government financial support. Asked to what extent Sevenoaks' relative wealth had allowed it to pursue its planned housing projects, and if other local authorities could realistically hope to follow some of its examples, Mr Missons advised that Quercus Seven was a self-sufficient company receiving no Government grant and working on a 6-7% return. The company had purchased all types of property and was working well. Quercus Housing was separate to Quercus Seven and was a not-for-profit company, buying properties funded by rents from affordable housing, intermediate rents at Local Housing Allowance level and up to 80% of market value and private rents generated by Quercus Seven in a joint venture with Quercus Housing, which had made it cheaper to deliver its affordable housing elements. Cllr Maskell added that Quercus Housing was limited by restrictions and restraints, and he expressed his personal view that the success of future developments had yet to be seen. It was frustrating that more affordable housing could not be funded from Quercus Housing as it could not generate enough revenue to buy since the Government changed the planning rules which had provided financial contributions on smaller developments. Mr Missons added that, similar to Housing Associations, Quercus Housing may have to borrow money in the future as it was a small-scale outfit. He added, however, that the joint approach of the social and commercial arms of the District Council had worked well.

12. The Chairman thanked Mr Missons and Cllr Maskell for giving their time to attend and help the Select Committee with its information gathering and advised them that a written summary of their interview would be sent to them for checking and approval.

3. Nick Fenton (Chairman, Kent Developers Group)
(Item 4)

1. The Chairman welcomed Mr Fenton and explained the background to the Affordable Housing Select Committee.
2. Nick Fenton gave a brief introduction to his role as the Chairman of the Kent Developers Group. He explained that it was vitally important to develop on social housing which was currently at 23%.
3. A Member asked about viability and infrastructure, Mr Fenton explained that with regards to viability, most developers worked on returns rather than profits. It was possible to look at pension funds to assist, with close working with the South East Local Enterprise Partnership (SELEP) and KCC along with money from Government, this would make developments viable. There were concerns that affordable housing was the last thing discussed and therefore due to the viability argument developments could end up with 5% affordable housing. There was a perception that developers did not like affordable housing and this might be true in some instances but from a returns basis developers often preferred affordable housing.
4. There were issues regarding skills and planner shortages, most districts had vacancies for planning officers. There was a need to reflect on what was needed in each district and to find ways in which people could afford to buy whether this be through shared ownership or housing association.
5. Mr Fenton was involved in developing a viability protocol and there would be a template 106 agreement which would reduce some of the costs for legal advice on both sides.
6. There were concerns that developers were returning to planning authorities stating that affordable homes were not viable because the economics had changed. Mr Fenton explained that the schemes were based on the costs and values at that time and it was only possible to examine each scheme on its merits. The viability protocol was intended to encourage discussion between developers and to find a way forward. Affordable Homes often got cut because they were the last to be considered.
7. Discussing KCC's decisions over its own assets, particularly land, KCC could consider affordable housing rather than selling off to developers on the market. Mr Fenton encouraged KCC to work with the development industry to find alternative ways to deliver. Homes England were an important part of the mechanism for delivery, they had a significant resource and increasing staff and would invest time in areas where delivery could happen. It was possible to draw significant support from them.

8. The Committee felt strongly that proper investment was needed in social housing as well as affordable housing. Large developers were building current developments in a very efficient way, modular developments were not so efficient, it was necessary to look at different ways of building. Members asked if there were opportunities for KCC to support with regards to the environmental aspect. Mr Fenton explained that Government Regulations needed to change.
9. There was praise for Kent's Growth Infrastructure Framework (GIF), this was presented to Kent Developers Group on a regular basis. The GIF was an exceptional piece of work that KCC should be proud of. It was a platform for discussions about infrastructure first.
10. Mr Fenton considered that collaboration was very important, there were some good examples in Ashford. It was also necessary to give housing attention at a senior level, possible at Cabinet level.
11. Regarding KCC being a land provider and supplying care there was a discussion about whether this was feasible, it had been done before using land and other commissioners of services. Mr Fenton confirmed that the standard of social housing was no different to private units, they were different homes because of the way Homes England valued them but the quality was the same. There were concerns about the trend of converting good quality commercial development into housing.
12. The Chairman thanked Mr Fenton for attending the Select Committee and for his helpful responses. He explained that the evidence would be typed up and shared, if Mr Fenton had anything else he wanted to feed into the process it would be welcomed.