

NORTH YORKSHIRE COUNTY COUNCIL

13 November 2019

Response by the Corporate and Partnerships Overview and Scrutiny Committee to the Notice of Motion suggesting the allocation of 20% net profit made by Brierley Homes. to support the provision of social housing

Purpose of the Report

1. To present the recommendation of the Corporate and Partnerships Overview and Scrutiny Committee, in response to a Notice of Motion suggesting the allocation of 20% net profit made by Brierley Homes to support the provision of social housing.

Background

2. A Notice of Motion was put to County Council on 24 July 2019 by County Councillor Geoff Webber, seconded by County Councillor Bryn Griffiths, proposing the allocation of 20% of the net profit made by Brierley Homes to a fund specifically to support the provision of social housing.
3. The Chairman determined that the Motion should not be debated on the day, and instead referred it to the Corporate and Partnerships Overview and Scrutiny Committee for consideration before coming back to Council.

Corporate and Partnerships Overview and Scrutiny Committee

4. The Notice of Motion was considered by the Overview & Scrutiny Committee in September 2019 and their recommendation was subsequently presented to the Executive for their consideration at a meeting on 15 October 2019.
5. The Corporate and Partnerships Overview and Scrutiny Committee report that was presented to the Executive is attached at Appendix 1.

Recommendation

6. That County Council agree not to support the motion, in line with the recommendation in para 15 of the appended report.

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NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

15 October 2019

NOTICE OF MOTION

**REPORT OF THE CHAIRMAN OF
THE CORPORATE AND PARTNERSHIPS OVERVIEW AND SCRUTINY COMMITTEE**

Purpose of report

1. To present the views of the Corporate and Partnerships and Overview Scrutiny on a Notice of Motion referred to it by the council at its July 2019 meeting.
2. This report explains why, as far as the committee is concerned, pursuing the action proposed in the motion would not be in the best interests of the Brierley Group and/or the County Council.
3. The report of the Assistant Director Strategic Resources (BES/CS) made available to the committee, giving background and context to the subject, can be accessed via the following webpage:

<https://democracy.northyorks.gov.uk/committees.aspx?commid=29&meetid=4105>

4. To help make sense of the issues raised, much of the content of that officer's - relatively short - report is quoted in this account of the committee's considerations.

Notice of Motion

5. County Councillor Geoff Webber's motion, seconded by County Councillor Bryn Griffiths, invited the council to consider:

That this council allocates 20% of the net profit made by Brierley Homes to a fund specifically to support the provision of social housing.'

6. When attending the committee meeting on the 2 September to introduce the motion, the mover and seconder of the motion made the following comments (paraphrased):

The Government acknowledges that housing is a priority at both national and local level, recognising that it is a key driver for other strategic ambitions such as growth, education, health and for stronger communities. Britain faces a housing crisis; there is a shortage of affordable homes in many areas, particularly social homes for rent.

Everyone deserves a safe, secure, and affordable place to call home. Quoting from a recent shelter report, adequate social housing provision contributes to the

wellbeing of both parents and children. Studies show that children in stable housing do better in school and are less likely to experience disruption in their education due to unwanted moves. Housing also is important to the economic vitality of communities. Social housing and affordable homes can attract and retain employees to our communities, and support the local workforce so they can live close to their jobs. A healthy mix of housing options ensures opportunities for all individuals to improve their economic situation and to contribute to their communities.

Proper provision of social housing is, therefore, at the heart of what we, as a local authority, are trying to achieve in terms of the welfare of the population we serve. While housing is a responsibility of district councils, a lack of council houses impacts on a number of county council responsibilities, such as education, public health and social services.

The county council shares a common purpose with all local authorities and housing associations to find ways to stimulate and support social housing initiatives. What is stopping us is a lack of political will. Adopting the motion in order that the county council pursues the course recommended would ensure that we are doing our bit.

Officer Advice to the Committee.

7. We reviewed the officer advice.
8. Brierley Homes is a start-up business created by the County Council to develop housing and to create value for its shareholder. The business operates as a commercial sector organisation and conforms to local planning policy, including the need to be policy compliant with affordable housing at each of its sites on a case by case basis, subject to viability.
9. **Cash Issue** - The business plan approved by the Shareholder Committee on 23 April outlines the existing portfolio of sites that are being considered for development up to 2023/24. Within that timeframe, the company has highlighted the need to drawdown £8m of the £25m loan available. The plan also highlights the need to reinvest any surplus generated from sites to avoid drawing down further on the loan. Subsequently the company will be obliged to repay the loan. As such in the medium term (next 5 years) the company will not have cash available to distribute profit for the purpose of social housing.
10. **Issue of Principle** - The County Council has progressed the commercial agenda as a means to reduce the impact of austerity by using surplus generated to support frontline services. Within the Council's existing medium term financial strategy £1.6m saving has been achieved through commercial endeavours. This is a direct benefit to the Council reducing its need to make savings elsewhere and therefore to some extent relieving the pressure on frontline services.
11. **Planning Compliance** - Brierley Homes operates in a competitive environment, through that it must ensure compliance with planning policy in the same way any private sector organisation would do. As such Brierley Homes delivers the affordable housing component of a site where viability allows, on a site by site basis.

Views expressed at the Committee Meeting

12. The substance of the motion and the implications of adopting it were deliberated upon at great length.
13. We needed to properly understand what the likely effect of adopting the motion would be on the business operation of Brierley Homes and the Brierley Group. Coincidentally, but fortuitously, the 2018-19 Brierley Group report was up for review at our meeting. I am aware that the Executive has already received this report so will not repeat its content here. Having this before us meant we could take into account directly relevant background information about the business objectives, financial structure and performance of the Group, including Brierley Homes. We were, therefore, well placed to make an objective assessment not just of the information in the officer's report, but also to reach an informed view about his recommendation.
14. In this context, the following officer advice weighed heavily in our considerations.

In-line with the agreed business plan, any profit generated is initially to be reinvested into the business to allow it to grow, and any future dividend distributions are to be used to subsidise Council business therefore partially offsetting the need to reduce frontline services.

As the business is still in early stages of its own development, it is recommended that any ask of its profit not be considered at this point in time so that the company has the ability to grow in-line with its approved business plan.

The Committee's Recommendation

15. For the following two main reasons, the Committee concluded (by majority vote) not to support the motion:
 - a) Members acknowledged the laudable intentions underpinning the motion - that of improving the availability of housing bearing in mind its key role in promoting health and opportunity. Local government is at the heart of the housing solution. And, like all local authorities, the county council has a role to play in promoting housing activity - across all tenures - and ensuring delivery to meet the housing market needs of their local population. But the county council does not have a statutory duty for housing. In a two tier area the responsibility in relation to the provision of social housing remains with district and borough authorities. Any intervention into this arena must not prejudice the council's interests.
 - b) Members were mindful of committing Brierley Homes, so early in its business plan and development, to a course of action the effect of which would be to restrict and most likely impair the Group's ability to achieve its primary objectives.

Since the committee meeting, County Councillor Webber has advised that, ideally, he would want to change the wording of the motion to remove any ambiguity around how the "...20% *net profit*" was interpreted. He confirmed that his intention was for the 20% figure to refer to what a commercial company would term a dividend. He may wish to comment upon this when you meet.

16. Given that at the time the scrutiny committee met this was not the interpretation members were invited to place upon the motion, it is not clear whether this different meaning would have influenced the position the committee arrived at.

DEREK BASTIMAN

Chairman, Corporate and Partnerships Overview and Scrutiny Committee

County Hall,
NORTHALLERTON
4 October 2019

Background Documents - Nil.