

North Yorkshire County Council**Corporate and Partnership Overview and Scrutiny Committee
Mid-cycle Briefing****2 September 2019****Brierley Homes Profit****Report of the Assistant Director – Strategic Resources BES/CS****1.0 Purpose Of Report**

- 1.1 To present information on Brierley Homes in response to a Notice of Motion at Full Council in July 2019. This information has been provided to enable the Committee to consider the proposal made and draft a response for the Executive's consideration.

2.0 Background

- 2.1 At Full Council on 24 July there was a Notice of Motion on Social Housing proposed by County Councillor Geoff Webber (and seconded by County Councillor Bryn Griffiths) that stated:

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

- 2.2 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.
- 2.3 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.

3.0 Considerations**3.1 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.

3.2 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.

3.3 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.

4.0 Recommendation

- 4.1 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.

MICHAEL LEAH
Assistant Director
Strategic Resources BES/CS

Author of Report: Michael Leah

Background Documents: None