

BRIGHTON & HOVE CITY COUNCIL**CABINET****3.00PM 16 SEPTEMBER 2011****COUNCIL CHAMBER, HOVE TOWN HALL****MINUTES**

Present: Councillors Kennedy (Chair), Bowden, Duncan, J Kitcat, Wakefield and West

Also in attendance: Councillors G Theobald (Opposition Spokesperson) and Mitchell (Opposition Spokesperson)

Other Members present: Councillor Peltzer Dunn

PART ONE**53. PROCEDURAL BUSINESS****53a Declarations of Interest**

53a.1 Councillor Mitchell stated that she did not wish to declare an interest as she did not have one, but she wished to confirm that, contrary to comments made on social networking site Twitter, she was not a member of the board of Brighton & Hove Seaside Community Homes Limited (the LDV) and never had been.

53a.2 The Chair confirmed that LDV board members were not permitted to be present during the meeting.

53b Exclusion of Press and Public

53b.1 In accordance with section 100A of the Local Government Act 1972 ('the Act'), it was considered whether the press and public should be excluded from the meeting during an item of business on the grounds that it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press or public were present during that item, there would be disclosure to them of confidential information (as defined in section 100A(3) of the Act) or exempt information (as defined in section 100I(1) of the Act).

53b.2 **RESOLVED** – That the press and public be excluded from the meeting during consideration of item 56.

54. CHAIR'S COMMUNICATIONS

54.1 The Chairman noted that the meeting would be webcast.

54.2 The Chair apologised to Members for the late issuing of the papers for the meeting.

55. PROPOSED LEASES TO BRIGHTON & HOVE SEASIDE COMMUNITY HOMES LTD (SEASIDE).

55.1 The Cabinet considered a report of the Strategic Director, Place concerning the proposed final contractual and financial arrangements necessary for the Council to lease 499 properties to the Local Delivery Vehicle (LDV) in order to generate a significant capital receipt to contribute towards meeting the Council's decent home standards.

55.2 Councillor Wakefield explained that the council had worked closely with tenants in relation to the LDV and that tenants would continue to play an important role in the progress of the project.

55.3 Councillor J Kitcat apologised to Councillor Mitchell for mistakenly stating that she had been a member of the LDV board.

55.4 The Strategic Director, Place reiterated the apology for the late issuing of papers and stated that urgency had been required following the recent issuing of a consultation paper by the Department for Communities and Local Government designed to streamline council housing asset management, which had raised significant risks to the council, the LDV and the funders. The issues had been investigated thoroughly over the preceding 10 days and the report before the Cabinet had been compiled. The report recommended proceeding with the original proposal to lease 499 properties to the LDV on the terms detailed in the report, and it was hoped that for the council could proceed to financial close by 23 September 2011.

55.5 The Director of Finance confirmed that the fundamental business model proposed had not changed, but that the outcome of further negotiations had affected some of the cost and income assumptions; however the council was confident that it could mitigate the risks in relation to the income guarantee and deliver on the costs.

55.6 Councillor Theobald stated that he understood the need for urgency in this matter and thanked officers for providing him with a thorough briefing; he was satisfied that officers had, as far as was possible, planned for every eventuality. He advised that he supported the proposals if they were the vital to achieving the necessary investment in the council's housing stock.

55.7 The Chair thanked Councillor Theobald for his support and stated that, while the council was very mindful of the associated risks, it was necessary to move forward to achieve the best outcome for council tenants.

55.8 Councillor Mitchell stated that she appreciated the demand on the city's housing stock and acknowledged the funding shortfall. She noted the cross-party support for the LDV and stated that previous Administrations had made efforts to tackle the problem. She

raised concerns about some of the risks and the potential for the programme of work to slip.

55.9 In response to questions from Councillor Mitchell the following comments were made:

- The Head of Housing Management & Social Inclusion explained that the proposal was to lease properties from the Housing Revenue Account (HRA) in batches of up to 50 at a time; Recommendation (4) was intended to offer flexibility within the HRA capital programme to enable the council to refurbish properties prior to leasing to reduce the length of time that properties were left empty prior to being leased; benefit to the FRA could be maximised by letting those properties as temporary accommodation prior to leasing them as part of a batch.
- In relation to the payment by the LDV of the management fee for the maintenance costs, the Head of Housing Management & Social Inclusion advised that the financial modelling had been undertaken by analysing existing costs incurred on the properties in terms of both the cyclical maintenance and the capital investment costs over a period of time.
- The Lead Commissioner, Housing explained that should a tenant achieve employment, they would immediately be given a higher priority under the banding system under the working households policy.
- The Strategic Director, Place confirmed that the bank required the council to underwrite the revenue stream and that the council would also underwrite the costs of refurbishment and the potential shortfall in rental. However he noted the intention to collect 91% of the gross rent due after allowing for bad debts and void periods and stated that this represented a fairly generous proportion. He also confirmed that an adjudicator for the purposes of dispute resolution had not yet been appointed.
- In relation to costs, the Strategic Director, Place explained that as negotiations had continued additional costs of £600,000 had been incurred; it was expected that half would be repaid at an early stage, with the balance repaid at a later date.
- The Director of Finance advised that the original proposed cost of £1.3m had already been included in budget plans and that, when repaid, the additional £600,000 would replenish reserves, but that the additional funding of £150,000 to complete the project would be offset against it. She stated that assumptions about getting the remainder of the costs back had not yet been factored in, as this would happen much later in the life of the LDV.
- The Director Finance explained that the annual budget of the operational costs of the LDV were included in the business model, but that this would be kept under review.
- The Lead Commissioner, Housing explained that flats in sheltered schemes along with bedsits and one bedroom properties in the two highest areas of multiple deprivation were excluded from being let to the LDV to avoid compounding existing inequalities by moving those with high levels of need to temporary accommodation in areas with high levels of deprivation.

55.10 The Chair explained that before the Cabinet could make a decision on the recommendations within the Part 1 report, Members would need to have a full understanding of the issues contained within the Part Two confidential report. She asked the press and public to leave the meeting and confirmed that they would be invited to return once the confidential session was complete.

The Cabinet moved into Part Two confidential session at 3.35pm (see Item 56 for a summary).

The Cabinet reconvened in open session at 4.12pm.

55.11 The Chair advised that the paragraph reference in recommendation 6 was incorrect and should be amended to make reference to paragraph 7 of the report.

55.12 **RESOLVED** - That, having considered the information and the reasons set out in the report, the Cabinet accepted the following recommendations:

- (1) To note the risk matrix and the impact on the General Fund of those risks held by the Council (detailed in appendix 1)
- (2) To note the best consideration valuations and the methodology used in leasing the 499 properties over a 5 year leasing period.
- (3) To approve the use of receipts from the leasing of HRA assets to Brighton & Hove Seaside Community Homes for affordable housing and in particular for the carrying out of improvements to the Council's retained HRA stock under the Council's decent homes programme during the period from October 2011 to October 2018
- (4) To agree that the HRA capital programme over the five year leasing period be increased as required to refurbish properties before leasing to Brighton & Hove Seaside Community Homes where appropriate in order to efficiently manage empty properties identified for leasing and maximise the benefits to the HRA
- (5) To agree additional funding of up to £150,000 to complete the project as set out in para 10.17
- (6) To agree the overall principles of the proposed deal as set out in this and the part II report and, subject to paragraph ~~2(8)~~ 7 below, agree to enter into agreement with Brighton & Hove Seaside Community Homes Ltd and the funders.
- (7) To, without prejudice to any authorisation previously granted to Officers, authorise the Strategic Director of Place, the Chief Executive and the Director of Finance, after consulting the Deputy Leader (Executive) and Cabinet Members for Housing and Finance to:
 - settle any outstanding or new issues that may arise during negotiations:
 - settle the terms of the required suite of documents with Brighton & Hove Seaside Community Homes Limited and the Funders;
 - decide on the properties to be leased to the company; and
 - take all steps necessary or incidental to completion and/or implementation of the overall transaction.
- (8) To authorise the Head of Law to draft, finalise and execute all documents necessary to completion and/or implementation of the overall transaction.

PART TWO SUMMARY

56. PROPOSED LEASES TO BRIGHTON & HOVE SEASIDE COMMUNITY HOMES LTD (SEASIDE).

56.1 The Cabinet considered a report of the Strategic Director, Place concerning the proposed final contractual and financial arrangements necessary for the Council to lease 499 properties to the Local Delivery Vehicle in order to generate a significant capital receipt to contribute towards meeting the Council's decent home standards.

56.2 **RESOLVED** - That, having considered the information and the reasons set out in the report, the Cabinet accepted the recommendations as detailed in the Part 2 confidential report.

57. PART TWO ITEMS

57.1 The Cabinet considered whether or not any of the above items should remain exempt from disclosure to the press and public.

57.2 **RESOLVED** – That item 56, contained in Part Two of the agenda, remains exempt from disclosure to the press and public.

The meeting concluded at 4.15pm

Signed

Chair

Dated this

day of

