

**MINUTES OF THE CABINET MEETING
HELD AT 10:00AM, ON
MONDAY 21 JUNE 2021
SAND MARTIN HOUSE, PETERBOROUGH**

Cabinet Members Present: Councillor Fitzgerald (Chair), Councillor Allen, Councillor Ayres, Councillor Cereste, Councillor Coles, Councillor Hiller, Councillor Simons, Councillor Walsh

Cabinet Advisor Present: Councillor Bashir, Councillor Bisby, Councillor Howard, Councillor Gul Nawaz

1. APOLOGIES FOR ABSENCE

No apologies for absence were received.

2. DECLARATIONS OF INTEREST

Agenda Item 5 - 'Peterborough Housing Revenue Account'

Councillor Walsh declared that she had a potential non-pecuniary interest in this item.

3. MINUTES OF MEETINGS HELD ON:

(a) 9 NOVEMBER 2021 – SHAREHOLDER CABINET COMMITTEE

The minutes of the Shareholder Cabinet Committee meeting held on 9 November 2021 were agreed as a true and accurate record.

(b) 23 FEBRUARY 2021

The minutes of the Cabinet meeting held on 23 February 2021 were agreed as a true and accurate record.

(c) 15 MARCH 2021

The minutes of the Cabinet meeting held on 15 March 2021 were agreed as a true and accurate record.

4. PETITIONS PRESENTED TO CABINET

There were no petitions presented to Cabinet.

STRATEGIC DECISIONS

5. PETERBOROUGH HOUSING REVENUE ACCOUNT*

The Cabinet received a report in relation to the formation of a Peterborough Housing Revenue Account (HRA).

The purpose of this report was to set out the rationale for re-establishing an HRA.

The Deputy Leader and Cabinet Member for Housing, Culture, and Communities, and the Assistant Director - Housing introduced the report and advised that the decision to re-launch an HRA was considered following changes to legislation, which allowed local authorities to acquire and build rental housing stock and set authorities on the same footing as housing associations. In addition, the Council could offer greater security within its offer, including secure tenancies and the right to buy. The allocation for such properties would be within the Council's gift to establish. The Council further aimed to contribute to carbon neutral aims by creating energy efficient homes within its stocks.

Cabinet Members debated the report and in summary responses to questions raised included:

- Members were advised that benefits to setting up an HRA included unlocked funding through borrowing, reduced temporary accommodation costs, and social care flexibility.
- It was explained that the right to buy scheme worked through the Council receiving a grant when properties were sold that could be reinvested.
- It was confirmed that the '294' set out in the report referenced millions.
- Members were advised that the service would be commissioned initially, with modelling currently indicating that the Council could maintain an in-house team at approximately year 7, when surplus levels would increase.
- The pragmatic and measured approach set out in the report was noted, with comment made about the reality of working with land availability and market stability.
- Officers advised Members that they were reasonably confident about the projections set out in the report, with an updated business plan to come before Cabinet annually and all decisions to be brought before Cabinet for approval.

Cabinet considered the report and **RESOLVED** to:

1. Agree to set up a Housing Revenue Account (HRA) subject to approval of the HRA Business Plan to be presented to Cabinet in October 2021
2. Agree a minimum stock portfolio target of 1,200 properties by 31 March 2032 (10 Years) with an ambition to supply 2,000 properties by the same date.
3. Approve and adopt the HRA Business Model attached at Appendix A
4. Approve and adopt the following key documents, which are attached as Appendix B to D:
 - a. Secure Tenancy Agreement (Appendix B)
 - b. Rent Setting Policy (Appendix C)
 - c. Asset Management Plan (Appendix D)
5. Delegate authority to approve operational policy documents related to the HRA to the Assistant Director of Housing in consultation with the lead Cabinet Member for Housing.
6. Approve the allocation of funding from reserves to cover the setup costs to a total of £556k in 2021/22 subject to internal governance and approval by Council's s151 officer.

REASONS FOR THE DECISION

Establishing a HRA for Peterborough would:

- Support the strategic aims of the Council and enable its ambition to return to directly delivering social housing.
- Help to manage the cost pressures imposed on the Council by reducing the demand and length of time spent in temporary accommodation.
- Help meet the housing needs of local people and reduce homelessness.
- Be financially viable and the business model was fit for purpose.

ALTERNATIVE OPTIONS CONSIDERED

Option 1 – the Council should not become involved in the direct provision of social housing for Peterborough (Do Nothing).

This option was not recommended because of the financial and social impact that the high levels of housing need and homelessness was having on local authority services and the residents of Peterborough, and the fact that the delivery of social and affordable rented housing in the City was not keeping pace with demand. By not setting up an HRA, the Council would be unable to generate new investment potential to help reduce homelessness and cost pressures.

Option 2 – the Council should set up a Local Housing Company (LHC) either 100% owned by the Council, or as part of a Joint Venture (JV).

This option was not recommended because any council funding for such a venture would come from borrowing within the General Fund rather than a ring-fenced HRA, which would place additional financial burden and risk on the Council's General Fund budget. There was the additional risk that the Government could issue a direction requiring the affordable and social rented properties owned by the LHC be placed into a Housing Revenue Account.

Option 3 – the council could provide its own social housing grant to housing associations to enable them to build more homes.

This option was not recommended because the funding would have to come from the General Fund and there was no guarantee that the additional new homes could be used to house homeless households as this would be determined by the associations own lettings policy.

6. AMENDMENT TO ARRANGEMENTS WITH EMPOWER*

The Cabinet received a report in relation to amending arrangements with Empower Community Management LLP.

The purpose of this report was to consider the report from Teneo Restructuring Ltd advising of the options available to the Council following the Notice of Repayment sent to ECSP1 on 30 March 2021, and to approve the recommendation in that report to take control of the assets of ECSP1.

The Cabinet Member for Finance introduced the report and summarised the following points:

- In December 2014 the Council agreed £23 million loan of capital funds to Empower to deliver a solar panel scheme, secured against the assets.
- This loan had delivered a return and contributed to the Council's budget.

- The original agreement had been due to end in 2017, however, this was extended and, in September 2020, was amended to a long-term loan.
- Despite assurances that this arrangement was achievable, Empower advised in 2021 that payment couldn't be made and were granted 6 weeks to find funding and make the payment.
- Insolvency advisors were appointed by the Council to consider the options available and recommended, as set out in the report, to take back control of the assets.
- A tender for an asset manager would commence for the long term.
- The net interest income from the loan had been £4.4 million overall, and all legal costs incurred would be paid for from amount.

Cabinet Members debated the report and in summary responses to questions raised included:

- Following queries raised in relation to finding a competent body to manage the assets, Members were advised that a tender process would be run to ensure that the Council was achieving the best value.
- It was noted that, due to the specialist nature of the situation, the insolvency advisors utilised were the most appropriate.
- It was considered that the assets of ECSP1 to be brought back into the control of the Council represented a number of opportunities.
- Members were advised that all proper processes had been followed in relation to options on refinancing the loan, which fell through at the start of the COVID-19 pandemic. The option to convert the loan into a long-term loan was brought before Cabinet in September 2020. It was noted that Empower had never previously missed a payment. As soon as it did so, the Council took action.
- Members noted that the average household had saved £200 a year on energy under the Empower scheme.
- Comment was made that the Council had not, overall, lost money on the scheme.

Cabinet considered the report and **RESOLVED** to:

1. Approve the recommendation from the Insolvency Advisor, Teneo Restructuring Ltd to take control of the assets of ECSP1.
2. Delegate authority to the Corporate Director Resources and Director of Law and Governance to agree the financial and legal arrangements necessary to give effect to item 1 above.
3. Approve the write off of the outstanding invoices raised on ECSP1 using the additional provision set aside for this purpose.

REASONS FOR THE DECISION

ECSP1 notified the Council on 11 March that they were unable to make the full repayment of the last quarter's loan instalment and requested the loan to be reprofiled to accommodate this shortfall. Following advice, a letter was sent to ECSP1 giving six weeks' Notice of Repayment on 30 March 2021. The Council's loan was not repaid at the end of this period therefore a joint insolvency advisor appointment was made by the Council and ECSP1 to safeguard the Council's position.

The decision would secure the best outcome for the Council.

ALTERNATIVE OPTIONS CONSIDERED

The alternative options were listed and considered in Appendix 1 to the report.

MONITORING ITEMS

7. BUDGET MONITORING REPORT FINAL OUTTURN 2020/21

The Cabinet received a report in relation to the Budget Monitoring Report Final Outturn for 2020/2021.

The purpose of this report was to provide Cabinet with the outturn position for both the revenue budget and capital programme for 2020/21, subject to any changes that may be required as part of the finalisation of the Statement of Accounts.

The Cabinet Member for Finance introduced the report and summarised the following points:

- The final outturn position would be reported to Audit Committee on 12 July.
- The report showed a high level of pressure and low reserves.
- The Council had been subject to rigorous financial control since 2020 as well as further funding from Government that had largely covered the new pressures arising from the COVID-19 pandemic.
- The ongoing pressure arising from the pandemic would be difficult to predict.
- The 4.8 million provided for from Government in 2020/21 was no longer required.
- Work was ongoing with MHCLG to provide assurance that the Council could balance its budget.
- Throughout the COVID-19 lockdowns the Council had been supporting its residents and businesses and working with the NHS to reduce admissions and ensure access to provisions.
- Concern was raised about ongoing social care demands, which was to be provided for by the ringfenced COVID reserves. It was noted that while the level of reserves reported was £66.1 million, much of this was ringfenced.

Cabinet Members debated the report and in summary responses to questions raised included:

- It was considered that, in light of the COVID-19 pandemic, although the Council could be in a better position, the report was generally positive.
- Members felt that the Council's debt position could be improved, with officers noting that the perfect situation would be one of pre-payment.
- It was further advised that the Clinical Commissioning Group currently made up 60% of the Council's debt.
- Members noted that officers had been liaising with the Ministry of Housing, Communities, and Local Government on a more regular basis since the beginning of the COVID-19 pandemic, and the Government had been proactive in distributing funding where it was needed.
- It was considered that the months following the lifting of lockdown and social distancing arrangements, including the end of the furlough scheme, would be key in understanding what the forecast would be for the Council's position.
- Members desired to see economic growth at a higher rate with job, education, and leisure and culture opportunities, with more encouragement for private sector development.

Cabinet considered the report and **RESOLVED** to:

1. Note the final outturn position for 2020/21 (subject to finalisation of the statutory statement of accounts) of a £3.975m underspend on the Council's revenue budget.
2. Note the reserves position outlined in section 7, which includes a contribution to the capacity building reserve of £3.975m, resulting from the underspend highlighted in the revenue outturn report in Appendix A.
3. Note the implications of the COVID-19 pandemic on the Council's financial position, as outlined within section 5.
4. Note the outturn spending of £56.8m in the Council's capital programme in 2020/21 outlined in section 9.
5. Note the performance against the prudential indicators outlined in Appendix C.
6. Note the performance on the payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix D.

REASONS FOR THE DECISION

The monitoring report formed part of the 2020/21 closure of accounts and decision-making framework culminating in the production of the Statement of Accounts and informed Cabinet of the final position.

ALTERNATIVE OPTIONS CONSIDERED

None required.

8. OUTCOME OF PETITIONS

The Cabinet received a report in relation to petitions submitted to Council officers and Council meetings.

The purpose of this report was to update Cabinet on the progress being made in response to petitions submitted to the Council.

Cabinet considered the report and **RESOLVED** to note the actions taken in respect of petitions.

REASONS FOR THE DECISION

As the petitions presented in this report had been dealt with by Cabinet Members or officers, it was appropriate that the action taken was reported to Cabinet.

ALTERNATIVE OPTIONS CONSIDERED

There had been no alternative options considered.

Chairman
10.00am to 11.13am
21 June 2021