

Subject: Housing Revenue Account Budget and Capital Investment Programme 2019/20 and Medium Term Financial Strategy

Date of Meeting: 14 February 2019

Report of: Executive Director for Finance & Resources and Executive Director for Neighbourhoods, Communities & Housing

Contact Officer: Name: **Caroline De Marco** Tel: **29-1063**

E-mail: Caroline.demarco@brighton-hove.gov.uk

Wards Affected: All

FOR GENERAL RELEASE

Action Required of the Committee:

To receive the item referred from the Housing & New Homes Committee for approval and recommendation to full Council:

Recommendations: That the Policy, Resources & Growth Committee approve the following:

- (1) That the procurement of a contract for insurance cover for the council's residential leasehold properties as set out in the report in section 5 be approved; and
- (2) That the Executive Director of Neighbourhoods, Communities & Housing be granted delegated authority to award the contract for insurance cover and the extensions set out in the report in section 5.

Recommendations: That the Policy, Resources & Growth Committee approve and recommend the following to full Council:

- (1) That full Council approve the updated HRA revenue budget for 2019/20 as shown in Appendix 2 to the report; and
- (2) That full Council approve the capital programme budget of £26.964m for 2019/20 and notes the 3 year programme as set out in Appendix 4 to the report.

BRIGHTON & HOVE CITY COUNCIL
HOUSING & NEW HOMES COMMITTEE
16 JANUARY 2019
COUNCIL CHAMBER, HOVE TOWN HALL

Present: Councillor Meadows (Chair), Councillor Hill (Deputy Chair), Councillor Mears (Opposition Spokesperson), Councillor Gibson (Group Spokesperson), Councillors Atkinson, Barnett, Bell, Cattell, Lewry and Phillips.

DRAFT MINUTE

PART ONE

58 HOUSING REVENUE ACCOUNT BUDGET AND CAPITAL INVESTMENT PROGRAMME 2019/20 AND MEDIUM TERM FINANCIAL STRATEGY

58.1 The Committee considered a report of the Executive Director for Finance & Resources and the Executive Director Neighbourhoods, Communities & Housing which presented the proposed Housing Revenue Account (HRA) revenue and capital budget for 2019/20 as required by the Local Government and Housing Act 1989. Members were required to consider the revenue budget proposals including savings and re-investments (service pressures) as well as changes to rents, fees and charges and also the capital programme. This report also set out the Medium Term Financial Strategy and 30 year financial forecast. The report was presented by the Head of Finance accompanied by the Principal Accountant and the Head of Housing Strategy, Property & Investment.

58.2 Councillor Gibson set out the following amendment which was seconded by Councillor Phillips:

“To amend the following recommendations, and insert recommendations (f) – (k) as shown below in ***bold italics***:

2.1 That the Housing & New Homes Committee:

(a) Recommends that Policy, Resources & Growth Committee approves and recommends to full Council the updated HRA revenue budget for 2019/20 as shown in Appendix 2 (***as amended by (f) and (g) below***);

(b) Recommends that Policy, Resources & Growth Committee approves and recommends to Full Council the capital programme budget ~~of £26.964m~~ ***of £34.014m*** for 2019/20 and notes the 3 year programme as set out in Appendix 4 (***as amended by (h) to (k) below***);

To add the recommendations as below, as shown in ***bold italics***:

2.2 That the Housing & New Homes Committee:

f) Reduces the HRA Reserve funding for 2019/20 HRA Capital programme by £1.000m;

g) Approves that a HRA reserve of £1.050m be created, in order to support the provision of new council homes at lower rents, particularly social rents and 27.5% living wage rents. This enables the application of a subsidy over the modelled lifetime of new schemes

h) Approves additional borrowing of £5.950m to be used to fund the HRA Capital programme for 2019/20:

- with the cost of this additional borrowing to be funded in future years from the Consumer Price Index+1% rent increase, to be applied in 2020/21

i) Approves a £0.050m to increase the Estate Development Budget to £0.405m in 2019/20 HRA Capital programme, funded from reserves

j) Approves the increase to the size of the HRA capital programme of £7.050m additionally funded by an increased contribution of £2.100m usable Right to Buy (RTB) capital receipts

k) Approves that the additional £7.050m in the enhanced 2019/20 HRA Capital programme (see summary below) to be applied to appendix 4 as follows:

i) A net increase in the Purchase Properties budget of £3.500m;

ii) The creation of a £3.500m budget line to buy buildings to provide emergency homeless accommodation for in-house delivery by the council

iii) A £0.050m increase in the Estate Development Budget

58.3 A paper had been circulated to members and officers before the meeting setting out the Chief Finance Officer's comments with regard to the above amendment.

58.4 Councillor Gibson stated that the amendment was urging the committee to be more ambitious and to try to achieve more in the context of the housing crisis of homelessness and lack of affordability in the city. Councillor Gibson did recognise that the financial advice in relation to the amendment had come rather late and that this could be an issue when it came to the debate.

58.5 Councillor Gibson made the following comments:

- The amendment would use the opportunity to borrow and seek ways of achieving more. Borrowing rates were cheap. The Capital programme could be restored to the level it was at last year. Since then more staff had been employed to deliver these schemes.
- Attention was drawn to the assumption on page 166 – appendix 5. This stated that “the forecast currently includes approved schemes and an assumption that an additional 260 new homes will be built over the next 7 years.” If that was the

council's ambition, it was argued that it was not enough and would amount to around 37 new homes a year when the council were losing 50 to 60 under the right to buy.

- The amendment sought to unlock resources to expand the home purchase scheme. It sought to have £3.5m additional funding to enable the council to buy emergency temporary accommodation. It provided for a fund for enabling truly affordable rents and provided a small boost to the EDB budget.

58.6 Councillor Gibson sought clarification on the following:

- **Question:** With reference to the Chief Finance Officer's comments on the amendment, there was a question mark in terms of the emergency accommodation and whether such a scheme would be able to use Right to Buy receipts. It was stressed that Right to Buy receipts had been used in relation to Oxford Street.
Answer: The Principal Accountant explained that officers had assumed in the notes to the amendment that the council would use Right to Buy receipts but because this was emergency accommodation there might be a different interpretation as to whether Right to Buy receipts could be used. There was a need for officers to check this with the Ministry of Housing, Communities & Local Government. The Head of Housing Strategy, Property & Investment stated that there was a tenure issue. With emergency accommodation there were different provisions for tenure with a non-secure licence depending on the owner and the occupation. This would need to be checked. More secure tenancies would be offered at Oxford Street than would be offered in emergency accommodation
- **Question:** - The Chief Finance Officer comments stated that "it is unlikely that a scheme would be viable without the use of Right to Buy receipts". On what modelling was that based and how was that conclusion reached? **Answer:** The Principal Accountant replied that it was based on modelling to date for other schemes in the city not emergency accommodation. Most of the schemes the council modelled would not be viable without Right to Buy receipts or some form of grant at affordable rent levels.
- **Question:** Reference was made to the Chief Finance Officer's comment "The extra £7.000m of expenditure funded by Right to Buy receipts included in this amendment would therefore replace this assumed expenditure, reducing the two year figure to £9.986m available for other pipeline schemes." It was not clear how relevant that was, given that the council were expecting to get a large number of Right to Buy receipts in future years. **Answer:** The Principal Accountant referred to the Capital Programme at Appendix 4, page 162. The provisional programme for 2020/2021 & 2021/2022 had a total of £16.986m for new pipeline schemes mainly in the New Homes for Neighbourhood scheme. They were unidentified schemes but if the £7m was to go into the programme as amended it would mean the council would need to reduce that sum, because of the number of Right to Buy receipts the council were likely to have by that time. By the end of 2021/22 the council would have to have spent all the Right to Buy receipts from 2018/19.

58.7 Councillor Mears asked the following questions and made the following comments which were answered by the Principal Accountant as follow:

- **Question** - Page 137, paragraph 4.2 – Historically housing management had always been in the highest quartile for spend but the comparators could not be seen

in the report. Councillor Mears was interested to see the comparators with other Local Authorities and whether Brighton & Hove had been able to reduce costs.

Answer: There were not any comparators in the report. Benchmarking was something that was carried out in performance reports. The information would be placed in the End of year Performance Report being submitted to Policy, Resources and Growth Committee.

- **Comment:** – Page 155 – Youth Service budget increasing from £250,000 to £255,000. Discretionary Community Grants which came from the HRA would remain at £145,000. Councillor Mears did not support the increase for youth work. **Answer:** Officers had talked to the Youth Service and they would not be requiring an inflation increase so the figure would remain £250,000.
- **Question:** – page 162, Oxford Street conversion – Councillor Mears stated a previous report had shown a budget figure which if added to the proposed budget did not make £0.561m. **Answer:** The figures were a complex series of variations which were not to hand at the meeting. The Principal Accountant would send Councillor Mears this information
- **Question:** Page 169 – Appendix 6 – Proposed savings of £80,000 in 2019/20 - Within the budget re-figuration were officers talking about keeping vacant posts in housing management? **Answer:** The number of posts would not be reduced. £80,000 would be taken out of the employees' budget to allow for the fact that throughout the year there would be staff turnover. There were periods where certain posts were vacant. If this was allowed for in the budget there would be an underspend.

58.8 The Executive Director, Neighbourhoods, Communities and Housing explained that if there was a vacant post it had to be put in the redeployment pool for eight weeks. However, every time a post became vacant, management looked to see if that post was needed and if this was the best way of spending HRA money.

58.9 Councillor Bell asked the following questions which were answered by the Principal Accountant as follows:

- **Question:** - Page 153 – Background was requested on East Sussex County Council pension contribution. **Answer:** The pension for council employees was held with the East Sussex County Council pension scheme.
- **Question:** – Page 161 – Estate Development Budget – Why would there be a vast reduction in this budget over 2020/21 and 2021/22? **Answer:** This budget was proposed at £355,000 for 2019/20. In 2020/21 the proposed budget was £247,000. Some time ago it was agreed to reduce the EDB budget to around £180,000. The £247,000 was the amount that it was being supplemented from EDB reserves. When those reserves ran out the final year, 2021/22 there would be a budget of £181,000.
- **Question:** – Page 161 – Environmental Improvements – The budget figure was £400,000. Councillor Bell thought that the committee had agreed to £500,000 under Item 56 – Proposal for Environmental Improvement Budget. **Answer:** The report on item 56 spoke about £500,000, but £400,000 of that money was for capital and £100,000 was in the revenue report.

58.10 Councillor Bell referred to the Green amendment. He was concerned that item g on the amendment would result in asking tenants who would pay into the HRA at a higher rent to subsidise other people who were coming on to the scheme with their rent. As a committee it was always agreed that members would look at schemes on a scheme by scheme basis.

58.11 Councillor Hill made the following comments:

- It was clear that a great deal of work had gone into looking at the amendment from both the Green Group and officers. However, Committee members only had sight of the Chief Finance Officer's comments less than two hours before the start of the meeting. That was not sufficient time for members to evaluate the budget amendment proposals. For that reason the Labour Group members were unlikely to support the amendment
- It had been suggested by Councillor Gibson that the budget was unambitious. Councillor Hill highlighted page 154 – Housing Delivery Team – additional 5.5 people. Over the past administration the council had delivered about 200 new council homes with another 90 on the way. There was a desire to do more and this was reflected in the fact that the council were actively recruiting in order to take advantage of the fact that the Housing Cap was being lifted.
- Page 164 – Right to Buy receipts monitoring with Affordable Housing Forecast Expenditure per annum up to 2021/22. This clearly increased considerably and demonstrated that the council was intending to spend all Right to Buy receipts.
- Page 170 – Estates Regeneration – No savings proposed. “Due to the removal of the HRA borrowing cap this team requires more resources going forward most of which will be capitalised.”
- In terms of maintenance costs and costs on major projects and works, the council were intending to spend more on fire safety to reflect concerns around that issue. There were other areas where the council was intending to spend less. These were areas where the council had already recently spent a great deal of money.
- The council was fully intending to address the housing crisis in every possible way. It had introduced a new buy back policy and was providing temporary accommodation in-house for the first time, Hidden Homes, Homes for Brighton & Hove, New Homes for Neighbourhoods continued to increase. Councillor Hill was very proud of the council's record.

58.12 Councillor Gibson made the following comments.

- The debate was welcomed. It was stressed that the council could achieve more by using the opportunity to borrow. As the committee had not had time to consider the comments of the Chief Finance Officer he would withdraw his amendment and would consider putting something forward at a later stage. The Green members would therefore abstain on voting on the budget
- In terms of Councillor Bell's comment, Councillor Gibson wanted it to be made clear that existing tenants would not be subsidising rents under the proposal. The proposal was within the council's rent policy which requires the home purchase schemes to be ring-fenced so any surpluses that were produced on new homes were put towards supporting rents on other homes.
- Additional staff to ramp up the programme was welcomed. Councillor Gibson wanted members to work together to achieve more.

- 58.13 The Chair stated that she was concerned that Councillor Gibson had put in a budget amendment ahead of the budget, circumventing the whole process, and then had withdrawn the amendment after it had been discussed and webcast.
- 58.14 Councillor Cattell expressed concern at the length of time Councillor Gibson had spent addressing the committee, when he knew from the start as did the rest of the committee, that there had not been time to absorb the Chief Finance Officer's comments.
- 58.15 Councillor Hill made the following points. It was quicker to buy than to build. However, if the council spent all its money buying rather than building it would not be increasing the housing supply in the city. Meanwhile, with regard to the borrowing cap, if there was a projection forward three or four years then the council would reach the cap.
- 58.16 Councillor Phillips hoped the suggestions in the amendment could go forward in another way after councillors had had time to digest all the information.
- 58.17 Councillor Mears stated that as the amendment was so detailed it was appropriate it was considered at Budget Council in February. Councillor Gibson had made the right decision to withdraw the amendment. It would have been helpful to know that at the start of the discussion.
- 58.18 Members voted on the recommendations in the report which were agreed. Four voted in favour. There were six abstentions.

58.19 **RESOLVED:-**

(1) That the Housing & New Homes Committee:

- (a) Recommends that Policy, Resources & Growth Committee approves and recommends to full Council the updated HRA revenue budget for 2019/20 as shown in Appendix 2;
- (b) Recommends that Policy, Resources & Growth Committee approves and recommends to full Council the capital programme budget of £26.964m for 2019/20 and notes the 3 year programme as set out in Appendix 4;
- (c) Recommends that Policy, Resources & Growth Committee approves the procurement of a contract for insurance cover for the council's residential leasehold properties as set out in the report in section 5.
- (d) Recommends that Policy, Resources & Growth Committee approves that the Executive Director of Neighbourhoods, Communities and Housing be given delegated powers to award the contract for insurance cover and the extensions set out in the report in section 5.

(2) That the Housing & New Homes Committee:

- (a) Approves a rent reduction of 1% in line with government legislation as detailed in paragraph 4.9;

- (b) Approves service charges and fees as detailed in Appendix 3;
- (c) Notes the current HRA forecast outturn for 2018/19 in Appendix 1 of £0.500m underspend;
- (d) Notes the Medium Term Financial Strategy and 30 year financial projections shown in Appendix 5;
- (e) Notes the Integrated Service & Financial Plan proposals (savings) in Appendix 6.