

**Subject:** Housing Revenue Account Budget and Investment Programme 2017/18 and Medium Term Financial Strategy – Extract from the Proceedings of the Housing & New Homes Committee meeting held on 18 January 2017

**Date of Meeting:** 9 February 2017

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

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**Wards Affected:** All

**FOR GENERAL RELEASE**

***Action Required of the Committee:***

To receive the item referred from the Housing & New Homes Committee for approval:

**Recommendation:** That the following be referred to the Committee for decision:

- (1) That the Committee:
  - (a) approves and recommends to Council the updated HRA revenue budget for 2017/18 as shown in Appendix 1;
  - (b) approves a rent reduction of 1% in line with government legislation as detailed in paragraph 3.7;
  - (c) approves service charges and fees as detailed in Appendix 2.
  - (d) approves the capital programme expenditure and financing budget of £39.854 million for 2017/18 and notes the 4 year programme as set out in Appendix 3;
  - (e) notes the Medium Term Financial Strategy and 30 year financial projections shown in Appendix 4.
- (2) That the Committee review the capital programme, once the extent of the levy is known;

**BRIGHTON & HOVE CITY COUNCIL****HOUSING & NEW HOMES COMMITTEE****16 NOVEMBER 2016****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, Druitt, Lewry and Moonan.

**DRAFT MINUTE****PART ONE**

- 55.1 The Committee considered a report of the Executive Director of Finance & Resources and the Executive Director, Neighbourhoods, Communities & Housing which presented the proposed Housing Revenue Account (HRA) revenue and capital budget for 2017/18 as required by the Local Government and Housing Act 1989. Members were required to consider the revenue budget proposals including savings and service pressures as well as changes to rents, fees and charges and also the capital programme. The report also set out the Medium Term Financial Strategy and 30 year financial forecast. The report was presented by the Assistant Director – Finance, accompanied by the Principal Accountant, the Housing Asset Strategy Manager and the Head of Housing Strategy, Property & Investment.
- 55.2 Councillor Atkinson thanked officers for the report. He raised issues on the following:
- Page 48 – paragraph 3.1 – priority 1, in relation to Right to Buy receipts. How much did the council receive back?
  - Page 53 – paragraph 3.20 second bullet point mentioned the reduction of the benefit cap and roll out to universal credit. Was there an early warning system to find out which people were getting into difficulties?
  - Page 49 – Renovation of Seniors Housing schemes to convert studios into one bed flats – Residents at a block in Portslade were very happy with the conversion of their block.
  - Page 66 – Appendix 3 - in relation to lightening protection. One block had been hit twice. Was this block on the list for protection?
  - Page 72 - Appendix 4 – An explanation of alternative delivery models was requested.
- 55.3 The Principal Accountant referred to the question about Right to Buy. She explained that when the council received the capital receipt it was allowed to use 30% of the total. The capital receipt could be allocated for use towards projects and the project could be funded up to 30%. The Executive Director Neighbourhoods, Communities and Housing

stated that with every receipt received, only 30% could be used on each home. This was causing problems for some councils. The council sometimes worked with a partner and gave them the 30% funding. There were strict rules on how Right to Buy receipts were used.

- 55.4 The Assistant Director – Finance referred to the question about Universal Credit. This would be phased in the city during 2017. There was a need to learn from the experience around the country on the impact of arrears.
- 55.5 Head of Housing Strategy, Property & Investment referred to the reference to studio conversion. This was part of the council's 'in homes' programme. The council made sure it made best use of its assets to improve supply and it was a popular way of making some of the council's formally hard to let properties more popular. That programme was being kept under review because it was necessary to ensure that the council continued to meet the needs of residents. On universal credit the council were working hard to identify households at risk of loss of benefit and who may need assistance. With regard to alternative delivery mechanisms the council had been working with Hyde on the joint venture and the wholly owned housing company.
- 55.6 The Housing Asset Strategy Manager reported that he was aware that some blocks were not protected adequately in terms of lightning protection. Generally speaking the council install or reinstall lightning protection when major works are carried out. He would find out what was happening with Downland Court and reply to Councillor Atkinson.
- 55.7 Councillor Mears raised issues on the following:
- In the past Right to Buy receipts were used for budgetary purposes in the general budget. Had this process stopped or was it continuing?
  - Page 50 – Capital Programme – Concerns had been raised at council around leaseholders and housing management contracts. Councillor Mears was concerned about the way this paragraph was worded. The council needed to ensure that when nearly £40m of tenant's money was being spent that best value was being achieved.
  - Page 51 – paragraph 3.14, modernisation of passenger lists - concern was raised about the wording of this paragraph.
  - Page 53 – Paragraph 5.2 - Councillor Mears had not received the letter sent to the Area Panel's.
  - Page 54 - Budget consultation - Councillor Mears reported that there had been a budget consultation process at East Area Housing Management Panel in less than 10 minutes.
  - Page 59 – Appendix 1 – Councillor Mears had asked questions on agency staff and had received some information. 17 posts needed to be recruited.
  - Page 60 – Appendix 1 – Saving of £450,000 for gas contract. Councillor Mears assumed this was a one off saving. How was the contract set? Did it impact on the savings put forward?
  - Page 60 – Appendix 1 – Service Pressures/ service re-design – Confirmation was requested that these were not items moved over from the general fund.
  - Councillor Mears asked for the number of apprenticeships which were originally 200.
  - Page 61 – Clarification was requested regarding the increase in employees costs in property and investment.

- 55.8 The Assistant Director – Finance explained that an element of the Right to Buy receipts still went to the General Fund. This was between £4m and £5m and was built into the General Fund Capital Programme. The Capital programme schemes were set out in order of priority and was a choice for members.
- 55.9 The Head of Housing Strategy, Property & Investment reported that officers checked prices and value for money in relation to major works. The programme was kept under review and considered on a scheme by scheme basis. Officers would ensure value for money in relation to lift modernisation. The gas servicing contract had resulted in city wide ongoing savings. Service redesign around the adaptation service reflected work the team was already carrying out. This was proactive preventative work.
- 55.10 The Executive Director, Neighbourhoods, Communities and Housing was sorry that Councillor Mears had not received information sent to the Area Panels. This would be reviewed and officers would try and send out the information electronically. With regard to the question about agency staff, the council was reviewing the use of agency staff but there were cases where the service to the customer would be detrimental if there were not experienced skilled staff. If there was a necessity, agency staff would have to be used in the short term. However, it was accepted that agency staff was not a direction that the council wanted to continue in the longer term.
- 55.11 The Executive Director, Economy, Environment & Culture referred to the HRA share of the apprenticeship levy. From April 2017 the Government were introducing a levy in businesses or employers that have a certain number of employees. Therefore this is the HRA's contribution towards that levy and that levy then funds the training element of apprenticeships. He could arrange for information about numbers of apprenticeships to date to be sent to Councillor Mears.
- 55.12 Councillor Mears raised further issues on the following:
- Page 61 – Appendix 1 - Redundancy reserves – How much had already been paid out of this reserve?
  - Page 62 – Appendix 1 - Head of Housing HRA. An explanation of this figure was requested.
  - Page 63 – ICT - £646,000 – Appendix 1 - What was the overall cost the HRA was going to contribute to this and when would the work be completed?
  - Page 63 – Director - £16,000 – what did this relate to?
  - Page 67 – Appendix 2 - conversion and extensions – It was important that the budget should be extended to enable families to remain in a properties.
  - Page 68 – Appendix 3 – Housing ICT budget - £80,000. Clarification was sought on the figure.
  - Page 70 – Appendix 4 – Other costs should be itemised.
- 55.13 The Assistant Director – Finance stated that he would have to check the figure for the costs incurred under the restructuring redundancy this year and provide this information to Councillor Mears after the meeting. He believed that the reference to Head of Housing HRA (Page 62 – Appendix 1) related to a sustainability post, an Energy Project Manager. With regard to Page 63 – Director - £16,000 – That is an apportionment on

what was effectively a cost centre which captures some of the costs related to the Director's budget. There would be an apportionment from that to the HRA.

- 55.14 The Principal Accountant referred to the question relating to Page 63 – ICT - £646,000 – Appendix 1- This represented the charge to the HRA for all the support services received from ICT. The £80,000 in the capital programme was for capital ICT costs such as new hardware.
- 55.15 The Assistant Director – Finance stated that support services charges had been reviewed over the last couple of years and the ICT charges had been reviewed and were based on reasonable apportionment.
- 55.16 The Executive Director, Neighbourhoods, Communities & Housing explained that with regard to ICT there were two elements being considered. One element was the renewal of the housing management system, which had not yet commenced. The housing management system currently in use was old and coming to the end of its life. There had also been another project which was part of corporate modernisation and that was ongoing.
- 55.17 The Head of Housing Strategy, Property & Investment referred to the question relating to Page 67 – Appendix 2 - conversion and extensions. He explained that the service supported as much as it could the conversion and extension of existing homes. That programme was kept under review. The programme was focusing on empty homes that become vacant. The Housing Asset Strategy Manager explained that the service did take some homes from major adaptations where there were families in situ and officers worked with the adaptations team to ensure the adaptations were integrated with the new build element of the property.
- 55.18 The Assistant Director – Finance referred to the question about other costs. This would include other supplies and services. The Principal Accountant could supply a breakdown to members.
- 55.19 Councillor Moonan referred to page 48 –Paragraph 3 – Priority 2, which referred to promoting the highest possible building, space and environmental standards. She understood that the council were exploring new modular builds. Would they comply to the same standard? The Head of Housing Strategy, Property & Investment explained that the intention would be to build to the same standard. The council were looking at modular build pilots. Sometimes they would be used on sites that the council struggled to develop to its usual space standards. Compromise may be seen in difficult sites such as Eastergate Road. The government was providing funding for modular build at scale. The council would discuss these issues with partners and bring back a report to committee. The Housing Asset Strategy Manager reported that insulation was built into modular build properties.
- 55.20 Councillor Bell raised issues on the following:
- Page 48 – Paragraph 3 – Priority 1 – When the council adapt HRA properties why were they not identified as adapted properties? Adaptations were often taken out when new tenants moved in.

- Page 49 – Paragraph 3.4. Councillor Bell noted this referred to budget savings of £0.932 million to mitigate the impact of service pressures.
- Page 59 – Appendix 1 showed an increase in staff costs of £104,000. It also showed savings against major works of £300,000. Why were the council spending less money on major works.
- Councillor Bell noted increased costs on Page 60 – Appendix 1 – Service pressures – Strengthening BHCC client side for re-procurement of the repairs and improvement contract - £150,000. 147,000 for Senior housing scheme manager increased costs. Further resource required – review of tenancy agreements - £35,000.
- Page 61 – Appendix 1 – increase in employee costs of £147,000. Councillor Bell was concerned that the council was mounting up increased costs in staffing. Savings from the HRA would mean fewer services for tenants because costs were being increased for staff.
- Page 63 – Appendix 1 – Support Service Charge of £646,000 for ICT. Councillor Bell noted that with a further £80,000 this was over £700,000 from the HCA for ICT. He wanted assurances that that was not supporting anything that should be coming out of the general fund. A breakdown of those costs was requested.
- Page 70 – Appendix 4 – borrowing costs of £6m. More details were required. Councillor Bell wanted to know why and for what purpose the council were borrowing, who the council would borrow from and what the interest rates would be.

55.21 The Executive Director, Neighbourhoods, Communities & Housing explained that with regard to adaptations, all properties that were adapted were advertised and priority was given to people who required those adaptations. However, sometimes an adaptation was so specialist to a particular need that it was difficult to find someone with housing need and the adaptations were removed. In other cases, ill advised adaptations may have taken place in the past and in those cases steps were taken to remove those adaptations where they were not appropriate. Although the amount of support service charge might seem high the systems supported a very large housing service. There were asset management systems, rent account systems and general systems. The Executive Director confirmed that the HRA element only paid for the HRA.

55.22 The Principal Accountant referred to the question relating to page 59 – Appendix 1 which showed an increase in staff costs of £104,000. This looked at the forecast this financial year at month 7. At that point of time there was a £104,000 projected overspend on staff costs as a result of the service redesign being slightly delayed. Officers were now working on the forecast for month 9 and it looked as if employees costs would not be overspent. The £300,000 for major works was extra income the council had received, because the timings of capital projects had led to more major works being billed than expected.

55.23 The Assistant Director – Finance referred to the question about Page 70 – Appendix 4 – borrowing costs of £6m. He explained that this was the cost of servicing the debt. The council borrowed in order to fund the Housing Capital Programme.

55.24 Councillor Gibson raised issues on the following:

- The current borrowing rates were 2.1% and it was a favourable time to borrow.

- It was a good budget and achieved a great deal. Nevertheless it reduced reserves that were available (page 61 – Appendix 1 - Projected Reserves at 31 March 2017). What did officers anticipate to be the known risk from the high value levy?
- The budget was made easier by having extra income for the New Homes for Neighbourhood Programme. £877,000 additional rental income would be coming in next year. He hoped the programme would be stretched as far as possible.
- Feedback from tenants – Consultation had improved this year but could have been better. Voting was sometimes confused.
- Tenants felt that a priority should be fixing things that could cost more if delayed such as problems with guttering and roof repairs.
- Estate development budget – The report stated on page 67 that the Estate Development proposed budget is £243,000 but he was led to understand that the budget expenditure is £540,000. It was important that that was corrected.
- Service costs are supposed to be charged at the actual cost and the perception from the tenants' meetings was that hardly anything ever happens to TV aerials. A query was raised as to whether the 76p service charge for TV aerials reflected 76p worth of expenditure on TV aerial maintenance in the last year.
- Concern was expressed from tenants who felt that they might be paying for services that are for the general community i.e. lighting on housing estates on housing land. This was paid out of the HRA but was external to the blocks.
- ICT Service Charge – The charge had increased from approximately £559,000 last year to £646,000. This was a big increase. Which elements had increased and why had they increased?
- Why was there was a 9% increase in Human Resources Support Service charge?
- Estate development budget – At a tenants' meeting it was asked if there was any scope for greater efficiency through more competitive tendering?

55.25 The Assistant Director – Finance explained that the average pool borrowing rate was around 4.5% to 4.6%. Current rates were very good but were not so good in the past, so that is an average rate over time. In terms of reserves the council and the HRA ring fenced accounts should only hold the reserves for specific purposes, on the basis that it needs to hold them and has commitments against them. There was a minimum working balance requirement of £3m. At the moment there was not much detail available on the levy and at this stage it was not possible to include any reasonable assessment within the budget. This would have to be considered within the 2018/19 budget process. In terms of the Estate Development Budget, page 61 showed that reserves were reducing and therefore it could be seen that the EDB is being used to support the core budget. It was the core budget that was only £243,000, but the expenditure in 2017/18 would be around £540,000, by topping up that budget by use of the reserve.

55.26 Councillor Gibson replied that councillors needed to be presented with what was intended to be expended. The Assistant Director – Finance agreed that there could be added clarity around that issue. He stated that detail around support service charges would have to be sent to Councillor Gibson. There were added costs around ICT for example.

55.27 The Head of Housing Strategy, Property & Investment stated that the council were proposing to spend £1.2m on roofing because it protected the asset. Guttering was a day

to day repair. Mears had talked to the Home Group residents about guttering. If there were guttering issues councillors should let him know.

- 55.28 The Executive Director Neighbourhoods, Communities and Housing referred to the high value void levy. Up to the referendum it was unclear on how it could work as it needed to be an ongoing form of income for government in a similar way to subsidy. A Working Group tried to work with DCLG to come up with a more sustainable solution but the DCLG stopped the working group meetings and said it needed a complete re-think. Therefore the Executive Director could not estimate how much needed to be set aside for the high value levy.
- 55.29 The Principal Accountant stated that TV aerial charge of 76p was made up of 2 separate elements. One was the installation costs that were being spread over 7 years. Another element was for servicing and maintenance which was around 25p. After the 7 years that installation part of the charge will be reviewed. Aerials are serviced once a year.
- 55.30 Councillor Druitt raised issues on the following:
- He congratulated officers on savings £450,000 on the gas bill. Were there other things the council could save money on?
  - More detail was requested on Page 60 - Appendix 1 – £120,000 saving on responsive repairs and other procurement opportunities.
  - Page 63 – Appendix 1 – Support service charges. £25,000 for energy efficiency did not seem very much money. Was there data on energy efficiency support?
  - Page 67 – Appendix 3 – Home energy efficiency & renewables had seen a massive drop in budget. Were there figures for some of the benefits that the council had seen as a result of previous energy efficiency and renewable energy schemes and how did the council measure in financial terms how effective those schemes were, and what the council might gain in the future from further investment in those areas.
- 55.31 The Head of Housing Strategy, Property & Investment stated that it had been decided to have joint housing approach to energy efficiency. The £25,000 service charge for energy efficiency covered part of a management post that dealt with that issue across the general fund and the HRA. There was a sustainability team and an affordable warmth team that worked across both tenures. The council invested significantly in energy efficiency and paragraph 3.15 in the report outlined some of this work. With regard to the question on responsive repairs, the council did make a saving last year. This was partly due to proactively investing in the stock which reduced responsive repairs. Secondly, there had been a reduction in stock through Right to Buy.
- 55.32 Councillor Druitt asked for answers to financial questions to be collated and sent to all members of the committee. This was agreed by the Chair.
- 55.33 Members voted on the following amendment moved by Councillor Gibson and seconded by Councillor Druitt.

“That where the recommendations are listed in the policy, under point 2, that the following be added:

2.2 That the Housing & New Homes Committee:

- (a) Notes that the proposed payments to Government to fund the Housing Association Right to Buy scheme could severely constrain the HRA;
- (b) Requests that Policy, Resources and Growth Committee review the capital programme, once the extent of the levy is known;
- (c) Produces a report setting out options for mitigating the high value levy without resort to the sale, and therefore loss, of social housing. This report should explore housing management efficiencies, reductions in the capital expenditure and review the apportionment of expenditure between the HRA and the General Fund to ensure adherence to the Local Government and Housing Act 1989 (schedule 4, para 3-1, p194);
- (d) Set up a task and finish working group and use the existing consultation process with tenants representatives, (including Area Panels), members of all parties and officers, in order to review transfers between HRA and General Fund, in line with 1989 Local Government Housing Act requirements as in c)”

55.34 Amendment 2.2 (a) was agreed by 6 votes. There were 4 abstentions. Amendment 2.2 (b) was agreed by 6 votes. There were 4 abstentions. Amendment 2.2 (c) was unanimously agreed. Amendment 2.2 (d) was unanimously agreed.

55.35 Members voted on the recommendations set out in paragraph 2.1 of the report. 2.1 (a) was agreed by 6 votes. There were 4 abstentions. 2.1 (b) was agreed unanimously. 2.1 (c) was agreed unanimously and 2.1 (d) was agreed by 4 votes. 2.1 (e) was agreed unanimously.

55.36 **RESOLVED:-**

- 1) That Housing & New Homes Committee recommend that Policy, Resources & Growth Committee:
  - (a) approves and recommends to Council the updated HRA revenue budget for 2017/18 as shown in Appendix 1;
  - (b) approves a rent reduction of 1% in line with government legislation as detailed in paragraph 3.7;
  - (c) approves service charges and fees as detailed in Appendix 2.
  - (d) approves the capital programme expenditure and financing budget of £39.854 million for 2017/18 and notes the 4 year programme as set out in Appendix 3;
  - (e) notes the Medium Term Financial Strategy and 30 year financial projections shown in Appendix 4.
- 2) That the Housing & New Homes Committee:

- (a) Notes that the proposed payments to Government to fund the Housing Association Right to Buy scheme could severely constrain the HRA;
- (b) Requests that Policy, Resources and Growth Committee review the capital programme, once the extent of the levy is known;
- (c) Produces a report setting out options for mitigating the high value levy without resort to the sale, and therefore loss, of social housing. This report should explore housing management efficiencies, reductions in the capital expenditure and review the apportionment of expenditure between the HRA and the General Fund to ensure adherence to the Local Government and Housing Act 1989 (schedule 4, para 3-1, p194);
- (d) Set up a task and finish working group and use the existing consultation process with tenants representatives, (including Area Panels), members of all parties and officers, in order to review transfers between HRA and General Fund, in line with 1989 Local Government Housing Act requirements as in c);