

28 February 2019

Brighton &amp; Hove City Council

<b>Subject:</b>	<b>HRA Budget &amp; Capital Investment Programme 2019/20 and Medium Term Financial Strategy. Extract from the proceedings of the Policy, Resources &amp; Growth Committee meeting held on the 14<sup>th</sup> February 2019.</b>		
<b>Date of Meeting:</b>	<b>28 February 2019</b>		
<b>Report of:</b>	<b>Executive Lead Officer for Strategy, Governance &amp; Law</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Shaun Hughes</b>	<b>Tel:</b> 01273 290569
	<b>E-mail:</b>	<a href="mailto:shaun.hughes@brighton-hove.gov.uk">shaun.hughes@brighton-hove.gov.uk</a>	
<b>Wards Affected:</b>	All		

**FOR GENERAL RELEASE****Action Required of Council:**

To receive the item referred from the Policy, Resources & Growth Committee for decision:

**Recommendations:**

- (1) That the updated HRA revenue budget for 2019/20 as shown in Appendix 2 to the report (as amended for any change to reserves arising from recommendations (3) and (6) below) be approved;
- (2) That the capital programme budget of £26.964m for 2019/20 be approved and the 3 year programme as set out in Appendix 4 to the report (as amended for any change to the capital programme arising from recommendations (4), (5) and (6) below) be noted;
- (3) That a HRA Rent Support Reserve of £1.050m be created, through a reduction in the reserve funding of the HRA capital programme by borrowing the same, and to apply this reserve in the form of a subsidy over the lifetime of modelled new schemes in order to support the provision of new council homes at lower rents, particularly social rents and 27.5% living wage rents;
- (4) That the Purchase Properties budget be increased by £3.500m and added to the 2019/20 HRA Capital programme to be funded by HRA borrowing and Right to Buy receipts; and
- (5) That a budget of £3.500m be added to the 2019/20 HRA Capital programme to purchase buildings to provide emergency homeless accommodation for in-house delivery by the council to be funded by HRA borrowing and RTB receipts.

**Note:** The report listed in the agenda has been updated so that all the financial information and financial implications take account of the recommendations above resulting from the approval of the amendment at the Policy, Resources & Growth Committee meeting on the 14<sup>th</sup> February, 2019.

**BRIGHTON & HOVE CITY COUNCIL**  
**POLICY, RESOURCES & GROWTH COMMITTEE**

**4.00pm 14 FEBRUARY 2019**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Yates (Chair), Hamilton (Deputy Chair, Finance), Janio (Opposition Spokes), Bell, Daniel, Gibson, Mitchell, Peltzer Dunn, Sykes and Wealls.

**PART ONE**

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

128.1 The Committee considered a joint report of the Executive Director for Finance & Resources and the Executive Director for Neighbourhoods, Communities & Housing, which detailed the proposed Housing Revenue Account (HRA) revenue and capital budget for 2019/20 as required by the Local Government & Housing Act 1989.

128.2 Councillor Gibson proposed the following amendment and stated that he felt that the amendment should be considered by the committee in sections and made the following comments:

- The importance of affordable rents was not to be underestimated;
- The Council buying homes and emergency accommodation was a good idea;
- It was good to spend-to-save and resources identified in the report could expand the scheme;
- The loss of units under the Right-to-buy scheme was almost balanced by the replacement units built by the authority; and
- Fully approved of housing as a top priority.

“To amend the following recommendations, and insert recommendations (3) to (6) as shown below in ***bold italics***:

**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 (***as amended for any change to reserves arising from amendments (3) and (6) below***); 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 *(as amended for any change to the capital programme arising from amendments (4), (5) and (6) below)*.

- (3) That a HRA Rent Support Reserve of £1.050m be created, through a reduction in the reserve funding of the HRA capital programme by borrowing the same, and to apply this reserve in the form of a subsidy over the lifetime of modelled new schemes in order to support the provision of new council homes at lower rents, particularly social rents and 27.5% living wage rents;**

#### **Chief Finance Officer Comments**

The effect of amendment (a) is to switch the current funding of the capital programme from revenue reserves to borrowing by £1.050m. This will cost approximately £0.031m in borrowing costs from 2020/21. The borrowing costs in 2020/21 and beyond will need to be financed within the HRA revenue budget for 2020/21 and included in budget proposals for this financial year. Depending on agreed rent levels, this may require subsidy from the HRA. Given that HRA rents will begin increasing again from 2020/21, extra revenue resources are potentially available to fund any subsidy but will forego spending on other HRA priorities. Note: there will be no interest due in 2019/20.

The intended purpose of the rent support reserve is to support new housing schemes that are reported to H&NH Committee with an estimated subsidy, enabling rents to be set at a lower level than would otherwise be the case. The use and parameters of this reserve and whether amendments to the rent policy are required would need to be considered. A full equalities impact assessment would also need to be carried out to ensure that the application of this reserve was fair and equitable.

- (4) That the Purchase Properties budget be increased by £3.500m and added to the 2019/20 HRA Capital programme to be funded by HRA borrowing and Right to Buy receipts;**

#### **Chief Finance Officer Comments**

This amendment can be funded by a combination of RTB receipts (£1.050m) and borrowing (£2.450m). This would increase the purchase properties budget to £7m for 2019/20. This equates to approximately 32 properties being purchased in 2019/20 based on the average price paid to date. The increase in this budget is likely to require more staffing resources to support this; these costs would need to be met from this capital budget. There is a risk that this budget would not be spent in total given the large increase in budget and the service capacity to deliver this. However, unspent budget can be reprofiled into the following financial year.

The capital programme and business plan already assumes that RTB receipts up to 2021/22 will be fully utilised by the estimated pipeline of schemes within the New Homes for Neighbourhoods programme. The extra £3.500m of expenditure funded by RTB receipts included in this amendment would therefore replace this assumed future expenditure, reducing the 2020/21 to 2021/22 resources (currently £21.410m) for other pipeline schemes by £3.500m.

By effectively bringing this £3.500m forward 1 year, this will result in additional borrowing costs in 2020/21 of approximately £0.074m. Depending on agreed rent levels, this may require subsidy from the HRA. Given that HRA rents will begin increasing again from 2020/21, extra revenue resources are potentially available to fund any subsidy but this will forego spending on other HRA priorities. Note: there will be no interest due in 2019/20.

- (5) That a budget of £3.500m be added to the 2019/20 HRA Capital programme to purchase buildings to provide emergency homeless accommodation for in-house delivery by the council to be funded by HRA borrowing and RTB receipts;**

### **Chief Finance Officer Comments**

The additional budget of £3.500m could be added to the HRA capital programme for 2019/20 and potentially funded by RTB receipts (£1.050m) and borrowing (£2.450m) but it would still require a detailed report to this committee on all of the associated revenue implications (HRA and General Fund) of providing this type of accommodation to ensure that such a scheme was viable and cost effective. This means the committee does have the alternative option of waiting for this further report rather than adding this scheme to the capital programme now. Importantly, it is still not confirmed whether or not such a scheme would be able to utilise RTB receipts and this will be pursued with the Ministry for Housing, Communities and Local Government (MHCLG). The detailed report back to committee would include all implications about the funding of such a project.

Based on similar projects delivered within the HRA, it is unlikely that the scheme would be viable without the use of RTB receipts. If this budget is approved and the purchase of properties for use as Emergency Accommodation does not provide Value for Money, any budget variations, up or down, will be made in accordance with the council's Financial Regulations and Standard Financial Procedures.

The capital programme and business plan already assumes that RTB receipts up to 2021/22 will be fully utilised by the estimated pipeline of schemes within the New Homes for Neighbourhoods programme. The extra £3.500m of expenditure funded by RTB receipts included in this amendment would therefore replace this assumed future expenditure, reducing the 2020/21 to 2021/22 resources (currently £21.410m) for other pipeline schemes by £3.500m.

By effectively bringing this £3.500m forward 1 year will result in additional borrowing costs in 2020/21 of approximately £0.074m. Depending on agreed rent levels, this may require subsidy from the HRA. Given that HRA rents will begin to increase again from 2020/21, extra revenue resources are potentially available to fund any subsidy but this will forego spending on other HRA priorities. Note: there will be no interest due in 2019/20.

- (6) That the Estate Development Budget be increased by £0.050m to £0.405m in the 2019/20 HRA Capital programme, funded from HRA useable reserves.**

**Chief Finance Officer Comments**

The amendment would mean the use of revenue reserves to fund this increase in budget, therefore reducing useable reserves at March 2020 to £3.086m. It should be noted that there is currently a review of EDB being carried out with tenants.”

- 128.3 Supporting information to the proposed amendment had been circulated to Members and officers before the meeting.
- 128.4 Councillor Sykes formally seconded the amendment.
- 128.5 The Chair asked if the £7m was for the total of 32 properties that had been bought by the authority and whether the Estate Development Budget (EDB) was over or under spent.
- 128.6 The Executive Director for Finance & Resources confirmed that it was correct and the HRA covered the full cost and that the EDB was under budget and was currently being reviewed. It was noted that the EDB could be spent without coming to committee.
- 128.7 Councillor Janio asked if current projects were to go ahead should EDB funds be available.
- 128.8 The Executive Director for Finance & Resources confirmed that the funds were available.
- 128.9 The Chair noted the request to take each of the revised recommendations of the amendment individually and therefore put each recommendation as amended to the vote. The Chair confirmed that recommendations (1) to (5) as amended had been carried and that the additional recommendation (6) had been lost.
- 128.10 **RESOLVED TO RECOMMEND:**
- (1) That the updated HRA revenue budget for 2019/20 as shown in Appendix 2 to the report (as amended for any change to reserves arising from recommendations (3) and (6) below) be approved;
  - (2) That the capital programme budget of £26.964m for 2019/20 be approved and the 3 year programme as set out in Appendix 4 to the report (as amended for any change to the capital programme arising from recommendations (4), (5) and (6) below) be noted;
  - (3) That a HRA Rent Support Reserve of £1.050m be created, through a reduction in the reserve funding of the HRA capital programme by borrowing the same, and to apply this reserve in the form of a subsidy over the lifetime of modelled new schemes in order to support the provision of new council homes at lower rents, particularly social rents and 27.5% living wage rents;

- (4) That the Purchase Properties budget be increased by £3.500m and added to the 2019/20 HRA Capital programme to be funded by HRA borrowing and Right to Buy receipts; and
- (5) That a budget of £3.500m be added to the 2019/20 HRA Capital programme to purchase buildings to provide emergency homeless accommodation for in-house delivery by the council to be funded by HRA borrowing and RTB receipts.