

Brighton & Hove City Council

Housing Committee

Agenda Item 40

Subject: 2023/24 HRA Budget Engagement

Date of meeting: Housing Committee 16 November 2022

Report of: Executive Director Housing, Neighbourhoods & Communities

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 The Housing Revenue Account contains the income and expenditure relating to the council's social landlord duties covering the management and maintenance of council-owned housing stock and investment to ensure the that following priorities are addressed; council homes are safe and meet the Brighton & Hove decent homes standard; reduction in the carbon footprint of council housing; increase the number of affordable homes available across the city to help tackle the City's housing crisis.
- 1.2 The report outlines the approach being taken to engage with tenants and leaseholders in the budget setting process, including what has been completed to date and the timeline for further engagement. The focus for setting the 2023/24 Housing Revenue Account (HRA) budget and Medium-Term Financial Strategy (MTFS) will need to be on maintaining the HRA core services in addition to ensuring building safety, fire safety, carbon reduction and Social Housing White Paper priorities and outcomes are acted upon.
- 1.3 The report also sets out the council's response to the rent consultation issued by the Department of Levelling Up, Housing and Communities (DLUHC). This consultation sought views on a new Direction from the Secretary of State to the Regulator of Social Housing in relation to social housing rent policy. It focused on the introduction of a rent ceiling from 1 April 2023 to 31 March 2024, which would act as an upper limit on the maximum amount by which Registered Providers of social housing can increase rents in that year.

2. Recommendations

- 2.1 Housing Committee note the proposed Housing Revenue Account Budget engagement proposals.

2.2 Housing Committee note the council's response to the Government Social Housing Rent Cap consultation.

3. Context and background information

3.1 The HRA contains the income and expenditure relating to the council's social landlord duties covering approximately 11,700 rented properties and 2,900 leasehold properties. The HRA is a ring-fenced account which covers the management and maintenance of council-owned housing stock. This must be in balance, meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable.

3.2 Although the HRA is not subject to the same funding constraints as the General Fund, it is a ring-fenced account within the General Fund and still follows the principles of value for money and equally seeks to improve efficiency and achieve cost economies wherever possible. Benchmarking of both service quality and costs with comparator organisations is used to identify opportunities for better economy, efficiency and service delivery.

3.3 Key priorities for the HRA are:

- Improving Housing Supply.
- Improving Housing Quality.
- Improving Housing Support.

3.4 Total budgeted income for the HRA in 2022/23 was £63.9m. This income provides the basis from which the whole service is funded, 87% of the income generated is from tenant rents. DLUHC are consulting on a new Direction from the Secretary of State to the Regulator of Social Housing in relation to social housing rent policy. This focuses on the introduction of a rent ceiling from 1 April 2023 to 31 March 2024, which would act as an upper limit on the maximum amount by which Registered Providers of social housing, including the Council, can increase rents in that year.

3.5 The focus for setting the 2023/24 HRA budget and Medium-Term Financial Strategy (MTFS) will need to be on maintaining the HRA core services in addition to ensuring building safety, fire safety, carbon reduction and Social Housing White Paper priorities and outcomes are acted upon. This will ensure that residents receive the correct level of investment in their homes. The White Paper is on its 3rd reading in the House of Lords, before going through the Commons and the final stages. At this time, we do not have a date for when it is expected to become the Social Housing (Regulation) Bill.

3.6 The rising cost of inflation is having a significant impact on the budget particularly for repairs and maintenance and utilities costs. Inflation for income budgets is likely to be capped following the outcome of the consultation with the Department for Levelling Up, Housing & Communities (DLUHC), that is currently underway, the result of which will mean that the cost of inflation on expenditure budgets will exceed the income inflation,

creating pressures that were not forecast when the MTFs was being set for 2022/23.

- 3.7 It is also anticipated that the investment required from the building safety and fire safety regulations will be significant and will impact capital and revenue budgets. Work continues to quantify this investment and will become clearer as more information is received, including on the secondary legislation required to implement the Building Safety Act following Royal Assent in April 2022. It is likely to be 2023/24 before the Act is fully into force.
- 3.8 In addition, significant investment is projected in carbon reduction measures to achieve net zero and tackle fuel poverty.
- 3.9 Ensuring residents' needs continue to be met and they remain supported throughout the cost-of-living crisis is a priority for the Council. One of the considerations is the impact of inflation on rents. The current rent policy allows for an increase in rents of CPI+1% based on the CPI rate in the previous September. When the current rent policy was set in 2019, inflation was forecast to be around 2% in 2022 and 2023. CPI was 10.1% in September 2022. Under the current rent policy this would permit social housing rent increases from 1 April 2023 to 31 March 2024 of 11.1%.
- 3.10 A consultation was issued by DLUHC for six weeks starting from 31st August 2022. The purpose of this was to consider imposing a ceiling on the rate at which rents can be inflated, the proposed ceiling is 5%, with further views sought on a 3% and 7% ceiling.
- 3.11 A high-level review of the HRA's Medium Term Financial Strategy supported the view that a 5% cap could strike the balance between investing in residents' homes and keeping rent increases to a reasonable level.
- 3.12 The council's response to this consultation can be found in Appendix 1 to this report.
- 3.13 Officers are continuing to put together the HRA budget proposals for 2023/24 which will be presented to Housing Committee in January 2023.

2023/24 HRA Budget - Engagement with Tenants & Leaseholders

- 3.14 The council is committed to ensuring tenants and leaseholders are engaged in the HRA budget setting process ahead of budget decision making which commences with the report to January 2023 Housing Committee.
- 3.15 A Housing Budget Update workshop was held at the tenant and leaseholder City-Wide Conference on 8th October. This included a presentation, which is appended to this report, giving an outline of the current HRA budget and an initial high-level view of: 2022/23 budget setting; budget pressures; service improvements; efficiencies and savings.

3.16 To ensure further tenant and leaseholder engagement in the budget setting process, revenue and capital proposals will be presented to meetings of the Housing Area Panels in December 2022. In addition, we propose to offer a special budget focused meeting for tenants and leaseholders with an invite to Area Panel members. In order to increase the diversity of responses, we also propose to extend invites to a wider group of tenants and leaseholders who engaged with the Community Engagement Team on the recent Area Panel Review consultation. There may also be some scope for smaller group work in partnership with CETS colleagues.

3.17 In addition, members will be offered briefings on the 2023/24 budget proposals in December 2022 in advance of the January committee meeting.

4. Analysis and consideration of alternative options

4.1 Appendix 1 to the report sets out the alternative proposals offered within the DLUHC rent consultation. These options did not strike the correct balance between maintaining investment in homes and supporting tenants.

5. Community engagement and consultation

5.1 Please see paragraphs 3.14 to 3.16 above.

6. Conclusion

6.1 The report is for the committee to note the progress on engaging with tenants and leaseholders in relation to the 2023/24 HRA budget setting process. Decisions on the final budget proposals will be made at the January Housing Committee meeting.

7. Financial implications

7.1 There are no direct financial implications as a result of this report. The 2023/24 HRA revenue and capital budget proposals will be presented in full to Housing Committee in January 2023 and subsequently Policy & Resources Committee and Full Budget council in February 2023.

Name of finance officer consulted: Craig Garoghan Date consulted:
01/11/2022

8. Legal implications

Area Panels' current Terms of Reference include consideration of reports relating to budgets and major repairs programme development. The proposal to use Area Panels to further consult tenants and leaseholders on the 23/24 budget is compatible with the council's constitution.

Name of lawyer consulted: Liz Woodley Date consulted 31/10/22

9. Equalities implications

- 9.1 The HRA budget funds services for people with a range of needs including those related to age, vulnerability or health. All capital programme projects undertaken include full consideration of various equality issues and specifically the implications of the Equality Act. To ensure that the equality impact of budget proposals are fully considered as part of the decision making process, equality impact assessments have been developed on specific areas where required.

10. Sustainability implications

- 10.1 The HRA budget funds a range of measures that will benefit and sustain the local environment. This capital programme supports the affordable warmth and fuel poverty strategy brought forward from Public Health. Improving housing energy efficiency is a key contributor to the carbon emissions reduction commitment and will help to reduce the number of residents affected by fuel poverty and rising energy costs.
- 10.2 Project briefs are issued on all capital projects and require due consideration of sustainability issues, including energy conservation and procurement of materials from managed and sustainable sources.

11. Other Implications

Financial risks have been assessed throughout the development of the council's HRA annual budget, Medium Term Financial Strategy and 30 year financial forecast. A number of key sensitivities and scenarios continue to be reviewed to ensure that the service understands the business impact of decision making. These will be covered in detail when the 2023/24 HRA revenue and capital budget proposals are presented in full to Housing Committee in January 2023 and subsequently Policy & Resources Committee and Full Budget council in February 2023.

Supporting Documentation

1. Appendices

1. Appendix 1 – Council response to the DLUHC rent consultation.
2. Appendix 2 - City Wide Assembly presentation, 8th October 2022.

