

Response template: Social Housing Rents consultation

If you are responding to this consultation by email or letter, it would assist us greatly if you could use the following template for your response.

What is your name?	Craig Garoghan
Are you replying as an individual or organisation?	Organisation
What is the name of your organisation (if applicable)?	Brighton & Hove City Council
What is your position in the organisation (if applicable)?	Principal Accountant
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Consultation questions

Question 1: Do you agree that the maximum social housing rent increase from 1 April 2023 to 31 March 2024 should be subject to a specific ceiling in addition to the existing CPI+1% limit? To what extent would Registered Providers be likely to increase rents in that year if the government did not impose a specific ceiling?

- Yes
- No
- Maybe

Comment:

If a specific ceiling is not imposed, careful consideration would need to be given to the potentially significant impact of any increase in rents to the existing CPI + 1% limit during 2023/24 on tenants in lower wage employment and / or not solely reliant on benefits to cover their rent and eligible service charges

In principle a rent cap, depending upon the ceiling set, could balance the need to support tenants during this time of the rising cost of living, including rising energy bills and general inflation, against the need to maintain our investment in our council homes and manage current inflationary pressures facing the council.

Our Housing Revenue Account Budget Strategy anticipates significant investment requirements in our homes to comply with legal and regulatory changes following the post Grenfell tragedy review of building safety through the Building Safety Act, Fire Safety Act and proposals that will change how social landlords operate encompassed in the Social Housing Regulation Bill.

Our Budget Strategy also plans for increased investment in carbon reduction measures to achieve net zero and tackle fuel poverty in order to provide our tenants with more energy efficient homes, improving their health & wellbeing and saving money on their rising energy bills.

As outlined below, depending on how any proposed rent cap is applied, the council will be at risk of foregoing significant income at a time of:

- Post Covid recovery, tackling backlogs of outstanding works;
- Increasing inflationary pressures on the HRA;
- Requirements to invest in post Grenfell health & safety improvements to our homes;
- Need to reduce carbon emissions and tackle fuel poverty.

Question 2: Do you agree with imposing a ceiling of 5%, or are there alternative percentages that would be preferable, such as a 3% or 7% ceiling? Do you have any comments or evidence about the potential impact of different options, including of the 3%, 5% and 7% options as assessed in our Impact Assessment (Annex D)?

Yes, you agree with imposing a ceiling of 5%

No

Maybe

Comment:

In applying a rent cap increase during 2023/24, tenants who pay their rent without assistance with benefits to support housing costs or who receive partial support will see a direct benefit that will assist them in coping during the cost of living crisis. A rent increase that is in line with the current CPI+1% policy may also prove a disincentive to some tenants who may be in a position to return to work or increase their employment hours.

For those tenants that are in receipt of benefits the impact of the increase will be minimized by the fact Housing Benefits would uplift at the same rate. Therefore this is income which the authority is foregoing to invest in the tenants' homes in future years.

Imposing a ceiling of 5% has significant implications on the funds available to invest in tenants' homes over the next 5 years. On current estimates not applying the

CPI+1% policy would mean c.£15m would be lost in cumulative income over a five year period. It would take up to year three of the medium term plan to start recovering from this position.

A 3% cap would further hinder the investment required and would start to impact on the service delivery within the HRA, with decisions around key services to support tenants needing to be made. This cap would increase borrowing needs further in the HRA which at the moment with interest rates rising would create additional pressures within the revenue resources unforeseen at the time of setting the current year's budget and medium term financial strategy. It would be a number of years before the HRA would start to recover from this income being lost and get back to the level of investment that is required.

A 7% cap would see a drop in income in year one of the medium term plan which would need to be funded from within the current budget envelope, however it would allow for recovery a lot sooner than the 5% cap does, ensuring the HRA remains viable and able to increase the investment required whilst keeping the cost of the rent increase below the estimated inflation for September 2022.

Whilst a 5% and 7% increase in income is above the forecast CPI rate for 2022 at this time last year, the rate of inflation on labour, materials, and contractual costs, including CPI increases built into some of our contracts was not anticipated to be at this level last year and so is creating a significant pressure when setting the 2023/24 budget position. In addition to this, the increased investment required to ensure compliance with the Building Safety Regulations, Fire Safety Regulations, the outcome of the Social Housing White paper and carbon reduction measures to achieve net zero and tackle fuel poverty are creating pressures on the HRA business plan over the medium term.

These pressures are also being felt at a time when the authority is still recovering from Covid related backlogs, including relating to voids, routine repairs, and income recovery.

It is understood that the Government intends to consult in 2023 on rent policy from 2025/26 onwards though the scope of this is not within this consultation. There should be scope as part of this consultation that any lost income could be recovered in the medium term plan to help maintain a viable Housing service that is providing the investment required to keep residents safe and provide good quality homes. This could be through providing government grant to replace the lost income.

The cumulative impact of the 4 year rent reduction between financial years 2016/17 and 2019/20 should also be noted. This saw a reduction in rent of c.£0.500m per annum, removing c.£2.000m from the base rent in the medium term. The longer term impact means that any uplift in rent is from a lower base and therefore reduces the resources available for investing in tenants' homes.

Question 3: Do you agree that the ceiling should only apply to social housing rent increases from 1 April 2023 to 31 March 2024, or do you think it should apply for two years (i.e. up to 31 March 2025)?

Yes, you agree that the ceiling should only apply to social housing rent increases from 1 April 2023 to 31 March 2024

No

Maybe

Comment:

Applying this for a second year without knowing the full implications of the economic environment in 12 months' time would potentially further restrict investment available. On current estimates a further £2.4m would be lost in cumulative income if the rent was capped at 5% for two years. It would then mean that recovery from this income cap would stretch beyond five years. The Government are planning on consulting on the rent policy from 2025/26 during 2023, so any further consideration of a rent cap could form part of that consultation.

Question 4: Do you agree that the proposed ceiling should not apply to the maximum initial rent that may be charged when Social Rent and Affordable Rent properties are first let and subsequently re-let?

Yes

No

Maybe

Comment:

Applying a cap on new rents that are set subject to the current market conditions will potentially reduce the income upon which new homes business cases have been built. Controls are already in place that ensure the council are setting rents appropriately. This includes ensuring new build homes are valued 3 months before setting rents.

It should be noted that the impact of not applying any proposed ceiling to properties on first let and relet will be limited given the small proportion of homes this would apply to overall.

There may also be equalities impact assessment implications if there is a disproportionate impact on any particular groups.

Question 5: We are not proposing to make exceptions for particular categories of rented social housing. Do you think any such exceptions should apply and what are your arguments/evidence for this?

Yes

No

Maybe

Comment:

While there may be the case to make an exception for our Seniors Housing or other homes subject to more intensive housing management costs that would be reflected in our rents, and where a cap could have a disproportionate impact, we anticipate that there would be equalities issues around application of a more significant rent increase to homes occupied by some of our most vulnerable households while applying a rent cap to our general needs homes.

