

Statement: PS05.05

Cabinet – 3rd February 2021

Re: Agenda item 5 – Housing Revenue Account Budget Proposals

Statement submitted by: Aileen McLoughlin

In Feb 2020 Full Council agreed to a modest Rent Rise in line with Rent Policy Guidance. It was a hard decision but based on the need to maximise the present and future budget for social housing repairs and maintenance and protecting the Bristol social home building program.

No-one wants to increase rents but when the consequences of not doing so are a reduction in borrowing capacity and eating into reserves needed for long overdue social housing essential repairs or improvements there is no real choice. We need to recognise that a rent freeze would be an irresponsible decision achieving short term gain with long term damage.

Appendix A1 states the potential impact of a 0% rent increase as “Delivering the existing level of service may require additional borrowing in future years” The suggested mitigation is “Service efficiencies; review of HRA and creation of a new 30-year business plan”. This worries me greatly.

In last year’s budget we agreed that “in order to respond to inflationary pressures, deal with regulatory issues and to ensure we have the borrowing capacity for 900 new council homes this council approves an inflationary rent increase in line with the Government rent policy for the HRA of CPI+1%, namely 2.7%”. These requirements have not changed.

Average rent would increase by small sums in the context of Council rents being around 34% of market rents in Bristol. For around half of tenants the increase will be met by additional Housing Benefit and universal credit subsidy, if anything the pandemic is likely to have increased this proportion. Those on the waiting list or in temporary accommodation will not thank us for risking the build of future social homes for small reductions in rent for those who have council homes. Tenants whose bills are high when they wait for window repairs will save on rent but not on bills.

The impact of a rent increase is compounded, it does not just affect this year – last year’s estimate was that it would generate an additional £141m over the life of the business plan. The additional income would also increase the borrowing potential of the HRA and increase the 5 year capital programme. It would enable the Council to accelerate the programme of improvement works on the HRA stock and Carbon neutrality. It would enable more new homes to be built over the next 5 years, bringing in additional rental income, which can then be used to maintain and develop stock including zero carbon retrofitting. The loss of borrowing capacity of not putting the rent up will be tens of millions - under last year’s rules and costs this would deliver up to 1,000 homes.

Why we need a rent rise in line with Rent Policy:

- We need to maximise funds in HRA to meet our commitments to housing repair/improvements
- We need to maximise fund in HRA to meet our commitments to retrofitting and carbon reduction in our housing stock
- We need to take advantage of the cumulative increase in HRA over 30 years of a small increase this year – we lose this forever not just for one year
- We need the increase in expected rental income to borrow against to protect our social housing program – just like individuals need income to gain a mortgage
- We have this chance now but it could be snatched from us by a Tory Government at any time – we cannot risk weakening our ability to improve social housing in the City
- All decisions must guarantee our long term commitment to a strong social housing programme – small rent increases are a necessary evil to achieve this