



## Cabinet

Item  
**7(i)**

5 June 2024

<b>Report of</b>	<b>Chief Executive, Colchester Borough Homes</b>	<b>Author</b>	<b>Philip Sullivan</b> ☎ 01206 282919
<b>Title</b>	<b>Housing “State of the Nation” Update</b>		
<b>Wards affected</b>	Not applicable		

### 1. Executive Summary

- 1.1 It was proposed at Leadership on 29 February 2024 and Governance and Audit Committee on 5 March that quarterly social housing updates that include topical and emerging housing related issues be reported to Cabinet via a housing “state of the nation” report with the aim being that the reports inform the Council’s current and future housing strategy and housing policies. These reports supplement the new quarterly assurance reporting to Governance and Audit Committee on the Council’s adherence to the new Regulator of Social Housing regulatory framework.
- 1.2 The report provides updates on the following topical housing related issues:
- Section 4.1 The Renters Reform Bill
  - Section 4.2 Affordable Homes Programme (AHP) 2021-26
  - Section 4.3 New build starts (all tenures)
  - Section 4.4 Housing Ombudsman
  - Section 4.5 Rents
  - Section 4.6 All Party Parliamentary Group (APPG) for Council Housing Inquiry
  - Section 4.7 Households in temporary accommodation
  - Section 4.8 The Social Housing Regulation Act
  - Section 4.9 Investment in Existing Homes
  - Section 4.10 The Regulator of Social Housing Quarterly survey for Q3

### 2. Recommended Decision

- 2.1 As this is the first Cabinet housing “state of the nation” report feedback on whether the nature of the housing topics covered and the level of detail provided meets with expectations would be appreciated and will help inform future reporting.
- 2.2 Subject to any questions or comments this report is for noting.

### 3. Alternative Options

- 3.1 There are no alternative options of relevance to this report.

## **4. Background Information - Housing “State of the Nation”**

### **4.1 The Renters Reform Bill**

4.1.1 The bill (that relates to private rented sector housing), including government amendments, was backed by a majority of MPs on Wednesday 23 April and subsequently entered the House of Lords. The bill’s primary aim has been to end no-fault evictions. Ministers had also been urged to use the bill to give tenants four months’ notice when they are evicted, rather than two months’ notice as had been proposed. However, the bill will not pass before the general election on 4 July.

4.1.2 *Without Section 21 evictions being banned as a result of the passing of the Renters Reform Bill some anticipated relief to the private rented sector and temporary accommodation needs in Colchester is unlikely now be realised in the foreseeable future.*

### **4.2 Affordable Homes Programme (AHP) 2021-26**

4.2.1 The Department for Levelling Up, Housing and Communities (DLUHC) advised in April that “the programme is very unlikely to deliver 180,000 homes” as originally planned. The government has blamed the cost of borrowing and materials on the need to revise down its target for the AHP. This comes at a time when there are also signs that the housing association sector is reducing the purchase of new affordable homes required from developers with new build developments. Fiona Fletcher, L&Q’s chief executive commented at the National Housing Federation’s Finance conference in March that “housing associations could stop buying Section 106 homes as they face a new homes “cliff edge”.

4.2.2 *Colchester has been successfully delivering homes under the AHP programme, however, the latest Government update shows the impacts nationally linked to increasing costs on the delivery of new homes. There are examples locally where registered providers are not purchasing Section 106 homes due to higher costs, viability and competing pressures on their available funds. In addition to the AHP, the City Council has introduced a new build acquisition programme to supplement the existing successful former local authority home buy back programme.*

### **4.3 New build starts (all tenures)**

4.3.1 The number of new build starts in England fell 16% in 2023 compared with the previous year, according to the latest government figures. In the year to 31 December 2023, construction began on 148,930 homes, down from 178,110 in 2022.

4.3.2 *Colchester’s Planning Team Annual Monitoring Report for 2022/23 shows that there were 711 completions in Colchester across all tenures of which 172 were affordable housing completions (including the Council’s acquisitions and housebuilding programme). This is against a target of new affordable homes of 380 over three years (2023-26). The report also states that “when taking an average over the past five years, Colchester has provided a net additional 1,016 new homes per year, which provides reassurance on future target delivery.”*

### **4.4 Housing Ombudsman**

4.4.1 The profile of the Ombudsman within the sector continues to be very high. Its Complaint Handling Code sets out requirements for member landlords that allows them to respond to complaints effectively and fairly. The purpose of the Code is to enable landlords to resolve complaints raised by residents quickly and use the data and learning from

complaints to drive service improvements. From 1 April 2024, the Code becomes statutory meaning that member landlords are obliged by law to follow its requirements.

- 4.4.2 The Housing Ombudsman is proposing to increase its payable fee per home by 40% to £8.03, up from £5.75 last year to fund its increased workload.
- 4.4.3 In April it published a report titled Learning from Severe Maladministration in which it described cases involving eight housing association and local authority landlords. In the same month it issued the findings of an independent review it had ordered into how Orbit Group had handled damp and mould. The review involved 7 cases of damp and mould where the Ombudsman had found maladministration, including severe maladministration. The review made 15 recommendations.
- 4.4.4 *CBH has completed a self assessment against the new Complaints Handling Code and this will be submitted, as required for landlords with over 1,000 homes, to the Ombudsman by 30th June 2024. Consistent with many in the sector, CBH is continuing to see a higher volume of complaints being escalated to the Ombudsman and more findings of maladministration. These will be routinely reported as they arise to the Governance and Audit Committee, Portfolio Holder for Housing and Principal Liaison meeting along with any lessons learned from both CBH complaints and sector wide reviews.*
- 4.4.5 *Under the new Code we are required to have a “Member Responsible for Complaints”. We have two and these are Geoff Beales, Housing Strategy and Assurance Manager for the City Council and Ray Sharp, Board member for CBH.*

#### 4.5 Rents

- 4.5.1 The government announced in April that the existing social housing rent settlement will be rolled over by a further year until April 2026. It means annual rent increases will continue to be capped at Consumer Price Index (CPI) of inflation plus 1% for 2025-26.
- 4.5.2 *This will be favourable for Colchester as the assumption in the HRA Business Plan has been a CPI only uplift for 2025-26. We await a decision from government on the longer term rent settlement for the sector, but do not anticipate this decision being made prior to the General Election.*

#### 4.6 All Party Parliamentary Group (APPG) for Council Housing Inquiry

- 4.6.1 The APPG, chaired by Matt Western MP, is conducting an inquiry into the current condition, and future needs, of council housing. The APPG invited local authorities with Housing Revenue Accounts to take part by completing a short survey about the investment needs of housing stock, HRA finances, new build and debt.
- 4.6.2 *Colchester completed the survey and supported the suggestion in the survey for HRA debt to be written off. In addition we highlighted the need for a rent settlement of at least CPI+1% and for this to be over a longer period (ideally for the 30 year life of the business plan). The opportunity was also taken to add comments on our local housing crisis, including the very significant increase and high spend on temporary accommodation costs.*

#### 4.7 Households in temporary accommodation

- 4.7.1 The number of households in temporary accommodation in England increased from 104,540 at the end of Q1 2023 to a record high of 112,660 at the end of Q4 2023 (GOV.UK Statutory homelessness live tables). It's not uncommon for temporary

accommodation spend to account for more than 20% of a district council's total budget and in some cases it's closer to 50% (*District Councils Network briefing, March 2024*). Housing benefit subsidy now covers just 38% of district councils' temporary accommodation costs on average. This compares to the 90% intended when the cap was introduced in 2011.

- 4.7.2 *Colchester is significantly impacted by the demand for and costs associated with temporary accommodation. The Council's temporary accommodation costs have increased from a net cost of £1.14m in 2019/20 to £3.3m in 2023/24. Temporary accommodation cost is up from 5% to 12% of the Council's net revenue budget. This is crucial to the resources that Colchester has available to deliver services as costs associated with temporary accommodation are met from the General Fund. The total number of households housed by Colchester in temporary accommodation stood at 319 as at 18 April, up from 298 at the end of March 2023. Further lobbying by the City Council of government both directly and through bodies such as the District Councils Network and National Federation of ALMOs will continue, for example, in respect of the need for housing benefit subsidies to be brought back in line with current accommodation costs.*
- 4.7.3 *As well as developing and implementing a Temporary Accommodation Action Plan the Council has raised the profile of the Housing Crisis through its Housing Insights Report and the Housing Summit held in February. In addition, specific activity progressed in the last quarter includes exploring the use of modular homes and a review of whether to invest in new permanent or temporary accommodation. In addition, exploratory discussions with the University have continued about the possibility of using student accommodation to ease the pressure on temporary accommodation. A research project by the Council's Housing Strategy team is also underway to identify what will encourage tenants to downsize and free up much needed larger accommodation to relieve the pressure on temporary accommodation.*
- 4.7.4 *As part of the Housing Provision "Fit for the Future" project work is being progressed to develop a strategic partnership with housing association(s) to increase the volume of new affordable housing being delivered. The aim of this project is to maximise new housing investment into Colchester. The "buy back" programme referred to in 4.2.2 above is also targeted at providing permanent homes for families in temporary accommodation.*

## 4.8 **The Social Housing Regulation Act**

- 4.8.1 Last July, the Social Housing Regulation Act received Royal Assent, ushering in a new era of regulation for the social housing sector. The Act introduces several reforms including transforming the role of the regulator, with the primary goal of empowering residents and improving access to quick and fair solutions to problems.
- 4.8.2 Since autumn 2023, the government has undertaken a series of consultations on the detail of the new requirements and how these will work in practice. Of particular relevance to the City Council have been consultations on:
- Revised consumer standards and a Code of practice
  - The Housing Ombudsman's Complaints Handling Code
  - The Competence and Conduct Standard, and
  - Awaab's Law
- 4.8.3 **The new consumer standards;** as of 1 April, the new consumer standards came into force. These encompass four consumer standards: the Safety and Quality Standard,

Neighbourhood and Community Standard, Tenancy Standard, and the Transparency, Influence and Accountability Standards.

In January, the government issued directions to the regulator relating to the provision of information on tenant rights and complaints. These requirements are now integrated into the Transparency, Influence and Accountability Standard.

The Regulator of Social Housing (RSH) commenced proactively monitoring landlords' compliance with the new consumer standards on 1 April. This proactive regulation will include inspections. Inspection can happen any time over the next four years and it is likely the Council will get 4-6 weeks' notice. In addition to consumer standards, the RSH may also consider issues relating to the Rent Standard because this also applies to local authority landlords. For landlords with over 1,000 homes the RSH aims to carry out a programmed inspection at least every four years.

**4.8.4 Health and safety lead;** The Social Housing Regulation Act also introduced a new requirement for all registered providers of social housing to have a designated health and safety lead. This means that from 1 April, the City Council has been required to appoint a designated individual responsible for monitoring compliance with health and safety requirements. There is also a requirement to notify the Regulator of the contact details of the health and safety lead via the Regulator's data collection website, NROSH+.

**4.8.5** *In response to the current regulatory changes we have:*

- *commissioned Savills to undertake a "mock inspection". This will identify further activity to assist with our preparation for an RSH inspection. The mock inspection is planned for completion in July 2024.*
- *undertaken self assessments against the new consumer standards and identified opportunities to enhance levels of assurance.*
- *identified our health and safety lead and notified the RSH as required.*
- *introduced a new regulatory assurance framework through quarterly reporting to the Governance and Audit Committee. Reporting dates for 2024/25 have been set and the first report is being presented to Committee on 18 June.*
- *engaged with the Colchester Institute to establish if there is a potential partnership relating to the new Competence and Conduct Standard.*

**4.8.6** *An introductory meeting with the RSH key contacts for Colchester has also been arranged for 17 June.*

## **4.9 Investment in Existing Homes**

**4.9.1** The RSH's annual value for money report published in February 2024 for the year to the end of March 2023 identified that the average bill for large landlords operating a social home increased by 14% in the last financial year due to inflation and increased spending on repairs and maintenance. The study covers 198 private registered providers that have more than 1,000 homes. Since 2021, the study found that more than 70% of the increase in the overall headline cost of operating a social home was related to maintenance and major repairs. EBITDA MRI (Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included) interest cover – which shows the housing association sector's ability to cover ongoing finance costs from operating activities – fell to 128% on average in the sector. This was the lowest level since 2010.

**4.9.2** *Colchester has been similarly affected by a marked increase in costs linked to both day to day repairs, tackling damp and mould, gas servicing, void works and capital investment in existing homes. The increased costs have arisen as a result of both inflation and higher demand. For example, the number of responsive repairs increased*

*by 8% and damp and mould cases by 40% year on year. This led to overspends against budget in 2023/24 ranging from 12% for gas servicing to 88% for voids. However, the 2024/25 budget has been increased for repairs and maintenance works by £739k and this will be accompanied by improved spend forecasting and a more planned approach for certain works, such as fencing. Spend will be carefully tracked each month and, should it be identified at any point that overspends are forecast, appropriate steps will be taken to manage any risks.*

#### **4.10 The RSH Quarterly survey for Q3 (October to December 2023)**

4.10.1 Some topical data from the RSH's quarterly survey published in March 2024 includes:

- Annual price growth in the construction industry slowed further over the quarter and is estimated to have stood at 3.1% at the end of December 2023, compared with the record annual growth in May 2022 and June 2022 of 10.7%. This includes annual increases in the prices of new works of 3.8%, and in repairs and maintenance works of 1.8%.
- Overall construction output decreased by 1.3% in the quarter to December 2023 when compared to the previous quarter. This decline resulted solely from a decrease in new works by 5.0%, partially offset by an increase in repair and maintenance works of 4.0%.
- House prices in England fell overall by 2.1% in the year to December 2023, reaching an average of £302,000 with regional variation recorded.
- Although inflation is predicted to ease over the coming months, interest rates are likely to remain elevated, and providers must be prepared to handle further increases in interest payments and operating costs, particularly if they have previously benefitted from relatively low fixed-price contracts or debt.
- The challenge of balancing stock decency and remediation requirements with the need to invest in decarbonisation measures and the construction of new homes will continue, and providers must be able to identify areas where liquidity may be restricted and ensure that contingency plans and mitigations remain robust.

### **5. Equality, Diversity and Human Rights implications**

5.1 There are no decisions nor policy changes being recommended and hence no direct equality, diversity and human rights implications.

### **6. Strategic Plan References**

6.1 The services and projects delivered by the Council and CBH contribute directly to the following Strategic Plan 2023-2026 priority areas:

- **Respond to the climate emergency**
  - Reduce our carbon footprint.
  - Ensure Council homes benefit from increased energy efficiency.
- **Deliver Modern Services for a Modern City**
  - The Colchester Council family of organisations work together to a shared and ambitious vision for the future of our city.
  - Continue to invest in our homes to deliver quality social homes and services for tenants and leaseholders.
  - Put communities and their needs at the heart of our vision and support local areas as they help shape and deliver services which are most important to them.
  - Work closely with partners, charities and organisations to add value.
- **Improve health, well-being, and happiness**
  - Tackle the causes of inequality and support our most vulnerable people.

- Work with residents and partners to address quality of life and issues of happiness.
- **Deliver homes for those most in need**
  - Increase the number and quality and types of affordable homes.
  - Meet our duty to prevent or assist those facing homelessness.

## **7. Consultation**

7.1 This report is for information and has not been subject to consultation.

## **8. Publicity Considerations**

8.1 There are no decisions linked to this report that will need to be communicated.

## **9. Financial implications**

9.1 There are no financial implications directly linked to this report.

## **10. Health, Wellbeing and Community Safety Implications**

10.1 There are no health, wellbeing and community safety implications directly linked to this report.

## **11. Health and Safety Implications**

11.1 There are no health and safety implications directly linked to this report.

## **12. Risk Management Implications**

12.1 Any risk management implications have been incorporated in the body of the report.

## **13. Environmental and Sustainability Implications**

13.1 There are no environmental or sustainability implications directly linked to this report.