Rents for Social Housing in England

UK Finance response to the MHCLG consultation

5 November 2018

Introduction

UK Finance is a trade association formed in July 2017 to represent the finance and banking industry operating in the UK. It represents around 300 firms in the UK providing credit, banking, markets and payment-related services. The new organisation brings together most of the activities previously carried out by the Asset Based Finance Association, the British Bankers' Association, the Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association. In addition to representing residential mortgage lenders for home purchase and buy-to-let, UK Finance members also lend to support the social housing/ RSL sectors across the UK.

We welcome the opportunity to provide this response to the consultation on Rents for Social Housing, comprising a new Direction to the Regulator of Social Housing and a supporting draft Policy Statement.

General comments

UK Finance and funders of social housing in England welcome the government's announced intention to permit registered providers to increase their rents by up to CPI+1 % each year, for a period of at least five years, as this recognises the need for a stable financial environment for providers.

Although the announced change is for at least 5 years, we expect that as far as possible beyond this time, rent policy will continue to reflect the need for stability and certainty, which is essential for long-term business planning and funding and investment decisions.

We support the proposed Direction and accompanying Policy Statement, which give effect to previous government announcements on social rent. We have responded to the consultation questions that are relevant to our members.

Specific comments

Question 3: Yes, we agree with the proposal to permit registered providers to increase rents by up to CPI+ 1% each year.

Question 4: Yes, we agree with the proposed Direction as it relates to social rent properties.

Question 5: Yes, we agree with the proposed Direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent.

Question 6: Yes, we agree with the proposed arrangements for making exemptions from the rent standard on financial grounds.

Question 7: We highlight, in the draft Policy Statement, a potential point of ambiguity that might limit the ability of registered providers to implement reasonable rent increases within the agreed CPI+ 1 framework from 2020. The wording in para 2.14. page 7, of the draft statement refers to an expectation that rent flexibility would be used "in a balanced way". Government might wish to clarify how this would be implemented in practice.

Contact

To discuss this submission further, please contact [redacted].

Rents for social housing from 2020-21:

Consultation response from Haringey Defend Council Housing

Question 1: Do you agree that the rent standard should apply to local authority registered providers from 2020?

Question 2: Do you agree that the same requirements should apply to both local authorities and private registered providers?

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

No. We will continue to oppose rent increases.

We agree with the detailed responses from the London Tenants Federation, from Swindon Tenants Campaign Group and from [redacted].

Social housing should be properly valued as delivering long-term social benefits including social inclusion, democratic accountability, and improved health and wellbeing.

Why should local authority and other social rents be used as an investment tool? Indeed, why should future housing development be funded by rent increases for some of the poorest people in the country? There should be no such rent increases. New council housing could be financed instead by an appropriate level of direct government funding, and the write-off of the excessive debt which was saddled on local government Housing Revenue Accounts in 2012.

This debt is presently being paid off by some of the poorest people in the country. Most of it was undertaken at the suggestion and direction of central government, and many of the homes built using such debt finance have since been sold off at highly discounted rates, either to sitting tenants or via stock transfers.

The government is right to resist the proposals of the National Housing Federation (the trade group for private registered providers) for 'rent freedom', meaning their own freedom from public rent control, having benefited from huge public subsidies for many years.

It is unacceptable that there are no references in the Government's consultation paper to poverty policy, family policy or the welfare of parents, children and young people.

The government should take proper account of the Joseph Rowntree Foundation report, 'The links between housing and poverty: An evidence review' (2013) which said, 'Low rents, such as council and housing association rents, make an important contribution to reducing the degree of 'housing cost induced poverty' and material deprivation amongst social tenants. Social housing is highly targeted on people with low incomes and has been shown to be the most 'pro-poor' and redistributive major aspect of the entire welfare state.'

The real losers from rent increases will be low paid workers, those who go in and out of work, and those whose gaps in benefit lead to mounting arrears. If the rent is higher, then rent arrears will accrue faster, and higher eviction rates will follow.

The government should also take account of the Institute of Fiscal Studies report, Living standards, poverty and inequality in the UK: 2018, which shows that increasing social and affordable rents are a major source of higher housing costs for households with children in the lowest two income quintiles. From 2002-03 to 2016-17, social and affordable renters amongst this group of households had higher increases in housing costs than either private renters or owner-occupiers.

Question 4: Do you agree with the proposed direction as it relates to social rent properties?

No.

Question 5: Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

No. Affordable rent should be abolished, and replaced by social rent only.

Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

No. Funding for new social rented homes should instead be targeted to local authorities, which are directly elected and democratically accountable.

We note that even with apparent statutory rental decreases since 2016, housing associations surpluses are still at £3.5 billion as of December 2017.

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

Yes. We would like to make recommendations on three matters:

ONE: Service Charges

One weakness of the Consultation paper is that it contains no mention of service charges, which are included within the remit of both the existing Guidance, and the proposed Policy Statement on Rents for Social Housing.

Since the 'Price is Right' document of the then Labour government recommended the unpooling of service charges from social rents in the early 2000s, these charges have been used by some social landlords in an opportunistic, un-monitored and under-researched bid to levy charges outside the rent, by 'service charging to the max'.

Other social landlords have chosen not to do so, creating much inconsistency in the social housing sector.

In 2016-17, on average, new tenants of Haringey Council paid £105.50 in weekly rent, and an additional £18.80 in service charges (an uplift of 17.8%). The average service charge uplift across all council tenancies in Greater London was 9.64% for 2015-16.

Service charges are paid disproportionately by tenants in flats, in high rise estates, and especially, in sheltered and supported accommodation.

In a typical Haringey Council high rise apartment, in 2018-19 the service charge uplift on the rent is around 40%.

As tenants of one of the highest service charging London boroughs, we have campaigned and won over this issue in the past, notably over the 8 additional charges for new services which the Council proposed and then withdrew after consultation some years ago. One of the proposed charges was for estate litter picking on bank holidays. It was clear that the landlord's concern was not to provide additional services, but to be able to charge for them; while they were unable adequately to deliver the services we were already paying for.

Last year, Haringey Council warned its tenants on the Love Lane demolition estate of seven new or higher service charges after estate renewal, including for 'repairs', which according to paragraph 2.33 of the existing Guidance, should not be service chargeable.

In April 2018, Haringey Council tenants had the introduction of 6 new weekly service charges. These charges affected between 538 and 8,700 tenants in each case, and were set bring in an additional landlord income of £598,000 in the first year.

Landlords routinely breach paragraph 2.33 of the existing Guidance on Social Rent Setting, which states 'Rents are generally taken to include all charges associated with the occupation of a property, such as maintenance and general housing management services' - for example by service charging for maintenance costs, staff salaries or for unspecified management functions.

Language itself has come apart under the strain of these unacknowledged charging policies. Does 'rent' mean gross rent, or net rent? In the English language, unhelpfully, it means both. This ambiguity means that the Ministry's statistics for social rents do not take account of all the relevant charges which tenants are being required to pay.

We do not accept the standard argument, that these are simply the full charges for services received by tenants. These are not prices, but economic costs which can be assessed in many different ways by many different economists. The problem is that the economists doing the costings in fact work for organisations which have an understandable interest in maximising their corporate incomes. The interests of tenants are neglected and the voices of tenants are going unheard.

These practices do not meet the standards of transparency and of empowerment for tenants that were the purported rationale for the unpooling process. Instead, landlords are taking advantage of the lack of choice which tenants experience in the landlord/tenant relationship. Landlords are reacting to budgetary constraints and government social rent setting policies, by increasing rent indirectly, by the means of excess service charging over the long term.

Recommendation:

The new Policy Statement on Rents for Social Housing should impose limitations on any new service charge increases. The Ministry should introduce proper monitoring of service charges, and then begin in a programme of work to reduce and eliminate the abuses detailed above.

TWO: Rent Increases by Demolition

The Draft New London Plan, 2017, and the Suggested Minor Changes to the Draft New London Plan 2018, both propose the large scale demolition of council homes at social rent, and the partial replacement of these homes by new dwellings at London Affordable Rent.

Our research shows that compared to an average London Council rent of £105.87 pw, the current London Affordable Rent rates applied to London's stock mix produce an average of £158.85 pw. The average uplift is therefore +£52.98 weekly, or almost exactly +50.0%.

Rent increases by demolition are already being practiced in London, for example by Lewisham Council, who want to demolish Reginald House and replace council rent homes by London Affordable Rent homes, which local campaigners estimate would be 63% higher rents.

In response, the government should implement George Clarke's 12 Empty Homes Review Recommendations on planned housing demolitions, including no. 5:

'If owners/tenants are moved to a new property they should suffer no net financial loss or any increase in rent, other than what they would expect as a reasonable increase if they remained in their existing home and in line with inflation. Any significant financial increase in rent from a housing association is to be subsidised by the HA or local authority and not the owner/tenant.'

Recommendation:

The practice of rent increases by demolition should be explicitly forbidden in the government's new Policy Statement on Rents for Social Housing.

Any homes demolished must be replaced by council housing at the same rents and service charges - with no increases at all.

THREE: Proper distinction between Social Rent and Affordable Rent

We are experiencing a great deal of passing-off, for example of affordable for social rent, and constant misleading statements from Councils, planners and developers about the actual amounts of Social Rent and Affordable Rent.

Passing-off means presenting one product as if it was another, and when applied to free market transactions is a common law tort.

Recommendation:

The practices of making misleading statements and of passing-off should be explicitly forbidden in the government's new Policy Statement on Rents for Social Housing.

All public and local government officers and Councillors should discuss the facts about the different rent regimes with tenants, residents and the general public, in an honest, transparent and informative manner.

A voice for tenants

STEERING GROUP

Response to the Rents for Social Housing 2020-2021

1 A Voice for Tenants Steering Group

1.1 **A Voice for Tenants {AV4T)** was set up in 2017 in the wake of the Grenfell Tower tragedy to seek the establishment of a national body in England to advocate for social housing tenants.

1.2 AV4T is not a tenant representative body. It is set up as a steering group with one aim - to establish a national body for tenants.

1.3 AV4T steering group includes representation from all the National Tenant Organisations[1] from the social housing sector alongside members of the former National Tenant Voice Board and other tenants who have played national roles. AV4T seeks as best it can to reflect the breadth of tenant opinion, but it currently does not purport to be a formally democratic or representative tenant body.

1.4 AV4T seeks constructive and positive dialogue with Government, with the national bodies that represent social housing landlords and with others.

1.5 AV4T worked in partnership with Government in Winter 2017 and early 2018 to carry out a series of 12 events to enable the two former Housing Ministers to engage with tenants. Over a thousand tenants participated in this dialogue. AV4T representatives have also attended current Ministerial events being held to enable dialogue with tenants about the Social Housing Green Paper.

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[1] Association of Retained Council Housing Tenant Body, Confederation of Co-operative Housing, National Federation of TMOs, TAROE Trust, Tpas

2 Rents for social housing 2020 - 2021

2.1 AV 4T Steering Group welcomes the opportunity to comment on the MHCLG consultation on directive regarding the rent standard. We wish to make the following comments:

2.2 Publicising that the changed directive is a ceiling and not an expectation

For the benefit of tenants everywhere, we propose that it be made very clear in the directive and it be publicised to tenants that rent increases are a ceiling and not an expectation. The regulator should make it absolutely clear to Registered Provders that the directive is a ceiling and not an expectation.

2.3 Accountability for rent increases

We propose that MHCLG make it clear to Registered Provider landlords and to the regulator that landlords should be required to be accountable to their tenants regarding their rent setting.

We propose that the regulator should require Registered Provider landlords:

- to provide tenants with a clear and understandable explanation and justification regarding their proposed approach to rent increases or decreases

- to hold meaningful consultation with tenants regarding rent increases based on three-year plans including planned increases and investment in new and existing properties

- to generally be accountable to tenants regarding the rents they pay and the services they receive.

2.4 There may be concern that tenants will always opt for lower rents and this will mean either that landlords will not be able to build new homes or that landlords will not have sufficient money for new services.

2.5 This will not necessarily be the case. In every consultation with tenants, tenants refer to the lack of homes for people on low incomes as being a high priority. Many tenants are also minded that lower rents lead to poorer services. In any event, if a landlord wishes to raise the rents tenants pay, they should be able and willing to justify those increases and be accountable to their tenants for them.

For further information about this submission, please contact [redacted]

CCH

People together are stronger

Rents for Social Housing 2020-2021 consultation

1 The Confederation of Co-operative Housing

1.1 With a membership of 180 co-operative and community-led housing organisations who own or manage some 60,000 homes, the Confederation of Co-operative Housing has represented the largest part of the co-operative and community-led housing sector in the UK since 1994.

1.2 Our membership includes:

- fully mutual and other housing co-operatives, most of them registered with the Homes and Communities Agency
- organisations that provide services to housing co-operatives
- mutual housing associations with active memberships consisting of tenants and in some cases employees
- community land trusts and other community led housing organisations.

1.3 The CCH is one of the National Tenant Organisations, alongside TPAS, TAROE Trust and the NFTMO, and has led the development of the A Voice for Tenants Steering Group, currently exploring national representation of tenants with the MHCLG. We produced the DCLG funded "An Investment not a Cost" publication, working with the University of Birmingham, exploring the business benefits of tenant involvement. We have long been an organisation working to support tenant involvement and empowerment.

1.4 The CCH is a leading proponent of all forms of community-led housing. We have worked with Government on the development of the Community Housing Fund and with the Welsh Government since 2012 on their co-operative housing programme. Having worked with numerous co-operative and community-led housing initiatives, including many new start-up schemes, we are pioneering a training and accreditation programme for advisors to community-led housing developments.

1.5 The CCH also works with mutual housing associations, recently launching Mutuality and Accountability in the Housing Association Sector exploring values and mutuality in housing associations.

2 Rents for social housing 2020 - 2021

2.1 The CCH welcomes the opportunity to comment on the MHCLG consultation on directive regarding the rent standard. We wish to make the following three comments:

2.2 Clarifying how the new directive can be applied by community-led housing organisations

Our fully mutual housing co-op and community land trust members were exempted from the 1% rent reductions directive. This meant that rents during the four-year period can be set between -1% and CPI plus 1%. The CCH's advice to our members is that they should set their rents in accordance with their long-term business plan and following discussion with their members.

Our understanding of the consultation paper is that our members will be able to continue to set their rents in this way - "Our draft Policy Statement makes clear that CPI+1% is a ceiling (rather than an expectation) for registered providers' annual rent increases. Providers will be free to apply a lower increase, or to freeze or reduce rents, if they wish to do so, and they should consider local circumstances when making these decisions".

We wish to make it clear that we support these intentions. Should an outcome of the consultation be that an expectation be introduced that rents should be increased by CPI plus 1%, that we would not agree with that - and we would seek an exemption for our members if such an expectation were to be introduced.

2.3 Publicising that the changed directive is a ceiling and not an expectation

For the benefit of tenants everywhere, we propose that it be made very clear in the directive and it be publicised to tenants that rent increases are a ceiling and not an expectation. The regulator should make it absolutely clear to Registered Provders that the directive is a ceiling and not an expection.

2.4 **Accountability for rent increases**

We propose that MHCLG make it clear to Registered Provider landlords and to the regulator that landlords should be required to be accountable to their tenants regarding their rent setting.

We propose that the regulator should require Registered Provider landlords:

- to provide tenants with a clear and understandable explanation and justification regarding their proposed approach to rent increases or decreases

- to hold meaningful consultation with tenants regarding rent increases based on three-year plans including planned increases and investment in new and existing properties

- to generally be accountable to tenants regarding the rents they pay and the services they receive.

2.5 There may be concern that tenants will always opt for lower rents and this will mean either that landlords will not be able to build new homes or that landlords will not have sufficient money for new services.

2.6 This will not necessarily be the case. In every consultation with tenants, tenants refer to the lack of homes for people on low incomes as being a high priority. Many tenants are also minded that lower rents lead to poorer services. In any event, if a landlord wishes to raise the rents tenants pay, they should be able and willing to justify those increases and be accountable to their tenants for them.

For further information on this submission, please contact [redacted]

CIH response to the consultation on rents for social housing from 2020/21

Chartered Institute of Housing

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world.

Further information is available at: www.cih.org

CIH contact:

[redacted]

Summary of our key points

This is a response to the consultation and policy paper on rents for social housing, issued in September 2018.

CIH has two principal concerns about rents policy. One is that since 2012 there have been frequent changes in policy, undermining the sector's ability to invest. The second is that many social sector rents are unaffordable to those on low incomes, and rents have grown in relation to incomes over recent years. The new policy addresses the first concern and provides the context for addressing the second.

Our key points are:

- We agree that housing associations and local authorities should be subject to the same regulatory requirements.
- We agree with the proposed rent increase formula although we want to emphasise the need for rents not to get further out of line with earnings.
- We argue that social landlords at local or regional level should have policies that link rent levels to local earnings; we urge government to promote the use of 'Local Housing Affordability Frameworks'.
- We call for clarification that conversions of social rent properties to Affordable Rent should cease.
- Government could rebuild trust in its rents policy by making it as clear as possible that the policy will be unchanged for five years, and that it will continue thereafter if circumstances remain the same.

CIH response to the consultation on rents for social housing from 2020/21

Chartered Institute of Housing

For ease of reference, the consultation paper's specific questions are used as headings in the text.

Questions 1 and 2: Do you agree that the rent standard should apply to local authority registered providers from 2020? Do you agree that the same requirements should apply to both local authorities and private registered providers?

Yes. CIH broadly supports the view that local authorities should enjoy the same freedoms as housing associations, which implies being subject to similar regulatory requirements. CIH also welcomes the end of the rent rebate subsidy limitation and 'limit rents'. We welcome, too, the return to setting rents policy via regulation rather than in legislation.

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

[redacted]rees with this increase as being necessary to restore balances after four years of enforced rent reductions. We remain concerned, nevertheless, about the fact that rent increases will exceed inflation and that real social-sector rents will resume their rising trend in relation to incomes. The value of social rents against full-time average earnings has been monitored by the *UK Housing Review* since 1980 and a summary of the data is presented in the table.

Rents and earnings in England

Rent as a percentage of average full-time adult earnings

	1990	2000	2010	2014	2015	2016
Local authority rents	8.9	10.7	11.1	13.6	13.9	13.0
Housing association assured rents	10.9	12.8	12.7	14.2	14.3	13.6
HA Affordable Rents	-	-	-	19.6	20.2	18.9
Market rents	17.5	18.0	24.9	26.6	29.8	30.1

Source: UK Housing Review 2018, table 72.

Note: 2010 figure for market rent is for 2011 (the 2010 figure is not available).

As can be seen, there has been a more-or-less steady drift upwards in social rents in relation to earnings, with the figures dipping slightly downwards in 2016 – the first year of the current reduction policy. This emphasises the importance of monitoring rent levels and ensuring they remain affordable to those in work.

We also note that in the first year the policy is based on average rents and subsequently applies to individual rents (for each property). This should give some limited scope for landlords to realign rents within their stock, in the first year of the new policy. If this is intended, it would be helpful to make it explicit.

Obviously, we also welcome the emphasis on the rent increase as a ceiling and hope that social landlords will make significant use of rent flexibility to restrain rent increases and relate rent levels to local incomes both now and in the future. This provides an opportunity for social housing providers to develop a Local Housing Affordability Framework (LHAF) for each local area, a proposal made in the CIH report Building Bridges: A guide to better partnership working between local authorities and housing associations. The Appendix to this submission (extracted from *Building Bridges*) sets out the LHAF proposal in more detail. It would be a worthwhile addition to government guidance to recommend that social housing providers develop this tool as part of joint working at local level.

The government says that the rents policy will continue for 'at least' five years. The coalition government made several changes to rents policy, and it is important that the new policy emphasises as strongly as it can that the policy will not be altered within the given timeframe. Government should therefore make a categorical statement that it will apply for five years (even though in practice a new government would not be bound by it). It would also be helpful to state specifically that the aim is to continue the same policy after year 5. Such commitments will be important in [redacted] r [redacted] sector and the government [redacted]

Question 4: Do you agree with the proposed direction as it relates to social rent properties?

CIH does not disagree with the directions on social rent. The new policy makes no specific mention of rent convergence, a policy effectively compromised by previous government decisions which have left some formula rents out of alignment with each other. However, paragraph 37b of the consultation paper says that rents over he level of formula+5% can only be increased by CPI, implicitly supporting convergence for 'high rent anomalies', but not for 'low rent anomalies'.

CIH believes that it still makes sense to have a policy aim that all social sector rents are comparable with each other for properties that are similar in terms of location, size, age, condition, etc. While currently there is much more convergence in rents than used to be the case, full convergence has not yet been achieved and is unlikely to have been achieved after five years of the new policy.

There is a need to clarify the policy on future conversion of properties from social rent to Affordable Rent (AR). The consultation refers to paras. 2.29-2.30 of the draft policy statement, which says that social rent properties 'may not be converted to AR (other than in the circumstances set out in chapter 3)'. However, chapter 3 makes no specific reference to such conversions, other than saying that AR properties have to be provided in agreement with Homes England or the GLA.

Is this intended to allow continued flexibility for the conversion of social rent properties to AR, if agreed with HE or GLA? CIH is opposed to this, and believes the loss of social rent properties via conversions (around 111,000 since 2012) means they should stop. Both the HE and GLA have indicated that conversions will no longer be allowed or required. It would be helpful if the policy statement were to be 100% clear on this point.

Question 5: Do you agree with the proposed direction as it relates to Affordable Rent properties, including the proposal relating to the re-setting of Affordable Rent?

Yes. However, the policy is written very much with high-pressure regions in mind, and there will continue to be anomalous situations in areas where AR and social rents are very close, and where policy has in effect required social landlords to apply Affordable Rents when the market context makes them largely irrelevant (i.e. the gap between social rents and market rents is already much smaller than in high-pressure regions). In theory in such circumstances the policy would allow Affordable Rents to fall below social rents on similar properties. However, it may be best if social landlords are left to resolve these anomalies themselves.

[redacted] [redacted]cal or regional rent policies and how they relate to the [redacted]. the GLA policy on rents for new developments. Possibly the best way to deal with conflicts is to say that providers have to comply with funding and planning agreements; if doing so would risk a regulatory breach, they should take a 'comply or explain' approach.

Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

Yes.

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

We draw attention to some of the wider comments made in answer to previous questions.

7 November 2018

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Appendix: Local Housing Affordability Frameworks

This Appendix outlines a proposal considered at greater length in the CIH report *Building Bridges*.

Local authorities and housing associations should work in partnership to develop a Local Housing Affordability Framework (LHAF) to cover new lets and relets, homeownership products and referrals to the private rented sector. In order to do this:

- The LHAF should identify the required tenure/product mix and agreed output targets, both numbers of homes and range of charges, for each tenure - considering available resources (e.g. grant, cross-subsidy from sales, cross-subsidy from rental surplus, discounted land, recycled capital receipts, borrowing capacity).
- The LHAF should be an active partnership between councils (individually or sub-regionally) and their partner associations with costs shared accordingly.
- Each LHAF should provide:
    - An agreed, common definition of affordability to which all partners strive to work, based on local household incomes - not a percentage of market prices/rents.
    - Affordability assessed by tenure or product, including service charges where appropriate.
    - [redacted]reed framework for affordability assessments of [redacted]plicants.
    - A review of the required tenure/product mix – including relets – to identify:
        - a target range of incomes that each tenure should meet
        - numbers of households with unmet need in each target group
        - the extent to which current products meet the target income ranges
        - ideal target costs for each tenure/product.
    - Agreed output targets (numbers of homes and range of charges) for each tenure, taking into account available resources
    - An agreed tool which is embedded into local planning and housing policies, and other areas of local decision-making (e.g. Discretionary Housing Payments), and then implemented consistently and robustly on a voluntary basis.

Sent by email

Contact: [redacted]
Direct line: [redacted]
Email: [redacted]

November 2018

Dear Consultation Team,

London Councils' consultation response – Rents for social housing from 2020-21

London Councils is a cross-party representative body for all 32 London boroughs and the City of London Corporation, and welcomes the opportunity to respond to this consultation.

The four year 1% rent cut caused considerable strain for social housing, forcing the rewriting of thirty year business plans and considerably reducing the funding available for stock improvement and new building. Therefore, it is welcome to have officially reconfirmed the return to CPI +1% for the five years from 2020. This will assist social landlords of all types in planning spend over the following five years. Many Local Authorities had factored in the return to CPI+1% into their business plans however, so while welcome, the move does not create any additionality in a time of extreme pressure. In fact, some authorities who had historically kept rents very low have forecast increased above 1%+CPI to move rents more in line with target rents. The limit on increases will disproportionately punish authorities who have kept rents low.

We would like the following key points taken into account in the drafting of social rent policy going forward:

- **Longer period of rent certainty.** Local Authorities operate on a thirty-year business plan. It would build trust and considerably assist with using the new HRA borrowing powers to have a far longer period of rent certainty than five years. We would suggest a thirty year commitment to CPI+1%. This would allow London authorities to account for an additional £25.4bn in rents in their business plans on current stock levels, allowing for a substantially increased income to borrow prudentially against.

- **Allow councils to bring low rents in line with formula rent.** If the Government goes ahead with this proposal to move to CPI+1% it might consider exemptions for councils to gradually phase up their rents towards the formula rent level, from which point regulation would apply. Not doing so would act as a break on badly needed investment.

- **The method of regulation may not be the best for the sector**. The move to a different form of regulation due to the advent of universal credit does reflect a further shift away from the principles of localism and self-financing. While it does reduce central government control, we would also pragmatically point to the fact that the introduction of universal credit will a) make it harder for councils to charge

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higher rents and b) increase the rate of arrears. Therefore it could be said that top down national level control to limit rent increases is not a proportionate response. Additionally due to the impact of the Right to Buy (and in particular the restrrictions around use and retention of receipts) and the fact that Housing Association debt is not accounted for in the public system, there is an argument that it does not make sense to move together the rent regulation for these two disparate groups. We would advocate more discretion to be made available for local authority rent setting rather to be held to the same standard as Housing Associations, who are able to manage stock with vastly increased control in other areas.

Please see below the list of consultation questions in addition to this letter.

[redacted]

[redacted]

Consultation questions

Question 1: Do you agree that the rent standard should apply to local authority registered providers from 2020?

☐Yes
☒No
☐Not sure

Comment:

We would instead advocate a return to self-financing arrangements and more flexibility for a range of strategies in rent setting for local authorities. As a minimum we would strongly advocate for flexibility within the rent standard for councils who have historically kept rents low and are outliers compared to Housing Associations. To add to the above, the resource required to collect data and monitor rates may be considerable due to different systems and histories in authorities, and if taken forward, both the RSH and authorities are likely to require increased resource to take forward this work in a meaningful way.

Question 2: Do you agree that the same requirements should apply to both local authorities and private registered providers?

☐Yes
☒No
☐Not sure

Comment:

As outlined above, the situation for the two groups is very different and it will often not be appropriate or equitable to apply the same requirements.

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

☒Yes
☐No
☐Not sure

Comment:

We would strongly advocate moving to agreed CPI +1% increases over a far longer period, ideally thirty years to match HRA business plans.

Question 4: Do you agree with the proposed direction as it relates to social rent properties?

☐Yes
☒No

Comment:

We remain to be convinced that this formulation is necessary or proportionate and would like to work with government to consider other methods of regulation.

Question 5: Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

☒Yes
☐No
☐Not sure

Comment:

With the caveat that this should not apply to Local Authorities.

Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

☐Yes
☐No
☐Not sure

Comment:

A number of different kinds of council properties would be exempted:

- Shared ownership low cost rental accommodation
- Intermediate rent accommodation
- Specialised supported housing
- Relevant local authority accommodation
- Student accommodation
- PFI social housing
- Temporary social housing
- Care homes

LAs would need to seek an exemption from the overall policy from the Secretary of State. If this policy is introduced the process must be set out well before 1 April 2020 to allow local authorities enough time to do so.

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

☒Yes
☐No
☐Not sure

Comment: Please see cover letter for additional commentary

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Consultation Rents for Social Housing from 2020-21

Introduction

The Government is proposing to issue a new direction to ensure that, from 2020 onwards, the Regulator's rent standard reflects the announcement in October 2017 to permit registered providers to increase their rents by up to CPI+1 % each year, for a period of at least five years. It is proposing to revoke the most recent direction to the Regulator on rents (issued in 2014) and replace it with this one.

It is proposing that the rent standard should apply to local authority landlords to respond to the roll out of Universal Credit, as Universal Credit is not compatible with the current arrangements for controlling the welfare costs associated with local authority rents 3. The direction also sets out the basis on which social rents and affordable rents are set.

Views are invited on the questions listed and the draft direction (including the supporting Policy Statement) by Thursday 8 November 2018

Exceptions

The Direction applies to low cost rental accommodation as defined by section 69 of the 2008 act. There are certain exceptions and the Rent Standard would not apply including supported housing - as set out in chapter 5 of the draft Policy Statement see extract below

Overview 5. 1

- *Specialised supported housing*

In this policy statement, 'specialised supported housing' means supported housing (as defined in chapter 2):

(a) which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in

order to enable them to live, or to adjust to living, independently within the community;

(b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home;

(c) which is provided by a private registered provider under an agreement or arrangement with a local authority or a health service (within the meaning of the National Health Service Act 2006);

(d) for which the rent charged, or to be charged, complies with the agreement or arrangement mentioned in paragraph (c); and (e) in respect of which either: i. there was no public assistance, or ii. if there was public assistance, it was by means of a loan (secured by means of a charge or a mortgage against a property).

Q1 &2

Rent regulation caps the amount of rent that private registered providers may charge, and by extension limits the amount of Housing Benefit or Universal Credit that recipient tenants need to meet the cost of their rents.

The Government is proposing to direct the Regulator to apply its rent standard to local authority registered providers. Private registered providers will continue to be subject to rent regulation.

It asks for feedback on this proposal.

CHA has no response to give here as most of the local authorities across Merseyside have transferred their stock to housing associations who are already subject to rent regulation.

The Welfare Reform and Work Act 2016 requires registered providers to reduce their social housing rents by 1% each year for four years. This is designed to help put welfare spending on a more sustainable footing and ensure that the social housing sector plays its part in helping to reduce the deficit.

In October 2017, government announced that it intends to permit registered providers to increase rents on social rent and affordable rent properties by up to CPI+1% each year from 2020, for a period of at least five years. This proposal recognises the need for a stable financial environment to support the delivery of new homes by registered providers. This announcement has been widely welcomed by the social housing sector. The government will be looking to the sector to make the best possible use of its resources to help provide the homes this country needs.

A significant proportion of social housing rents are met by Housing Benefit or Universal Credit. Nevertheless, Government recognises that this proposal will result in social tenants who pay some or all of their own rent paying more than they would have done had the social rent reduction been extended beyond 2020.

These tenants will benefit from the social rent reduction until then. Government believes that reverting to the previous CPI+1% policy strikes the right balance between the interests of existing social housing tenants who pay their own rent, the need to build more homes, and the importance of ensuring that providers have sufficient income with which to manage and maintain their properties.

The draft Policy Statement makes clear that CPI+1% is a ceiling (rather than an expectation) for registered providers' annual rent increases. Providers will be free to apply a lower increase, or to freeze or reduce rents, if they wish to do so, and they should consider local circumstances when making these decisions.

Question 3:

Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year.

CHA agrees with this proposal. For us a small Housing Association the rent reduction has had a significant impact. With a clear business objectives to develop new homes whilst at the same time keeping existing homes up to standard and continuing with planned works programmes. The association's ability to support new development including professional input has been constrained and we now look forward to moving forward with our objectives.

It should be noted that development projects are funded over a long period and should the rent adjustment not be maintained beyond 5 years it could cause difficulties in the continuing viability of new provision.

For the avoidance of doubt it should be clearly stated that the calculated target rent which has also reduced in line with the rent reduction will also be increased by CPI +1 in line with rents.

CHA disagrees with the inference that the rent increase proposal should be used as a ceiling as it perceives this to be outside of the agreement thus far conveyed to increase rents from 2020-21. It also reflects a change from previous policy and we believe that this was not the intention of the decision.

Social rent

Government is not proposing to make any major changes to the rules relating to social rent that were set out in our previous direction to the Regulator (issued in 2014). However, it draws consultees' attention to the following:

(a) The proposed direction and supporting Policy Statement make clear that formula rent (with the 5% or 10% flexibility level, and subject to the rent caps) is a limit on the initial rent for a social rent property. Registered providers will not be required to charge the maximum formula rent if they prefer to set the rent at a lower level.

(b) It intends to specify the maximum annual rent increase that a registered provider may apply where a social rent is above the rent flexibility level. The previous direction to the Regulator (as well as guidance to local authorities) stated that increases must be 'less than CPI+1%' in these circumstances, until the rent is brought within the rent flexibility level. In the new direction, it proposes to specify that the maximum annual increase is CPI, again until the rent is brought within the flexibility level. This reflects the approach that was previously suggested by the Regulator in its rent standard guidance.

(c) The proposed direction applies the same policy on social rent to local authorities and housing associations. Prior to the Welfare Reform and Work Act 2016, local authority rents were subject to guidance rather than regulation. Although this guidance was clear that local authorities should adhere to government rent policy, it is possible that a very small number of local authorities might have charged higher rents on their social rent properties. The proposed direction would require these rents to be reduced to formula rent (with the 5% or 10% flexibility level, and subject to the rent caps) when the properties are re-let. The direction would also cap annual increases for any rents that exceed the rent flexibility level at CPI flat, rather than CPI+1%. Again, this will ensure a consistent approach across local authorities and private registered providers.

(d) The calculation of formula rent from April 2020 will differ to some extent depending on the type of property concerned. This takes account of whether the property was of a type that was excepted from the social rent reduction, either for the full four years or just the first year. This is explained in Appendix A of the draft Policy Statement (see paragraph 9).

(e) The draft Policy Statement seeks to clarify the circumstances in which social rent properties may be re-valued for the purposes of rent setting (see paragraph 2.24), and the restrictions on converting them to other rent levels (see paragraph 2.29-2.30).

Question 4:

Do you agree with the proposed direction as it relates to social rent properties?

CHA agrees broadly with the policy. However, where there is reference to housing associations having the ability to charge less than the formula rent we are concerned that this should not become an expectation from MHCLG and the Government but be left to the decision making board within each organisation.

Affordable rent

Government is not proposing to make major changes to the rules relating to affordable rent that were set out in our previous direction to the Regulator. However, it draws consultees’ attention to the following:

(a) proposal to change the arrangements for re-setting the rent on affordable rent properties. it plans to retain the requirement in the existing rent standard that registered providers must re-set the rent, ensuring that it remains no more than 80% of market rent, each time the accommodation is let to a new tenant or re-let to an existing tenant (except where this is the result of a probationary tenancy coming to an end).

However, where registered providers are re-setting the rent as a result of re-letting accommodation to an existing tenant, they should not be permitted to increase the rent by more than CPI+1% per annum. This change is intended to protect existing tenants from excessive rent increases after 2020 that could otherwise result from the combination of the social rent reduction and increases in market rents over the preceding four years;

(b) The proposed direction includes changes to the circumstances in which registered providers may charge affordable rent. These changes reflect the proposal to apply the rent standard to local authority registered providers; and

(c) As with social rent, the draft Policy Statement seeks to clarify the restrictions on converting affordable rent properties to other rent levels (see paragraph 3.17).

Question 5:

Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

CHA does not currently have any affordable rents.

Exemptions from the rent standard 39. Our proposed direction would allow the Regulator to exempt a private registered provider from one or more requirements in the rent standard. The Regulator would be able to do this if it considers that complying with the requirement(s) would jeopardise the private registered provider's financial viability. This is very similar to the existing threshold for exempting private registered providers from the social rent reduction (as set out in section 25 of the Welfare Reform and Work Act 2016). The process for private registered providers to apply for an exemption will be set out separately by the Regulator.

Question 6:

Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

Yes

Question 7:

Do you have any other comments on the proposed direction (including the draft Policy Statement)?

The draft policy statement requires clarification in relation to supported housing definitions and the intentions that the policy is expected to meet. This amplifies the previous policy and does not reflect the recent review of supported Housing rents undertaken by MHCLG.

Following the government's review of supported housing rents, there was a clear recognition that these rents should be left within the Housing Benefit system. It recognised that rent setting for this area is non- standard and there is a desire for the government to understand how rents and service charges are being set so that they can take a view on value for money. In this context rents and service charges are separately considered.

This is a critically important point. Chapter 5 defines specialised supported housing as being excluded from the policy statement. I believe that following the review of supported housing rents already conducted, the definition of specialised supported housing needs to be fundamentally reviewed so that the properties included in the definition reflect the nature of properties and their composition. Only if this is done will there be consistency for Housing Association providers. Not to do this will undermine the work done and the work still planned by MHCLG and the policy and rent direction will restrict too many rents and as such will once again render schemes unviable.

5.5 In this policy statement, ‘specialised supported housing’ means supported housing (as defined in chapter 2): (a) which is designed, structurally altered, refurbished or designated for occupation by, and made available to, residents who require specialised services or support in order to enable them to live, or to adjust to living, independently within the community; (b) which offers a high level of support, which approximates to the services or support which would be provided in a care home, for residents for whom the only acceptable alternative would be a care home; (c) which is provided by a private registered provider under an agreement or arrangement with a local authority or a health service (within the meaning of the National Health Service Act 2006); (d) for which the rent charged, or to be charged, complies with the agreement or arrangement mentioned in paragraph (c); and (e) in respect of which either: i. there was no public assistance, or ii. if there was public assistance, it was by means of a loan (secured by means of a charge or a mortgage against a property). Relevant local authority accommodation

In order to remain consistent with the supported housing funding review we suggest that the point (a) should not be linked to the remaining points in this section.

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Housing Association Residents Action (HARA) response to 'Rents for Social Housing from 2020 - 2021.'

Housing Association Residents Action (HARA) is an independent organisation of residents of a number of different housing associations including Notting Hill Genesis, Peabody, Hyde, One Housing, Network Homes, and Metropolitan.

While we welcome the consultation on the issue of rents for housing associations residents, we are very concerned that the consultation document appears to have omitted reference to fundamental principles of international human rights law and the requirements of domestic equality legislation. We submit that it should be withdrawn and these defects remedied before it is re-issued.

We deal with these issues before turning to the questions relevant to housing association residents.

1. The failure to take into account international human rights law.

Nowhere does the consultation document mention the right to housing under international human rights instruments. But we suggest that the consultation document fails a number of tests laid out regarding strategy, which must cover the issue of rents. For example the latest report from the UN Special Rapporteur on Adequate Housing[1] asks amongst its conclusions:

'Does the strategy include reasonable goals and timelines that are based on human rights indicators and subject to rigorous monitoring and enforcement?' We suggest that there are no such goals or timelines in the consultation or the associated documents - indeed there is no evidence of any strategy at all, apart from balancing costs of new home construction against the cost in Housing Benefit or Universal Credit - neither of which are human rights criteria.

'Is the strategy comprehensive, including all dimensions of the right to housing and addressing all relevant issues, policies, groups and regions? Does it engage all levels and spheres of government?' There is no evidence that such a comprehensive strategy exists - there is certainly no evi-

[1] Report of the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context. UN General Assembly. 26 February-23 March 2018.

dence of it in the consultation document. This issue also touches on the failure to abide by the Public Sector Equality Duty to which we now turn.

2. The apparent failure to carry out any impact assessment under the Equality Act 2010

The consultation document does not appear to contain a reference to any form of Public Sector Equality Duty under section 149 of the Equality Act 2010. Indeed the only assessment of impact included in the report is a cost benefit analysis of the provision of additional housing against the cost of Housing Benefit[2]. The consultation and associated documents appear to have failed to 'have due regard to the need to' eliminate conduct that is prohibited under the Act.

As housing associations are excluded from Freedom of Information legislation we, as representatives of housing association residents, cannot estimate the impact. However from our contact with housing association residents, it is our view that the proposals presented may impact on some residents with 'protected characteristics' under the Act - age, disability, race, religion, sex.

We suggest that - absent any evidence that there is a strategy based human rights consideration or that an appropriate impact assessment was made - the consultation document itself is seriously flawed and should be withdrawn and reissued with these defects remedied.

Turning to the questions relevant to housing association residents:

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

No. The reasons are as follows:

-The very high rent increases already suffered by housing associations residents. To give one London borough (not in Central London) as an example: between 2002 and 2017, the borough's housing association tenants' average weekly rents rose from £69.22 to £128.74[3] - an increase of over 85%. Although of course those trapped in the Affordable Rent Programme would have paid much more after 2011. Over roughly the same time frame in Lon-

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[2] Annex B: assessment of impact

[3] https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies (see table 704 Barking and Dagenham)

don the increase in median equivalised household disposable incomes (before housing costs) was around 10% (from £486 to £536 per week).[4]

-There has been considerable concern about the stagnation in wages and salaries (including the potentially adverse impact of Brexit). Above-inflation rent rises were conceived of in order to leverage bank debt to build high cost housing. Tenants' rent revenue subsidises housing association building programmes, in place of government investment[5]. So the poorest in society, who have gained no benefit from the asset bubble in housing, pay society's way out of the affordable housing crisis. We suggest that it is completely inappropriate for the government to increase rents to pay for the construction of types of housing which will be largely out of reach for those who pay increased rent.

For example, the Institute of Fiscal Studies warns of wage stagnation; it quotes the Office of Budget Responsibility which expects real earnings to grow by only 0.7% per year:

'The Office for Budget Responsibility (2018) expects Brexit-related uncertainty together with longer running weakness in productivity to result in average annual real earnings growth between 2017–18 and 2022–23 of just 0.7% per year…it would represent slower growth than that seen over the five years of the recovery thus far. This would suggest a continuation of the weakness in living standards growth seen over the past decade[6].'

We believe that all households must be able to pay their rent or mortgage without cutting back on other essentials, getting into debt, being trapped in unemployment and benefit/poverty traps or worse still, losing their homes.

- **The Jospeh Rowntree Trust has clearly stated that increase social rents (affordable rents) are increasing poverty amongst social tenants**: '[S]ince 2010/11 there has been a rise in the proportion of those in the social rented sector spending [more than a third] of their income (including Housing Benefit) [on housing costs]. This is due to the introduction in 2010/11 of affordable rent in England which allowed social landlords to charge up to 80% of market rent for new tenancies; far more than was previously the case for most social rents[7].'

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4 http://researchbriefings.files.parliament.uk/documents/CBP-8191/CBP8191-regional-incomes---online-tables.xlsx

5 House of Commons Briefing Paper Number 05933, 7 May 2015, Affordable Rents, England

6 Living standards, poverty and inequality in the UK: 2018. IFS. June 2018

7 UK Poverty 2017. Joseph Rowntree Trust. December 2017

Ensuring housing association tenants' can afford their housing costs over the long term, means that rents must be strictly controlled with rent and service charge increases at no more than levels of inflation or rises in average earnings, whichever is lower. Above-inflation rises are compounded over time, and represent a clear attack on tenants' financial wellbeing.

Increasing rents - as suggested in the consultation document - would increase poverty and force more residents who are tenants into the benefit/poverty trap, thanks to the government's proposals in this consultation. This is morally wrong, it ignores human rights requirements and housing association residents will, quite rightly, resist it strongly.

4. **Question 4: Do you agree with the proposed direction as it relates to social rent properties?**

No. The reasons are as follows:

-Rents should be determined in relation to the running costs of social housing tenants' homes and social infrastructure such as tenants' halls on estates (in the past, they were set at a level that covered management, maintenance and pooled historic costs). It is unreasonable that they reflect market values in any way or are raised to provide collateral to allow housing associations to borrow more to build market or 80% market housing, which is out of reach in many areas to average and low income households. Rents should be agreed with tenants on an annual basis with full transparency on what rents are being spent on. Rent income from tenants must be ring fenced for the management, maintenance and historic cost of their housing. This will prevent rent revenue being diverted into speculation by housing associations wanting to grow at any cost.

-Rents should be set at social rent levels. In order that housing association tenants can afford their housing, rents should should be linked to low household incomes. We suggest a level of 30% of mean net incomes for the lowest quartile of households. Rents should be similar for similar sizes of properties across a social landlord boundary area, be they old or new, existing let or re-let homes. The current situation where much higher rents are being charged in terms of re-lets and letting of new properties is unfair and divisive – particularly in London given the wide differences in actual or potential costs between existing tenancies (based in the ending of convergence in 2015) and relets or new homes based on 'target'/'affordable'/'intermediate'/etc. rents. Such a policy introduces huge variations by region and type of household in the proportion of people experiencing housing-induced poverty or homelessness.

Question 5: Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent? Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

No. The reasons are as follows:

Direct funding for new social rented homes should instead be targeted to local authority and community-based organisations like Community Land Trusts or Housing Co-operatives. Housing Associations have proved to be unreliable and have largely failed in their social purpose. For example their own statistics show that only 10% of the homes constructed by housing association in 2017/2018 were social rent homes[8].

-We note that even with apparent statutory rental decreases under the Welfare Reform and Work Act 2016 (-1%) that housing associations surpluses are still at £3.5 billion as of December 2017[9].

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

-The current model exhibited in this consultation has shown to be seriously flawed. It is predicated on the view that housing associations should self-fund new development. This is not a strategy for dealing with the housing crisis, it is a political ideology.

-This policy has led to the extraordinary situation in which housing associations are selling existing social rent housing in order to pay for constructions of new out-of-reach (non social rent) homes. It has led to the exploitation of all residents of housing associations through increasing demands for rent increases, increase in services charges, and the increase of Qualifying Long Term Agreements on repairs which have proved to be costly mistakes. Housing associations have enthusiastically carried out the Government's 'conversion policy' (increasing social rent homes to unaffordable 'affordable' rent) further depleting social rent housing when it is desperately needed.

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[8] How many homes did housing associations deliver in 2017/18? NHF. June 2018

[9] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/666695/2017_Global_accounts_of_private_registered_providers.pdf

Worst of all, this model means housing associations, which were once charitable organisations, channel funds to financial institutions and banks who profit from providing loans. This fuels the rising costs of market/or 80% market homes and ensures it is less and less feasible for housing associations to build social rent homes that households on low or average incomes can afford to live in.

This model is broken and must end.

HARA. November 2018

Building homes, independence and aspirations

home group

Home Croup's Response to Rents for Social Housing from 2020-21 a Consultation Paper

Your name	[redacted]
Your position (if applicable)	[redacted]
The name of organisation (if applicable)	Home Group
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An email address	[redacted]
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Consultation questions

Question 1: Do you agree that the rent standard should apply to local authority registered providers from 2020?

IZ!Yes
☐No
☐Not sure

Question 2: Do you agree that the same requirements should apply to both local authorities and private registered providers?

IZ!Yes
☐No
☐Not sure

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

IZ!Yes
☐No
☐Not sure

We would encourage the Government to increase the timescale of this policy commitment to 10 years, rather than the 5 set out in the draft policy statement. This would provide the sector with long-term funding certainty and the financial stability required to encourage capital expenditure on building the new homes this country so desperately needs.

We would express some apprehension about the change in wording with regards to rent flexibility. In paragraph 2.14 of the Policy Statement on Rents for Social Housing it reads:

> '.. .*the policy contains flexibility for registered providers to set rents at up to 5% above formula rent (10% for supported housing .. .) We expect providers to use this flexibility in a* ***balanced*** *way, and not set all rents at 5% (or 10%) above formula rent.'*

The newly introduced word. 'balanced'. presents a degree of ambiguity around when. and on how many properties. rent flexibility can be applied. We would be keen to understand what exactly 'balanced' means here. Who defines it? Could its interpretation change over time. and how will the regulator enforce this aspect of the new standard? This level of uncertainty could impact the sectors· appetite to build, and may be reflected in more cautious business planning.

More specifically. there is a risk that some interpretations of 'balanced' would lead to a proportion of providers· rents being found retrospectively non-compliant with the new rent standard. Providers might then be faced with the obligation of managing them down over time. at least in real terms. This could have a significant impact on the sectors ability to support the development of new homes.

We would suggest the new Government rent policy be based on the wording used in the original Rent Standard Guidance (3.10):

> *'Once formula rents have been calculated, registered providers have flexibility to set rents at up to +5% of the formula rent. For supported housing, the flexibility is +10% of the formula rent. This is intended to allow registered providers discretion in dealing with local factors.'*

Returning to the previous terminology would remove any uncertainty that may negatively impact the sectors appetite. capacity. and ability to build the new homes this country needs.

Question 4: Do you agree with the proposed direction as it relates to social rent properties?

�Yes
☐No

Question 5: Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

☒Yes
☐No
☐Not sure

Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

☒Yes
☐No
☐Not sure

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

☐Yes
☒No
☐Not sure

LGA Response to MHCLG consultation on Rents for social housing from 2020-21

November 2018

Local Government Association

Submission

The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government.

We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

We welcome the opportunity to respond to this consultation.

Key messages

- We welcome the return to a policy of managed rent increases following the social rent reduction from 2020-25. However long-term income certainty is crucial, and a commitment to 30 year rent increases of CPI+1% from 2020 would be extremely valuable in supporting councils to make full use of potential released through the lifting of the cap on borrowing through the Housing Revenue Account.

- We believe it is important to retain an element of local flexibility within a stable long-term national framework of rent increases. We acknowledge why the Government has proposed this model of rent regulation for council rents, however this move reflects a shift away from localism, removing the flexibility for independent council landlords to set rents as was agreed at self-financing. We would support further investigation of other options for applying more proportionate controls to Housing Benefit spending via social rents within Universal Credit, for instance the continuation of a limit rent model.

- Local flexibility is important because the proposal to regulate local authority rents by a maximum increase of CPI+1% will limit the build ambitions in many areas. This especially true for those councils with plans to move towards formula rent after the period of rent reductions has ended in 2020. If the Government goes ahead with this proposal it might consider exemptions for councils to gradually phase up their rents towards the formula rent level, from which point regulation would apply.

- Furthermore our Setting Social Rents report with Capital Economics demonstrated that, while a CPI+1% rent increase is broadly right, a greater level of local discretion on rent setting could generate increased rental returns to invest in new and existing housing stock which would generate welfare savings overall.

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Consultation questions

1. Do you agree that the rent standard should apply to local authority registered providers from 2020?

The Government is seeking a new mechanism to control local housing authority rents as a result of the transition from Housing Benefit to Universal Credit. Universal Credit consists of one payment (usually made directly to the individual), and as a result DWP cannot control the amount paid for housing costs. It is proposed instead that welfare spending on housing costs will be protected by applying a maximum rent increase to local authorities.

We recognise the need for Government's need to control welfare spending. However the sector overwhelmingly seeks to manage a proportionate rent policy that balances the needs of tenants with the need to invest in new and existing stock. In reality there may be a small number of examples where rents have been increased beyond limit rent, which are recovered through the rent rebate subsidy system. The proposed model for removing the flexibility for all council housing landlords to set their own rents can feel like a heavy-handed response. It might be more appropriate to find a means through which to manage the small number of outliers rather than implement a system of rent regulation for all.

Before the social rent reduction many councils were beginning to move their rents towards the formula rent, which are still much lower than rents in the private rented sector. The self-financing settlement required councils to have regard to Government guidance on rents, but let them manage rent levels within the context of their HRA business plans and the borrowing cap. The introduction of a rent standard would therefore remove a significant element of flexibility from council landlords. The government might consider other means for maintain control on welfare spending, such as further investigating how the limit rent model might work within Universal Credit.

If government goes ahead with the rent standard a solution could be to set a different path for councils that need to converge their rents with standard levels. For example, this could take the form of a four year guideline convergence flexibility from April 2020, allowing councils to raise their actual average rents to their average Formula Rent and then from April 2024 their rents could be raised CPI + 1% on an average rent basis.

2. Do you agree that the same requirements should apply to both local authorities and private registered requirements?

The argument for this proposal is based on Government's desire to offer all tenants the same level of protection.

However, councils are far from being on a level playing field with housing associations. If all social landlords are to be treated the same then government must act to end the rules that set local authority landlords at a financial disadvantage:

- Right to Buy. Councils can only keep a portion of the receipts and what they retain is covered by rigid restrictions. Councils should be allow to retain 100% of RTB receipts and allowed to use them flexibility to support local development and investment.

- Councils are treated as public bodies in financial terms. Housing associations have recently been reclassified as private bodies and their debt is therefore no longer registered on the public borrowing sheet.

3. Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

We welcome the return of a policy of managed rent increases of CPI+1%, which are broadly right. In the case of local government this should continue to be managed through guidance, and should be set out over a longer period of perhaps 30 years.

Councils signed the self-financing settlement with the Treasury based on calculations of future rent income. The valuation had a built in assumption that councils would complete the process of reaching standard “formula” rents levels in 2015/16. The aim of rent convergence was to align council and housing association rents at the same level. Council rents were around 11% lower than the formula rent on average in 2010-11[1]. However, this window was closed when Government implemented four years of a -1% rent reduction in the Welfare Reform and Work Act of 2016. Those councils that signed up to the self-financing settlement with lower than standard rents are now even further behind. The introduction of a fixed maximum rent increase would lock some councils into low rent levels that will reduce their capacity to build as many new homes.

It is important to acknowledge that the move to regulate social rents does not only control welfare spending but limits the capacity to increase rental returns from tenants that do not receive welfare assistance. In fact, our Setting Social Rents report with Capital Economics demonstrated that, while CPI+1% increase are broadly right, a greater level of local discretion on rent setting could generate increased rental returns to invest in a level of new and existing housing stock which would actually generate welfare savings overall [2]

4. Do you agree with the proposed direction as it related to social rent properties?

We do not agree that the introduction of a direction is necessary. Other options should be fully explored to avoid unintended consequences for new supply.

5. Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting if affordable rent?

No major changes are proposed. However, we do not agree that the direction should be applied to local authorities.

6. Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

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[1] Implementing self-financing for council housing, CLG Guidance 2011

[2] Capital Economics, Setting Social Rent 2018

http://www.arch-housing.org.uk/media/111397/capexrents.pdf

Certain types of council housing would be exempted:

- Shared ownership low cost rental accommodation
- Intermediate rent accommodation
- Specialised supported housing
- Relevant local authority accommodation
- Student accommodation
- PFI social housing
- Temporary social housing
- Care homes

Local authorities would need to seek an exemption from the overall policy from the Secretary of State. Should this policy be introduced the process must be set out well before 1 April 2020 to allow local authorities sufficient time to secure an exemption.

As noted in Question 3 there must be a process of transition to allow councils to complete the process of "converging" rents to standard levels.

7. Do you have any other comments on the proposed direction?

No further comments on the direction.

London Tenants Federation
[redacted] - www.londontenants.org - info@londontenants.org - @LondonTenants
London Tenants is a company limited by guarantee, registered in England / Wales No 8155382

07.11.18

LTF response to consultation on rents for social housing from 2020-21

London Tenants Federation brings together borough- and London-wide federations and organisations of tenants (including leaseholders) of social housing providers. Its membership also includes the London Federation of Housing Co-operatives and the National Federation of Tenant Management Organisations. A number of its member organisations involve both council and housing association tenants and a few (a minority) also involve some private tenants. LTF's main focus is on engaging its member organisations in London-wide and national strategic policy – particularly relating to housing and planning.

We organised a conference on 'A Tenant-led Deal for Social Housing in London', in partnership with the London Federation of Housing Co-ops and the National Federation of Tenant Management organisations on 20th October 2018. The conference included workshops and discussion in part focused on the Social Housing Green Paper and the consultation on the government's consultation on Rents for Social Housing 2020-21. It was attended by 110, mostly social housing tenant representative attendees,

Our response to this consultation comprises

- agreed key points from our 20th October conference (mentioned above),
- parts of LTF's 'policy positions' which have been built on over many years and are formally updated bi-annually.

Question 1: Do you agree that the rent standard should apply to local authority registered providers from 2020?

Question 2: Do you agree that the same requirements should apply to both local authorities and private registered providers?

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

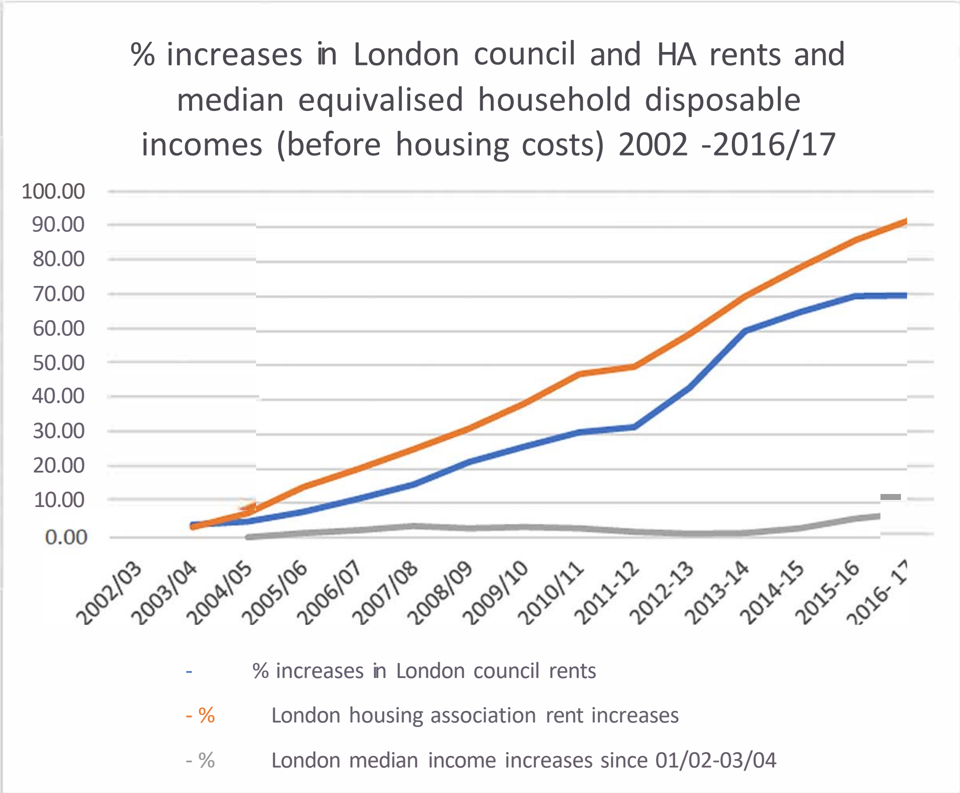
No.

(i) We fear that that rent increases will continue to exceed inflation and that social rents will continue to rise at very much higher rates than incomes in London. This is not **'protecting'** tenants.

In London, weekly council tenants' rents increased by more than 70% (from£63.44 to £108.06) between 2002 and 2017 and housing association tenants' rents by more than 92% (£65.94 to £126.76).[1] Over the same time frame the weekly increases in

[1] https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies (see tables 702 and 704)

equivalised household disposable incomes (before housing costs) rose just 7% (from £501 to £536).[2]



(ii) Rent convergence did not occur in London. The gap between council and housing association rents widened and formula / target rents were not reached in the capital.

Despite the apparent ending of convergence by the Coalition Government, it appears that this is only consistently being applied in respect of rents for existing social housing tenants.

In relation to re-lets and new social rented homes it appears these are at least in some instances being let at full target or formula rents or London Affordable Rents (which the Mayor's office and certainly a number of boroughs/ planning authorities are referring to 'social rents'). This has created a further level of unfairness in respect of differences in rent levels for social housing tenants.

There is much fudging or lack of clarity in this respect.

The planning application for the Oaklands development of 2016 in the Old Oak and Park Royal Development Corporation area is an example of this (section set out below).

What is deemed to be 'social rent' is much higher than existing social rents and could be formula rents / London Affordable Rents - which don't include service charges and are thus (see in table 5-4) are higher than the previous London Mayor's 'capped affordable rents' (at 50% market rents including service charges).

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2 http://researchbriefings.files.parliament.uk/documents/CBP-8191/CBP8191-regional-incomes---online-tables.x1sx

5.9 *Table 5.3 Indicative rent levels for social rented and affordable rented units without service charge*

Unit type	Open market rent	Social rent	Social rent % of market rent	Affordable rent	Affordable rent % of market rent
1B2P	£251.00	£120.38	48%	£165.00	66%
2B3P	£298.00	-	-	£195.00	65%
2B4P	£339.00	£143.60	42%	£200.00	59%
3B5P	£354.00	£154.92	44%	-	-
3B6P	-	£154.92	-	-	-

5.10 *Table 5.4 Indicative rent levels for social rented and affordable rented units with indicative service charge*

Unit type	Open market rent	Social rent	Social rent % of market rent	Affordable rent	Affordable rent % of market rent
1B2P	£286.00	£155.38	54%	£200.00	70%
2B3P	£333.00	-	-	£230.00	69%
2B4P	£374.00	£178.60	48%	£235.00	63%
3B5P	£389.00	£189.92	49%	-	-
3B6P	-	£189.92	-	-	-

On average we are talking about what are being called ‘social rents’ at £158.84 pw (at the formula rent cap / London Affordable Rent benchmark for a 2-bed home) for 2018/19.

This amounts to:

- an extra £50.78 pw on existing average council rents - a further 47% rental increase or a total **155% increase of average council rents in 2002** and
- an extra 25% increase in existing housing association rents – or a total of **141% rent increase compare to average HA rents in 2002.**

(iii) We raise concerns here (again) that the London Mayor’s London Affordable Rent does not include service charges, which seemingly as an ‘affordable rent’, it should do.

(iv) We also raise concerns about the overall housing costs, once service charges are taken into account. In the example above, we are talking about an extra hike of £35 a week on service charges. All this is unacceptable as a ‘social rent’.

(v) We don’t understand why average housing association rents have continued to rise in London since 2015 when convergence was supposed to have ended.

(vi) The Government consistently fails to acknowledge the impact of national policy in different part of the country. The issue of affordability in London, particularly in respect of households with below the median equivalised income levels is far different from the rest of the country and must be acknowledged. It seems increasingly the case that the vast majority of housing being delivered / proposed to be delivered is either not meeting need of below the median and less so for low income households (at 60% of median incomes) and will continue to increase the number of in work households that are unable to meet housing costs without access to housing benefit.

Question 4: Do you agree with the proposed direction as it relates to social rent properties?

No.

Convergence has had a negative impact on social rents in London (as detailed above).

It fails to acknowledge the differences in term of the cost of accessing finance for delivery of new homes – which is more expensive for housing associations as private organisations than for local authorities.

We propose that

(i) All social housing tenants need greater transparency on what our rents are spent on (particularly over the period of 2002-15 and in the case of housing associations in London where it seems that rents have continued to increase to 2017). We want to know:
   - what that additional money collected in rent since 2002 has been spent on, including where there have been any apparent increases in costs of management and maintenance of homes has occurred,
   - the extent to which tenants' rents have paid for decent homes works,
   - whether there has been any decrease in management and maintenance costs post decent homes work being carried out and
   - the extent to which social housing tenants are paying towards the capital cost of new homes (which they will never own individually – except those exercising the Right to Buy – nor collectively).

(ii) Social housing should be acknowledged as delivering long-term social benefit including around health and wellbeing. In this respect, we feel it would be fair if all capital costs relating to the delivery of new social rented homes – both grant funding and paying back of loans and interest of loans came from the public purse.

(iii) Rents should be determined in relation to the running costs of social housing tenants' homes and social infrastructure such as tenants' halls on estates. It is unreasonable that they reflect market values in any way.

(iv) Rents should be agreed with tenants on an annual basis (for both council and housing association tenants with full transparency on what rents are being spent on).

(v) Rents should be similar for similar sizes of properties across a social landlord boundary area – be they old or new, existing let or re-let homes. The current situation where much higher rents are being charged in terms of re-lets and letting of new properties is unfair and divisive – particularly given the wide differences in actual or potential costs in London between existing (based in the ending of convergence in 2015) and relets or new based on target rents (as detailed in our response to q3). 6

(vi) Acknowledge that having lower rents generally in London would not only be fair but that it would continue to reduce the national housing benefit bills (noting particularly that increases in housing benefit is occurring mostly in relation to in work claimants).

(vii) Housing associations should have ring fenced accounts (as local authorities have) for holding social tenants rent and service charges exclusively for housing costs and related community infrastructure, and excluding other items such as employment training and job hunting – which should more fairly be paid for via the public purse.

Question 5: Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

No. Funding for new social rented homes should instead be targeted to local authority and community-based organisations.

We note that even with apparent statutory rental decreases under the Welfare Reform and Work Act 2016 (-1%) that housing associations surpluses are still at £3.5 billion as of December 2017[3].

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

[redacted] and [redacted]

LTF regional delegates

[3]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/666695/2017_Global_accounts_of_private_registered_providers.pdf

From:	[redacted]
To:	Social Housing Rents
Subject:	please so the attached
Date:	21 October 2018 15:32:55
Attachments:	How English social tenants can save £8,400 in rent – and takes .pdf

Please see the attached and work on it Regards, [redacted]

Sent from Mail for Windows 10

Virus-free. www.avast.com

[redacted]

How English social tenants can save £8,400 in rent – and takes two minutes!

The Conservative government has a current consultation paper on council and housing association rent increases in England (only) that the 3.9 million English social tenant households should oppose en masse. And it is so simple to do by email.

Why would social tenants NOT oppose a proposal that sees them pay out on average £8,400 more in rent over the next fifteen years? That's around £580 per year more in rent each year and coincidentally the same £580 per year that benefit tenants have lost out by the social security benefit freeze of the Tories austerity programme since 2015.

How typical that the benefit freeze draws lots of media attention yet there is absolutely bugger all about the shafting of the social tenant that has seen 34% average rent increases (2010 -17) that have been 4 times benefit inflation (8.3%) 3 times wage inflation (10.8%) and double prices or CPI inflation of 16.6%!

The government proposes to increase rents by inflation plus an additional 1% that will see the average social tenant pay £8600 more in rent over the next 15 years than they should. A simple two-minute email response from English tenants can stop this and I am encouraging as many tenants as possible to do precisely that and send an email to

SocialHousingRents@communities.gsi.gov.uk opposing this unjustifiable and perverse rent increase.

Some groups of tenants such as disability groups and some London and other tenants groups have become more vocal these past few years yet still remain insignificant in number. Opposing the perverse (see below) proposal to increase rents by 1% more than CPI inflation is a great chance for 3.9 million households with 5 million plus voters to flex their muscles for the first time ever and en masse. All it takes is a two-minute process of sending an email too!

If tenants do this then the government HAS to consider it and especially if they propose the alternative which is rents to increase by CPI inflation only that is a proposal that benefits tenants and government and the taxpayer and guarantees more new housing will be built which is the government rationale for this inflation busting proposal.

Template Letter (feel free to amend)

Tenants can copy and paste the following template letter and email to the email address above of SocialHousingRents@communities.gsi.gov.uk

> **Dear MHCLG**
>
> **I am a social housing tenant in England and my post code is [INSERT]**
>
> **I write to oppose your plan for an inflation-busting rent increase by council and housing association landlords in England for the at least 5 year period commencing April 2020 and do so for the following reasons:**
>
> **The proposal is perverse as the additional 1% over and above inflation adds an unnecessary 1% to the Housing Benefit (and its UC equivalent bill) that currently stands at £15.07 billion per year.**

In the first year, 2020, this adds a further £150.7 million cost to the taxpayer and in the hope – and nothing more than hope – that social landlords recycle this to develop new housing. Yet just 1 in 5 English housing associations actually develop new housing so the proposal gives added rent funding to all HAs yet only 20% use this for new housing. That is perverse and a chronic waste of taxpayer money

I propose an alternative which is to limit social housing rent increases to CPI only and to sweep the additional 1% you propose into a centrally held capital subsidy pot that English social landlords can bid for solely to develop new housing. This guarantees that the additional taxpayer money of £150.7 million in 2020 is used for the intended purpose.

This model – that costs the exact same to government – continues each year and realises a new house building pot of £311m in 2021, £482m in 2022, £663 in 2023 and £855m in 2024. The consultation states the rent increase formula is for “at least 5 years” and so if this alternative model continues it realises a new house building pot of £1.06bn in 2025, £1.27bn in 2026 and reaches over £2bn in 2029. If continued for a further 5 years it realises a centrally held new house building pot of £3.52 billion for the year 2034 in 15 years time.

On a basis of £40,000 capital subsidy per new house built the £3.2 billion in 2034 equates to around 88,000 new houses built by English social landlords and a social housing new build figure last achieved in 1981. Since 2010 all UK social landlords have built an average of 33,040 per year and this alternative use of the exact same HB/UC taxpayer cost you propose will deliver 166% more new housing units.

This alternative as well as delivering 166% more new housing also means government reduces the housing benefit bill by £3.52 billion per year by 2034 with its obvious political advantages as it

repurposes the current proposal and removes its perversities and targets taxpayer monies with much greater efficiency.

Additionally, it produces lower rents that are much more affordable to existing and future social tenants. This reduces poverty and allows social tenants to save more and save more quickly for a mortgage deposit and get on the housing ladder. It arrests and then will reverse the UK home ownership rate that has fallen from 71% in 2004 to 63% by 2017 and is one of many advantages to government.

This alternative prevents the supply crisis we have experienced for decades by restoring a programme of capital subsidy that becomes systemic and allows all housing actors to plan with greater confidence. It develops and maximises new house building from the same amount of government revenue funding and it benefits tenants, government and reduces dependency enabling more tenants to take up employment opportunities as their rents become a lower proportion of their income.

In short, this proposal gives a political solution to the UK Housing Crisis elements of undersupply and affordability and costs government not a penny more. I thank you for the opportunity and recommend you consider this alternate proposal carefully for all the above reasons.

Yours

[TENANT NAME]

Explanation and supporting evidence

What the consultation (here) means for English social housing tenants is illustrated in Table 1 below using the current CPI inflation figure of 2.4% and uses the current All England average weekly rent from the English Housing Survey (EHS) of £102.16:

Year	CPI+1%	CPI only	Weekly diff	Yearly diff	Cumulative
2020	£105.63	£104.61	£1.02	£53	£53
2021	£109.22	£107.12	£2.10	£110	£163
2022	£112.94	£109.69	£3.25	£169	£332
2023	£116.78	£112.33	£4.45	£232	£565
2024	£120.75	£115.02	£5.73	£299	£863
2025	£124.85	£117.78	£7.07	£369	£1,233
2026	£129.10	£120.61	£8.49	£443	£1,676
2027	£133.49	£123.50	£9.99	£521	£2,197
2028	£138.03	£126.47	£11.56	£603	£2,800
2029	£142.72	£129.50	£13.22	£690	£3,489
2030	£147.57	£132.61	£14.96	£781	£4,270
2031	£152.59	£135.79	£16.80	£876	£5,146
2032	£157.78	£139.05	£18.73	£977	£6,124
2033	£163.14	£142.39	£20.75	£1,083	£7,206
2034	£168.69	£145.81	£22.88	£1,194	£8,400

Hopefully Table I above is self-explanatory and yu can see how the seemingly insignificnt 1% adds an unnecessary rent cost of £8,400 to each social tenant household on average over the next 15 years.

What the figures mean for government are below in Table 2 which reveals the Housing Benefit spend at CPI+1% and at CPI only

Table 2

	CPI + 1%	CPI only	Difference pa (£bn)
2020	£15.63	£15.48	£0.15
2021	£16.21	£15.89	£0.31
2022	£16.81	£16.32	£0.48
2023	£17.43	£16.76	£0.66
2024	£18.07	£17.22	£0.85
2025	£18.74	£17.68	£1.06
2026	£19.43	£18.16	£1.27
2027	£20.15	£18.65	£1.50

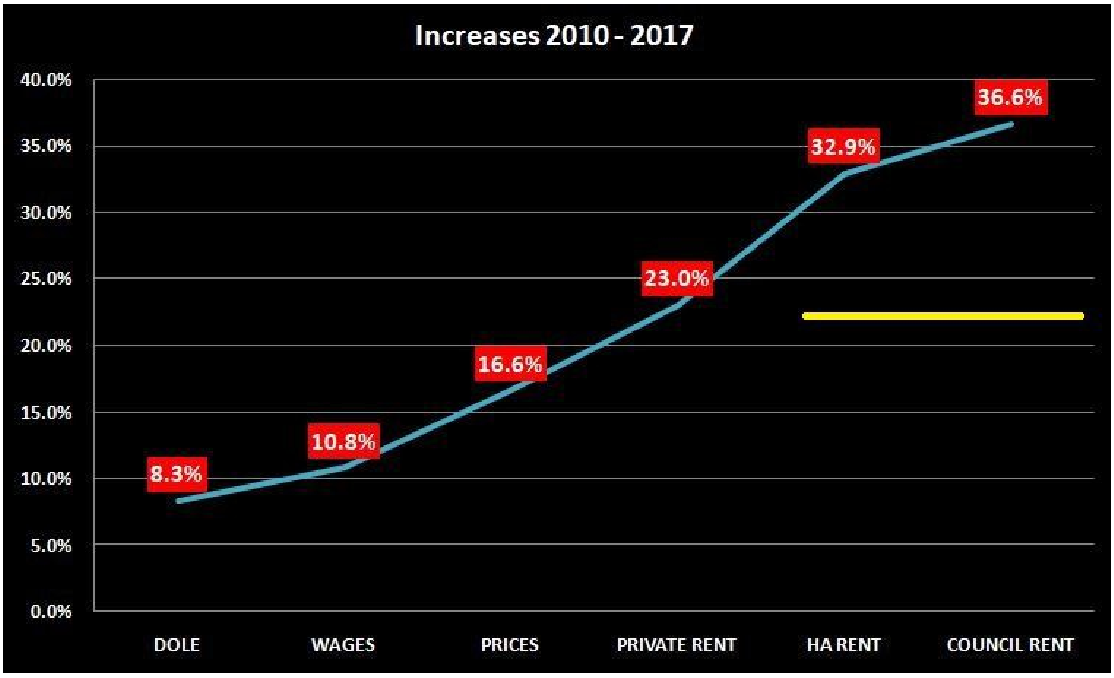
2028	£20.90	£19.15	£1.75
2029	£21.67	£19.67	£2.00
2030	£22.47	£20.20	£2.27
2031	£23.31	£20.75	£2.56
2032	£24.17	£21.31	£2.86
2033	£25.06	£21.88	£3.18
2034	£25.99	£22.47	£3.52

Table 2 also reveals the difference in its final column that should go into the capital subsidy housing pot per year for developing social landlords to bid for. Note that when the Tories reduced capital subsidy in 2011 it reduced to £1.13 billion per year and this model sees it become three times that figure by 2034 – all at no added cost to government than they propose to pay out in their CPI+1% perverse plan.

Comment

Typically any government housing consultation sees around 300 responses with at least 299 of them (!!) from landlords and the tenant opinion is never heard by Government and that needs to change.

Average social housing rents increased 34.2% from 2010 to 2017 and more than double CPI inflation of 16.6% in that time as the chart (Table 3) below reveals. That needs to change and the power lies with tenants to change that.



The chart above also reveals that social (sic) landlords with their overall average 34.2% rent rises increased their rents by half as much again as the proverbially 'nasty' private landlord increases of 23% over the same period!

Never forget that the 3.9 million English council and HA tenancies contain 5 million voters and no government can afford to ignore that. It is time that social housing tenants wielded their huge latent political influence.

The purpose of this post is to inform tenants that they can get involved and how easy it is to get involved as copying and pasting my template letter and emailing it IS a 2 minute action for social tenants.

IF just 1 in every 100 English social tenants did email in this letter it would be 3,900 tenant consultation responses from the 3.9 million English social tenants. It would mean 93% of all responses were from social tenants. The government would have to consider this response that sees English social tenants paying £8,600 less in rent over the next 15 years!

Quite why social (sic) landlords expect preferential treatment in receiving above inflation rent increases year on year when everybody else has to cut their cloth is staggering in its conceit. Working in housing for 25 years this has always amazed me in principle though prior to 2010 has had little impact for those on benefits as HB has typically kept pace with rent inflation.

Yet as the yellow line in Table 3 below shows average HB increased 22% in the same 2010 – 17 period that average social housing rents increased by 34.2%. HB went from paying 94% of rent to an average of 86% of social housing rent in that period and many simply do not realise this impact. It is time they did.

The facts don't lie only politicians and social landlord apologists do!

Dear social tenants,

It is way past time to send this email and force government and your landlords to sit up and take notice. Tenants the power IS in your hands and you need to wield it. Please don't just utter "enough is enough" and sit on your arses and moan! It only takes 2 minutes to save £8,400 in future rent …

Response template:
Rents for social housing from 2020-21 - consultation paper

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

Your name	[redacted]
Your position (if applicable)	[redacted]
The name of organisation (if applicable)	Plymouth Community Homes
An address (including postcode)	Plumer House, Tailyour Road, Plymouth, PL6 5DH
An email address	[redacted]
A contact telephone number	[redacted]

If you are not responding on behalf of an organisation are you a tenant of a registered provider of social housing (such as a housing association or a local authority)?

☐Yes
☐No

Consultation questions

Our reply needs to be read in the context that when the housing stock transferred from Plymouth City Council in 2009 it was with an agreement that rent convergence to formula rent would not be substantially complete until 2016. Our rents are some of the lowest rents in the country and even within Plymouth our social rents are a good £10pw below other housing association rents.

The ability to converge upwards was then taken away in 2013 with the exception of moving a home to the formula rent when it is re-let. This loss of convergence took £30m out of our business plan. The July 2015 announcement of four years of -1% rent cuts took several hundred million more out of our business plan over 30 years.

Prior to this from 2010 we faced a reduction in grant allocation for our high-profile regeneration scheme in North Prospect, with the change in funding regime requiring us to convert over 2,000 homes let at social rent to affordable rent (when re-let upon becoming void) to create the required development subsidy. The scheme had been designed with the assumption of £60k per unit grant; the affordable re-let subsidy was required to replace the shortfall in grant.

The stark result of these policies is that as of April 2019 we still had over 9,000 homes below our agreed formula rent targets and our average social rent for general needs housing has fallen from £76.14 per week to £73.95 per week (50 weeks). In addition it is possible to find our homes of a similar standard in the same areas in Plymouth at significantly different rents. Within one street, or one block, the rents for similar properties could either be below formula, at formula or at affordable rent.

We are a prime example of where well-intentioned changes to national rent policy have resulted in an incoherent local outcome for rents.

In this context we believe the current well intentioned proposals will also have some unintended consequences but more significantly represent a missed opportunity to address the lack of coherent policy which currently exists regarding the setting of social rents both in terms of convergence and also on the use of what is now an outdated formula.

Question 1: Do you agree that the rent standard should apply to local authority registered providers from 2020?

☒Yes
☐No
☐Not sure

Comment:

Yes, we agree. All registered providers should be subject to the same requirements for rent setting regardless of their constitution.

Question 2: Do you agree that the same requirements should apply to both local authorities and private registered providers?

☒Yes
☐No
☐Not sure

Comment:

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

☐Yes
☒No
☐Not sure

Comment:

Specifically we do not agree with:

- The average rent basis for the transition year;
- The lack of ability to converge rents upwards in an affordable way other than on tenancy turnover.

The rent direction states that the baseline for the CPI+1% is the average weekly rent charged during the last year of the rent reduction period. As currently drafted this will have the unintended consequence of creating further discrepancies within our rents in a local setting.

We have over 9,000 rents below our agreed formula rent targets due to a legacy from stock transfer and previous changes in Government Policy. We also have a need to keep on converting homes from social to affordable rent to create subsidy for developments as contractually agreed with Homes England.

We therefore have many examples where a property may start the year let at below formula rent and is re-let during the year at either formula or affordable rent.

Taking an average weekly rent charged during 2019/20 will mean that the rent increase will be lower for the incumbent tenants at the end of the year than it would for those tenants who had been renting for a full year at a formula or affordable rent. Furthermore the average rent will depend on the time of re-letting and so will be different for each home. It is possible that we can have tenants in close proximity or even in the same block where the rent increases applied to the same end of year rents would be different in a variety of ways. In fact it is quite possible that in these scenarios the tenant would receive a rent decrease in April 2020 which we are sure is not the intention.

From an association point of view this would mean that the baseline average is less than the formula rent which will put PCH and other similar transfer associations back into a disadvantaged situation compared to other Housing Associations who are already at formula rent. It will also stifle the achievable premium for use in new-build development coming from homes newly converted to affordable rents, which again will be contrary to the intention of Government policy.

It should be noted that we cap our affordable rents to the Local Housing Allowance, thereby ensuring that affordable rents are truly affordable.

Question 4: Do you agree with the proposed direction as it relates to social rent properties?

☐Yes
☒No

Comment:

We do not agree for the same reasons as in question 3 relating to using average rent in the transition period and not allowing for convergence upwards of existing homes to formula rent.

Currently we have rents at various different levels for homes within the same street or block depending on when they were let. The inability to converge rents to the same level using small increases each year means that these differences will continue, confusing tenants and reducing our financial capacity to develop more homes. We would welcome the opportunity to standardise rents at formula to address both of these matters.

Question 5: Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

☒Yes
☐No
☐Not sure

Comment:

Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

☒Yes
☐No
☐Not sure

Comment:

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

☒Yes
☐No
☐Not sure

Comment:

This is a missed opportunity to completely review the way rent levels are set so that housing providers can get the right balance between local affordability and increasing new build development in their operational areas.

The existing formula is based on relative 1999 property values and relative 1999 income levels for a labourer. These reference points will be over 20 years old by the time the new increases are to be applied. In that time the relative weighting of property values in different regions of the country has changed as has the demographics of the labour force, the nature of work and the impact of both the minimum (living) wage and austerity measures.

We believe an ordinary member of the public would consider such a formula to now be arcane and potentially prejudicial as it does not seemingly reflect the gender diversity of the modern day workforce.

CIPFA The Chartered Institute of Public Finance & Accountancy

CIPFA Housing Panel

Rents for Social Housing

Consultation response to the Minister of Housing, Communities and Local Government

November 2018

[redacted]

The Chartered Institute of Public Finance and Accountancy (CIPFA) is one of the leading professional accountancy bodies in the UK and the only one that specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government. CIPFA's members work (often at the most senior level) in public service bodies, in the national audit agencies and major accountancy firms. They are respected throughout for their high technical and ethical standards, and professional integrity. CIPFA also provides a range of high quality advisory, information, and training and consultancy services to public service organisations. As such, CIPFA is the leading independent commentator on managing and accounting for public money.

The Housing Panel focuses on the financing of housing services provided by local authorities and by housing associations.

The panel:

- considers finance and policy issues relating to registered providers and local housing authorities
- advises members and employers on best practice regarding social housing issues
- responds to consultation and discussion papers from government and other relevant bodies.

Contact details regarding this consultation response

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Response to MHCLG consultation on Rents for social housing from 2020-21

Introduction

CIPFA welcomes the opportunity to respond to the consultation on Rents for Social Housing from 2020-21, particularly as it has been seeking certainty around future rental income to enhance the opportunity for social housing to fulfill the government's desire to see more homes built to assist meeting the current chronic shortage of housing that is genuinely affordable

Consultation Questions

1. Do you agree that the rent standard should apply to local authority registered providers from 2020?

CIPFA clearly understands the philosophy behind these proposals brought about by the government desire to implement UC and therefore feel there is a need to control the quantum of costs associated with LA rents that might fall upon the DWP. However, confirming the removal of a previous LA power and concentrating that power at the centre does seem to be at odds with thrusts in other funding sources for local government, where the direction is very much about self-reliance. The former practice of Rent Guidance has served well for many years with only a small number of LAs having chosen to exceed the guidelines. Surely, it is better to set a mechanism to deal with those that significantly overshoot guidelines rather than a bludgeon for all authorities? So CIPFA would question the need for a rent standard that applies to all local authorities.

Further, CIPFA believes that if the government should ignore the powerful arguments for not agreeing the rent standard should apply to Local Authorities, then it would strongly urge government to consider a re-instatement of rent convergence to allow those authorities that had not achieved this to do so. CIPFA believes there is merit in a proposal of a 4 year period to allow all councils to raise their actual average rents to their average Formula Rent and then from April 2024 their rents could be raised CPI + 1% on an average rent basis.

2. Do you agree that the same requirements should apply to both local authorities and private registered requirements?

It is clearly understood that there will be a perception that all social tenants should face similar increases in rent over time. However, that fails to recognise the significant differences in starting points for rents between the 2 sectors that the aborted rent restructuring was meant to solve. Both sectors are being asked to build new homes to meet the severe housing crisis that the country faces. However, most of the funding for this has to come from internal monies as grants in this area have been few and far between. Rental income differences, the different ability to use the receipts of asset sales and the funding mechanisms for borrowing – one based on capital values, the other on an ability to meet loan costs from revenue, emphasise all demonstrate that it is probably not appropriate to apply the same requirements to both sectors unless all other matters are equalised.

It should also be remembered that although there may be an expectation that there is equality of rents across sectors, it is not even true within an individual sector. It is perfectly possible for 3 similar properties next to each other have different rents due to allowing moving to target rent on relets, upping a rent to an affordable rent to assist funding of new affordable properties and of course the normal social rent. In addition, depending on the tenant's circumstances, there will be a host of different rents payable from "pay to stay" levels to fully rebated levels.

Given this there is not a burning necessity at the local level to see equality across the sectors – which are considerably different – should have their rents determined by national dictat.

3. Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

CIPFA believes that if RPs are to assist in meeting the challenging of the stretching new build targets that the country needs and the government have set themselves, then there will be a need for rents to increase at this rate for a significant period. It should be remembered that the original self-financing deal was based on a 30 year rent guidance of RPI+0.5%. This was reduced to a 10-year period of CPI+1% rent increases. This was a reduction as the OBR noted when they looked at the move of LGPS scheme from an RPI base to a CPI, the loss being greater than 0.5%. Of course the 4 year imposition of an annual 1% rent reduction has denuded social rent providers of significant funds to both maintain current properties and facilitate the building of much needed new homes. Therefore, the preference would be for a proposal of at least 10 years at CPI+1% plus also at the minimum some allowance for those who did not achieve rent restructuring to catch up.

4. Do you agree with the proposed direction as it related to social rent properties?

CIPFA believes that the introduction of a direction is neither desirable nor necessary.

5. Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting if affordable rent?

Whilst the changes proposed appear to be sensible, it should be noted that Panel members are aware of instances where on the change of tenancies, affordable rents decrease, meaning that funding utilising the difference between the social and the affordable rent was used to fund new affordable housing becomes no longer sufficient. What is required is certainty.

Further, it is felt that it would be helpful if the interplay with service charges was put on a sound footing.

6. Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

CIPFA are aware that there has been considerable work on such exemptions in other contexts and this included the following:

- Shared ownership low cost rental accommodation
- Intermediate rent accommodation
- Specialised supported housing
- Relevant local authority accommodation
- Student accommodation
- PFI social housing
- Temporary social housing
- Care homes

It also feels that the list should not be conclusive but there should be a mechanism for adding to the list.

7. Do you have any other comments on the proposed direction?

The long term future of social housing is important for the country to sustain access to appropriate housing for as many people as possible. Without a sustainable long term framework, insufficient investment will continue along with too many properties being sold at too great a discount and the overall homelessness position will continue to deteriorate at much greater (public) expense.

To achieve this CIPFA believes that discretion on the level of rents should not be removed from local government as it is they that have to deal with consequences at the local level. Failure to do this may well mean that the inexorable rise in the private rented sector will continue as will the commensurate increase in the Welfare Bill as has been seen over recent years, something this consultation seems to be trying to address by the central imposition of rent regulation on LAs.

Response:

Rents for social housing from 2020-21

A Ministry of Housing, Communities and Local Government consultation

8 November 2018

Summary of key points:

- The Government proposes that registered providers can increase social and affordable rents by CPI +1 % each year from 2020/21 for at least five years.
- The Federation welcomes this proposal, which provides the right balance between maintaining affordability for tenants, protecting the welfare budget, and providing financial certainty for investment in new and existing homes.
- Housing associations have shown that they carefully consider affordability for tenants when setting rent levels, and across the sector use existing flexibilities in a balanced way. We suggest that to avoid ambiguity the wording around flexibility reverts to that used in the previous rent standard.
- The definition of specialised supported housing differs from that used in the previous rent standard and risks unintentionally excluding schemes developed under the old definition. We suggest the wording used in the previous rent standard is maintained.
- Introducing a convergence mechanism to allow social rents below formula rent to be gradually brought up to formula rent would further help housing associations deliver the balanced rent-setting policies that the Government and housing associations seek.

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Introduction

This is the formal response of the National Housing Federation to the consultation by the Ministry of Housing, Communities and Local Government (MHCLG) on rents for social housing from 2020-21 onwards. The Federation is the voice of housing associations in England and our members are united by a common purpose – to ensure everyone can live in a good quality home they can afford.

The Federation and our members welcome the Government's commitment last year to a return to a CPI +1% rent settlement from 2020/21. It restores an approach that is fair to tenants and the public purse, while giving housing associations security over their future income to invest in delivering quality services to existing residents and building much needed new homes. We now welcome the opportunity to respond to the detailed proposals for how this will implemented.

Background

Housing associations are independent, public-benefit organisations driven by social purpose. Their financial foundation is rental income generated from submarket rented housing. This income supports day-to-day housing management and repairs. It represents a stable long-term revenue stream against which housing associations can leverage significant private finance to invest in building new homes.

The Regulator of Social Housing (and its predecessors) have imposed regulatory restrictions on housing association rents since 1999. In 2013, the Government announced that rent increases would be restricted to CPI +1% a year for ten years from 2015. This ten-year settlement was overridden by the Welfare Reform and Work Act 2016 which imposed, for most social rents and affordable rents, a new requirement to cut rent by 1% in each of the four years 2016/17 through 2019/20. This consultation covers the period following this rent cut.

Housing associations' approach to rent-setting

Housing associations exist to serve those in housing need and this underpins their approach to setting rents. Although rents are regulated, housing associations do have a degree of flexibility over rent-setting. Evidence shows that associations use this thoughtfully and responsibly to balance their responsibility to keep rents affordable for tenants, to reduce demand on the welfare budget, and to guarantee sufficient income to manage existing homes well and deliver new homes.

In particular, regulation has allowed housing associations the flexibility to set social rents within a 5% tolerance of formula rent. The Federation has shown previously that within the +/-5% tolerance around formula rent, more rents are set below formula than above, and on average the sector is at formula rent.

However, housing associations will consider the longer term impact of their decisions when setting rents. Experience in recent years has been that housing associations that set lower rents – in order to promote affordability for tenants and reduce welfare spending – have seen their finances disproportionately and negatively affected by subsequent rent regulation. In particular, this has come about from the end of the convergence mechanism, and the 1% rent cut.

Convergence

In an effort to address large historic variations in social housing rents that had built up over many years, in 2002 the Government introduced a rent convergence formula under which rents were to be brought into alignment. This was largely successful, with the majority of social housing rents reaching formula rent by 2015. However, rent convergence was withdrawn in 2015, before all rents had reached formula. We estimate that 4.6% of social rent properties are still let at rents below formula rent (i.e. more than 5% below, given the +/-5% flexibility on formula rents).

The end of the convergence mechanism means that some housing associations are now trapped with lower rental income in the long term. This is particularly unfair for those who chose to increase rents by less than the maximum allowed during the period, in order to reduce the impact on tenants. It also means that, in future, associations will be hesitant to increase their rents by less than the full amount permitted by regulation, because the absence of a convergence mechanism means that such a decision is effectively irrevocable.

Federation's views

The Federation welcomes the return to a regulatory regime where housing associations are permitted to raise social and affordable rents by up to CPI +1% each year. Longer term certainty over a positive rent settlement is vital for delivering new homes.

The financial case for building new homes is often more sensitive to certainty over rents than over future grant, which illustrates the importance of a stable and positive rent settlement. The Government's announcement last year has already given housing associations additional confidence to plan for new housing developments in future years.

The detailed proposals for implementing this settlement, contained in this consultation, provide welcome certainty over the future direction of housing association rents, and welcome continuity with the pre-2016 approach. In addition to answering the consultation's specific questions, we would like to draw attention to four specific issues:

1. Responsibility in rent setting and the need for a convergence mechanism.
2. Social rent flexibility.
3. The 2020 limit.
4. Specialised supported housing definition.

We expand on each of these issues in the sections below, followed by our answers to the consultation questions.

1. Responsibility in rent setting and the need for a convergence mechanism

The consultation document states that "CPI +1% is a ceiling (rather than an expectation) for registered providers' annual rent increases. Providers will be free to apply a lower increase, or to freeze or reduce rents, if they wish to do so."

In recent years, housing associations have devoted considerable resource to analysing how to set their rents in order to balance affordability for tenants, pressure on the welfare bill, and financial certainty to invest in existing homes and build new ones. Drawing on this analysis, many housing associations might decide against introducing the maximum CPI +1% rent increases on some or all of their homes in any particular year.

However, the proposed rent policy introduces a significant disincentive to doing so, because a decision made in one year is then irrecoverable in future years – the property's rent is held down until relet, potentially many years ahead. This has been the case since the convergence mechanism was withdrawn in 2015.

There are three benefits to reintroducing a convergence mechanism for social rents that are below formula rent:

- It would give housing associations the confidence to consider charging less than the maximum rent where they consider this desirable, in the knowledge that they have the flexibility to increase rents again via the convergence mechanism if that becomes necessary in future.
- It would allow housing associations to complete the process of rationalising rents that have been historically below formula rent, to make the system fairer for tenants and easier to administer. Allowing all properties to converge on formula rent – as housing associations were able to do between 2002 and 2015 – restores equity between tenants.
- It allows housing associations to plan for higher future incomes in some circumstances, and therefore invest more in delivering quality services to existing residents and delivering new homes. When convergence was removed in 2015, some individual housing associations estimated it would cost them up to £20m over the ten year rent settlement.

We suggest that rent convergence is introduced using the same approach adopted between 2002 and 2015. Under this policy, landlords were allowed to charge up to £2 per week more than the standard rent settlement on properties with rents below formula rent. Taking inflation into account, £2 per week in 2002 is the equivalent of £3.15 per week today. Therefore, we suggest that landlords be allowed to charge up to an extra £3 per week for properties with rents below formula rent.

The impact of a convergence mechanism

We have undertaken some modelling on the potential impact of introducing a convergence mechanism – using both aggregate sector-wide data and property-level data – on 62,000 properties from five housing associations.

Using national data, we estimated that there are 79,000 properties with rents more than 5% below formula rent. If convergence at £3 per week was implemented for all 79,000 properties from 2020/21, 95% would reach formula rent (within tolerance) by 2024/25. This change would have a minimal impact on the cost of Housing Benefit. Assuming that two thirds of total rent is paid by Housing Benefit, the maximum additional cost would be £61m per year by 2024/25. We expect the figure would be considerably less than this because, in practice, not all housing associations would use convergence to maximise their rents.

Using property-level data from five providers, we found that 5.6% of their properties are currently more than 5% below formula rent. With a £3 per week convergence mechanism in place, this would reduce to 1.2% by 2024/25, and would generate a 1% increase in rental income compared to implementing the proposed rent settlement with no convergence mechanism.

2. Social rent flexibility

The draft policy statement says (paragraph 2.14) that “the policy contains flexibility for registered providers to set rents at up to 5% above formula rent (10% for supported housing – as defined in paragraphs 2.35–2.36 below). We expect providers to use this flexibility in a balanced way, and not set all rents at 5% (or 10%) above the formula rent.”

The 2015 Rent Standard Guidance explained that flexibility “is intended to allow registered providers discretion in dealing with local factors.” We believe that this policy intent remains, but that the wording in the draft policy statement risks introducing ambiguity over how it could be applied.

As the Federation has argued previously, evidence shows that the housing association sector uses flexibility in a balanced way – with more rents set below formula rent than above, and the average rent being formula rent.

However, in the current proposed drafting it is unclear whether this expectation is intended to apply across the sector, or to each individual provider. There may be circumstances when providers would take local factors into consideration and prudently choose to charge the majority or all rents up to 5% above formula rent on relet, while others might choose to charge less. These decisions would be based on consultation with tenants, and analysis of local affordability and markets.

We urge the Government to make it clear that this balanced approach represents an expectation of overall behaviour across the sector, and should not be read as a requirement to be enforced on any individual provider. Based on past experience, we agree that such an expectation is reasonable, and we share it, but we suggest that for the avoidance of doubt the policy statement should revert to the wording in the 2015 Rent Standard.

3. The 2020 limit

The Draft Direction (paragraph 2) defines the 2020 limit as “the average weekly rent for the tenant’s accommodation in the fourth relevant year within the meaning of section 23(6) of the Welfare Reform and Work Act 2016”, increased by CPI +1%. We understand and agree with the policy rationale for this measure, but believe it currently risks not meeting the policy intent with respect to homes that are relet to a new tenant during the fourth relevant year. This includes:

- a social rented home that is initially below formula rent and then is relet to a new tenant at formula rent
- a social rented home that is initially at formula rent and is converted to affordable rent on relet to a new tenant during the year
- an affordable rented home that is at a rent below 80% of market rent, and relet to a new tenant at a higher rent during the year.

In all these cases, the average rent for the year would give a misleading figure covering two different tenancies.

Instead, we suggest the wording is clarified to make it clear that in the event of relet to a new tenant, the 2020 limit is the annualised average weekly rent since the new tenancy began.

4. Specialised supported housing definition

The draft policy statement uses a new definition of specialised supported housing and we are concerned at the significant changes in the definition of specialised supported housing compared to the existing rent standard.

We appreciate that this new definition is taken from the Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016, but feel that it is inappropriate and unnecessary to transfer this over into the new standard. These regulations will no longer be in force at the point at which the new rent standard becomes relevant. These regulations were written to achieve the single purpose of enacting the obligation to reduce rents over a four-year period for certain social housing properties and attempted to translate the spirit of the existing rent standard into the legislation governing the rent standard.

This does not make it fit for the purpose of defining appropriate exemptions from the new standard that will apply for the foreseeable future, and is the basis on which a landlord will set rents on new properties and appraise the financial viability of both new and existing supported housing schemes.

The regulator estimates that there are around 10,000 units of specialised supported housing, and the changes in the definition raises questions on:

- the ongoing viability of schemes developed under the existing definition
- how the regulator will investigate and deal with housing associations found to be operating schemes that meet the current but not the new definition.

More importantly, it has the potential to undermine the housing security of a number of vulnerable people with high support or care needs.

MHCLG is working closely with the supported housing sector and local authorities on the design of a new system of greater oversight for Housing Benefit spend in supported and sheltered housing. Private registered providers own or manage over 70% of the country's supported housing, and the Government has been clear on its ambition to maintain and expand supply.

The regulation of rents and service charges is an important check in public spending on all supported housing, and already provides significant oversight in terms of rent setting, with a very limited number of exceptions as listed in the current rent standard.

Policies on rent regulation, housing supply and oversight need to work together. They all need to recognise the complexity of some supported housing schemes in terms of the range of funding sources, and the type and design of building needed for particular client groups.

Supported housing can present a considerable overall saving to the public purse compared to other more institutional accommodation, and the regulator should have a degree of discretion and flexibility to assess the appropriateness of the rent levels in a particular scheme.

Comments in detail on the definition of specialised housing

Section five of the draft policy statement sets out the following definition:

Schemes where:

i. there was no public assistance, or

ii. if there was public assistance, it was by means of a loan (secured by means of a charge or a mortgage against a property).

This is a significant tightening of the definition compared to the existing standard because it omits the reference to 'negligible' public assistance. It is likely that a number of schemes currently operate on rents set at levels outside the rent standard, even though some element of public subsidy has gone into some aspect of the building.

The definition mirrors the existing standards in requiring a ‘high level of support’ to be provided, but goes on to specify that such support must ‘approximate’ to the services or support which would be provided in a care home. The existing definition accepts that a care home and supported housing are different models and simply refers to the ‘only acceptable alternative being a care home’.

Supported living can help reduce dependency – this is one of the benefits of this form of housing provision when compared to residential care or hospital accommodation, which imposes a more institutional structure of care and support. Given that ‘approximates’ is very difficult to define in practice, we suggest that this additional requirement is dropped.

The new definition requires the accommodation to be provided “under an agreement or arrangement” with a local authority or a health service, whereas the guidance requires the scheme to have been “commissioned in line with health, social services or Supporting People strategies and priorities”. The new definition requires the rent charged, or to be charged, to comply with the agreement or arrangement. Formal arrangements may not include written reference to rent levels and for existing schemes may have been agreed some time ago. It is not clear if this agreement is required on an ongoing basis.

Given the difficulty in applying this additional requirement to existing schemes, it is suggested that it be dropped.

Answers to consultation questions

Question 1: Do you agree that the rent standard should apply to local authority registered providers from 2020?

The Federation does not have a view on whether the rent standard should apply to local authorities.

Question 2: Do you agree that the same requirements should apply to both local authorities and private registered providers?

The Federation does not have a view on how the rent standard should apply to local authorities.

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

Yes, we agree that registered providers should be able to increase social and affordable rents by up to CPI +1% each year. This provides welcome certainty over the future direction of housing association rents, and welcome continuity with the pre-2016 approach. We believe CPI+1% strikes the right balance between maintaining affordability for tenants, containing pressure on the welfare budget, and giving housing associations the certainty and income stream to invest in building new homes.

We urge the Government to clarify the wording of the '2020 limit' to make clear that, where a property has been relet to a new tenant during the year, it is only the average weekly rent since the relet that should be taken into account in determining the 2020 limit.

Question 4: Do you agree with the proposed direction as it relates to social rent properties?

Yes, we agree with the proposed direction.

We recommend clarifying that the 'balanced' approach to using the +5% flexibility in social rent represents an expectation of behaviour across the sector as a whole, rather than a requirement that can be enforced against any specific provider. This would replicate the previous approach and recognise that, although different providers face different pressure, evidence shows a balanced approach to rent setting across the sector.

We urge the Government to reintroduce a convergence mechanism for rents below formula rent.

Question 5: Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

Yes, we agree with the proposed direction, and with the proposal that where affordable rented homes are relet to an existing tenant the rent increase should be capped at CPI+1%. This would ensure existing tenants do not experience a significant uplift in rent.

Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

Yes, we agree with the proposed arrangements, which are important to ensure the regulator has powers to respond to specific circumstances affecting individual providers in rare cases where this might be necessary.

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

The definition of specialised supported housing differs from that used in the previous rent standard, which risks excluding schemes that were developed in accordable with the previous standard. We recommend the definition from the previous rent standard is used, as outlined above.

Oxford City Council's Response to MHCLG consultation on Rents for Social Housing from 2020-21

General Points

- The creation of more certainty with regard to rental income together with the lifting of the borrowing cap allows for longer term business planning, facilitating longer term investment in existing assets as well as new development and is therefore welcome.

- The Government is no doubt aware that previous policy changes namely the sudden announcement of 1% reduction in social rents for 4 consecutive years so soon after previous policy announcements that were meant to provide certainty caused massive disruption to LA investment and new build programmes. This was further exacerbated by the proposed Pay to Stay and High Value Asset void levy initiatives. The justification for the rent decrease at the time was completely at odds with the criteria contained in the self-financing proposals and it is absolutely crucial that all steps are undertaken to ensure local authority HRA Business Plans are given the opportunity to return to a secure financial footing to guarantee no sustainability issues going forward. We do hope that lessons have been learned that flip flopping of policy is detrimental to long term planning.

- However, this still is a centrally controlled initiative that removes any local connection between landlord and tenants regarding investment at a local level and the associated rents needed to fund such local activity. I have to ask where are the principles of self-financing in this policy.

- The previous "guideline" policy allowed authorities some flexibility, whilst still adopting the guideline increases for Target Rents. Under the proposals to be introduced from April 2020 onwards, as we understand them, this flexibility will be removed in perpetuity. We find this completely unacceptable for those local authorities like ourselves who have not yet converged with their Target Rent. We strongly suggest that time should be allowed for this to happen before the proposed maximum increase of CPI+1% is introduced. We believe the period to April 2025 should be made available for authorities to converge to Target Rents and then follow the proposed increase thereafter. The reason for a phased approach is to be equitable for cash paying tenants, so that the above inflation increases are deemed affordable. This then puts all LAs onto a level playing field , keeps some read across to equitable rents across the sector and in our case supports more borrowing to invest in much needed new affordable housing

- The Government's reasoning for such a policy is understood but concerns regarding the long-term adoption of Universal Credit in its current form exist, so why suddenly remove all aspects of the Limit Rent model as something to potentially fall back on, certainly for the period of convergence mentioned above.

Specific response to consultation questions

1. Do you agree that the rent standard should apply to local authority registered providers from 2020?

It is understandable from the Government's perspective that it would appear opportune and desirable to introduce a "control" mechanism related to housing costs for those accessing social housing especially with the transition from Housing Benefit to Universal Credit. Why? Well, with the methodology proposed for UC namely one payment to the individual with the previous housing element now no longer visible, DWP and the Exchequer would as a result be unable to control the amount paid for housing costs. The proposal instead is to "control" social housing costs by imposing a maximum increase to local authorities.

The Government of course needs to control welfare spending but it is completely inequitable and unjust to target local authority social housing until a level playing field is established. Failure to do so would leave the Ministry open to creating unsustainable HRA BP's as a result.

The long-term self-financing debt taken on by LA's in 2012 was procured with differing debt redemption strategies for each local authority based on local priorities. So any change to the main income generating activity needs to be approached only when the prospect of unsustainable elements that can cause future difficulties have been removed or reduced to acceptable levels.

I would remind you of your Department's February 2011 publication *Modelling business plans for council landlords,* which stated the following*;*

- *"The self-financing proposals are designed to provide greater independence at a local level and, with this, enhance local responsibility and accountability for the investment in homes and housing services provided".* How can this be argued with rents now being controlled by the Housing Regulator?

- *With regards to Rental Income - The average guideline rent (before caps and limits) taken from the 2011-12 housing revenue account subsidy determination has been used as the starting point 4 in the calculation.* ***Guideline and formula rents are assumed to converge by 2015-16 in the base scenario of the model.*** The convergence has not happened and I would respectively request that convergence is allowed to happen between April 2020 and March 2025. This will tie in with the 10 year proposal for CPI + 1% introduced, albeit just for 1 year before the 4 year -1% reduction was subsequently introduced.

Notwithstanding the last point mentioned above that convergence was anticipated within the BP calculations that determined the debt allocation for each authority, Councils have moved further away from convergence with the introduction of the -1% rent reduction for the past 4 years, finishing in April 2020.

Whilst recognising Government's need to control welfare spending, one must conclude that local authority landlords must have the opportunity to address the convergence question given that it is fundamental to the long term financial sustainability of their BP's and the debt procured but the Treasury has enjoyed 4 years' worth of unplanned cumulative rent reductions. So our argument is the Exchequer needs to provide some initial re-balancing before its proposals are fully adopted.

The short answer is no, the rent standard should **not** apply to **all** local authority registered providers from 2020 until full convergence with Target/Formula rents are established first.

A twin track approach for the rent standard could be adopted so that those Councils wishing to converge by say April 2025 could be given the flexibilities to do so with some aspects of the rent rebate limitation exercise remaining during this period with the continued disclosure of regional limit rents.

2. Do you agree that the same requirements should apply to both local authorities and private registered requirements?

If Government wish for consistencies to be seen across the sector be it LA landlords or RP's then this shouldn't be left to cherry picking the areas, if Government wants full parity to be visible then it must extend to all matters, namely;

- **Right to Buy**. The qualifying criteria, caps and discounts offered differ between local authorities and housing associations. As such these should be the same. Furthermore, the proportion of capital receipts Councils can retain from RTB disposals is likewise different from housing associations, again changes should be adopted to evidence parity between the two sectors is now visible.

- **Borrowing**. Councils are treated as public bodies in financial terms. Housing associations have recently been reclassified as private bodies and their debt is therefore no longer registered on the public borrowing sheet.

3. Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

We welcome the return of a policy of managed rent increases of CPI+1%, which are broadly right. In the case of local government this should continue to be managed through guidance, and should be set out over a longer period of perhaps 30 years.

Councils signed the self-financing settlement with the Treasury based on calculations of future rent income. The valuation had a built in assumption that councils would complete the process of reaching standard "formula" rents levels in 2015/16. The aim of rent convergence was to align council and housing association rents at the same level. Council rents were around 11% lower than the formula rent on average in 2010-11 . However, this window was closed when Government implemented four years of a -1% rent reduction in the Welfare Reform and Work Act of 2016. Those councils that signed up to the self-financing settlement with lower than standard rents are now even further behind. The introduction of a fixed maximum rent increase would lock some councils into low rent levels that will reduce their capacity to build as many new homes.

It is important to acknowledge that the move to regulate social rents does not only control welfare spending but limits the capacity to increase rental returns from tenants that do not receive welfare assistance. In fact, our Setting Social Rents report with Capital Economics demonstrated that, while CPI+1% increase are broadly right, a greater level of local discretion on rent setting could generate increased rental returns to invest in a level of new and existing housing stock which would actually generate welfare savings overall

4. Do you agree with the proposed direction as it related to social rent properties?

We do not agree that the introduction of a direction is necessary. Other options should be fully explored to avoid unintended consequences for new supply.

5. Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

No major changes are proposed. However, we do not agree that the direction should be applied to local authorities.

6. Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

Certain types of council housing would be exempted:

- Shared ownership low cost rental accommodation
- Intermediate rent accommodation
- Specialised supported housing
- Relevant local authority accommodation
- Student accommodation
- PFI social housing
- Temporary social housing
- Care homes

Local authorities would need to seek an exemption from the overall policy from the Secretary of State. Should this policy be introduced the process must be set out well before 1 April 2020 to allow local authorities sufficient time to secure an exemption.

As noted in Question 3 there must be a process of transition to allow councils to complete the process of “converging” rents to standard levels.

7. Do you have any other comments on the proposed direction?

Not at this time.

Rents for social housing from 2020-21

South Norfolk Council Response to MHCLG Consultation, November 2018

South Norfolk Council is a District Council which forms part of the Greater Norwich area; one of the fastest growing parts of the country which is establishing itself as a leader in science, technology and manufacturing. The district is diverse and is home to both urban and rural locations. It covers the fringes of Norwich and lies on the border between Norfolk and Suffolk.

The district covers 350 square miles and is home to over 137,000 people, around 60,000 homes and over 5,000 businesses. At South Norfolk Council, we pride ourselves on our innovative approaches and new ways of working, pro-growth agenda, efficiency and business-like focus and effective collaboration with public and private sector partners both locally and regionally.

We have three corporate priorities which are underpinned by our customer focussed, collaborative and commercial approach to service delivery.

- Health, Well-being and Early Help
- Economic Productivity and Prosperity
- Place, Communities and Environment

Key messages/points:

- South Norfolk Council welcomes this consultation, and is broadly supportive of the proposals.

Question 1: ***Question 1: Do you agree that the rent standard should apply to local authority registered providers from 2020?***

Yes. The Council welcomes the Direction on the Rent Standard from 2020 and the Ministry's policy statement.

We believe that the Direction provides certainty for councils in budget planning for the Housing Revenue Account over a reasonable period. This will help support Councils' plans to borrow and invest in building new social housing. It provides similar certainty for Registered Providers when seeking private finance and planning for future investment in affordable housing.

Question 2: Do you agree that the same requirements should apply to both local authorities and private registered providers?

Yes. We agree that there should be consistency in setting rents for homes owned by local authorities and private registered providers for the reasons set out in the consultation paper.

We agree with the policy to include local authority housing providers within the scope of the Regulator of Social Housing rent standard alongside housing associations. This brings consistency and clarity across the sector.

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

Yes. The maximum rental increases of CPI+1% provide security and certainty for social housing tenants.

However, there remains a concern about affordability for social housing tenants. Rent increases based on inflation depend on incomes also rising in a similar way. However, incomes from wages or from welfare benefits are not increasing in line with inflation and there is a risk that tenants will struggle to afford rent increases.

Therefore the Council welcomes the flexibility included within the policy statement - CPI+1% is a ceiling rather than an expectation. The policy allows social housing providers to consider local circumstances and to be flexible in setting lower rent increases when appropriate.

This is particularly encouraging for local authorities' investment in new council housing when coupled with the proposals within the Social Housing Green Paper to abandon the proposals for enforced high value sales of Council housing; the recent announcement to lift the HRA borrowing cap; and the possibility of changes to the rules on recycling Right to Buy receipts.

Question 4: Do you agree with the proposed direction as it relates to social rent properties?

Yes – it will provide clarity.

We agree with the proposed direction for social rent properties, which will encourage social landlords to continue to invest in new housing charged at social rent levels.

However, we regret the current ongoing inflexibility of the enforced rent reduction for the 4 years from 2016/17 to 2019/20, which continues to impede local authorities' ability to invest in social housing.

Question 5: Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

We welcome the restrictions for rent re-setting for affordable rent properties, for example on renewal of fixed term tenancies. This will provide some protection against large rent increases for existing social housing tenants.

We also welcome the explicit ban on changing affordable rent to market rent or intermediate rent.

Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

We accept the need to allow the Regulator to exempt a private registered provider from one or more requirements in the rent standard. However, we hope that the Regulator would intervene to achieve an acceptable solution to financial problems before any potential impact on rents.

We agree with the proposed arrangements for local authorities to apply for exemptions from the rent standard where it would be financially unviable, which will allow for flexibility in the system to take account of local conditions.

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

We are concerned that the Policy Statement could be revoked by the Secretary of State. As one intention is to reassure registered providers about future rental income, it would achieve this more effectively through primary legislation.

Submission

Shelter response to MHCLG consultation

Rents for Social Housing from 2020 - 21

November 2018

Shelter helps millions of people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure that, one day, no one will have to turn to us for help.

We're here so no one has to fight bad housing or homelessness on their own.

shelter.org.uk

Shelter welcomes the opportunity to respond to this consultation on rents for social housing from 2020 – 2021. We are responding to emphasise the importance of ensuring rents are genuinely affordable for those currently living in social housing and for future social tenants. An affordable rent settlement is fundamental both for the wellbeing of social tenants and for encouraging investment in building vital new social housing stock. Social housing as an investment product relies not only on there being a long-term rent settlement, which gives providers certainty over how rents can change, but also on rent levels being affordable so providers have confidence that there will be effective demand for any new housing stock. When considering rent levels, the government must also consider grant funding as it's vital to ensure that adequate grant funding per unit is provided to enable providers to charge genuinely affordable rents.

Social housing must remain affordable:

Shelter and British Gas's Living Home Standard in 2016 found that affordability was rated by the public as among the most important aspects of an acceptable home.[1] A home was defined as affordable if people were able to pay their rent or mortgage without regularly cutting spending on essentials and without worrying that these payments would rise to a level that would be difficult for them to pay. Other research has highlighted how housing being unaffordable can have a major impact on people's well-being. Housing affordability has been shown to impact on all aspects of life, including developing and maintaining relationships, spending on food and essentials, and the ability to pay for things without borrowing on credit cards.[2] Polling by ComRes and Shelter in 2017 also found that housing affordability was the most frequently referenced issue by those who saw housing pressures as having had a negative impact upon their mental health.[3]

Social housing is designed to be affordable for those that need it and over two-thirds of social renters find it easy to pay their rent.[4] However, a significant number of social tenants struggle to afford the rent and according to the English Housing Survey, almost one-third of social tenants report a difficulty in paying their rent (similar to in the private rented sector), with 7% of those renters saying they find it very difficult.[5] Unsurprisingly social tenants on low incomes are most likely to be affected and recent research for Shelter has suggested 48% of social tenants on low incomes report struggling to keep up with their rent payments.[6]

The affordability of social housing has been undermined in recent years by changes in government policy which have led to higher rents and a reduction in benefits for some tenants in social housing. For example, Affordable Rent - where rents reach up to 80% of market levels and tenancies are less secure than those found in social rent – is not suited to the needs of those it is expected to house.[7]

Other social tenants have faced difficulty due to welfare reforms which have reduced support with housing costs. For example, the Removal of Spare Room Subsidy (often known as 'bedroom tax') has reduced housing benefit payments by 14% for those tenants in social housing who have a spare bedroom. With a lack of smaller social homes available, many

[1] Shelter, Ipsos Mori and British Gas, Living Home Standard, 2016
[2] Shelter, The Human Cost, 2010
[3] Shelter and ComRes, The impact of housing problems on mental health, 2017
[4] English Housing Survey Social Rented Sector Report, 2016-17, Annex Table 2.4
[5] English Housing Survey Social Rented Sector Report, 2016-17, Annex Table 2.4
[6] Britain Thinks, Survey of 1,000 social tenants, 2018
[7] J. Bibby, Does Affordable Rent really mean the end of social housing?, Shelter blog, 2014 and Shelter, Response to Tenant Services Authority Consultation, 2010

tenants have found it impossible to downsize, leaving them with no other option but to see their benefit payments cut. An evaluation of the 'bedroom tax' policy found that 78 per cent of people affected said they regularly run out of money by the end of the week or the month.[8] More than half of affected tenants were in rent arrears one year on from the introduction of the policy. 46% of affected households cut back spending on energy, 76% cut back on food.[9]

The above highlights how the affordability of social housing has come under threat in recent years. As the government sets out its rent policy for 2020 and beyond, the government must evaluate the level of rent needed to guarantee that rents are genuinely affordable and predictable for all those living in and in need of social housing.

The rent settlement and housing supply:

As well as ensuring rents are affordable for social tenants, the government must ensure that the rent settlement offers long-term certainty for providers to secure much needed investment in social housing. The growth of private finance in social housing provision has been underpinned by comprehensive risk management in the form of a strong regulatory regime and – until recently - a stable and politically sustainable rent settlement. Crucially, the Housing Act 1988 laid the ground for housing benefit to cover the higher rents housing associations would need to charge, acting as an implicit government guarantee, that gave investors confidence that rental income will be collected and returns delivered. All this made social housing a very attractive proposition for private investors looking for stable, predictable, long-term returns. In turn, lenders have allowed housing associations to borrow over very long terms at near-sovereign rates.

In recent years, this core strength of social housing as an investment product has been undermined by unpredictable changes to the rent settlement. In particular, the 1% social rent decrease in the 2015 Budget, reductions in support for housing costs through the benefits system, and the loss of direct payments to social landlords as part of the move to Universal Credit, have all undermined investor confidence. The risk appetite of private investors has been further impacted by uncertainty around proposed changes that have not actually materialised or changes which have subsequently been reversed, such as the ban on housing benefit for 18 – 21 year olds.

Evidence of the impact of uncertainty on investment can be found in the supported housing sector.[10] The government announced in the 2015 Autumn Statement that housing benefit for people living in supported housing would be capped at Local Housing Allowance levels, which generally do not cover the higher service charges found in supported housing. A pot of discretionary funding to help deal with the shortfall was subsequently announced, but uncertainty over the final settlement remains, particularly for people who need supported housing for less than two years. As a result of the government's proposed changes and the subsequent uncertainty, many housing associations scaled back their plans for investing in new supported housing and a National Housing Federation survey of 69 housing associations

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[8] Cambridge Centre for Housing and Planning Research & Ipsos MORI, *Evaluation of Removal of the Spare Room Subsidy*, 2015
[9] Cambridge Centre for Housing and Planning Research & Ipsos MORI, *Evaluation of Removal of the Spare Room Subsidy*, 2015
[10] Supported housing provides specialist services alongside accommodation for older and disabled people, domestic violence survivors, care leavers and people recovering from addiction.

in 2017 found they had cut their plans for new supported housing supply by 85% in response.[11]

This must not be allowed to happen again in supported housing or social housing more widely. It is vital that the rent settlement gives providers certainty about what they will be able to charge over the long term. Rental income plays a central role in servicing the borrowing needed to build new social homes and to maintain and improve existing ones. However, it is equally vital that providers have confidence that the rents they are charging will be affordable to those who will be living in social housing, particularly where providers use private finance to build new social homes. The risk that rental income will be lower than expected – whether due to policy changes which reduce social rents or because of rising arrears due to the affordability problems set out above – will ultimately be reflected in providers' credit ratings and borrowing costs. Accessing private finance relies on both providers and investors being confident that the rent the provider is planning to charge will cover their debt payments, and that residents will be able to reliably pay that rent.

The sustainability of social housing also relies on grant funding per unit being provided at the right level to build homes that are genuinely affordable. If there is more grant per unit then this reduces the amount providers must borrow and brings down the cost of the borrowing that does have to happen. If grant funding is too low, then providers could consider charging higher rents to cover their costs, but if tenants are unlikely to be able to pay these higher rents then there will be no effective demand for new stock. If investors are not confident there will be sufficient demand then they will be unwilling to invest and the social housing we desperately need will not be built. Therefore, it is vital that government provides enough grant per unit to secure investment in both current and new housing stock.

The former Mayor of London's affordable homes programme is a good example of how grant funding and rents in the social sector impact on supply. The affordable homes programme offered so little grant per home that housing associations and councils knew that people from the nominations lists would not be able to afford the rents the homes would have to charge. As a consequence, the programme was significantly undersubscribed.[12]

With over 1 million households on the waiting list for social housing in England, it is vital that the government creates a sustainable funding model which enables the much-needed building of social housing.[13] The government's social rent policy plays an essential role in securing investment in social housing whilst also making sure that both current and new social housing is affordable for those that need it. Therefore, when setting its rent policy for 2020 and beyond, the government must consider a number of interrelated factors:

- Rent levels must be genuinely affordable for both current and future social tenants
- Providers must have long-term certainty over the rents that they will be able to charge
- Adequate grant funding per unit must be provided to enable the building of genuinely affordable homes

[11] Inside Housing, 'Associations pull 85% of planning supported housing developments', August 2017
[12] Inside Housing, 'Boris affordable homes programme in chaos', May 2014
[13] The Guardian, More than one million families waiting for social housing in England, June 2018

For more information please contact:

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Shelter

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SARAG*

SOUTH ACTON RESIDENTS ACTION GROUP

8 November 2018

These comments come from SARAG (the South Acton Residents Action Group), the recognised residents' organisation for the South Acton Estate in the London Borough of Ealing comprising some one thousand council properties.

SARAG, founded in 1997, has been active for more than 20 years. It holds a monthly open meeting for residents, which is currently hosted at the South Acton Working Men's Club, a community enterprise set up in 1873.

In 2010, SARAG set up SCBC, the South Acton Community Builders Co-operative Ltd, a Tenant Management Organisation, which now manages South Acton council properties in partnership with the landlord, the London Borough of Ealing.

The key concerns of SARAG members are:

We do not think that the policy succeeds in its aim of balancing its three objectives as set out at page 8 of the Consultation

- protecting tenants
- protecting tax payers
- supporting the delivery of new social homes and the management and maintenance of existing properties

We note of course, that tenants are tax-payers.

However, we consider that tenants' interests and their need for protection are given insufficient weight in this balancing act.

The background to the proposed increase is that in London social rents have increased by over 70%, while average disposable income has increased by only 7% (government's own data).

The split between rent levels and service charge levels means that tenants have been left out of pocket even when they are supposed to have had a decrease.

The proposed increase (CPI plus 1%) will make this situation worse.

The practice of setting re-lets and/or new built homes at London Affordable Rent levels is divisive, discriminatory and unsustainable.

It makes it more difficult for overcrowded families to move into appropriately sized properties and disincentivises downsizing, so reducing the number of properties becoming available.

We consider there should be special protection for one particular group - those tenants moving homes not by choice but as a result of demolition and redevelopment. Their rent levels should be held.

South **A**cton **R**esidents **A**ction **G**roup – William Morris House, Park Road North, London W3 8RT
Telephone: [redacted]
Email: committee@sarag.org

Greater transparency is needed to show how/where rents collected by landlords has been spent. This is necessary for an informed debate.

Increased funding for more social homes must come from beyond this sphere.

There is no proven link between increased rents and better services – but there is evidence that resident governance delivers benefits, and this should be mainstreamed in new developments.

SARAG management collective November 2018

South **A**cton **R**esidents **A**ction **G**roup – William Morris House, Park Road North, London W3 8RT
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STCG submission on Rents for social housing 20102-21

The proposal to introduce above inflation rent increases of CPI+1% for five years, from 2020, is said to be a means of

- establishing “a stable financial environment to support the delivery of new homes”, and
- “ensuring that providers have sufficient income with which to manage and maintain their properties.”

This is somewhat disingenuous given that the coalition and Conservative government have previously introduced policies which have destabilised the finances of council and housing associations. When the new council housing financing system was introduced in 2012 we were told that it would provide enough resources to maintain homes over the long term. However, no sooner had the system started than the government undermined the financial plans of councils by increasing the discount for Right to Buy (RTB). The amount of 'debt' each council was given was, in part, based on an estimate of RTB sales over the course of the 30 year business plans. The 'enhanced RTB' increased sales more than fourfold, so that councils are losing far more rent income than was included in their business plans.

Next, after abandoning their original proposal to introduce rent increases based on CPI+1% they introduced the four year rent cut. As the current consultation document admits, rents are 12% lower than they would have been if the rent cut had not been introduced.

The scale of the loss of income over the 30 years, resulting from these policies, is huge. Individual councils will take in hundreds of millions of pounds of rent less than they planned for in 2012. In the case of Swindon it is estimated that it will collect £360 million less rent than planned for. The CPI+1% will have no impact on this loss since a return to CPI+1% was built into the plans, in line with many other councils.

Whilst the four year rent cut obviously benefited tenants, the loss of income to Housing Revenue Accounts has led to a scaling back of work on their homes. Although existing tenants will have had a 1% rent cut for 4 years, the flexibility that councils have to raise rents by 5% above the rent formula (or 10% in the case of supported housing) means that new tenants are paying higher rents.

Despite the four year rent cut there has been a massive increase in rents as a result of the 'rent equalisation' policy implemented by New Labour and subsequent governments. From 2010 to 2017 council rents in England increased by 32%, way above the level of inflation and wage increases.

Given these facts, to reintroduce five years of above inflation rent increases would in effect make tenants pay the price for the destabilisation of the finances of housing revenue accounts resulting directly from government policies since 2010. The best way to ensure that councils “have sufficient income with which to manage and maintain their properties” is to reopen the 2012 debt settlement and readjust the 'debt' that councils were given, in line with the amount of income they are losing over the life of their 30 year business plans, owing to government policies.

Above inflation increases will be counter-productive. They will increase financial pressure on low paid tenants, many of whom are in precarious work, and will drive up the Housing Benefit bill (HB). Indeed, the consultation documents highlights that increases of no higher than inflation would save £2.4 billion on HB payment from 2020-25.

For these reasons, Swindon Tenants Campaign Group is opposed to CPI+1% increases and calls on the government to limit rent increases to no more than inflation. Although the document says that CPI + 1 % is an upper limit and that councils can set lower rents, given the financial situation which most HRAs face, it is unlikely that many councils will refuse to raise rent the full amount.

What of the concern expressed about the impact of such a policy on new building? If the government had been concerned with promoting building new council housing then it would not have ended support for it, offering grant only for the puny figure of 8,000 supported housing units nationally, in the second round of its Affordable Homes Programme

The consultation document refers to the introduction of “affordable rent” which was supposedly a means of promoting more building by housing associations and councils. In this “affordable rent” has failed as you can see from the Table below. Building is no higher after the introduction of “affordable rent” than it was in 2011-12, the high point of the National Affordable Homes Programme introduced by New Labour.

We are of the view that **“affordable rent” should be abandoned in favour of 'social rent'**. Its introduction was counter-productive both from the point of view of increasing financial pressure on tenants whose rent is not covered by HB, while at the same time driving up the national HB bill. If the government wants to “limit the welfare costs associated with social rent” then it should reinstate universal social rent since “affordable rent” produces higher HB payments.

Even with an end to the borrowing cap the Ministry of Housing estimates that this will only produce an extra 10,000 council homes a year. The OBR suggests this might be only 20,000 in five years. As Tory Leader of the Local Government Association, Lord Porter, has said, the last time there were 300,000 homes built, more than 40% of them were council housing. “We have to get back to this” he said. Building on such a scale cannot happen without the reintroduction of central government grant. What is certain is that above inflation rent increases will not provide the resources to build on any scale. The saving on the HB bill with inflation level rent increases could be directed towards grant for councils to build new homes.

[redacted]
on behalf of Swindon Tenants Campaign Group

'Social housing' new building - England

Year	Housing Associations	Councils
2008-09	26,690	490
2009-10	26,520	270
2010-11	23,550	1,140
2011-12	27,460	1,960
2012-13	22,060	1,360
2013-14	21,790	910
2014-15	27,020	1,360
2015-16	26,470	1,900
2016-17	25,230	1,850
2017-18	27,250	1,870

TAROE trust

CONSULTATION RESPONSE: SOCIAL HOUSING RENT POLICY FROM 2020

4 November 2018

Abstract

This document contains TAROE Trust's formal response to the Government's consultation on proposals for 'Rents for social housing from 2020-21'.

Introduction

TAROE Trust welcomes the opportunity to comment on the proposed direction requiring the Regulator of Social Housing to set a new regulatory standard on rent to apply from April 2020 onwards.

As a basic principle, it should not be assumed that Tenants will always want rents to be lower. Whilst many Tenants experience challenges in terms of rent affordability, Tenants also recognise that payment of reasonable levels of rent are necessary to ensure appropriate levels of housing services and investment in properties.

Direct response to rent setting direction

In setting their rents, Registered Providers should be required to:

1. Ensure that they clearly explain to Tenants their rationale for setting rents, and particularly the reasons for any changes in rents that are being proposed. This includes the regulatory framework for setting rents, and that the formula for setting rents is a maximum level and that landlords have flexibility to charge lower rents.

2. Ensure that their rent policy is established following a meaningful consultation with Tenants; this will involve details of planned increases, and the level of investment in both new and existing properties.

   Any such consultation will need to be mindful of the need for landlords to enter into longer term financial commitments, both to establish competitive procurement terms and to reflect the longer-term nature of development based activities. However, these are not barriers to meaningful Tenant engagement.

3. Ensure that they are accountable to Tenants more generally in terms of the rents they charge, the services they provide, and the manner in which rental income is spent.

Broader concerns on rent setting

Rent should not be set at inflated levels to subsidise the Government's house building programmes. This is forcing Tenants paying 'social rents' (set by Government rent formula) to fund the development of new housing supply, of different tenure types. The shortage of housing, and especially affordable housing, is due to years of under-investment in the supply of quality rented accommodation. This revenue approach to funding new housing supply also means that some of the poorest people in the country, who are already living in the regulated housing sector, are shouldering the burden of paying for new housing developments. This system cannot be fair. The severe shortage of affordable housing supply is a problem for everyone in the country, and a more progressive approach to funding is required that spreads the costs of housing subsidies more fairly. This policy also artificially increases the 'Benefits Bill' as many of those living in rented accommodation rely on some form of benefit to survive.

Only minimal levels of new housing completions are let at the Government rent formula 'social rent' levels. Most new properties let within the regulated housing sector have rents linked to a dysfunctional private sector rented market. Research in 2015 from the Joseph Rowntree Foundation (JRF) has highlighted how this approach will place an additional 1.3 million people into poverty by 2040.

TAROE Trust calls for the link between rent setting and market levels or property values to be broken. One option would be for the concept of "Living Rents"[1] to be adopted into housing policy for the regulated sector, in which rents are linked to local earning levels. This will reduce reliance on benefits and make renting more affordable for everyone. This approach to rent setting would involve calculating rents according to applying a fixed percentage (28%) of net local earning levels, using the lower-quartile average earnings as the reference point (nationally, these are equivalent to an average week on the minimum wage). It is an approach that, if accompanied by a £3 billion investment from Government would unlock an additional £7 billion for investment, as well as generating benefit savings up to £5.6 billion per annum by 2040.

The sign of a progressive housing finance system would be for taxpayers to collectively fund public housebuilding, rather than existing social housing Tenants having to disproportionately meet the cost of new housing supply.

The wider economic benefits of increased public funding for new capital developments should be recognised. It stimulates employment and economic growth; greater levels of subsidy assist surplus generation and therefore the ability of landlords to secure improved borrowing terms; and it assists in the establishment of an enhanced long term asset class for local authorities.

There is a need to move away from the existing UK approach to fiscal measures, which focuses on "public sector" debt, and to adopt a European / international approach which is based on "government" debt. Under the UK approach, the debts of public corporations (including council housing) form part of the calculation of national debt. This unnecessarily restricts the public sector's abilities to engage in council housing investment and development. In other European countries for example, whilst Government subsidies form part of the general government gross debt, the borrowing against revenues of trading bodies is excluded.

[1] http://pdf.savills.com/documents/Living%20Rents%20Final%20Report%20June%202015%20-%20with%20links%20-%2019%2006%202015.pdf

An exposition of this was highlighted in the UK Housing Review 2011/12. We would like to see the adoption of international accounting fiscal measures based on 'Government debt' which would promote increased council housing investment and development, whilst also providing wider economic stimulus.

CONTACT INFORMATION

Any further queries relating to this response should be addressed to:

[redacted]

TAROE Trust
Room A204, The Heath Business and Technical Park, Runcorn, Cheshire, WA7 4QX

[redacted]

FURTHER DETAILS ON TAROE TRUST

TAROE Trust is a charity formed in 2013 out of the former national Tenant representative organisation, Tenants and Resident Organisations of England (TAROE). It has been established to further charitable objects which can be summarised as follows:

- The relief of financial hardship by providing free advice and assistance on housing issues to persons who would otherwise be unable to obtain it.

- To promote social inclusion for the public benefit among people who are excluded from society or part of society by:
    - Providing advice and assistance and building capacity on housing matters
    - Working to promote the needs of people who are socially excluded and to raise awareness of those needs among housing providers, service agencies and the general public
    - Researching links between housing and social exclusion and publishing the useful results thereof

- To develop capacity and skills among members of socially and economically disadvantaged communities which evidence deprivation in such ways that they are better able to identify, and help meet, their needs in housing related matters in particular and to participate more fully in society.