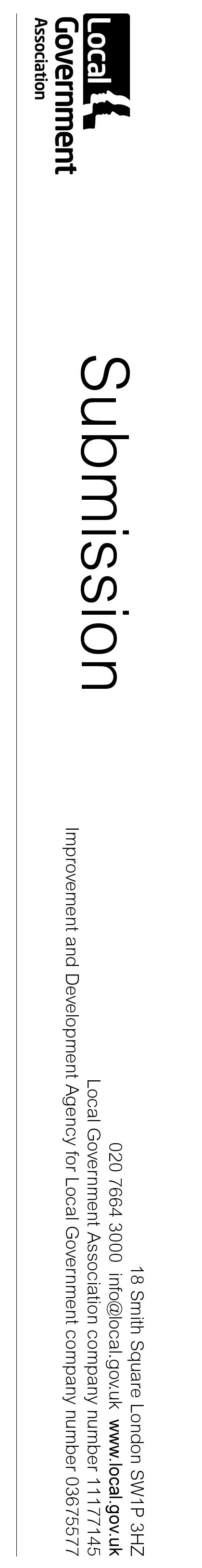
LGA response to consultation on a new Rent Standard from 2020



26 July 2019

1. **About the Local Government Association**
   1. The Local Government Association (LGA) is the national voice of local government. We are a politically-led, cross party membership organisation, representing councils from England and Wales.
   2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.
2. **Key messages**
   1. Government has committed to introducing a five-year rent settlement of rent increases up to CPI+1% from April 2020. Implementation of the rent policy is managed by the Regulator of Social Housing. The draft Rent Standard sets out expectations of landlords covering:

* the 2020 rent increase limit
* rules on social rent
* rules on affordable rent
* movement between different types of rent
  1. The new Rent Standard will come into force on 1 April 2020 and will apply to all council and housing association landlords. This is a significant departure from the self-financing settlement agreed between the Treasury and stock holding councils, which only required councils to have regard to the Rent Standard. The LGA expressed concerns with this approach in our response to the original policy proposals from MHCLG[[1]](#footnote-1). This decision undermines the principles of localism that were at the heart of the self-financing settlement.
  2. The LGA welcomed the return to a policy of managed rent increases. 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.
  3. These policy decisions are noted as being as outside the remit of the Regulator, and therefore not in scope of the consultation. In our view this is a missed opportunity for the Regulator to work with council landlords in a flexible way, enabling councils to use rental income as the basis for long term investment plans.

1. **Responding to the consultation and the consultation questions**

**Question 1: Do you consider that the Regulator has accurately reflected the requirements of the Direction in its proposed 2020 Rent Standard?**

The LGA has concerns about the Direction on the Rent Standard and is therefore unable to comment on this question. As noted above, applying the Rent Standard to local authorities is a step back from giving them local control over income.

**Question 2: Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?**

There is an appropriate level of clarity in the Rent Standard. We support the proposed approach of light touch regulation of local authority rents. It is encouraging that the Regulator is already working with councils and the LGA to pilot the new system of regulation and ensure a smooth transition.

While council landlords are happy to provide data to the Regulator on rents, this must not be treated by the Regulator or Government as an opportunity to collect further data on housing finance or other aspects of housing from council landlords. There are continuing discussions on the future regulation of social housing, and any additional data requests should be considered as part of this process.

**Question 3: Do you have any other comments in relation to the proposed 2020 Rent Standard?**

The Rent Standard describes a process that allows the Regulator to grant an exemption to private registered providers where the Rent Standard would risk their financial viability. There is no mention of exemptions or flexibility for local authority landlords.

This is a missed opportunity to help councils that will be locked into low rents by the new rent policy. Those councils that signed up to the self-financing settlement in 2012 with lower than standard rents are now even further behind due to the implementation of four years of a -1% rent reduction in the Welfare Reform and Work Act of 2016. The LGA previously suggested that flexibility for councils yet to complete rent convergence 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.

The LGA’s 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]](#footnote-2).

**Question 4: Do you agree with the conclusion of the business engagement assessment including equality analysis?**

The business engagement assessment only covers the impact on private registered providers. While the Regulator is not required to consider the impact on council landlords as they are counted as public bodies, we would encourage this to be done for completeness.

Councils are told that they must accept regulation of their rents and be treated in the same way as private registered providers, but at the same time they are regarded as public bodies and are therefore excluded from the impact assessment. The LGA has pointed out on many occasions that there is not a level playing field between councils and housing associations, and this is another example of unequal treatment.

**Consultation on a new Rent Standard from 2020 – Final Cornwall Partnership Response**

Cornwall Partnership response comprises comments from Cornwall Council, Coastline, Cornwall Housing Ltd and LiveWest.

Submitted by: Housing Strategy & Partnerships Engagement Officer, Cornwall Council, Pydar House, Pydar Street, Truro TR1 1XU

**Q1: Do you consider that the Regulator has accurately reflected the requirements of the Direction in its proposed 2020 Rent Standard?**

|  |
| --- |
| Yes |

**Q2: Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?**

|  |
| --- |
| Yes |

**Q3: Do you have any other comments in relation to the proposed 2020 Rent Standard?**

|  |
| --- |
| Generally no further comments.  However, one Partner raised a query around the potential for exemptions for schemes such as youth move on accommodation. |

**Q4: Do you agree with the conclusion of the business engagement assessment including equality analysis, at Annex 3 of the consultation document?**

|  |
| --- |
| Yes  One Partner commentated that they would agree that the statutory duty under the Equality Act 2010 does not need to be covered under the proposed changes in the new Rent Standard given that us as RP’s will have considered this Act in our application of the said Standard. |

**Consultation on a new Rent Standard from 2020**

**Response from**

**Westminster City Council July 2018**

***Consultation question 1: Do you consider that the Regulator has accurately reflected the requirements of the Direction in its proposed 2020 Rent Standard?***

* Yes

***Consultation question 2: Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?***

* Yes

***Consultation question 3: Do you have any other comments in relation to the proposed 2020 Rent Standard?***

* The reporting arrangements should be developed with registered providers to ensure they are realistic. It would also be useful to have a timetable as soon as possible on when information is needed so we can plan for this.

***Consultation question 4: Do you agree with the conclusion of the business engagement assessment including equality analysis, at Annex 3 of the consultation document?***

* Yes

Response template:

Consultation on a new Rent Standard from 2020

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 |  |
| * Your position (if applicable) |  |
| * The name of organisation (if applicable) | Stoke-on-Trent City Council |
| * An address (including postcode) | Housing and Customer Services, Civic Centre, Glebe Street, Stoke-on-Trent, ST4 1HH |
| * An email address |  |
| * A contact telephone number |  |

Consultation questions

**Question 1:** Do you consider that the Regulator has accurately reflected the requirements of the Direction in its proposed 2020 Rent standard?

**Response:** Yes

**Question 2:** Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?

**Response:** Yes

**Question 3:** Do you have any other comments in relation to the proposed 2020 Rent Standard?

**Response:** We note that the proposed Standard includes (paragraph 3.19) a requirement that local authority registered providers should communicate with the Regulator in respect of compliance with the Standard. The Regulator should accept a reciprocal obligation to ensure that requirements to provide data are reasonable and proportionate to the purpose for which they are needed. We are concerned that the provision of regular data on rents to the Regulator may become an onerous and costly burden, and would wish to be consulted separately on the detailed reporting arrangements proposed.

**Question 4:** Do you agree with the conclusion of the business engagement assessment including equality analysis, at Annex 3 of the consultation document?

**Response:** We see no reason to disagree.

**Consultation on a new Rent Standard from 2020**

**Consultation response: Trowers & Hamlins LLP**

**Question 1: Do you consider that the Regulator has accurately reflected the requirements of the Direction in its proposed 2020 Rent Standard?**

Yes save for the typographical error in the cross reference in 3.13

**Question 2: Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?**

Yes, save that there is ambiguity in the final sentence of paragraph 3.14 of the Rent Standard with paragraphs 3.15 and 3.16 of the Rent Policy:

We read the Rent Policy as requiring that a re-basing analysis must be carried out on a re-let to the same tenant (except at the end of the probation period), and that if the 80% of market is lower than the current rent, the rent should be reduced. It is only if the rebasing would lead to an increase in excess of CPI+1% that that the rebasing does not apply in full, and the CPI+1% figure is substituted.

In contrast, our view is that the final sentence of paragraph 3.14 of the Rent Standard offers an option of not rebasing.

**Question 3: Do you have any other comments in relation to the proposed 2020 Rent Standard?**

In our view it would be helpful to add in a sentence to cover the application of the Rent Standard to a housing administrator into paragraph 2.5 – would the policy position be that the Rent Standard would apply, but that the housing administrator could apply for a waiver? If there is a policy on granting waivers, this would need to consider this scenario.

There are Registered Providers which have not been subject to rent reductions under the Welfare Reform and Work Act 2016, and a regime for re-let rent setting that has permitted increases to the extent that the application of the rent cap at the levels quoted in the Rent Policy would lead to a breach of the Rent Standard. This would appear to cut across the original intention of permitting those organisations to increase rents in the manner that the exceptions to the Welfare Reform and Work Act 2016 permitted.

**Question 4: Do you agree with the conclusion of the business engagement assessment including equality analysis, at Annex 3 of the consultation document?**

No comment.

**Trowers & Hamlins**

July 2019Response:

**New Rent Standard from 2020**

**Consultation by the Regulator of Social Housing**

**30 July 2019**

Summary of key points

1. This consultation relates specifically to the new Rent Standard, proposed to take effect in April 2020.
2. By law (the Localism Act 2011), the Regulator for Social Housing is obliged, in framing the new Rent Standard, to comply with the requirements of the rent direction issued by the Secretary of State on February 2019.
3. The rent direction (incorporating the policy statement issued along with it) is extremely detailed in its provisions. Consequently the RSH has no latitude in framing the new Rent Standard.
4. In these circumstances, the present consultation, although legally required, is a formality. It does not allow scope for raising policy issues regarding rents, since all substantive questions have been predetermined by the rent direction.



**Introduction**

This is the Federation’s response to the consultation by the Regulator of Social Housing on the proposed Rent Standard to take effect from 2020.

The National Housing Federation is the voice of housing associations in England. Our members are united by a common purpose – to ensure everyone has access to a quality home that they can afford.

**Background to this consultation**

The regulation of social housing rents is one of the areas specified in the Localism Act 2011 as being subject to direction by the Secretary of State. Such a direction was issued on 25 February 2019: <https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020> . The direction is very detailed and effectively dictates the contents of the new Rent Standard. In these circumstances, the present consultation by the Regulator, although legally required, is little more than a formality. Our response therefore reflects this.

The rent direction provides that, from 2020 until the direction expires in 2025, social housing rents will, in general, revert to the CPI+1 formula that was briefly in effect before the statutory rent cut of 1% each year came into force from April 2016.

The rent direction, and its accompanying policy statement, sets out in detail the creation of a ‘2020 limit’ to act as the baseline from which future increases will be measured. It also incorporates special protection for existing affordable rent tenants to ensure that their rents cannot be rebased to 80% of the market level unless there is a change of tenant.

It is notable that the Rent Standard will, for the first time, apply to local authority landlords as well as to housing associations.

The Federation has already welcomed the return of the CPI+1 formula. Rental income is essential for the sustainability of housing associations. We understand that social housing residents are concerned about rent increases, but it is also important to recognize that most existing residents will have benefited over the previous four years from a reduction of 1% each year. Moreover, 60% of people living in social housing will not be impacted by the rent increase as their rent is covered by housing benefit, which will increase in line with the rent rise. We have also called on the government to end the benefits freeze and the cap on benefits. Given the rent increases and the ongoing roll out of Universal Credit, it is even more important than before that these policies come to an end. The government must make sure that benefits cover people’s social housing rent at a minimum.

Our main reservation about the rent direction is that, despite strenuous lobbying by the Federation, it contains no provision for the convergence of rents that are below formula level. We remain of the view that rent regulation should provide a suitable mechanism allowing very low rents to be gradually brought up to formula level without a change of tenant; this is essential to allow landlords to maintain a coherent pattern of rents and we think it is short-sighted of Government not to have recognized this case.

Nevertheless we accept that the Regulator of Social Housing is bound by the terms of the rent direction and we do not propose, in this response, to go into further detail about the overall approach to rent regulation. We therefore confine ourselves to the technical questions raised by the RSH.

**Answers to consultation questions**

Owing to its limited and technical nature, the consultation asks only four questions.

**Q 1:** *Do you consider that the Regulator has accurately reflected the requirements of the Direction in its proposed 2020 Rent Standard?*

Yes. We also agree that in the light of the Policy Statement issued by the Secretary of State, there is no need to continue with a separate document setting out ‘Rent Standard Guidance’.

**Q 2:** *Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?*

In the great majority of cases, yes. There is a technical issue about the level of rent caps, but this arises not from the proposed Rent Standard but from the rent direction issued by the Secretary of State. We are pursuing this separately with MHCLG.

**Q 3:** *Do you have any other comments in relation to the proposed 2020 Rent Standard?*

No, except to say that we think the present exercise has demonstrated that future directions by the Secretary of State should aim to set out an approach to social housing rents in more general terms, leaving scope for the RSH to regulate the detailed application of the policy. The issuing of such a detailed and prescriptive direction by the Secretary of State means that the RSH, which is much more familiar with the sector, lacks flexibility in addressing any specific concerns that may arise.

**Q 4:** *Do you agree with the conclusion of the business engagement assessment including equality analysis, at Annex 3 of the consultation document?*

Yes.

National Housing Federation

Dear Sir/Madam

Unfortunately the survey monkey link is no longer working so I would like to submit this response to question 3 of the consultation on a new rent standard from 2020 on behalf of Homegroup Limited. As per the consultation document my details are

       Name –

       Position –

       Organisation – Homegroup Limited

       Address – 2 Gosforth Parkway, Gosforth Business Park, Newcastle Upon Tyne NE12 8ET

       Email address –

       Contact telephone number

I would like to highlight the need for clarity around the criteria for Specialised Supported Housing (SSH). Whilst SSH is excluded from the proposed rent standard 2020 document it is referenced in a number of the documents that are part of the consultation process. In particular in the Policy statement from February 2019 SSH is described when mentioning it is excepted from the policy statement. Within this description in the February 2019 policy statement at point 5.5(e)(i) it states “there was no, or negligible, public assistance” and it is the use of the word negligible that is difficult to track consistently through the documentation. There is a broader question around the need for capital funding for the most vulnerable people who would use Specialised Supported Housing but within the scope of this consultation I want to raise the narrower point of consistently including the phrase “negligible public assistance”.

I am happy to provide more information or context in relation to this point.

Kind regards

**Home Group**

Please see below our response (on behalf of Housing 21) to the Rent Standard consultation.

**Name**

**Position**

**Organisation** Housing 21

**Address**                                   Tricorn House, 51-53 Hagley Road, Birmingham, B16 8TP

**Email address**

**Contact telephone number**

**Consultation Question 2: Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?**

The 2015 Standard was a brief document (1½ sides of A4) which focused on the calculation of rent, and signposted the accompanying Guidance wherein the reader could find greater clarity on how it all worked. The 2020 version is considerably bulkier, repeating verbatim large sections of the Policy Statement but completely ignoring others. The problem with this approach is that the reader will assume that the sections repeated are important and the sections ignored are not. We think that is a potentially confusing approach.

We would recommend a similar approach to the 2015 standard and guidelines. A brief standard and then the rent standard guidance which includes the policy statement on rents for social housing.

**Consultation Question 3: Do you have any other comments in relation to the proposed 2020 Rent Standard?**

a.     Changes to current rents currently over the rent flexibility level – multi-occupancy buildings

A feature of older and supported people housing is multi-occupancy buildings which very often have commonality of rent, reflecting the almost identical accommodation type and service within a block of flats.

In these circumstances (i.e. multi-occupancy buildings etc), it would be better to enable the re-letting of properties at rents which all other tenants are paying – even if they are above the rent flexibility level. The CPI-only rent increases would then bring the rents in-line over time. This would avoid unfairness and resentment amongst tenants paying different levels of rent for the same accommodation / service when re-lets occur.

b.      More flexibility between CPI +1% and CPI only rent increases

Where rents are currently  above the rent flexibility level, then the current proposal to restrict increases to CPI-only could create a rent which is then subsequently below rent flexibility level. This would then only revert back to the rent flexibility level upon re-let (e.g. if Current rent is £99.50, and Rent flexibility rent level is currently £99. Then an increase of CPI only on the current rent (say of 2% for this example)  would create a rent  of £101.49 vs 2% CPI+1% on £99 which would create a new rent of £101.97.

Whilst the differences would be very minor (as denoted in the above example), it causes issues in multi-occupancy buildings where residents live in close proximity and where the nature of the accommodation and services is identical.

Perhaps there should be a degree flexibility for multi-occupancy buildings to allow the restricted CPI only increase to be stated as the higher of CPI only or the rent flexibility rent.

c.     Re-setting Affordable Rents upon re-let – multi-occupancy buildings

Where there are multi-occupancy buildings (i.e. where residents live in close proximity and where the nature of the accommodation and services is identical) and particularly in a Support Housing environment, we would recommend that  the re-let should be based on the rent paid by the other residents rather than having new valuation undertaken at each individual re-let.

Instead, we would recommend a new provision that for multi occupancy building there should  be a periodic reassessment of Affordable Rents (say every 5 years)  to make sure they’re still no more than 80% of market rent for the entire building / scheme, rather than having a new valuation / assessment at each individual re-let.

This would avoid unfairness and resentment amongst tenants paying different levels of rent for the same accommodation / service.

d.     Exemption for Support Housing Affordable Rents to be exclusive (not inclusive of) of service charges

Currently Affordable Rents are set at  80% of gross market rent (rent and service charge) . This we believe does not work effectively in supported housing and where variable service charges exist . Service charges in a supported housing are significantly higher due to their unique nature of services and by stating a % of a gross rent including service charge to be the basis for the affordable rent  , the legislation will potentially result in fixed and higher service charges as landlords attempt to cover cost risks around movement of utility and other service charge costs. A key benefit of variable service charges is that it encourages affordability and lower costs as it is based on a recharge basis and not a fixed charge and in most cases actively involves the residents in determining the nature and volume of services they require to be provided.

We therefore suggest an exemption for Support Housing Affordable Rents to be exclusive of service charges as long as service charges are charged on a recharge basis (i.e. variable service charge) plus a fixed management fee.

e.     Exemption of ‘PFI social housing’ from Rent Standard

The rent standard currently gives exemption for ‘PFI social housing’. We believe that the standard should be explicit to also cover ‘PPP (public private partnerships) social housing’  to be exempt from the Rent Standard.

Current proposal only exempts social housing specifically badged as under “private finance initiative”. The reason for exemption of ‘PFI social housing’ but not ‘PPP social housing’ is not clearly apparent given they both involve long term (30+ year) contracts with non-public bodies delivering construction and operational services.

f.      Depreciated Replacement Cost (DRC) method for determining property valuations

Under the 2015 and previous Rent Standards, there is detailed and prescriptive guidance on how DRC could be calculated, particularly for the purpose of setting Support Housing Formula Rents. This detail  has been removed from the proposals but 2.22 of the policy statement states providers can use DRC.

We recommend that guidance / methodology should still be provided as an option should providers wish to use it.

Dear Rent Team

Please find below responses to your consultation questions on behalf of **Forbes Solicitors**:

**Consultation question 1:** Do you consider that the Regulator has accurately reflected the requirements of the Direction in its proposed 2020 Rent Standard?

**Response:**Yes

**Consultation question 2:** Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?

**Response:** Yes

**Consultation question 3:** Do you have any other comments in relation to the proposed 2020 Rent Standard?

**Response:**

         You have created a definition of the rent policy in clause 1.1 so you could use this rather than the full title of the policy in clause 2.1

         In relation to 2.4, if the regulator’s stance will be similar to that on exceptions under the rent reduction pursuant to the Welfare Reform and Work Act 2016, i.e. that it would raise questions around viability if an exception were sought and so unlikely to be agreed without some engagement with the regulator concerning the provider’s sustainability, it would preferable for this approach to be signposted in the standard.

         The Rent Standard could be even more concise as it repeats some aspects of the rent policy, e.g. stating when affordable rent may be charged in 3.10 which could be replaced with a reference to the rent policy.  Its inclusion is helpful for ease of reference but as other parts refer to the policy, for consistency in presentation, they could be removed and a reference to the policy included instead as this would avoid any confusion over whether you have amplified any aspects of the policy.

         The Rent Standard Guidance and Further Information will need revision to complement the new standard.

         Where there are changes between the current and the new standard, it would be helpful to include a footnote at the relevant part or in accompanying guidance explaining that there is a change and what that change is, especially if such change relates to a change in the categories of exemptions from the previous position.  This would be helpful for providers as the current standard will be removed from the RSH website once the new standard is in force and providers may not have saved a copy to compare against in order to assess how their internal procedures need to change.  Although previous editions are archived in the National Archives, not all providers will be aware of this facility or how to access the materials.  An archive of previous editions on the regulator’s own website or a link to the relevant documents in the National Archives would be beneficial for providers so they are able to have easy access to the historical changes over time which will aid understanding of the current standards or guidance.

         The requirement for local authorities to communicate with the regulator reflects the existing obligation for non-local authority providers in the Governance and Financial Viability Standard but are there corresponding requirements for local authorities to submit returns elsewhere, which will be the trigger for this communication as the local authorities will not be subject to the Governance and Financial Viability Standard?  The regulator will need a requirement to submit data in place before it can impose this equivalent obligation on local authorities in the same way that there is a requirement for non-local authorities to submit returns.

**Consultation question 4:** Do you agree with the conclusion of the business engagement assessment including equality analysis, at Annex 3 of the consultation document?

**Response:** Yes

We have not submitted this online as the survey monkey website is a blocked site under our firm’s security policy.

Our address for any postal communication regarding this email is:

|  |
| --- |
| 55 St Thomas's Road Chorley PR7 1JE |
| DX: 18425 - Chorley |  |

We hope our responses are helpful.

Kind regards

**CIH response to Consultation on a new Rent Standard from 2020**

About CIH

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:

Post: CIH, Octavia House, Westwood Way, Coventry, CV4, 8JP

CIH response to Consultation on a new Rent Standard from 2020

Introduction

We welcome the opportunity to respond to this consultation.

We have chosen to respond specifically to questions 1-3 from the consultation document. We recognise that some of the points we have raised in our answer to question 3 are broader than the scope of this consultation, and that the regulator is constrained by the directions it receives from government. We therefore appreciate that the regulator’s ability to address these points at this point in time will be limited.

Nevertheless, these broader points represent our overall view on rent policy in the social housing sector and (while also responding to the specific questions raised in the consultation) we have taken this opportunity to make these views clear.

1. Do you consider that the regulator has accurately reflected the requirements of the direction in its proposed 2020 rent standard?

Yes. The proposed standard is clear and accurately reflects the direction from government.

2. Do you agree that the proposed 2020 rent standard, when read alongside the policy statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?

Yes. We agree that further, practical guidance (for example on issues such as carrying out property valuations) is not necessary and that the proposed standard offers providers all of the information needed to comply.

3. Do you have any other comments in relation to the proposed 2020 rent standard?

While accepting that these are outside the scope of the current consultation, we would like to raise two broader concerns about rent policy.

Firstly, since 2012 there have been frequent changes in rent policy which have undermined the sector’s ability to invest in new homes. It is therefore positive that the proposed ceiling of CPI+1% on annual rent increases is intended to remain in place for a minimum of five years. We would strongly recommend that this commitment is honored in practice and would also welcome any statement of intent to retain it over a longer period, if possible.

CIH response to Consultation on a

new Rent Standard from 2020

3

Secondly, although we agree that following four years of rent reductions most landlords will now need to increase rents in order to continue to invest, we remain concerned that social and affordable rents are becoming less affordable for those on the lowest incomes.

Figures taken from the UK Housing Review show that, over a long period up until 2016, rents increased faster than incomes. For example, in 1990 typical local authority rents were 8.9 per cent of average earnings, and housing association rents 10.9 per cent. However by 2016 these had reached a peak of 13 and 13.6 per cent respectively.

Our view is that the sector should consider the now permitted annual increases of CPI+1% as a maximum and should take local incomes into account when considering whether there is a case to increase rents at a slower rate in their area. Our recent report, Building Bridges, sets out a proposal for local authorities and housing associations to collaborate to develop Local Housing Affordability Framework for their area, and we would welcome further measures to encourage this.

We are also particularly concerned about the loss of much needed social rented housing through conversions to affordable rent. Statistical data returns (SDR) data shows that around 111,000 social rented homes have been converted since 2012. This has accelerated the trend of worsening affordability. Numbers of new conversions have now fallen and in London the practice has been halted, even though of course properties already converted remain let at the higher rents. We consider that further conversions should now cease across England.

LONDON **TENANTS** FEDERATION.

29h July 2019

**LTF response to consultation on a new Rent Standard from 2020**

1. **Introduction**: London Tenants Federation brings together borough- and London-wide federations and organisations of tenants (including leaseholders) of social housing providers. Our membership includes the London Federation of Housing Co-operatives and the National Federation of Tenant Management Organisations. A number of our 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 responded to the MHCLG consultation on Rents for Social Housing 2020-21 drawing on discussion from our October 2018 conference focused on ‘A Tenant-led Deal for Social Housing in London’, held in partnership with the NFTMO and the London Fed of Housing Co-ops.

We are working on a series of briefings on what’s happened to social rents since 2002, when rent restructuring was introduced by the then Labour Government, the first of which was published in June this year (attached).

2. **Our concerns about rent policy.** While defining rent policy is not the remit of the regulator, we hope that the listing our ongoing concerns about rent policy will help to explain our proposals in section 3 of this response around the Rent Standard and the remit of the Regulator on rents.

* Contrary to one of the aims of rent restructuring we now have an extremely complicated, quite random, unfair and unjustified array of different rents for exactly the same types of rented homes that just don’t reflect what tenants value in their homes. These include:

(i) council and possibly some private registered provider (PRP) tenants in London being charging higher, target rents, (as a result of the Welfare Reform and Work Act 2016) than the rents paid by existing tenants (where target rents were not reached in London by 2015);

(ii) PRPs have been allowed to re-let social rented homes as affordable rent in contracts for delivering new affordable rent homes, creating situations where some tenants are paying considerably higher rents than their neighbours;

(iii) the introduction of the London Mayor’s new ‘London Affordable Rent’ homes, which he and his officers frequently refer to as ‘social rent’ but are 50% higher than existing social rents;

(iv) the application of exceptions to the four-year 1% rent reductions. Please see our example from Islington on page 6 of the attached briefing, which sets out the £41 difference between the rent of a new social housing tenant whose home is managed through a PFI contract and that of the average existing council tenant.

• Increases in rents as a percentage of incomes. We have compared the real term increase in the percentage of a low-income that a London council tenant household paid in 2002 (when service charges were included in rent) compared to dates since then. Service charges are now separate from rents.

• There is huge lack of transparency, accountability and public recording (at the national level) on the costs of tenants’ service charges and no public scrutiny of the wide differences in charges applied by social landlords across London (and presumably in the rest of the country) for similar services.

• The apparent financial benefit to tenants in respect of the 1% rent reductions (since 2016). We are concerned that there are instances where the rent reduction has simply been replaced by higher service charges with no gain for tenants.

• Lack of clarity around what is considered to be a service charge.

• The potential impact on low income tenanted households particularly in respect of benefit caps via the roll out of Universal Credit of: (i) a return to above inflation rent increases of CPI+1% in 2020 (ii) of the introduction of new ‘London Affordable Rents that are around 50% higher than average council rents.

• The extent to which social housing tenants should be expected to bear the costs of new built and new debt, which is clearly a factor in the CPI+1% annual rent increases from 2020.

• Wide inconsistency in the quality of consultation with tenants about annual increases in rents and service charges and in the level of information provided in order for tenants to understand the cost of both.

3. **What we feel should be included in the rent standard and requirements of the regulator on rents.** We suggest the Regulator should:

• set clear guidance in the Rent Standard around how social housing providers should consult with tenants (annually) about rents and service charges. We feel consultation should include provision of detailed information on the costs of rents, services, and amount of rent that is covering the cost of

• building new homes and new debt. Consultation should include meetings with tenants involving presentations and discussion;

• set out a clear and comprehensive list of items that can be considered to be services separate from rent;

• require public transparency around the cost of council and private registered providers’ rents, service charges and the amount of rent (on average per tenant) that is going towards the cost of new build and new debt (each as separate items). The regulator should require that social and ‘affordable rents’ (including London Affordable Rent) are recorded separately by councils and PRPs and that this data should be published locally, landlord-wide and nationally. It would be helpful if this were published on the MHCLG website. We suggest it should be included in an annual report published by the regulator;

• require councils and PRPs to publish data relating the cost of rent and services compared to incomes. We suggest that this should cover incomes in incremental steps (rather than one assumed average). Again, we suggest that the regulator also publish this data in an annual report;

• monitor and publish, on an annual basis, the impact of the return to above inflation, CPI+1%, rent increases and the impact of this has on tenants, particularly alongside the roll out of Universal Credit. This should include instances of where rent and service charges combined are higher than benefit caps

Yours sincerely

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Clarion Housing Group

6 More London Place

Tooley Street

London

SE1 2DA

30 July 2019

**Response to consultation paper on rents for social housing from 2020**

Clarion Housing Group is the largest housing association in England. We own or manage 125,000 homes and work in 176 local authority areas. Our wealth of experience delivering and managing affordable housing - the vast majority of which are let at social rents - means we are well placed to respond to this consultation.

We welcome the return to CPI+1 % as the maximum permitted amount for rent increases which will support the delivery of our ambitious programme to build homes to tackle the housing crisis. A five year settlement gives a degree of certainty but housing associations will be mindful of how short-lived the previous 10 year settlement was and trust will need to be restored for this policy to deliver the maximum benefit.

It is our view that the Regulator has appropriately interpreted the Government’s direction in its proposed 2020 Rent Standard and we have provided responses to the consultation questions below.

I trust our comments will be useful to you. If you have any queries or require any additional information please do not hesitate to contact me.

Yours sincerely

Clare Miller

**Clarion Housing Group Chief Executive**

**Responses to specific questions**

**1: Do you consider that the Regulator has accurately reflected the requirements of the Direction in its proposed 2020 Rent Standard?**

Yes. In our view the 2020 Rent Standard accurately reflects the requirements of the Direction.

**2: Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?**

Yes.

**3: Do you have any other comments in relation to the proposed 2020 Rent Standard?**

While a five year settlement gives a degree of certainty, housing associations will be mindful of how short-lived the previous 10 year settlement was and trust will need to be restored for this policy to deliver the maximum benefit. Early discussions to ensure any future rent settlement (post-2025) best meets the needs of residents, landlords and the Treasury would be welcome.

Before embarking on the Affordable Rent programme we capped all of our rents at LHA rather than maximise rents to 80% of market, as these were found to be largely unaffordable in some high value areas. We have since been looking at various ways to reduce some of our higher Affordable Rents to ensure they are affordable to those living in them. However, Affordable Rents were specifically designed to generate funding for development, so reducing these would have a significant knock-on effect on our development capacity.

At the other end of the scale, Clarion has a number of homes where the rents are low in relation to local incomes and, due to the early cessation of rent convergence, Clarion still has a number of rents that are below target. For Clarion, a sensible option would be to set our own rents within a rent envelope. This would enable us to work towards a more equitable position where similar properties are charged at similar rents and avoid any negative impact on our development programme. We would welcome the opportunity to explore this and perhaps operate a pilot to test the concept.

**4: Do you agree with the conclusion of the business engagement assessment including equality analysis, at Annex 3 of the consultation document?**

Nothing to add.

**Consultation on a new Rent Standard from 2020**

**A Submission by:**

**The Chartered Institute of Public Finance and Accountancy Housing Panel**

**July 2019**

**CIPFA, the Chartered Institute of Public Finance and Accountancy**, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing andaccounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

**1. Introduction**

CIPFA welcomes the opportunity to respond to the consultation on the new Rents Standard from 2020. We have consistently called for certainty around future rental income to:

* Ensure a long-term sound financial basis for social housing.
* Enhance the opportunity for social housing to fulfil the government’s desire to see more homes built.
* Enable providers to meet the growing homelessness crisis.

However, CIPFA has voiced concerns in respect of the policy change that led to this consultation and these still remain. CIPFA recognises that these issues are not necessarily the subject of the consultation, but they do provide context and are fundamental background to it.

Asking the Regulator to set rents (under the guidance of the Minister for Housing, Communities and Local Government) does mean the removal of a previous Local Authority power and concentrates that power at the centre. We make the observation that this does seem to be at odds with the direction of travel with other local government policies such as business rates, where the direction is towards a more local agenda.

The former practice of rent guidance rather than regulation has served successfully for many years, with only a small number of Local Authorities having chosen to exceed the guidelines.

CIPFA advocates the important of long term planning and continues to support this approach. The 2012 Self Financing settlement recognised the need for long-term stability and certainty in relations to rents, setting out guidance for a 30-year period. Although, a stated aim of the new proposals was to give more certainty for social landlords the changing emphasis has failed to support this. Asset management, a large component of social housing, is a long-term business and as such requires longer term certainty over rental income. A shorter period does not achieve that ambition.

The imposition of the 4-year 1% reduction of rents combined with the cancellation of rent restructuring – seen as imperative to bring the RSP and LA rents on a similar basis – has meant that many Housing Revenue Accounts are underfunded in terms of the income that was needed to support the considerable debt that was imposed on them. CIPFA would suggest that if the two sectors are to be brought together, then it would seem appropriate that discussions on rent restructuring may be appropriate.

**2. Consultation Questions**

**2.1 Question 1: Do you consider that the Regulator has accurately reflected the requirements of the Direction in its proposed 2020 Rent Standard?**

As noted above, applying the Rent Standard to local authorities is a step back from allowing them local control over their income.

CIPFA would like the Regulator to reconsider the interpretation of a specific element of the Direction in its proposed 2020 Rent Standard in respect of Temporary Accommodation provided to homeless households. In doing so, CIPFA feels that some providers may experience unavoidable and serious financial difficulty as, even with the rent flexibilities inherent in the consultation, income may not meet the additional costs of such provision. Rents are generally higher in this type of accommodation because of the higher turnover, subsequent repairs and maintenance requirements and the higher staffing levels required for the schemes due to increasing vulnerabilities and complexities of those housed within them.

We ask that this is reconsidered and consider that this is an unintended consequence of this proposal as temporary accommodation is clearly supposed to be exempt from the proposed Rent Standard. Without such an exception, a financial impact of this level would render current provision of temporary accommodation unsustainable, which would then significantly impact with increasing pressures on other services such as social care, health and the emergency services as well as increasing rough sleeping

**2.2 Question 2: Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?**

CIPFA believes that for the majority of housing stock, the two documents provide clear guidance on how to apply the rules on rent setting. There is an appropriate level of clarity in the Rent Standard and the proposed approach of light touch regulation of local authority rents has much to commend it, as has the current data set requirements (under the pilot) that do not appear to add undue burdens to LAs.

However, CIPFA is aware of concerns that there appear to be some contradictions within the definitions and exceptions detailed within the Policy Statement that clearly places some providers at a disadvantage. This relates to accommodation provided to a homeless person under licence that is leased by a Local Authorities. We understand that the National Federation of ALMOs have brought this to your attention.

**2.3 Question 3: Do you have any other comments in relation to the proposed 2020 Rent Standard?**

It is CIPFA’s understanding that the Rent Standard describes a process that allows the Regulator to grant an exemption to private registered providers where the Rent Standard would risk their financial viability. There is no mention of exemptions or flexibility for Local Authority landlords.

**2.4 Question 4: Do you agree with the conclusion of the business engagement assessment including equality analysis?**

CIPFA notes that the business engagements only cover the impact on private registered providers.

Given the concerns expressed in response to previous questions, CIPFA suggests that the Regulators conclusion, that there are no equalities implications arising from the proposed Rent Standard may need to be reconsidered as there could well be impacts on some Local Authorities. Temporary accommodation is being allocated to those with increasing vulnerabilities and complexities – reducing this will significantly affect those individuals.

**Chair of the Place and External Relations Scrutiny Panel**

**Tameside One**

I write on behalf of Tameside Council’s Place and External Relations Scrutiny Panel. The Panel seeks to submit a formal response to the consultation on a new Rent Standard from 2020, which closes on 30 July 2019. This letter therefore aims to provide a summary of collective points and to express any areas of issue and concern. I would be extremely grateful if on receiving this letter you are able to take the appropriate action to ensure the collective response is suitably recorded and submitted to the consultation.

Consideration must be given to the cumulative impact of system and payment changes brought about by Universal Credit and the ongoing pressures faced by some of our most vulnerable residents. I have taken time to discuss proposals for the new rent standard with Jigsaw Homes Group, as the borough’s largest Registered Social Landlord, with key points included below.

Tameside, as a place, continues to face significant challenges with an ongoing need to address social, economic and health inequalities. Unemployment in Tameside remains higher than the national average, with a higher proportion of residents claiming out of work benefits. This is further compounded by almost 50% of the population living within the 30% most deprived areas nationally and parts identified within the top 5% for deprivation.

Research and intelligence shows that the percentage of people living in relative poverty, after housing costs, is higher in the North West than the national average. Tameside’s low income households and single parents continue to be adversely affected by the impacts of welfare reform and Universal Credit.

The Welfare Reform and Work Act 2016 has worked to ease the financial burden of rent increase and has notably contributed to the sustainability of plans to deliver a more affordable housing sector across Tameside. The Panel acknowledge that a change to the rent standard is required in order to provide the sector with greater certainty and confidence in future revenues in order to invest in the existing housing stock and to plan for further development opportunities.

The Panel would like concerns to be raised with regards to future housing costs as a significant factor and pressure for Tameside residents living in relative poverty. There is alsoa further need to understand the impact on residents who will remain economically and socially inactive.

I have listed some of the main points below, which are to be viewed under the collective of Tameside’s Place and External Relations Scrutiny Panel.

 Residents in receipt of a housing component within their Universal Credit payment face being at a greater financial risk in the immediate period following the new rent standard being applied from April 2020.

 Universal Credit requires individual claimants to provide notification of a rent increase in order for the housing component to be adjusted in line with the increase of 1% + CPI. The notification of increase can only be made once the increase has been applied in April 2020, with any late notifications resulting in an under payment for housing costs in the period to follow.

 Inconsistencies are apparent for residents who continue to receive Housing Benefit compared with Universal Credit. The Housing Benefit system is seemingly able to provide a bulk upload for rent increases for all claimants once notification is received from the landlords.

 To avoid a shortfall in the housing element of Universal Credit in April 2020, the system requires the ability to receive a bulk upload for rent increases. There is a noticeable need to avoid and remove the adverse financial impact on claimants who may not provide immediate notification of the rent increase.

 Should such a system not be in place as part of Universal Credit by April 2020, support needs to be provided to social landlords to communicate key messages as to the action required by claimants as soon as the rent increase is applied.

 With a previously more restrictive approach to investment and development, the new rent standard provides Registered Social Landlords with a greater level of certainty for income growth and more ambitious forwarded planning to maintain existing properties, identify future development opportunities and to provide additional support to residents within their communities.

If further clarity is needed on any of the above points, please do not hesitate to contact me.

Yours faithfully,

**Peter Bedford Housing Association**

30th July 2019

Dear Regulator of Social Housing

**Re: Consultation on a new Rent Standard from 2020**

While the consultation is very narrow, we are able to respond to the questions posed:

1. Do you consider that the Regulator has accurately reflected the requirements of the Direction in its proposed 2020 Rent Standard?

Yes, we welcome the CPI +1% increase from 2020 onwards. The rent reduction to 2020 has had a significant impact on us as a small provider which operates in housing support with our income falling year on year as other supported housing funding also reduced. Our employment, training and recovery services have been affected.

2. Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives providers an appropriate level of clarity about the rules on rent with which they will be required to comply?

Yes

Fair rents do appear to be increasingly out of alignment with the rest of the social rented sector as all our fair rents are below the formula rent level. The number of fair rents is gradually reducing over time, however

it would be interesting if we could see there being some alignment between formula and fair rents in the future.

Affordable rent does not encourage recovery for tenants who are vulnerable as they would be very likely to need to claim welfare benefits even where working. Dependence on in work benefits for those who are not likely to achieve a salary which would allow them to pay an affordable rent, is not a desirable long term solution to help people become independent and build their confidence. It is much more desirable to invest public subsidy in capital investment which will appreciate in value over time as well as enabling lower social or formula rents which the lower earners will be able to afford.

3. Do you have any other comments in relation to the proposed 2020 Rent Standard?

Yes, we appreciate the ongoing proportionate lighter touch regulation for smaller providers under Regulating the Standards.

4. Do you agree with the conclusion of the business engagement assessment including equality analysis, at Annex 3 of the consultation document?

Yes

If you have any questions for us, please do not hesitate to make contact.

Yours sincerely

Chief Executive Officer

1. https://www.local.gov.uk/parliament/briefings-and-responses/lga-response-mhclg-consultation-rents-social-housing-2020-21 [↑](#footnote-ref-1)
2. Capital Economics, Setting Social Rent 2018 http://www.arch-housing.org.uk/media/111397/capexrents.pdf [↑](#footnote-ref-2)