Title: Implementing a ceiling on social housing rent increases in 2023-24 **IA No:** **RPC Reference No:** **Lead department or agency:** Department for Levelling Up, Housing and Communities **Other departments or agencies:**	**Impact Assessment (IA)** **Date:** 31 August 2022 **Stage:** Development/Options **Source of intervention:** Domestic **Type of measure:** Other

Summary: Intervention and Options

RPC Opinion: N/A

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	**Business Net Present Value**	**Net cost to business per year**	**Business Impact Target Status**
£0m	£-3888.7m	£832.1m	Qualifying provision

What is the problem under consideration? Why is government action or intervention necessary?

Social housing rents are permitted to increase by up to CPI plus 1 percentage point (hereafter "CPI+1%") per annum, based on the CPI rate in the previous September. As of August 2022, the Bank of England is forecasting that CPI will be 9.9% in Quarter 3 of 2022, which suggests that very significant nominal-terms rent increases would be permitted in 2023-24 under the current policy. This would put significant pressure on the budgets of some social renters. In these exceptional circumstances, the Government is consulting on taking action to protect these households from such a large rent increase.

What are the policy objectives of the action or intervention and the intended effects?

The objective of this change of policy is to protect households in social housing from being required to pay particularly high nominal-terms rent increases due to much higher levels of inflation than were anticipated when the current policy was introduced. The proposed 5% ceiling would ensure that annual social housing rent increases cannot exceed this level, even where CPI+1% is greater than 5%. This aims to balance the need to protect social renters while also recognising that registered providers of social housing themselves face cost pressures. The change would benefit (a) social renters who pay their rents without assistance from Housing Support (i.e. Housing Benefit or the housing element of Universal Credit); and (b) those who receive Housing Support but at a level that is (or would be) limited by the benefit cap or the removal of the spare room subsidy.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

1. Do nothing – i.e. leaving the CPI+1% policy in place unamended
2. Making the CPI+1% limit subject to a 3% ceiling in 2023-24
3. Making the CPI+1% limit subject to a 5% ceiling in 2023-24 – preferred option
4. Making the CPI+1% limit subject to a 7% ceiling in 2023-24

We think Option 3 could strike an appropriate balance between (a) protecting social housing tenants from particularly high nominal-terms rent increases; and (b) ensuring that social landlords continue to have the flexibility to increase rents in order to mitigate some of the impact of rising costs on their ability to invest in new and existing social housing and services to tenants. Whilst we have considered non-regulatory approaches, we do not believe these would provide sufficient certainty that households in social housing would be protected from particularly high rent increases.

Will the policy be reviewed? TBC **If applicable, set review date:** TBC

Is this measure likely to impact on international trade and investment?	No			
Are any of these organisations in scope?	**Micro** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)	**Traded:**		**Non-traded:**	

Summary: Analysis & Evidence

Policy Option 1: Do Nothing

Description:

FULL ECONOMIC ASSESSMENT

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)		
2021	**2023**	**5 years**	**Low:** 0.0	**High:** 0.0	**Best Estimate: 0.0**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	0.0		0.0	**0.0**
High	0.0		0.0	**0.0**
Best Estimate	0.0			

Description and scale of key monetised costs by 'main affected groups'

As this is the do nothing counterfactual, there are no monetised costs.

Other key non-monetised costs by 'main affected groups'

None.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	0.0		0.0	**0.0**
High	0.0		0.0	**0.0**
Best Estimate	0.0			

Description and scale of key monetised benefits by 'main affected groups'

As this is the do nothing counterfactual, there are no monetised benefits.

Other key non-monetised benefits by 'main affected groups'

As this is the do nothing counterfactual, there are no non-monetised benefits.

Key assumptions/sensitivities/risks	**Discount rate**	

The analysis assumes that registered providers of social housing choose to implement the maximum rent increase permitted by the CPI+1% policy, as available evidence suggests that has tended to be the practice in previous years. However, this is an area of significant uncertainty. It is possible that some registered providers would choose not to do this – particularly in circumstances when high inflation is already exposing their tenants to cost of living pressures.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m: 0			**Score for Business Impact Target (qualifying provisions only) £m:**
Costs: 0	**Benefits:** 0	**Net:** 0	0

Summary: Analysis & Evidence

Policy Option 2: 3% ceiling

Description:

FULL ECONOMIC ASSESSMENT

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)		
2021	2023	5 years	**Low:** 0	**High:** N/A	**Best Estimate: 0**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.0		789.6	**3679.8**
High	N/A		N/A	**N/A**
Best Estimate	0.0		1980.3	**9228.8**

Description and scale of key monetised costs by 'main affected groups'

Compared to the 'do nothing' counterfactual, we estimate that (based on recent CPI forecasts) this option would result in registered providers of social housing receiving £9.9bn (nominal, £9.2bn PV) less in rental income over the period 2023-28 than would otherwise be the case. This comprises £6.5bn (nominal) for private registered providers and £3.4bn (nominal) for local authorities.

Other key non-monetised costs by 'main affected groups'

The lower rental income compared to the 'do nothing' counterfactual would leave registered providers with less money to invest in providing new social housing, improving the quality and energy performance of their existing social homes or providing services to their tenants. This could have a negative impact on existing tenants and those who would benefit from an increase in the supply of social homes.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0		789.6	**3679.8**
High	N/A		N/A	**N/A**
Best Estimate	0.0		1980.3	**9228.8**

Description and scale of key monetised benefits by 'main affected groups'

There would be monetised benefits to social housing tenants who either (a) pay their rents without assistance from Housing Support; or (b) receive Housing Support but at a level that is – or would be – limited by the benefit cap or the removal of the spare room subsidy. We estimate that these households would pay approximately £3.8bn (nominal) less in rent over the period 2023-28. There would also be a benefit to taxpayers of £6.1bn (nominal) in lower welfare spending (compared to the 'do nothing' counterfactual) over the same period. The reduction in rent and lower welfare spending combine to £9.9bn in benefits (nominal, £9.2bn PV).

Other key non-monetised benefits by 'main affected groups'

There would be distributional benefits associated with increasing the disposable income of below average income households.

Key assumptions/sensitivities/risks	Discount rate	3.5

The estimated costs and benefits are sensitive to divergence between actual and forecast CPI levels. They will also depend on the extent to which individual registered providers are granted exemptions from rent restrictions on the grounds that their financial viability would otherwise be jeopardised.
The central scenario assumes that – in the counterfactual – all registered providers would choose to implement the maximum rent increase permitted by the CPI+1% policy. However, as mentioned under Option 1, this is an area of significant uncertainty. This sensitivity is explored in the low scenario (please see 'RP forbearance' section later in this document), which assumes RPs increase rents by 150% of the maximum permitted increase of the previous year.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs:	**Benefits:**	**Net:**	
1304.2	**0.0**	**1304.2**	**5571.1**

Summary: Analysis & Evidence Policy Option 3: 5% ceiling

Description:

FULL ECONOMIC ASSESSMENT

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)		
2021	**2023**	**5 years**	**Low:** 0	**High:** N/A	**Best Estimate: 0**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	0.0		288.3	**1343.4**
High	N/A		N/A	**N/A**
Best Estimate	0.0		1578.9	**6892.4**

Description and scale of key monetised costs by 'main affected groups'

Compared to the 'do nothing' counterfactual, we estimate that (based on recent CPI forecasts) this option would result in registered providers of social housing receiving £7.4bn (nominal, £6.9bn PV) less in rental income over the period 2023-28 than would otherwise be the case. This comprises £4.9bn (nominal) for private registered providers and £2.5bn (nominal) for local authorities.

Other key non-monetised costs by 'main affected groups'

The lower rental income compared to the 'do nothing' counterfactual would leave registered providers with less money to invest in providing new social housing, improving the quality and energy performance of their existing social homes or providing services to their tenants (although more than in Option 2). This could have a negative impact on existing tenants and those who would benefit from an increase in the supply of social homes.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	0.0		288.3	**1343.4**
High	N/A		N/A	**N/A**
Best Estimate	0.0		1478.9	**6892.4**

Description and scale of key monetised benefits by 'main affected groups'

There would be monetised benefits to social housing tenants who either (a) pay their rents without assistance from Housing Support; or (b) receive Housing Support but at a level that is – or would be – limited by the benefit cap or the removal of the spare room subsidy. We estimate that these households would pay approximately £2.8bn (nominal) less in rent over the period 2023-28. There would also be a benefit to taxpayers of £4.6bn (nominal) in lower welfare spending (compared to the 'do nothing' counterfactual) over the same period. The reduction in rent and lower welfare spending combine to £7.4bn in benefits (nominal, £6.9bn PV).

Other key non-monetised benefits by 'main affected groups'

There would be distributional benefits associated with increasing the disposable income of below average income households.

Key assumptions/sensitivities/risks	**Discount rate**	3.5

The estimated costs and benefits are sensitive to divergence between actual and forecast CPI levels. They will also depend on the extent to which individual registered providers are granted exemptions from rent restrictions on the grounds that their financial viability would otherwise be jeopardised.

The central scenario assumes that – in the counterfactual – all registered providers would choose to implement the maximum rent increase permitted by the CPI+1% policy. However, as mentioned under Option 1, this is an area of significant uncertainty. This sensitivity is explored in the low scenario (please see 'RP forbearance' section later in this document), which assumes RPs increase rents by 150% of the maximum permitted increase of the previous year.

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs:	**Benefits:**	**Net:**	
974.0	**0.0**	**974.0**	**4160.7**

Summary: Analysis & Evidence

Policy Option 4: 7% ceiling

Description:

FULL ECONOMIC ASSESSMENT

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)		
2021	**2023**	**5 years**	**Low:** 0.0	**High:** N/A	**Best Estimate: 0.0**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.0		0.0	**0.0**
High	N/A		N/A	**N/A**
Best Estimate	0.0		977.6	**4556.0**

Description and scale of key monetised costs by 'main affected groups'

Compared to the 'do nothing' counterfactual, we estimate that (based on recent CPI forecasts) this option would result in registered providers of social housing receiving £4.9bn (nominal, £4.6bn PV) less in rental income over the period 2023-28 than would otherwise be the case. This comprises £3.2bn (nominal) for private registered providers and £1.7bn (nominal) for local authorities.

Other key non-monetised costs by 'main affected groups'

The lower level of rental income compared to the 'do nothing' counterfactual would leave registered providers with less money to invest in providing new social housing, improving the quality and energy performance of their existing social homes or providing services to their tenants (although more than in Options 2 and 3). This could have a negative impact on existing social tenants and those who would benefit from an increase in the supply of social homes.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0		0.0	**0.0**
High	N/A		N/A	**N/A**
Best Estimate	0.0		977.6	**4556.0**

Description and scale of key monetised benefits by 'main affected groups'

There would be monetised benefits to social housing tenants who either (a) pay their rents without assistance from Housing Support; or (b) receive Housing Support but at a level that is – or would be – limited by the benefit cap or the removal of the spare room subsidy. We estimate that these households would pay approximately £1.9bn (nominal) less in rent over the period 2023-28. There would also be a benefit to taxpayers of £3.0bn (nominal) in lower welfare spending (compared to the 'do nothing' counterfactual) over the same period. This combines to a total of £4.9bn (nominal, £4.6bn PV).

Other key non-monetised benefits by 'main affected groups'

There would be distributional benefits associated with increasing the disposable income of below average income households.

Key assumptions/sensitivities/risks	Discount rate	3.5

The estimated costs and benefits are sensitive to divergence between actual and forecast CPI levels. They will also depend on the extent to which individual registered providers are granted exemptions from rent restrictions on the grounds that their financial viability would otherwise be jeopardised. The analysis assumes that – in the counterfactual – all registered providers would choose to implement the maximum rent increase permitted by the CPI+1% policy. However, as mentioned under Option 1, this is an area of significant uncertainty.

BUSINESS ASSESSMENT (Option 4)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 643.8	**Benefits:** 0.0	**Net:** 643.8	2750.3

Evidence Base

Problem under consideration and rationale for intervention

Currently, social housing rents are permitted to increase by CPI+1% per annum, based on the CPI rate taken at the previous September ('the CPI+1% policy'). The CPI+1% policy was set in February 2019, via a direction issued by the then Secretary of State to the Regulator of Social Housing ('the Regulator') under section 197 of the Housing and Regeneration Act 2008 ('the 2008 Act'). The CPI+1% policy came into effect in April 2020, under a Rent Standard issued by the Regulator under section 194 of the 2008 Act. Registered Providers of social housing ('RPs') must comply with the Rent Standard.

CPI inflation is currently considerably higher than was anticipated at the time of setting the CPI+1% policy in February 2019. At that time, the most recent version of the OBR's Economic and Fiscal Outlook had forecast that CPI would be 2.1% in 2022 and 2.0% in 2023.[1] In fact CPI reached 10.1% in July 2022.[2] In the most recent Bank of England forecasts (issued in August 2022), CPI is projected to be 9.9% in Q3 2022[3] – i.e. around the time that the September 2022 CPI rate will be taken. If this forecast is correct and the CPI+1% policy remains in place unamended, this could permit rent increases in 2023-24 of 10.9%.

Nominal-terms rent increases on this scale would exacerbate cost of living pressures that households are already facing. It would affect the disposable income of two groups of social renters: (a) those who pay their rents without assistance from Housing Support (i.e. Housing Benefit or the housing element of Universal Credit); and (b) those who receive Housing Support but at a level that is (or would be) limited by the benefit cap or the removal of the spare room subsidy. The disposable income of other social renters should not be affected, because the amount of Housing Support they receive would be increased to reflect the higher level of rent.

If the Government amends the CPI+1% policy to restrict permitted rent increases, this will affect the rental income received by RPs (which comprise both local authority landlords and private registered providers, such as housing associations). Rental income is the single biggest source of turnover for RPs. In 2020-21, rental income was worth £14.0bn to private registered providers and £7.2bn to local authority landlords. The amount of rental income that RPs receive has implications for how much they can spend on their activities such as managing, maintaining, repairing and improving their existing social housing properties. It also affects the number of homes they can build, not least because the amount they can borrow partly depends on expectations about future levels of rental income. This has implications for the Government's objectives to increase the supply of social housing and improve the quality and energy performance of existing social homes.

It is unlikely that, until recently, RPs would have been expecting to be able to increase rents by more than 10% in 2023-24. As recently as October 2021, OBR was forecasting CPI of just 3.9% in Q3 of 2022.[4] Nevertheless, it would be wrong to suggest that a consequence of not intervening would be an unanticipated windfall for RPs, as they too will be facing higher costs as a result of the higher rate of inflation. Indeed, as maximum rent increases are based on the CPI rate at the previous September, it is likely that RPs' financial position will be adversely affected by the difference between maximum rent increases in 2022-23 (4.1%) and the higher prevailing rate of inflation this year.

It is possible that, if the government does not intervene, RPs might in any case decide not to implement the maximum permitted rent increase – particularly as the vast majority of RPs are non-profit or local government organisations. However, given that there are more than 1,600 RPs, it is likely that a wide range of approaches would be taken as individual landlords wrestle with the trade-offs set out above. Some tenants could be charged the maximum permitted increase. The Government believes there is a case for intervening to provide a 'backstop' protection for tenants, to ensure that they do not face

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[1] https://obr.uk/efo/economic-fiscal-outlook-october-2018/ (see Table 1.1)

[2] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/july2022

[3] https://www.bankofengland.co.uk/monetary-policy-report/2022/august-2022

[4] https://obr.uk/efo/economic-and-fiscal-outlook-october-2021/

increases above 5%. RPs would retain the freedom to set lower rent increases (or indeed to freeze or reduce rents) should they wish to do so.

Rationale and evidence to justify the level of analysis used in the IA (proportionality approach)

The analysis is largely based on:

- Rental income data set out in DLUHC's Local Authority Housing Statistics[5] (for local authority registered providers) and the Global Accounts published by the Regulator[6] (for private registered providers). Note that this includes rental income from some classifications of social housing that are not subject to rent regulation.

- The CPI forecast issued by the Bank of England in its Monetary Policy Report of August 2022.[7]

This is sufficient to provide overall estimates of the rental income impacts of different options on RPs.

The actual impacts will vary depending on (a) the decisions that individual RPs would make about where to set rent increases within whatever limit is set; (b) the extent to which individual RPs are granted exemptions from rent restrictions on the grounds that their financial viability would otherwise be jeopardised; and (c) the extent to which actual CPI varies from the forecasts.

Description of options considered

We have considered the following options:

- Option 1: Do nothing (i.e. leave the CPI+1% policy unamended).

- Option 2: Amend the CPI+1% policy to make it subject to a 3% ceiling in 2023-24. This would mean that, in that year, the maximum permitted rent increase would be CPI+1% or 3%, whichever is the lower.

- Option 3: Amend the CPI+1% policy to make it subject to a 5% ceiling in 2023-24. This would mean that, in that year, the maximum permitted rent increase would be CPI+1% or 5%, whichever is the lower.

- Option 4: Amend the CPI+1% policy to make it subject to a 7% ceiling in 2023-24. This would mean that, in that year, the maximum permitted rent increase would be CPI+1% or 7%, whichever is the lower.

Options 2, 3 and 4 are intended to protect social housing tenants from particularly high nominal-terms rent increases.

Options 2, 3 and 4 would be implemented by issuing a direction to the Regulator under section 197 of the 2008 Act. This direction would require the Regulator to set a Rent Standard (under section 194 of the 2008 Act) with which RPs are required to comply.

The Government intends to consult in 2023 on rent policy from 2025-26 onwards. In doing so, we want to ensure that future policy strikes the right balance between protecting tenants from cost of living pressures and ensuring RPs have sufficient income to undertake their activities, including increasing the supply and quality of social housing. This is not within the scope of this Impact Assessment, which focuses on the proposal to apply a ceiling to maximum rent increases in 2023-24.

5 https://www.gov.uk/government/collections/local-authority-housing-data

6 https://www.gov.uk/government/collections/global-accounts-of-housing-providers

7 https://www.bankofengland.co.uk/monetary-policy-report/2022/august-2022

Policy objective

The policy objective is to ensure that social tenants are not exposed to the cost of particularly high nominal-terms rent increases, given wider cost of living pressures that households currently face.

Summary and preferred option with description of implementation plan

Our preferred option is Option 3: amending the CPI+1% policy to make it subject to a 5% upper limit on annual rent increases in 2023-24. This would ensure that tenants are not required to pay for rent increases in excess of 5%, even if CPI+1% is higher than 5%.

We think this would represent a reasonable upper limit to set on annual rent increases, protecting tenants from very large increases while ensuring that RPs continue to have the flexibility to increase rents in order to mitigate some of the impact of rising costs on their ability to invest in new and existing social housing and services to tenants. We believe that 5% would be a reasonable upper limit because:

(a) It is roughly the level of rent increase in 2023-24 that RPs might have reasonably anticipated as recently as October 2021, when OBR was forecasting CPI of 3.9% for Q3 of 2022[8] – although it should be noted that RPs' costs are also likely to be higher than would have been forecast at that stage.
(b) It is broadly similar to this year's maximum permitted rent increase under the CPI+1% policy (4.1%).

5% is towards the upper-end of the range of maximum annual rent increases that have been permitted since 2001-02. On only three occasions since 2001-02 has the prevailing inflation-linked social housing rent policy permitted annual increases in excess of 5%.[9] Over the same period, September CPI has only exceeded 5% on two occasions.[10]

As noted above, the preferred option would be given effect through a direction from the Secretary of State to the Regulator under section 197 of the 2008 Act. This direction would require the Regulator to bring a Rent Standard into effect form 1 April 2023. The Regulator would then be responsible for the ongoing monitoring and enforcement of the Rent Standard, in the same way that it is now.

No specific transitional arrangements are required. RPs make decisions about what annual rent increases to set each year, once the September CPI figure is known (published by ONS in mid-October). Subject to the outcome of this consultation, we aim to issue a final direction to the Regulator in the Autumn.

Monetised and non-monetised costs and benefits of each option (including administrative burden)

Option 1: Do Nothing

As the counterfactual, this option has no costs or benefits.

Option 2: 3% ceiling on annual rent increases in 2023-24

Monetised costs

We estimate that, compared to the counterfactual (Option 1), RPs' rental income would be £9.9bn lower in this option over the period 2023-28. This is the consequence of the 3% ceiling being triggered in 2023-24 and costs continuing into subsequent years due to the effect of compounding. This is shown in Table 1 below. As noted above, the counterfactual assumes that RPs would otherwise implement rent increases in full. If this were not the case, then the loss in rental income relative to the counterfactual would be lower.

[8] https://obr.uk/efo/economic-and-fiscal-outlook-october-2021/
[9] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf (see Appendix A)
[10] https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceindices (see also Figure 1 in the Annex to this Impact Assessment)

Table 1: Estimated effect of 3% ceiling on RP rental income (2023-28)

£bn (nominal)	2023-24	2024-25	2025-26	2026-27	2027-28	Total (23-28)
Estimated rental income, no policy change	24.8	27.5	28.3	28.8	29.6	**139.0**
Estimated rental income, 3% ceiling	23.1	25.5	26.3	26.7	27.5	**129.1**
Impact on rental income	-1.8	-2.0	-2.0	-2.1	-2.1	**-9.9**

We estimate that £6.5bn of this impact on rental income would fall on businesses (in the form of private registered providers of social housing) – see Table 2 below. The remaining £3.4bn would be felt by local authority registered providers. As part of the consultation process, we would be particularly keen to receive further evidence about the likely impacts on RPs – both in terms of their financial position and the potential implications for the activities they undertake.

Table 2: Estimated effect of 3% ceiling on private registered provider rental income (2023-28)

£bn (nominal)	2023-24	2024-25	2025-26	2026-27	2027-28	Total (23-28)
Estimated rental income, no policy change	16.4	18.1	18.7	19.0	19.6	**91.8**
Estimated rental income, 3% ceiling	15.2	16.8	17.3	17.7	18.2	**85.3**
Impact on rental income	-1.2	-1.3	-1.3	-1.4	-1.4	**-6.5**

The estimated costs set out above will be affected to an extent by the fact that the 3% ceiling would apply to existing lettings, and not to the maximum rent that RPs may charge when letting social housing properties for the first time or subsequently re-letting them. We are not proposing to apply the ceiling to maximum initial rents in order to ensure that our intervention is narrowly focused on protecting existing tenants from significant nominal-terms rent increases. Therefore, for Social Rent properties, the maximum ('formula') rent will continue to increase by CPI+1% - in line with the existing policy. Similarly, for Affordable Rent properties, the maximum initial rent will continue to be 80% of the equivalent market rent (inclusive of service charges). The impact of this is not accounted for in the analysis, but the overall number of new lets compared to total stock is relatively low; 246,000[11] in the period April 2020 to March 2021 compared to total stock of 4 million units.

The estimated costs would also depend on the extent to which individual RPs are granted exemptions from the 3% ceiling on the grounds that their financial viability would otherwise be jeopardised.

We do not believe there would be additional administrative costs for RPs, but we would welcome any further evidence about this. Under the existing policy, RPs must in any case make decisions each year about whether to increase rents – up to the level permitted by the Rent Standard (depending on the September CPI figure). The application of a 3% ceiling would change what maximum rent increase is permitted in 2023-24, assuming that CPI+1% exceeds that level.

<u>Non-monetised costs</u>

The lower level of rental income compared to the 'do nothing' counterfactual would leave RPs with less money to invest in providing new social housing, improving the quality and energy performance of their existing social homes or providing services to their tenants. This could have a negative impact on existing social tenants and those who would benefit from an increase in the supply of social homes, and

[11] CORE Social Housing Lettings in England, April 2020 to March 2021

forego economic benefits that would otherwise arise from the development of new homes. It is not possible to quantify these impacts as they will depend on financial decisions made by individual RPs.

Monetised benefits

Compared to the counterfactual, Option 2 would have monetised benefits in the form of (a) lower rental costs to – and hence higher disposable income for – social housing tenants; and (b) lower welfare expenditure. Table 3 below provides an estimate of these benefits.

Table 3: Monetised benefits of 3% ceiling compared to counterfactual (2023-28)

£bn (nominal)	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**Total (23-28)**
Lower rental costs for tenants	0.7	0.7	0.8	0.8	0.8	**3.8**
Welfare savings	1.1	1.2	1.3	1.3	1.3	**6.1**
Total	1.8	2.0	2.1	2.1	2.1	**9.9**

The monetised benefits to tenants would not be distributed equally among all tenants. The following groups would gain: (a) tenants who pay rents without assistance from Housing Support (i.e. Housing Benefit or the housing element of Universal Credit); and (b) those who receive Housing Support but at a level that is (or would otherwise be) limited by the benefit cap or the removal of the spare room subsidy. The disposable income of other social renters should not be affected by Option 2, because the amount of Housing Support they receive should be adjusted downwards to reflect the lower level of rent.

Non-monetised benefits

There would be distributional benefits associated with increasing the disposable income of below average income households. Half of social renters (almost 2 million households) are in the lowest income quintile, and a further 27% (around 1 million households) are in the second lowest income quintile.[12]

Option 3: 5% ceiling on annual rent increases in 2023-24

Monetised costs

We estimate that, compared to the counterfactual (Option 1), RPs' rental income would be £7.4bn lower in this option over the period 2023-28. This is the consequence of the 5% ceiling being triggered in 2023-24 and costs continuing into subsequent years due to the effect of compounding. This is shown in Table 4 below. As noted above, the counterfactual assumes that RPs would otherwise implement rent increases in full. If this were not the case, then the loss in rental income relative to the counterfactual would be lower.

Table 4: Estimated effect of 5% ceiling on RP rental income (2023-28)

£bn (nominal)	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**Total (23-28)**
Estimated rental income, no policy change	24.8	27.5	28.3	28.8	29.6	**139.0**
Estimated rental income, 5% ceiling	23.5	26.0	26.8	27.3	28.1	**131.6**
Impact on rental income	-1.3	-1.5	-1.5	-1.5	-1.6	**-7.4**

We estimate that £4.9bn of this impact on rental income would fall on businesses (in the form of private registered providers of social housing) – see Table 5 below. The remaining £2.5bn would be felt by local authority registered providers. As part of the consultation process, we would be particularly keen to

[12] English Housing Survey: Social Rented Sector, 2020-21

receive further evidence about the likely impacts on RPs – both in terms of their financial position and the potential implications for the activities they undertake.

Table 5: Estimated effect of 5% ceiling on private registered provider rental income (2023-28)

£bn (nominal)	2023-24	2024-25	2025-26	2026-27	2027-28	Total (23-28)
Estimated rental income, no policy change	16.4	18.1	18.7	19.0	19.6	**91.8**
Estimated rental income, 5% ceiling	15.5	17.2	17.7	18.0	18.5	**66.9**
Impact on rental income	-0.9	-1.0	-1.0	-1.0	-1.0	**-4.9**

The estimated costs set out above will be affected to an extent by the fact that the 5% ceiling would apply to existing lettings, and not to the maximum rent that RPs may charge when letting social housing properties for the first time or subsequently re-letting them. We are not proposing to apply the ceiling to maximum initial rents in order to ensure that our intervention is narrowly focused on protecting existing tenants from significant nominal-terms rent increases. Therefore, for Social Rent properties, the maximum ('formula') rent will continue to increase by CPI+1% - in line with the existing policy. Similarly, for Affordable Rent properties, the maximum initial rent will continue to be 80% of the equivalent market rent (inclusive of service charges). The impact of this is not accounted for in the analysis, but the overall number of new lets compared to total stock is relatively low; 246,000[13] in the period April 2020 to March 2021 compared to total stock of 4 million units.

The estimated costs would also depend on the extent to which individual RPs are granted exemptions from the 5% ceiling on the grounds that their financial viability would otherwise be jeopardised.

We do not believe there would be additional administrative costs for RPs, but we would welcome any further evidence about this. Under the existing policy, RPs must in any case make decisions each year about whether to increase rents – up to the level permitted by the Rent Standard (depending on the September CPI figure). The application of a 5% ceiling would change what maximum rent increase is permitted in 2023-24, assuming that CPI+1% exceeds that level.

Non-monetised costs

The lower level of rental income compared to the 'do nothing' counterfactual would leave RPs with less money to invest in providing new social housing, improving the quality and energy performance of their existing social homes or providing services to their tenants. This could have a negative impact on existing social tenants and those who would benefit from an increase in the supply of social homes, and forego economic benefits that would otherwise arise from the development of new homes. It is not possible to quantify these impacts as they will depend on financial decisions made by individual RPs.

Monetised benefits

Compared to the counterfactual, Option 3 would have monetised benefits in the form of (a) lower rental costs to – and hence higher disposable income for – social housing tenants; and (b) lower welfare expenditure. Table 6 below provides an estimate of these benefits.

Table 6: Monetised benefits of 5% ceiling compared to counterfactual (2023-28)

£bn (nominal)	2023-24	2024-25	2025-26	2026-27	2027-28	Total (23-28)
Lower rental costs for tenants	0.5	0.6	0.6	0.6	0.6	**2.8**
Welfare savings	0.8	0.9	0.9	1.0	1.0	**4.6**
Total	1.3	1.5	1.5	1.5	1.6	**7.4**

[13] CORE Social Housing Lettings in England, April 2020 to March 2021

The monetised benefits to tenants would not be distributed equally among all tenants. The following groups would gain: (a) tenants who pay rents without assistance from Housing Support (i.e. Housing Benefit or the housing element of Universal Credit); and (b) those who receive Housing Support but at a level that is (or would otherwise be) limited by the benefit cap or the removal of the spare room subsidy. The disposable income of other social renters should not be affected by Option 3, because the amount of Housing Support they receive should be adjusted downwards to reflect the lower level of rent.

Non-monetised benefits

There would be distributional benefits associated with increasing the disposable income of below average income households.

Option 4: 7% ceiling on annual rent increases in 2023-24

Monetised costs

We estimate that, compared to the counterfactual (Option 1), RPs' rental income would be £4.9bn lower in this option over the period 2023-28. This is the consequence of the 7% ceiling being triggered in 2023-24 and costs continuing into subsequent years due to the effect of compounding. This is shown in Table 7 below. As noted above, the counterfactual assumes that RPs would otherwise implement rent increases in full. It this were not the case, then the loss in rental income relative to the counterfactual would be lower.

Table 7: Estimated effect of 7% ceiling on RP rental income (2023-28)

£bn (nominal)	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**Total (23-28)**
Estimated rental income, no policy change	24.8	27.5	28.3	28.8	29.6	**139.0**
Estimated rental income, 7% ceiling	24.0	26.5	27.3	27.8	28.6	**134.1**
Impact on rental income	-0.9	-1.0	-1.0	-1.0	-1.0	**-4.9**

We estimate that £3.2bn of this impact on rental income would fall on businesses (in the form of private registered providers of social housing) – see Table 8 below. The remaining £1.7bn would be felt by local authority registered providers. As part of the consultation process, we would be particularly keen to receive further evidence about the likely impacts on RPs – both in terms of their financial position and the potential implications for the activities they undertake.

Table 8: Estimated effect of 7% ceiling on private registered provider rental income (2023-28)

£bn (nominal)	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**Total (23-28)**
Estimated rental income, no policy change	16.4	18.1	18.7	19.0	16.6	**91.8**
Estimated rental income, 7% ceiling	15.8	17.5	18.0	18.3	18.9	**88.6**
Impact on rental income	-0.6	-0.6	-0.7	-0.7	-0.7	**-3.2**

The estimated costs set out above will be affected to an extent by the fact that the 7% ceiling would apply to existing lettings, and not to the maximum rent that RPs may charge when letting social housing properties for the first time or subsequently re-letting them. For Social Rent properties, the maximum ('formula') rent will continue to increase by CPI+1% - in line with the existing policy. For Affordable Rent properties, the maximum initial rent will continue to be 80% of the equivalent market rent (inclusive of service charges). The impact of this is not accounted for in the analysis, but the overall number of new lets compared to total stock is relatively low; 246,000[14] in the period April 2020 to March 2021 compared to total stock of 4 million units.

The estimated costs would also depend on the extent to which individual RPs are granted exemptions from the 7% ceiling on the grounds that their financial viability would otherwise be jeopardised.

We do not believe there would be additional administrative costs for RPs, but we would welcome any further evidence about this. Under the existing policy, RPs must in any case make decisions each year about whether to increase rents – up to the level permitted by the Rent Standard (depending on the September CPI figure). The application of a 7% ceiling would change what maximum rent increase is permitted in 2023-24, assuming that CPI+1% exceeds that level.

Non-monetised costs

The lower level of rental income compared to the 'do nothing' counterfactual would leave RPs with less money to invest in providing new social housing, improving the quality and energy performance of their existing social homes or providing services to their tenants. This could have a negative impact on existing social tenants and those who would benefit from an increase in the supply of social homes, and forego economic benefits that would otherwise arise from the development of new homes. It is not possible to quantify these impacts as they will depend on financial decisions made by individual RPs.

Monetised benefits

Compared to the counterfactual, Option 4 would have monetised benefits in the form of (a) lower rental costs to – and hence higher disposable income for – social housing tenants; and (b) lower welfare expenditure. Table 9 below provides an estimate of these benefits.

Table 9: Monetised benefits of 7% ceiling compared to counterfactual (2023-28)

£bn (nominal)	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**Total (23-28)**
Lower rental costs for tenants	0.3	0.4	0.4	0.4	0.4	**1.9**
Welfare savings	0.5	0.6	0.6	0.6	0.6	**3.0**
Total	0.9	1.0	1.0	1.0	1.0	**4.9**

The monetised benefits to tenants would not be distributed equally among all tenants. The following groups would gain: (a) tenants who pay rents without assistance from Housing Support (i.e. Housing Benefit or the housing element of Universal Credit); and (b) those who receive Housing Support but at a level that is (or would otherwise be) limited by the benefit cap or the removal of the spare room subsidy. The disposable income of other social renters should not be affected by Option 4, because the amount of Housing Support they receive should be adjusted downwards to reflect the lower level of rent.

Non-monetised benefits

There would be distributional benefits associated with increasing the disposable income of below average income households.

Direct costs and benefits to business calculations

Options 2, 3 and 4 would affect the rental income of RPs, which comprise local authority landlords and private registered providers of social housing. Private registered providers are businesses for these purposes, whereas local authority landlords (as public bodies) are not.

Private registered providers include a range of organisations including housing associations, almshouses and community land trusts. There are around 1,400 active private registered providers, of which the

[14] CORE Social Housing Lettings in England, April 2020 to March 2021

majority have fewer than 1,000 homes. 209 private registered provider groups own or manage at least 1,000 social homes, together representing more than 95% of private registered providers' homes.[15] A complete list of RPs is published by the Regulator.[16] Table 10 below summarises the impact on private registered providers' rental income in each option, drawing on the analysis set out above.

Table 10: Impact on rental income of private registered providers of social housing (2023-28)

£bn (nominal)	2023-24	2024-25	2025-26	2026-27	2027-28	Total (23-28)
Option 1	0	0	0	0	0	**0**
Option 2	-1.2	-1.2	-1.2	-1.4	-1.5	**-6.5**
Option 3	-0.9	-1.0	-1.0	-1.0	-1.0	**-4.9**
Option 4	-0.6	-0.6	-0.7	-0.7	-0.7	**-3.2**

To provide a better indication of the scale of the impact each option, Table 11 below compares the estimated cost in 2023-24 against the 2020-21 operating surplus (£4.9bn) of the 209 private registered provider groups that own or manage at least 1,000 social homes.[17]

Table 11: Impact on rental income of large private registered providers in 2023-24 compared to 2020-21 operating surplus

Option	2023-24 impact on large RPs as a % of 2020-21 operating surplus
Option 1 – do nothing	0%
Option 2 – 3% ceiling	23%
Option 3 – 5% ceiling	17%
Option 4 – 7% ceiling	11%

As explained above, we do not envisage any additional administration or enforcement costs to business in any of these options. This is because RPs are already required to comply with the Rent Standard set by the Regulator, and they are subject to monitoring and (where necessary) enforcement by the Regulator in respect of those requirements.

Risks and assumptions

Assumptions

CPI

Our analysis assumes that CPI in September 2022, 2023, 2024 and 2025 will match the Bank of England's most recent forecast for Q3 in each of those years.[18] Beyond the horizon of that forecast, we assume that September CPI will be 2% in 2026. These assumptions are set out in Table 12 below.

Table 12: CPI assumptions

	2023-24	2024-25	2025-26	2026-27	2027-28
CPI in previous September	9.9	9.5	2.0	0.8	2.0

Rent baseline and subsequent increases

The baseline for our analysis is the total rental income in 2020-21 reported by RPs (£14.0bn for private registered providers;[19] £7.2bn for local authority registered providers[20]). Note that this includes rental income from some types of social housing that are not subject to rent regulation.

[15] https://www.gov.uk/government/publications/2021-global-accounts-of-private-registered-providers

[16] https://www.gov.uk/government/publications/registered-providers-of-social-housing

[17] The source for the annual operating surplus figure is the Global Accounts for 2020-21 published by the Regulator of Social Housing (https://www.gov.uk/government/publications/2021-global-accounts-of-private-registered-providers).

[18] https://www.bankofengland.co.uk/monetary-policy-report/2022/august-2022

[19] https://www.gov.uk/government/collections/global-accounts-of-housing-providers - adjusted to account for small PRPs and the proportion of PRP income that comes from Shared Ownership rents

[20] https://www.gov.uk/government/collections/local-authority-housing-data

We then assume that these totals increased by CPI+1% in 2021-22 and 2022-23, using the actual CPI rate in the previous September (0.5% and 3.1% respectively). This is a simplifying assumption that does not take account of movements in the stock of rented social housing. We assume that increases of CPI+1% continue from 2024-25 onwards. This assumption is subject to decisions about future social housing rent policy. Our consultation document seeks views on whether a ceiling should apply in 2024-25 as well as 2023-24, and the Government intends to consult separately in 2023 on rent policy from 2025-26 onwards.

We assume that, in every option, rents are increased to the fullest extent permitted. As noted earlier, the practice of individual RPs would be likely to vary – particularly when confronted with an unusually high September CPI rate. RPs might decide not to implement the maximum permitted rent increase in the counterfactual – particularly as the vast majority of RPs are non-profit or local government organisations. As part of the consultation process, we would be particularly keen to receive further evidence about the approach RPs would be likely to take in practice.

Similarly, we assume that no RPs raise rents in excess of what would be permitted in each option. That reflects the Regulator’s role of monitoring and enforcing compliance with the Rent Standard. However it also makes no allowance for individual RPs being granted exemptions from the requirements of the Rent Standard (on the grounds that their financial viability would otherwise be jeopardised).

The analysis of estimated costs and benefits does not take account of the fact that the 3%, 5% or 7% ceiling would not apply to the maximum rent that RPs may charge when letting social housing properties for the first time, or when subsequently re-letting them.

Service charge costs are not included in the analysis.

<u>The option of applying the ceiling in two years (2023-24 and 2024-25) rather than in 2023-24 only</u>

The ceiling in Options 2, 3 and 4 would only apply to rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024. However, our consultation seeks views on whether a ceiling should potentially cover two years (i.e. up to 31 March 2025), given that the most recent forecasts suggest that CPI could still be unusually high in September 2023 (see Table 12 above). Table 13 below estimates the impact on options 2, 3 and 4 if the ceiling applied for two years rather than one, using the same assumptions as our central scenario for those options.

Table 13: Cost and benefits of Options 2, 3 and 4 (central scenario) if the ceiling applied in 2024-25 as well as in 2023-24

£bn (nominal)		**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**Total (23-28)**
Option 2 (3% ceiling)	Impact on rental income: PRPs	-1.2	-2.4	-2.5	-2.6	-2.6	**-11.3**
	Impact on rental income: LAs	-0.6	-1.3	-1.3	-1.3	-1.4	**-5.8**
	Lower rental costs for tenants	0.7	1.4	1.4	1.5	1.5	**6.5**
	Welfare savings	1.1	2.3	2.4	2.4	2.5	**10.6**
Option 3 (5% ceiling)	Impact on rental income: PRPs	-0.9	-1.8	-1.9	-1.9	-2.0	**-8.4**
	Impact on rental income: LAs	-0.4	-0.9	-1.0	-1.0	-1.0	**-4.3**

	Lower rental costs for tenants	0.5	1.0	1.1	1.1	1.1	**4.8**
	Welfare savings	0.8	1.7	1.8	1.8	1.8	**7.9**
Option 4 (7% ceiling)	Impact on rental income: PRPs	-0.6	-1.2	-1.2	-1.2	-1.3	**-5.5**
	Impact on rental income: LAs	-0.3	-0.6	-0.6	-0.6	-0.7	**-2.8**
	Lower rental costs for tenants	0.3	0.7	0.7	0.7	0.8	**3.2**
	Welfare savings	0.6	1.1	1.2	1.2	1.2	**5.2**

The option of making exceptions from the ceiling

The analysis in this Impact Assessment assumes that no exceptions from the ceiling are made for particular categories of rented social housing. However, our consultation seeks views on whether any exceptions should be made. Any such exceptions would reduce the monetised costs and benefits associated with imposing a ceiling.

Risks

Inflation differs from forecasts

As explained above, the analysis set out in this Impact Assessment is based on the Bank of England's CPI forecast set out in its August 2022 MPC report. Whilst we believe this to be the best estimate of inflation currently available, it is possible inflation could diverge from these forecasts.

If CPI inflation is higher than expected, the baseline scenario will result in even higher permitted rent increases than assumed in this analysis, and as such the differences between the 3%, 5% and 7% scenarios and the do nothing scenario will be larger. Conversely, if CPI is lower than forecast there will be a smaller difference between the do nothing and ceiling scenarios.

RP forbearance

In the absence of better information regarding how RPs would choose to set rents in the coming years within the limits set by government rent policy, and to explore the maximum possible impact of the options, the analysis assumes that every RP would increase their rents by the maximum permitted level ('Best Estimate' scenario). If providers were permitted to increase rents by CPI+1 but a significant number opted to increase rents by a lower amount, the differences between the do nothing and ceiling scenarios would be lower than this analysis indicates. This sensitivity is explored in the 'Low' scenario of Option 2 and Option 3, which uses an illustrative scenario assuming RPs increase rents by 150% of the maximum permitted increase of the previous year (6.15%), and results in total 5-year costs of £3.9bn (nominal) in Option 2 and £1.4bn (nominal) in Option 3. As 6.15% is lower than the 7% ceiling in option 4, imposing a 7% ceiling would not present an additional burden to RPs under this scenario.

Tenants coming onto benefits

The analysis of the impact of welfare assumes the proportion of tenants claiming housing support remains constant throughout the years and scenarios. If a greater proportion of tenants began claiming housing support, overall monetised benefits would not change but a greater proportion of the total monetised benefits would fall to welfare savings instead of tenants.

Impact on small and micro businesses

Some private registered providers are small or micro businesses. As noted above, there are around 1,400 active private registered providers, of which the majority have fewer than 1,000 homes each. 209 groups own or manage at least 1,000 social homes, together representing more than 95% of the private registered provider stock.[21]

These small or micro businesses would be affected by Options 2, 3 and 4 in the same ways as other private registered providers, and we do not expect there to be a disproportionate impact on them. In the preferred option (Option 3), their income would be lower than in the counterfactual – although (as discussed earlier) not less than these organisations might reasonably have expected based on levels of CPI that were being forecast as recently as Autumn 2021.[22]

We would not propose to exempt small or micro businesses from a 5% ceiling, because we do not think it would be fair to deny their tenants this protection purely due to the size of their landlord. However, the Regulator will retain the power to grant exemptions to individual private registered providers from the Rent Standard where compliance would otherwise jeopardise their financial viability.

Wider impacts (consider the impacts of your proposals)

Equalities

The key positive impact of imposing a 5% ceiling would be to protect SRS households from significant nominal-terms rent increases next year. Data from the 2019-20 English Housing Survey indicates that people with certain protected characteristics are over-represented in the SRS. Compared to the general population, households in the SRS:

- Are more likely to have an ethnic minority Household Reference Person (HRP). In 2019-20, 19% of SRS households had a ethnic minority HRP, compared to 13% of all households.[23]

- Are more likely to have a household member with a disability or long-term illness. In 2019-20, 54% of SRS households had a household member with a disability or long-term illness, compared to 34% of all households.[24]

- Are more likely to have a female HRP. In 2019-20, 58% of households in the SRS had a female HRP, compared to 41% of all households.[25] The SRS also contains a higher proportion of lone parent households. In 2019-20, 17% of SRS households were lone parent households with dependent children, compared to 7% of all households. 6% of SRS households were lone parent households with non-dependent children, compared to 4% of all households.[26] Although being a lone parent is not a protected characteristic as such, according to ONS the majority (85%) of lone parent families in the UK in 2021 were headed by a female lone parent.[27] It therefore seems reasonable to assume that the majority of lone parent households in the SRS in England are headed by a female lone parent.

However, households with certain protected characteristics are less likely to benefit financially from the proposal than other SRS households as they are more likely to be recipients of Housing Benefit or the housing element of Universal Credit. In the SRS in 2019-20:

- The age groups that had the highest proportion of HB claimant households were 65-74 and 75 and over (both 68%).[28]

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[21] https://www.gov.uk/government/publications/2021-global-accounts-of-private-registered-providers

[22] https://obr.uk/efo/economic-and-fiscal-outlook-october-2021/

[23] English Housing Survey 2019-20: Headline Report (Annex Table 1.3) https://www.gov.uk/government/statistics/english-housing-survey-2019-to-2020-headline-report

[24] English Housing Survey 2019-20: Headline Report (Annex Table 1.3)

[25] English Housing Survey 2019-20: Social Rented Sector (Annex Table 1.4)

[26] English Housing Survey 2019-20: Social Rented Sector (Annex Table 1.5)

[27] Families and households in the UK: 2021, ONS (Table 1 of families and households dataset)

[28] English Housing Survey 2019-20: Social Rented Sector (Annex Table 3.18)

- The household type that had the highest proportion of HB claimant households was "lone parent, dependent children" (at 79%).[29]

Previous data also indicates that SRS households are more likely to be HB claimants where someone in the household has a long-term illness or disability.

The proposal should not have any *direct* financial disbenefits for any SRS households, regardless of whether or not they have protected characteristics. However, social tenants – and those who would benefit from more social homes being available – could be adversely affected if (compared to the counterfactual) a lower level of rental income results in a lower level of investment by RPs in the delivery of new social homes, the provision of services to tenants or the repair, maintenance and improvement of existing social housing properties.

Wider impacts to individuals

Staff of RPs might be adversely affected by constraints on rent increases, as this would leave RPs with less income to spend on employment costs.

Environmental impacts

There could be an indirect environmental impact. If RPs had a lower level of rental income compared to the counterfactual, this might result in them spending less on improving the energy performance of their existing properties.

A summary of the potential trade implications of measure

We have not identified any potential trade implications.

Monitoring and Evaluation

We will continue to monitor rent levels in social housing, including in relation to the welfare system (working with DWP). We will also continue to monitor the volume of development by RPs and the level of their investment in existing SRS properties.

The Government intends to consult in 2023 on rent policy from 2025-26 onwards. In doing so, we want to ensure that future policy strikes the right balance between protecting tenants from cost of living pressures and ensuring RPs have sufficient income to undertake their activities, including increasing the supply and quality of social housing.

[29] English Housing Survey 2019-20: Social Rented Sector (Annex Table 3.18)

Annex:

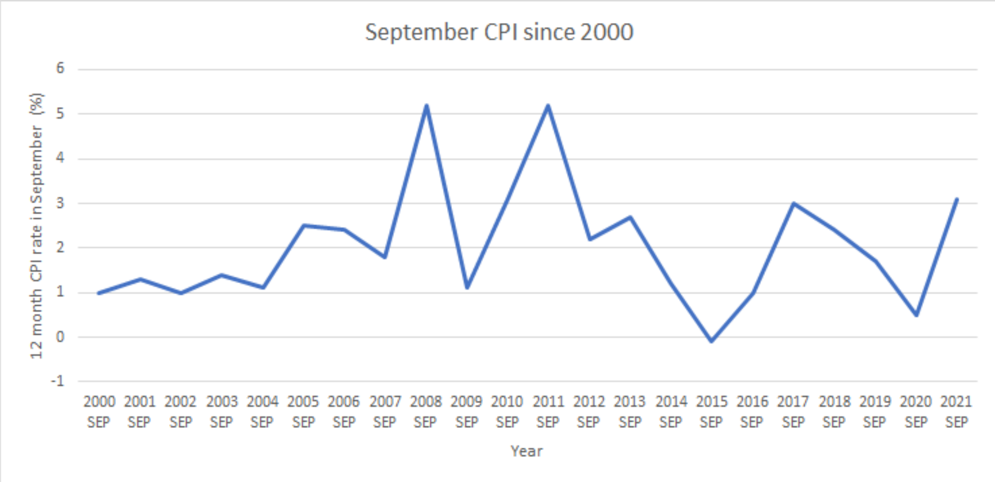

Figure 1: September CPI (ONS)

Housing tenure	Owner Occupied	Private Rented	Social Rented
Proportion of homes that are non-decent	13.8%	22.8%	11.3%
Average cost to make a non-decent home decent	£7,852	£8,475	£5,457
Proportion of homes with a Category 1 Hazard	9.1%	13.3%	5.0%
Average SAP rating	65.5	64.7	69.8

Figure 2: key statistics on housing quality (EHS 2020-21)