CWAG Response - Social Housing Rent Consultation

Question 1

Do you agree that the maximum social housing rent increase from 1 April 2023 to 31 March 2024 should be subject to a specific ceiling in addition to the existing CPI+1% limit? To what extent would Registered Providers be likely to increase rents in that year if the government did not impose a specific ceiling?

CWAG members are without exception extremely concerned about the impact of inflationary pressures and the wider cost of living crisis on low-income households in social housing. Authorities have therefore already been considering alternatives to the CPI plus 1% formula, with most proposing a lower percentage uplift in line with local circumstances and political constraints. Exceptions to this reflect specific financial constraints facing individual councils.

There is a difficult balance to be achieved here; the Housing Revenue Account is a closed system, itself facing extreme inflationary pressures. HRA viability has already been eroded by four years of rent reductions from 2016. Maintaining rental income is essential to support the delivery of services, property maintenance and improvement programmes, as well as newbuild pipelines and decarbonisation initiatives.

Whilst broadly agreeing with the proposal to restrict the 2023/24 rent increase below the formula level, most CWAG members would prefer the decision to be based on local discretion and local circumstances. Members are concerned that local authorities face an additional level of local political scrutiny which Registered Providers who are only answerable to their Board, do not face. As a result, local authorities are likely to exercise greater restraint, and are much less likely than RPs to opt for the maximum possible increase.

An imposed 5% cap will leave the HRA particularly constrained and under-resourced in business planning terms for years to come. Given that any reduction below inflation will represent a saving to the Exchequer as housing benefit and Universal Credit are reduced, these savings should be used to provide additional grant funding for essential building safety, maintenance and carbon reduction programmes that will inevitably be stalled by rent capping.

Any cap should be a temporary measure set alongside longer-term proposals for the recovery of HRA Business Plans, likely to require direct government support for specific programmes as highlighted above, or enhanced rent increases once current inflationary pressures have eased.

Question 2

Do you agree with imposing a ceiling of 5%, or are there alternative percentages that would be preferable, such as a 3% or 7% ceiling? Do you have any comments or evidence about the potential impact of different options, including of the 3%, 5% and 7% options as assessed in our Impact Assessment (Annex D)?

Whilst most CWAG members accept that an additional rent cap is appropriate for the 2023/24 rent settlement, members have different views about the level at which the cap should be set.

The proposal to impose a 5% ceiling on rent increases for 2023 fails to take account of the different circumstances and baseline positions facing different council landlords. A one size fits all percentage increase is an extremely blunt instrument which will only serve to exacerbate existing anomalies and inequalities. For example, in areas where rents are relatively low compared to other similar areas for historic reasons, the proposed cap would mean the aspiration to achieve rental convergence moves further out of reach. A better solution would be to set the cap at 5% above target /formula and affordable rent.

The 5% cap as currently proposed would cause severe difficulties for some authorities pushing the HRA into deficit. In addition, most respondents indicated that their newbuild development programmes would be either curtailed or stalled at the 5% cap level.

A figure of 7% is the preferred of the available options, allowing for some flexibility and recognising that circumstances vary across the country. Those wishing to opt for 5% or 3% would be free to do so.

If newbuild programmes stall because of the cap this will also have wider implications for new supply and councils' capacity to recycle RTB receipts as further tightening of the acquisitions cap are implemented over the next two years.

Imposing a lower rent cap will also result in significant savings to Housing Benefit and Universal Credit which should be used to provide direct additional support to local authorities facing additional burdens because of these restrictions on rental income.

<u>Question 3</u>
Do you agree that the ceiling should only apply to social housing rent increases from 1 April 2023 to 31 March 2024, or do you think it should apply for two years (i.e. up to 31 March 2025)?

We do not favour extending the cap beyond an initial year. The situation should be reviewed next year depending on the situation. If inflationary pressures continue longer term, simply capping rents without addressing wider HRA costs pressures will not allow landlords to meet their obligations in terms of delivering long-term viable, safe and decent homes.

The original self- financing settlement was based on councils taking on agreed levels of debt in return for stable arrangements from which they could plan long-term. Councils need to be trusted to manage their stock based on agreed arrangements. Ad hoc Government interventions compromise councils ability to plan over the longer-term for the needs of the existing stock as well as undermining plans for investment in newbuild and new supply.

In addition, councils are already struggling to identify funding for decarbonisation and other retrofit initiatives within existing Business Plans. Additional funding or preferential PWLB borrowing rates will need to be made available by government if these priority programmes are to progress.

<u>Question 4</u>
Do you agree that the proposed ceiling should not apply to the maximum initial rent that may be charged when Social Rent and Affordable Rent properties are first let and subsequently re-let?

CWAG members are divided on this issue.

New tenants will not have any more money than existing tenants, therefore it is fundamentally unfair not to apply the same rental settlement to them. In addition, creating a situation whereby widely differing rents apply to similar properties creates scope for unnecessary complexity, conflict and divisions with neighbours paying different rents for the same properties.

On the other hand, it can be argued that new tenants benefit from better conditions and lower rents than in the private rented sector so applying the full increase to them is acceptable and will help safeguard income helping to ensure landlords can continue to deliver core services.

<u>Question 5</u>

We are not proposing to make exceptions for particular categories of rented social housing. Do you think any such exceptions should apply and what are your arguments/evidence for this?

We believe there is a good case to apply an exception to properties where tenants are paying below formula rents. Councils should have flexibility to levy a higher rental uplift to bring the rent closer to formula helping to achieve convergence.