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Institute of
Housing

**NATIONAL
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Association



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ASSOCIATION OF RETAINED
COUNCIL HOUSING
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**NORTHERN
HOUSING
CONSORTIUM**
VOICE OF THE NORTH

9th January 2025

Deputy Prime Minister and Secretary of State,
Ministry of Housing, Communities and Local Government

Chancellor of the Exchequer, HM Treasury

Via email to psangelarayner@communities.gov.uk, Action.Chancellors@hmtreasury.gov.uk

Subject: Social rent policy

Dear Deputy Prime Minister and Chancellor,

As the principal bodies representing the social housing sector and its professionals, we warmly welcome the government's consultation on rent policy and want to convey our shared conviction that the decisions to be made on it will be key, both in improving standards in social housing and in helping to deliver the government's target of 1.5 million new homes in this parliament.

However, we are concerned that the proposals as set out will not be sufficient to restore the financial capacity of housing associations and local authorities to build the homes we need. Independent analysis which we have jointly commissioned from Savills (see summary [here](#) and full analysis [here](#)) and shared with senior officials in the Ministry of Housing, set out what further interventions will be necessary to ensure social housing providers can deliver on your missions for government.

First, allowing for "convergence" of rents for properties in the sector that are not currently at "formula rent" levels is essential if we are to maintain supply at its current levels, let alone increase output to help achieve the 1.5 million homes target. Over ten years it would deliver a surplus in local authority housing revenue accounts (HRAs), and would boost housing association capacity, reversing the projected decline in output.

Second, a cap on rent increases of CPI +1% for five years is welcome in providing stability. However, extending such a policy to ten years would have considerable benefits. For local authorities, it would eventually bring HRAs into balance annually although still leaving a cumulative deficit of £5 billion. For housing associations, interest cover is projected to improve to 137% by 2036/37.

The analysis also shows that rent policy alone cannot raise the money needed to resolve the housing crisis and enable an enhanced contribution by the social sector towards the 1.5 million homes target. Grant rates will need to be raised substantially within a much more ambitious Affordable Homes Programme, from April 2026. In addition, adequate funding is needed for investment into existing homes, including into building safety, decarbonisation, and upgrades to homes that will be required to meet a revised Decent Homes Standard and comply with Awaab's Law, which cannot be funded from rents alone. Finally, help is required to ameliorate the effects of employer National Insurance increases, particularly for local authorities and for the supported housing sector, which are both very heavily affected by the announcements made in the Budget (and on which you have received separate representations).

Finally, we are of course mindful of the effects of rent policy on affordability, both in terms of the cost to tenants who pay rents themselves, and the cost to the benefits system for those who receive state help.



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However, it should be borne in mind that social sector rents are, relative to earnings, more affordable than a decade ago, and should remain so even with the planned increases. [Separate evidence](#) from Savills shows they are much more affordable than private rents. Under convergence, no one pays more than the formula rent, and while this has some impact on benefit costs, it unlocks a considerable increase in investment and is offset by savings in other areas, including temporary accommodation and homelessness services.

We hope that decisions about rent policy will be made as part of a long-term housing strategy, which sets out the outcomes we want to deliver, the investment needed in new and existing homes and how this will be funded. Doing so will ensure that social housing providers can act as partners with the government to deliver on our shared ambitions.

Yours sincerely,

Gavin Smart, Chief Executive, Chartered Institute of Housing

Kate Henderson, Chief Executive, National Housing Federation

Councillor Adam Hug, Chair, Local Infrastructure and Net Zero Board, Local Government Association

Paul Price, CEO, Association of Retained Council Housing

Mike Ainsley, Chair, National Federation of ALMOs

Geoff Beales, Chair, Councils with ALMOs Group

Tracy Harrison, CEO, Northern Housing Consortium