

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

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

Your name	Matthew Warburton
Your position (if applicable)	Policy Adviser
The name of organisation (if applicable)	Association of Retained Council Housing (ARCH)
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If you are not responding on behalf of an organisation are you a tenant of a registered provider of social housing (such as a housing association or a local authority)?

- Yes
 No

Consultation questions

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

- Yes
 No
 Not sure

Comment:

The freedom for local authorities to set rents as they decide is set out in statute. The Housing Act 1985 permits them to “make such reasonable charges as they may determine” having regard to guidance from Government. These arrangements worked well for many years prior to imposition of the mandatory rent reductions which come to an end in 2020, and we see them as an implicit part of the self-financing settlement which, as a whole, was intended to give local authorities the capacity and freedom to plan long term for council housing in their areas. The limit rent system was sufficient to ensure that local decisions on rents did not compromise Government welfare spending policies. We recognise that, with the replacement of Housing Benefit with Universal Credit, the limit rent system will no longer work in its present form. However, we believe the Government has been too quick to rule out

the option of a system that follows the principles of the limit rent system in favour of a move to rent regulation.

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

- Yes
- No
- Not sure

Comment:

We see no adverse effects having arisen from the operation of different regulatory arrangements for local authorities and housing associations until now, and therefore see no reason why this should not continue.

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

- Yes
- No
- Not sure

Comment:

Local authorities are planning housing investment over 30 years. The Government has so far only given a commitment that rents will be permitted to increase by up to CPI + 1% for 5 years from 2020 – a small fraction of the business plan period, which leaves a large area of uncertainty about the future. Managing the risk that Government will change its rent policy after 2025 means refraining from a proportion of the investment that would otherwise have been undertaken in the existing stock and in building new homes. The Government could do more to ensure delivery of its ambition of a new generation of council housing by extending the commitment to CPI +1% to at least 10 years from 2020. While we accept that it is difficult to give a firm commitment beyond that, it would be helpful if the Government were to make clear whether, on the basis of current information, they see any reason why the policy should not operate throughout the business plan period of 30 years.

While we welcome a commitment to CPI + 1% in broad terms, we would like to see more flexibility around this limit. Economic analysis commissioned from Capital Economics by ARCH, with the LGA and SHOUT, found that a CPI + 1% increase is broadly right, but higher increases in some areas would, by leading to more investment in new social rented homes, generate greater savings in welfare spending in the long term.

In particular, we would like to see the reinstatement of the right of landlords to impose an additional increase to achieve convergence with formula rents, which was removed in 2015. We remain committed to the principle that local authority and housing association tenants should expect to pay the same rent for similar properties

in similar areas, regardless of who their landlord is and when they took up the tenancy. There are many local authorities where the rents of long-standing tenants remain below formula. Reinstatement of the allowance for a small additional annual increase in rent could ensure full achievement of convergence no later than 2025. We estimated in 2013 that, over the business plan period, this would add £2 billion to local authority rent income, which could make a significant difference to the capacity of those authorities to deliver new homes.

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

- Yes
- No

Comment:

See the answer to Question 1.

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

- Yes
- No
- Not sure

Comment:

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

- Yes
- No
- Not sure

Comment:

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

- Yes
- No
- Not sure