Hi Victoria

At our meeting last week we touched briefly on the issue of 2023 rent increase. As a group we undertook to set out some of the issues and difficulties that this is likely to present for the sector. **This is a joint response from ARCH, CWAG and the NFA.**

Our members are particularly concerned about the implications of rising inflation and the cost-of-living crisis on their tenant's ability to afford to pay the rent, heat their homes and at the worst, feed their families as well as on the future sustainability of the Housing Revenue Account. If CPI hits expected levels in September 2022, raising rents by CPI+1% (the maximum allowed by government policy) would generate increases in double digits and result in sector rent increases that are unprecedented.

This is not something our members would willingly recommend to local politicians, given the impact on tenant's household incomes. Politicians, already concerned about the mounting financial pressures facing low-income households, are also likely to be reluctant to impose the full rent increase.

Roughly 60% of social housing tenants receive Housing Benefit or UC housing allowances, so if all social landlords were to increase their rents up to the maximum allowed and this was paid in line with current rules there would also be a significant increase in the Treasury's financial commitment to the sector. Although this would protect the most financially vulnerable members of our communities, we also appreciate that this would be an unwelcome cost to the public purse.

However, moving away from the maximum rent increase allowed would be extremely damaging in terms of the long-term viability of the HRA, particularly given the impact of four years of rent reductions imposed from 2016, as part of earlier welfare reforms. HRA viability has been significantly eroded and will be significantly threatened if guideline rents are set at a level which is unaffordable for tenants and unpalatable for decision makers.

HRA Business Plans are already facing significant inflationary pressures in their day-to-day operating costs, particularly on repairs and maintenance costs, most of which are outside landlords control or ability to influence. The longer-term investment needs of the existing stock are also rising significantly as councils' factor in enhanced building and fire safety measures, energy efficiency and decarbonisation priorities and the soon to be revised decent homes standard. Council plans to build new homes are also likely to be impacted by the inflationary squeeze and this is at a time when homeownership is becoming more unaffordable for most households on median incomes.

Given recent concerns of under investment in the stock and the resulting increase in tenant's complaints about damp and mould for example, the sector is being faced with some very difficult choices; Do we increase rents to the limit allowed to pay for investment in the stock and face a backlash for trying to or do we limit rent increases to help tenant's with the cost of living crisis but have to manage with much less than we need leading to more cases of disrepair and unsuitable homes for people to live in?

We are also concerned that the current inflationary pressures within the economy may not be a single year issue and could lead to HRA business planning pressures becoming even more challenging over the next couple of years. It would therefore be helpful to have a wider discussion with the Department in advance of the coming rent settlement round to develop a wider consensus on how best to proceed given the unusual and unprecedented circumstances.