

# CIH response to the consultation on rents for social housing from 2020/21



Chartered  
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## About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world.

Further information is available at: [www.cih.org](http://www.cih.org)

## CIH contact:

John Perry, CIH policy adviser  
[john.perry@cih.org](mailto:john.perry@cih.org)

## Summary of our key points

This is a response to the [consultation and policy paper on rents for social housing](#), issued in September 2018.

CIH has two principal concerns about rents policy. One is that since 2012 there have been frequent changes in policy, undermining the sector's ability to invest. The second is that many social sector rents are unaffordable to those on low incomes, and rents have grown in relation to incomes over recent years. The new policy addresses the first concern and provides the context for addressing the second.

Our key points are:

- We agree that housing associations and local authorities should be subject to the same regulatory requirements.
- We agree with the proposed rent increase formula although we want to emphasise the need for rents not to get further out of line with earnings.
- We argue that social landlords at local or regional level should have policies that link rent levels to local earnings; we urge government to promote the use of 'Local Housing Affordability Frameworks'.
- We call for clarification that conversions of social rent properties to Affordable Rent should cease.
- Government could rebuild trust in its rents policy by making it as clear as possible that the policy will be unchanged for five years, and that it will continue thereafter if circumstances remain the same.

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For ease of reference, the consultation paper's specific questions are used as headings in the text.

**Questions 1 and 2: Do you agree that the rent standard should apply to local authority registered providers from 2020? Do you agree that the same requirements should apply to both local authorities and private registered providers?**

Yes. CIH broadly supports the view that local authorities should enjoy the same freedoms as housing associations, which implies being subject to similar regulatory requirements. CIH also welcomes the end of the rent rebate subsidy limitation and 'limit rents'. We welcome, too, the return to setting rents policy via regulation rather than in legislation.

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

On balance, CIH agrees with this increase as being necessary to restore balances after four years of enforced rent reductions. We remain concerned, nevertheless, about the fact that rent increases will exceed inflation and that real social-sector rents will resume their rising trend in relation to incomes. The value of social rents against full-time average earnings has been monitored by the *UK Housing Review* since 1980 and a summary of the data is presented in the table.

## Rents and earnings in England

*Rent as a percentage of average full-time adult earnings*

	1990	2000	2010	2014	2015	2016
Local authority rents	8.9	10.7	11.1	13.6	13.9	13.0
Housing association assured rents	10.9	12.8	12.7	14.2	14.3	13.6
HA Affordable Rents	-	-	-	19.6	20.2	18.9
Market rents	17.5	18.0	24.9	26.6	29.8	30.1

Source: UK Housing Review 2018, table 72.

Note: 2010 figure for market rent is for 2011 (the 2010 figure is not available).

As can be seen, there has been a more-or-less steady drift upwards in social rents in relation to earnings, with the figures dipping slightly downwards in 2016 - the first year of the current reduction policy. This emphasises the importance of monitoring rent levels and ensuring they remain affordable to those in work.

We also note that in the first year the policy is based on average rents and subsequently applies to individual rents (for each property). This should give some limited scope for landlords to realign rents within their stock, in the first year of the new policy. If this is intended, it would be helpful to make it explicit.

Obviously, we also welcome the emphasis on the rent increase as a ceiling and hope that social landlords will make significant use of rent flexibility to restrain rent

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increases and relate rent levels to local incomes both now and in the future. This provides an opportunity for social housing providers to develop a Local Housing Affordability Framework (LHAF) for each local area, a proposal made in the CIH report [Building Bridges: A guide to better partnership working between local authorities and housing associations](#). The Appendix to this submission (extracted from *Building Bridges*) sets out the LHAF proposal in more detail. It would be a worthwhile addition to government guidance to recommend that social housing providers develop this tool as part of joint working at local level.

The government says that the rents policy will continue for 'at least' five years. The coalition government made several changes to rents policy, and it is important that the new policy emphasises as strongly as it can that the policy will not be altered within the given timeframe. Government should therefore make a categorical statement that it will apply for five years (even though in practice a new government would not be bound by it). It would also be helpful to state specifically that the aim is to continue the same policy after year 5. Such commitments will be important in rebuilding trust between the sector and the government

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

CIH does not disagree with the directions on social rent. The new policy makes no specific mention of rent convergence, a policy effectively compromised by previous government decisions which have left some formula rents out of alignment with each other. However, paragraph 37b of the consultation paper says that rents over the level of formula+5% can only be increased by CPI, implicitly supporting convergence for 'high rent anomalies', but not for 'low rent anomalies'.

CIH believes that it still makes sense to have a policy aim that all social sector rents are comparable with each other for properties that are similar in terms of location, size, age, condition, etc. While currently there is much more convergence in rents than used to be the case, full convergence has not yet been achieved and is unlikely to have been achieved after five years of the new policy.

There is a need to clarify the policy on future conversion of properties from social rent to Affordable Rent (AR). The consultation refers to paras. 2.29-2.30 of the draft policy statement, which says that social rent properties 'may not be converted to AR (other than in the circumstances set out in chapter 3)'. However, chapter 3 makes no specific reference to such conversions, other than saying that AR properties have to be provided in agreement with Homes England or the GLA.

Is this intended to allow continued flexibility for the conversion of social rent properties to AR, if agreed with HE or GLA? CIH is opposed to this, and believes the loss of social rent properties via conversions (around 111,000 since 2012) means they should stop. Both the HE and GLA have indicated that conversions will no longer be

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allowed or required. It would be helpful if the policy statement were to be 100% clear on this point.

## **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. However, the policy is written very much with high-pressure regions in mind, and there will continue to be anomalous situations in areas where AR and social rents are very close, and where policy has in effect required social landlords to apply Affordable Rents when the market context makes them largely irrelevant (i.e. the gap between social rents and market rents is already much smaller than in high-pressure regions). In theory in such circumstances the policy would allow Affordable Rents to fall below social rents on similar properties. However, it may be best if social landlords are left to resolve these anomalies themselves.

There are also issues about local or regional rent policies and how they relate to the national policy, e.g. the GLA policy on rents for new developments. Possibly the best way to deal with conflicts is to say that providers have to comply with funding and planning agreements; if doing so would risk a regulatory breach, they should take a 'comply or explain' approach.

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

Yes.

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

We draw attention to some of the wider comments made in answer to previous questions.

7 November 2018

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## **Appendix: Local Housing Affordability Frameworks**

This Appendix outlines a proposal considered at greater length in the CIH report *Building Bridges*.

Local authorities and housing associations should work in partnership to develop a Local Housing Affordability Framework (LHAF) to cover new lets and relets,

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homeownership products and referrals to the private rented sector. In order to do this:

- The LHAF should identify the required tenure/product mix and agreed output targets, both numbers of homes and range of charges, for each tenure - considering available resources (e.g. grant, cross-subsidy from sales, cross-subsidy from rental surplus, discounted land, recycled capital receipts, borrowing capacity).
- The LHAF should be an active partnership between councils (individually or sub-regionally) and their partner associations with costs shared accordingly.
- Each LHAF should provide:
  - An agreed, common definition of affordability to which all partners strive to work, based on local household incomes - not a percentage of market prices/rents.
  - Affordability assessed by tenure or product, including service charges where appropriate.
  - A mutually-agreed framework for affordability assessments of applicants.
  - A review of the required tenure/product mix - including relets - to identify:
    - a target range of incomes that each tenure should meet
    - numbers of households with unmet need in each target group
    - the extent to which current products meet the target income ranges
    - ideal target costs for each tenure/product.
  - Agreed output targets (numbers of homes and range of charges) for each tenure, taking into account available resources
  - An agreed tool which is embedded into local planning and housing policies, and other areas of local decision-making (e.g. Discretionary Housing Payments), and then implemented consistently and robustly on a voluntary basis.