



Dear DLUHC

Consultation: Social Housing Rents

Thank you for the opportunity to respond to the Government's consultation on a proposed rent cap for our sector in 2023/24.

This response is on behalf of BuildEast, a collaboration of 15 housing associations working together in the East of England. The organisations in BuildEast are listed in Appendix 1.

Inflation presents a dilemma for us all in striving to deliver housing and related services that are affordable to tenants. Our assessment of the rent cap proposal is that it ***offers some valuable protection for all tenants; and it will work against growing the quantity and quality of affordable homes and keeping tenancies sustainable for those in greatest need. Additionally, we offer suggestions for how the less favourable impacts could be mitigated.***

We have taken proactive steps to understand the impact of the economic situation on affordability for tenants. A survey of 2,800 tenants across 3 of our members this summer provides statistically robust information about the impact of the cost-of-living crisis on tenants in the East of England. We found that:

- 13% of tenants borrow money each month to cover their living costs.
- 25% of tenants have used a foodbank in the last year.
- 51% of tenants have missed a meal because they could not afford food.

There can be no doubt that any rent increase will be extremely difficult for tenants on a fixed income.

Sustaining Tenancies

We have a track record in balancing affordability for tenants and income for our organisations to ensure that we continue to invest in homes and communities. For example, members have capped previous rent increases at local housing allowance.

The proposed rent cap for all tenants works against our ability to provide direct support to where it is most needed to sustain a tenancy. Examples of the support we currently provide are:

- Maintaining Tenancy Sustainment Funds for tenants that require financial support to maintain a tenancy.



- Commissioning tenancy sustainment workshops for tenants focussed on the cost of living where tenants receive support in the different aspects of maintaining a tenancy, information about where to turn for help and develop a peer group of tenants across different housing associations.
- Free access to 24/7 advice and support including debt advice and counselling.
- Purchasing energy vouchers for tenants.

Quality of affordable homes

Investment in improving the quality of homes can directly reduce the cost of living in them. We are concerned that the rent cap will reduce members' ability to make sufficient additional investment in existing homes to reduce tenants' cost of living. To illustrate this point, across 11 of our members, a 5% cap removes £32m of investment capacity in 2023/24 and – without the ability to catch up the lost income – over £1.5bn over 30 years.

Quantity of affordable homes

We are also concerned that supply of affordable homes has not reached government targets, that homelessness remains a significant problem and we have many thousands of families living in temporary accommodation and millions of people living in less secure privately rented housing.

There is significant pressure on the housing system, and we want to work with you to solve the housing crisis and to provide good quality affordable homes for today and future generations, and believe that this will in turn support UK economic growth.

To help us to understand the challenges of meeting this need across the Eastern Region, we recently commissioned independent research which has highlighted that although 6,000 new affordable homes are being built each year, there remains an annual shortfall of 7,000 new affordable homes.

Stable inflation linked rental income streams of housing associations are hugely attractive to global institutional investors, which in turn presents a significant growth opportunity by enabling housing associations to access private finance to build affordable homes.

Intervention in rent setting is viewed as credit negative by investors and any potential resultant increase in the cost of borrowing directly reduces the number of new homes we can build and makes it more difficult to plan and make long term investment decisions.

Mitigations

The following measures alongside the proposed rent cap would help maintain intended



levels of investment in sustaining tenancies and growing the quality and quantity of affordable homes.

- The proposed rent cap will create savings in welfare benefits. Re-investing these savings in improving the quality of homes (for example, from grants for investment which improves energy efficiency and reduces carbon emissions) would improve the quality and cost of living for tenants.
- A mechanism (such as convergence that was available in previous years) whereby housing associations can recoup lost income from the 2023/24 rent cap would mean the reduction in investment is much nearer £32m (the one-year effect) than £1.5bn (the long-term effect without the ability to catch up).
- We would welcome the opportunity to contribute to the national debate about the long-term rent policy post 2025. As a principle, we would urge Government to loosen the complicated rules around rents, giving Boards the freedom and flexibility to set rents and involving tenants and the local stakeholders in this process.
- If housing associations were able to recover input VAT (in a similar way to local authorities) this could provide significant help in maintaining investment.

Our response to the specific consultations is as follows:

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?*

We believe the Boards of housing providers are best placed to understand the impact on tenants of reducing rents compared to targeting investment on making tenancies sustainable and helping those most in need and most significantly affected by the cost-of-living crisis. As mentioned above, our Boards have a track record of balancing these difficult decisions and there is no suggestion any of our members would have been increasing rents to the maximum allowable under the CPI+1% limit. Members have commented that the rationale for any increases they would have taken above 5% would have been to provide direct support to sustain tenancies where most needed.

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)?*

Please be assured that members understand value for money has never been more important and will continue to run their organisations as efficiently as possible. However, it is fair to say that all options that cap rents lower than inflation would lead to either a reduction in investment or deterioration in financial robustness. One member reports an internal inflation rate across its cost base of 12.8%, with elements such as utilities being considerably higher.



We would prefer a cap of 7% because this gives Boards the widest parameters for decision making and does not prevent a Board taking a decision to keep rents lower.

Question 3: *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)?*

If a cap is applied, we believe it should be for one year and that the ability to catch up the lost revenue will allow our members to better maintain long-term investment in the quality and quantity of affordable homes and provide targeted support for sustaining tenancies.

Question 4: *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?*

On balance we agree with this. However, we do feel that the system is complicated, and this proposal adds further complexity. Explaining to members of the same community why their rent is different for seemingly the same home can be very difficult to do with credibility. We would urge the Government to simplify rent policy for the post 2025 period and would be very pleased to work alongside you in making reforms.

Question 5: *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 would urge strong consideration of tenants in receipt of care and / or support falling outside of any cap due to the (typically) greater day to day costs of sustaining tenancies and the importance of being able to retain front line colleagues providing care and support services. The viability of supported housing is already under considerable pressure with many providers being reluctant to build new supported housing, and we feel a cap on rents would make this situation worse and potentially put more pressure on the health and social care system more generally.

Thank you again for the opportunity to respond and we hope our response is helpful. We would like to reiterate that we remain committed to working positively with you to tackle this country's housing crisis in a positive and proactive way. Please feel free to get in touch with any queries.

Yours sincerely



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Appendix 1 BuildEast Members:

CHP

B3 Living

Bpha

Broadland Housing

Eastlight Community Homes

Estuary Housing Association

Flagship Group

Freebridge Community Housing

Grand Union Housing Group

Havebury Housing Partnership

Hightown Housing Association

Orwell Housing Association

Saffron Housing Trust

settle

Watford Community Housing Trust