Rents for Social Housing from 2015-16
DCLG Consultation

NFA Response

Introduction
The National Federation of ALMOs (NFA) represents 47 ALMOs which manage over 650,000 council homes across 50 local authorities.

The NFA welcomes the Government's intention to provide a stable rent policy for the 10 years from 2015-16 and is glad of the opportunity to respond to the consultation on the details of that policy. However we do have some concerns about the proposals, in particular the decision to end rent convergence after 2015 and would like confirmation that local authorities would have the same ability as Private Registered Providers to apply for some time limited flexibility to continue with rent convergence where necessary for the viability of the HRA Business Plan.

Q1. What are your views on the Governments proposed policy on social rents from 2015/16?

The NFA welcomes the Government's intention to provide a stable rent policy for the 10 years from 2015-16. This stability will help our members work with their councils to plan over a longer time frame and deliver real efficiencies in program delivery for major repairs, new build and regeneration schemes.

We note the government's planned change from using RPI plus 0.5% to using CPI plus 1% to control rent increases year to year for social housing tenants. Some of our members are concerned about the move from RPI to CPI and although the outcomes of both formulae are similar in the foreseeable future some ALMOs still believe that RPI is a better index for a housing product over the long term due to the link with housing costs in the private sector and the use of RPI in many long term partnering contracts for repairs. RPI was also the index used recently in the self-financing arrangements put in place less than 2 years ago so any divergence from the assumptions made for the purposes of the self-financing deal may have serious consequences for some councils. However others are reasonably content with the proposed move to CPI and agree that CPI, as a less volatile index, will be useful in keeping rent increases steady throughout the 10 year period. This will allow tenants to be protected from excessively high increases in their rents year to year and over the long term many experts expect the two formulae to deliver similar overall outcomes.

The NFA has some serious concerns about the decision to end rent convergence after 2015. Although many councils have now reached convergence or will do by 2015, a small number still have a long way to go before they reach convergence and the decision to end that policy will mean significant losses to their HRA Business Plans, only agreed with government as part of the self-financing package in 2012.

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The NFA would like to point out that the policy was designed to make social housing rents comparable for similarly sized and quality stock in similar locations, to allow more choice for tenants and to make rents more transparent and easily understood by consumers. Ending this policy before it has been achieved will leave some properties with rents much lower than the average for no good reason, creating an unfair position for tenants as some continue to enjoy lower than average rents and others have to pay the converged rate.

Some Councils and ALMOs now find themselves a long way away from rent convergence due to no fault of their own as they have applied the rent guidance year on year from central government only to find the policy is ended before it's been completed. Given that these rent increases were built into the self-financing settlement in April 2012 this proposed change to government policy will leave many councils' HRA Business Plans facing a loss of income which ranges from the relatively manageable £5m to a catastrophic £100m over the 30 year period.

Many ALMOs and Councils will have to revise their plans for new build downward over the next 10 years due to the proposed changes and subsequent loss of income thus losing the ability to build new homes due to a policy to restrict the lowest social housing rents from rising at a time when government is promoting the use of much higher "Affordable Rents" to help fund new build. This seems inconsistent at best for many of our members, particularly if their tenants cannot afford "Affordable Rent" levels but could afford a slightly higher social rent. Whilst we understand the desire to keep control of the housing benefit bill this solution seems perverse when the clear increase in housing benefit payments has been from the increase in the use of the private rented sector by low income families and the significant rent increases in that sector in recent years.

However, even more worryingly is the fact that for a small number of Councils and ALMOs the ending of rent convergence could severely affect the viability of the HRA Business Plan and mean that core services and essential repairs would need to be cut.

The NFA welcomes the flexibility that government has decided to confirm to social housing landlords in allowing them to put rents up to the target rent at a new letting but would like confirmation that local authorities would have the same ability as Private Registered Providers to apply for some time limited flexibility to continue with rent convergence where necessary for the viability of the HRA Business Plan.

We would also like to take the opportunity to state that we believe there is a need for some flexibility in the limit rent calculations after the ending of convergence to allow councils to increase rents on new lets to target rents as allowed by the proposals. Any increasing of those properties to target rent will increase the overall average rent and if this is not taken account of in the limit rent formula Councils and ALMOs could be left with a shortfall in Housing Benefit subsidy for those tenants receiving Housing Benefit. We look forward to the opportunity to discuss this issue in more detail in the New Year.

Q2. Should the rent caps be removed?
The NFA agrees that the rent caps should be removed for consistency in the policy to allow the move to target rents on relets.

Q3. Do you agree with the move from basic rent increases of RPI + 0.5% to CPI + 1% for social and affordable rents?

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Q4. – Q9. With regard to the Pay to Stay proposals

As the Pay to Stay proposals will be voluntary and our members will be taking local decisions on whether and how to implement them the NFA is not commenting on this section of the consultation.

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