PlaceShapers response to the consultation on the future social housing rent policy

Introduction

This response to the consultation on the Direction to the Regulator of Social Housing on social housing rent policy is on behalf of PlaceShapers, the national network of place-based housing organisations.

The social housing sector is diverse. Providers differ based on their size, the profile of their homes, their geographical focus, social missions, and operating models. PlaceShapers have just under 100 members – ranging from small housing associations with less than 1,000 homes to large housing associations with over 30,000 homes. Our members operate locally and are not-for-profit businesses committed to improving places through long-term social, economic, and physical place-shaping.

We welcome the opportunity to share our views on the proposed rent policy to be introduced on 1 April 2026. Our response has been informed by conversations with, and input from, our housing association members.

Summary

We share the government's ambition to build 1.5 million new homes over this Parliament, and to significantly increase the supply of social and affordable homes and agree that everyone has the right to live in safe, decent housing.

Our members are committed to meeting the breadth of housing need in their communities and regenerating and renewing their existing homes, estates, and communities so they are places people want to live.

While they are ambitious, robust organisations, they face a range of specific challenges, including the need to invest in existing homes, that without additional support mean they will have to make difficult trade-offs. They are working hard to get to grips with these challenges, but many housing associations are having to revise their development ambitions, despite the escalating housing crisis.

Some of the challenges the sector currently faces are due to the nature of the homes they own and manage, others are due to policies introduced by previous governments, such as the way the development of new social housing is funded and what that funding is available for.

Intervention in the rent settlement in 2016 and 2023, and the end of rent convergence in 2015, significantly undermined long-term financial planning in the sector and led to significant cuts in services to tenants in some places. The Regulator of Social Housing estimated a 14% reduction on spending on major repairs in 2017 to compensate for the four-year 1% rent cut introduced in 2016/17.[1]

Along with other sectors, housing associations also face increasing operating costs, and wider economic pressures.

A stable rent policy that supports housing associations to borrow and invest in new and existing homes is a fundamental pre-requisite if the sector is to continue to build and provide good quality social housing at the scale required. We are pleased this government has recognised the challenges and contribution of housing associations in bringing forward these proposals and strongly support a long-term rent settlement linked to inflation. In this response we also set out a case for reintroducing rent convergence.

We welcome the acknowledgement in the consultation that the delivery of the government's objectives on housing depend not just on the rent settlement, but on future levels of government investment, including grant levels for social housing and additional funding where there are new expectations on the sector, for example through a new Decent Homes Standard.

We look forward to working with the government to ensure the sector has the support it needs to contribute as fully as possible to ending the housing crisis and ensuring everyone in this country has a warm, safe, decent, affordable place to live.

Question 1: Do you agree with our proposal that the government should set a rent policy that will remain in place for at least the next 5 years, from 1 April 2026 to 31 March 2031?

In general, we agree that to build confidence in the sector and provide the certainty housing associations need to make long-term investment decisions, rent settlement periods should be as long as possible, provided they remain linked to inflation. We think five years is the minimum time that should be covered by any rent settlement.

Development can often take up to three years to come together, which means for schemes that are being planned now, unless the commitment to CPI+1% goes beyond 2031, housing associations will assume a flat rate increase of CPI in rents in the scheme appraisal. This will require more grant or subsidy to make the scheme viable, which will inevitably lead to a smaller development pipeline than would be the case if there were rent certainty beyond 2031.

Many housing associations will also include an assumption of rents increasing by CPI flat in their long-term business plans for 2031 onwards. This will further limit their organisational capacity to plan for the development of new homes and make long-term investments in their existing homes.

However, we also acknowledge that while these proposals are welcome, and indeed critical at this point in time, they do not address some of the challenges with the current overall approach to rents.

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/666695/2017_Global_accounts_of_private_registered_providers.pdf

This includes the varying rent levels social housing tenants are currently charged for living in similar homes, in similar areas, across the country.

If the government does introduce a five-year settlement, we strongly urge them to start a conversation with the sector now about what the approach should be from 2031 onwards.

With enough time and an open and honest dialogue between the sector, the government, and tenants, we believe it would be useful to fully explore how social housing is funded, and how we can get the balance right between revenue and capital support, so building new homes does not undermine rent affordability for tenants or the capacity of housing associations in the long-term.

Question 6: Are there other steps that the government should take to build confidence in the stability of its rent policy?

Previous governments have undermined the confidence the sector needs to commit to long-term investment decisions by introducing rent cuts and instability in the rent settlement.

Housing associations have worked hard to ensure these interventions didn't affect their relationship with lenders and funders. However, the previous rent cut had a significant lasting impact on both the financial position of housing associations and on tenants and communities across the country.

We therefore urge the government to do all it can to build confidence in the stability of its rent policy, including through what it says publicly and through its direct relationship with funders and lenders.

Beyond the rent settlement, governments can also build confidence in the sector through their public messaging more generally. We therefore welcome the commitment in the Labour Party Manifesto that this government will build the capacity of housing associations to make a greater contribution to affordable housing supply, and to the open and public commitment to social housing more generally.

Question 7: Do you agree with our proposal that rents should be permitted to increase by up to CPI+1% per annum? / Question 8: What do you consider would be the impact of our proposed rent policy on affordability for rent payers and the willingness and ability of registered providers to invest in new and existing homes over the next 5 years?

We strongly welcome the proposal to permit social housing rents to increase each year by CPI+1%. While other policy solutions and further support are required to address the capacity issues and challenges in the sector, a long-term above inflation rent settlement will shore-up business plans and allow housing associations to consider long-term investment decisions in the context of certainty over their income.

While the majority of social housing tenants across the country are supported through housing benefit and Universal Credit, any increase in rents needs to be considered in the context of affordability for tenants. Our members take decisions about whether to increase their rents very seriously and provide significant support for tenants who need it.

Beyond permitted increases of CPI+1%, we would urge the government to reconsider the proposal not to reintroduce rent convergence in 2026.

The additional capacity that rent convergence would generate would have a real and significant impact on communities across the country. It would allow housing associations to invest in their existing homes and estates, including improving their energy efficiency and quality, and provide additional services and support for tenants and communities. It would also unlock thousands of new social homes, which would significantly contribute to the government's ambition to build 1.5 million new homes over the course of this parliament. More importantly, it would mean housing associations could extend an offer of an affordable, warm, good quality social home to thousands more families stuck on the housing waiting list and living in inappropriate, unaffordable private rent, or temporary accommodation.

Many of our members have homes that were transferred from local authorities with rents that were significantly below formula rent, which over time has impacted on their financial capacity and their ability to build new homes and invest in existing homes and communities in very real terms.

We have included three case studies that show the impact of rent convergence:

For **Greatwell Homes**, a housing association of just over 5,000 homes in the East Midlands, the reintroduction of rent convergence would create significant capacity that would be invested in new and existing homes.

Over time, it could unlock an additional 150 new homes in a part of the country where affordability challenges outside of the social housing sector are particularly acute and new social housing would make a real difference to people's lives.

If all social rents were let at formula rent, this would increase their rental income by £1.6 million per year. If rents below formula were increased by £3 per week, this would generate an additional income of £566,000 for 2025/26 alone.

For **Aspire Housing** based in Newcastle-under-Lyme, North Staffordshire, being able to converge their rents to reach formula rent would be significant. The vast majority of their social rents are under formula rent as a result of rent policies applied historically prior to stock transfer in 2000. As a result, those rents below formula are on average £11 per week below the formula rent, with the average rent being charged at £104 per week versus an average formula rent of £115 per week. The median monthly private market rent in Newcastle-under-Lyme is £150 per week. In this context even with rents converged to formula rent there would remain a significant discount to market of £35 per week average in terms of ongoing affordability for tenants.

Rent convergence to formula rent could raise an additional £4 million per year for Aspire, who own and manage nearly 9,500 homes, operating in a part of the county where regeneration and renewal

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is a priority. The additional capacity generated by convergence would allow Aspire to develop an additional 240 homes over a 10-year period over and above existing development capacity.

Worthing Homes is a housing association with 4,000 homes in the Sussex coastal area. On average Worthing Homes' social rents are below our formula rent due to a number of historic reasons.

Convergence to bring current rents up to formula rent would have a significant impact on their financial capacity, and in turn would benefit tenants and those on the housing waiting list in a part of the country where the housing crisis is reaching breaking point.

If Worthing Homes could converge rents to formula rent it could generate £1.4 million each year. If convergence for individual tenants was set at a limit of £3 per week, then the increased income for the organisation would be £400,000 in the first year.

Without rent convergence over the next 10 years Worthing Homes' lost financial capacity would be £11million, which equates to lost new build capacity of 200 new homes.

We agree that affordability for tenants needs to be central to any decision to increase rents, but converging rents could be done over an appropriate period of time, with increases that are manageable for tenants and support and flexibility in place for those who need it.

Rent convergence would also help ensure that tenants living in similar homes pay a similar rent.

For example, for Greatwell Homes, an increase of £3 per week would mean an average social rent increasing from £106.63 per week to £109.63 per week. For North Northamptonshire, where Greatwell Homes operate, the average private rent is £203.07 per week.

In response to the recent cost of living crisis, Greatwell Homes introduced a customer assistance fund to support customers with non-tenancy related expenditure and offered a discount in 2024/25 for customers who do not receive any other support to pay their rent and service charges to support them with affordability. They are committed to continuing this support for customers in the future.

Question 9: Do you have views on other measures, outside rent policy, that could help to rebuild registered providers' capacity to invest in new and existing homes?

While an above-inflation long-term settlement provides some certainty for housing association business plans, other policy interventions will be necessary for the sector to step-up the delivery of new social housing and meet current and new expectations on the quality and energy efficiency of its existing homes.

The current model of social housing development is being pushed to its limits and we urge the government to look at all the levers it can use to support housing associations to keep building. This should include how social housing is funded through grant, with higher grant rates and more flexibility in how the Affordable Homes Programme is allocated and spent.

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As the government have acknowledged in the consultation, decisions about quality standards, and indeed other new and changing expectations on the sector, need to be fully costed and appropriate funding provided.