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Rent Policy Consultation
Affordable Housing Regulation and Investment Division
Department for Communities and Local Government
Eland House, Zone 1/A2
Bressenden Place
London, SW1E 5DU

Dear Sir

Rents for Social Housing from 2015-16 - Consultation response of the Councils with ALMOs Group

Councils with ALMOs Group (CWAG) welcome the opportunity to respond to the consultation on rents for social housing from 2015 – 16.

CWAG is a special interest group of the Local Government Association (LGA) and currently has 32 member authorities representing different types of authorities including Metropolitan Boroughs, Unitary Authorities, London Boroughs and District Councils.

Proposed policy on social housing rents from 2015/16

CWAG welcomes the proposed ten year mechanism for setting rents as this will provide much needed stability in the medium term business planning process.

However we do have concerns about the effect of the proposed early end of the rent convergence policy which will remove significant financial capacity from HRA Business Plans just 18 months after the self-financing regime was introduced.

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The impact of this change will be vary significantly between councils and is dependent on the trajectory of rent convergence in individual authorities. As rent convergence is very much a formula driven exercise, the fact that some areas have not reached convergence has been largely outside the control of individual council landlords.

We have asked our members to model the impact of the earlier convergence date on their business plans. For some authorities, who are at or close to convergence, there is little or no effect. However a significant number of councils are reporting large reductions in income across the life of the business plan. For these authorities the change represents a huge challenge and will require a re-working of the business plan resulting in the delay or scaling back of regeneration schemes as well as reductions in planned new-build programmes.

The consultation paper recognises that the changes in rent policy will impact more severely on some landlords than on others. For private registered providers there is a facility to seek a waiver from the Regulator where the policy change will impact on financial viability. For councils, no such flexibility exists and the absence of a similar compensatory facility is a noticeable discrepancy in the arrangements proposed.

Limit Rent

The consultation indicates that the system of limit rents will continue for pension age tenants and council tenants on housing benefit during the transition to Universal Credit. This leaves an area of significant uncertainty around the longer term policy intentions for limit rent once Universal Credit is introduced. Early clarification on this issue is essential to enable councils to plan effectively.

Move from RPI to CPI

Whilst the proposed move from a rent setting formula based on RPI to CPI is in line with developments elsewhere within Government, there are concerns that in the longer term CPI will rise more slowly than RPI leaving a further financial gap within HRA Business Plans. This is likely to be particularly important where councils are hoping to build new homes as building and housing cost inflation is likely to increase at the higher RPI rate. This measure will therefore act as a further financial restriction on HRA Business Plans.

Rents for social tenants on high incomes

We agree with the principle as set out in the consultation whereby the option to pursue this policy will be for individual councils to decide in the context of local housing circumstances.

Yours Faithfully



Kenny Aitchison
CWAG Chair