

# Consultation response

## Rent Setting Consultation





## Introduction

Tpas are England's leading tenant engagement experts. We're a not-for-profit organisation and have been representing our members across England since 1988. In 2016 we dropped the acronym, "Tenants Participation Advisory Service" and chose to be known simply as Tpas – The tenant engagement experts.

Our membership is made up of local tenants and landlord organisations, covering over 3 million homes. We support over 290 Housing Associations and Local Authorities along with resident groups and contractors, to experience the benefits of true tenant engagement.

We bring tenants, landlords and contractors together through a wide range of services, independent and impartial advice, support, consultancy, and training.

## Overall response to the proposals

### Clarity is welcome

On average, households in social housing have an income that's about 41% of the average mortgage buyer's income<sup>1</sup>. For this reason, we share the widespread concerns about the impact that high CPI inflation could have on social housing rents in the midst of a cost of living crisis that disproportionately affects those on the lowest incomes. We welcome the Government's aim of providing greater clarity for tenants and landlords.

### Social landlords are exposed to commercial pressures

However, we also recognise that social landlords face considerable financial pressures: in relation to improvements to the safety and environmental performance of tenants' homes; in terms of the impact of inflation and increased interest rates on their own costs; and in terms of their mission to contribute to the stock of affordable homes.

In their response to the sudden and dramatic increase in energy prices, we note that the Government's approach has been to impose a price cap and to channel support to all UK households through energy companies. We understand that energy companies will be compensated in full, which has supported their viability at the same time as achieving the intended consumer protection.

Like energy companies, social housing providers are exposed to commercial risks. Typically, maintenance costs and loan interest comprise the large majority of their costs. Although these are both carefully managed, prices can't be frozen completely. Increased day to day costs are likely to be unavoidable. The imposition of a rent cap will have the effect of restricting income when costs cannot be fully restricted, creating a severe risk to housing providers' business plans. Although the Government's impact analysis

---

<sup>1</sup> <https://www.ukhousingreview.org.uk/ukhr21/compendium.html#profiles>



attempts to quantify the impact on business plans, they are based on surplus levels that would be expected to fall as a result of cost increases (because inflation in maintenance costs typically outstrips CPI), and they only consider costs over a period of five years while housing providers' business plans typically cover 30 years. The cap on rent increases will severely restrict the investment capacity of all social housing providers, and in some cases will threaten their viability. All of this of course severely impacts on tenants.

#### Government funding is essential

In our judgement, a cap on social housing rent increases is necessary in the short term, to protect tenants from one of the impacts of high CPI inflation. Although Government has chosen to compensate energy providers for the effect of a similar cap, they have chosen not to offer the same support to non-profit housing providers, and we are extremely disappointed by this. We were also very concerned to note in the consultation document (paragraph 22) that the proposed approach where a provider's viability is threatened will be to allow an exemption from the cap, with the burden of the high rent increase falling on the provider's tenants<sup>2</sup>. We find the contrast to the Government's support for energy providers shocking, and strongly urge the Government to step in and provide top up funding to housing providers whose viability is threatened by the cap.

## Specific consultation questions

**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?

Our members – both tenants and landlords - have been very concerned about the uncertainty over rent increases. We therefore welcome the clarity provided by a cap on rent increases.

**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)?

We would find it difficult to comment on a ceiling figure unless there is evidence that the proposals are taken with consideration to the wider economic context. With the ongoing uncertainty in energy provision and its consumer impact and a lack of clarity on the governments proposals on rises to state benefits in line with inflation. We feel that

---

<sup>2</sup> The Government's own impact analysis recognises that around a third of rent costs are borne directly by tenants, with the remainder coming via their benefit claims



to determine a figure at this time without adequate data would be an unwise course of action and would urge the government not to look at this measure in isolation.

**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)?

We would again be unwilling to have a fixed preference for either option without some clarity and assurances to the issues mentioned in our response to the previous question. The current lack of surety of long-term strategic policy due to this proposal occurring within the later stages of this governments political cycle makes it in our opinion exceptionally hard for housing providers to factor this into their long term business planning.

**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?

Bearing in mind that new social housing tenants are likely to have lower incomes than established tenants, as well as facing all the additional costs of moving, we're unclear as to how this is justified.

**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 agree that the impact on housing providers should be considered on a case by case basis. However, we'd strongly urge that any exceptions should be funded in full by Government, rather than by imposing unaffordable rent increases on tenants.