

Committee: Housing Management and Almshouse Sub-Committee	Dated: 16/05/2019
Subject: Rents for Social Housing from 2020	Public
Report of: Director of Community and Children's Services	For Information
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Summary

The government has published its response to a Ministry of Housing, Communities and Local Government (MHCLG) consultation on the regulation of social housing rents from 1 April 2020 onwards. Since 2016 there has been a requirement for social housing rents to be reduced at a rate of 1% annually. From April 2020, registered providers will be permitted to increase rents up to the Consumer Price Index (CPI) plus 1% each year for a period of at least five years.

Recommendations

Members are asked to:

- Note the report

Main Report

Background

1. Since April 2016, the Welfare Reform and Work Act 2016 has required social landlords to reduce their rents by 1% each year (the 'social rent reduction'). This has applied to both social rent and affordable rent properties. With the transition to Universal Credit, it is no longer considered appropriate to regulate rents through welfare laws. Instead, the Regulator of Social Housing will be directed by MHCLG to set a new standard on rent for registered providers, including local authorities.
2. The Government argues that this will enable it to control the welfare costs of social rents and protect the interests of social housing tenants who pay their own rent, while also providing a means to help ensure that providers have enough income to manage and maintain their properties and build new homes.

3. The Government intends to permit registered providers to increase rents by CPI + 1% annually for five years from 2020. Landlords will have the discretion to apply a smaller (or no) increase depending on local circumstances. There is also a process for seeking an exemption from the Secretary of State, but only where applying the government's rent policy would cause a local authority to suffer unavoidable and serious financial difficulty.

Implications for the City

4. Our expectation is that the City of London Corporation will wish to increase its social housing rents up to the CPI + 1% limit in 2020-21, and in subsequent years. We estimate that this will increase our income from social rents due to the Housing Revenue Account by approximately £290,000 in 2020-21 (based on the current CPI rate), which will help to fund our housing development programme, major works to renew current housing stock and the installation of enhanced fire safety protection in residential blocks.
5. Particularly following several years where rents have decreased, the City Corporation will also need to consider how it prepares tenants for rent increases and communicates these changes to them, with an emphasis on the opportunities to invest increased HRA revenue in improvements and developments that benefit them.
6. The City currently has a well-established procedure for rent setting, which delegates authority to officers, and is overseen by the Rents Manager. Officers are due to draft a new Rents Policy, which will outline the approach taken to annual rent reviews. This policy will also cover how rent management is scrutinised by this Sub-Committee and pave the way for more regular reports on rent management and income collection performance to be presented to Members.
7. Members will also be asked to consider the current arrangements for rent reviews and delegated authority for rent-setting, which are due for review.

Conclusion

8. The final compulsory 1% annual rent reduction for social housing tenants takes place in 2019/20. From 2020/21, the government will allow social housing providers to increase rents by CPI+ 1% annually for at least five years.
9. With increased pressure on the Housing Revenue Account and a significant programme of major works underway, the ability to increase rental income by a modest amount will increase income to the HRA and help to pay for maintenance of our estates and the delivery of services to residents.

Appendices

- None

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