

Social Housing Rents
Affordable Housing Regulation and Investment Division
Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF

19th December 2024

Response submitted via email only to: socialhousingrents@communities.gov.uk

Dear Sir/Madam,

Re: Future Social Housing Rent Policy

Introduction

I am writing on behalf of the Land, Planning and Development Federation (LPDF) in response to the open consultation on the 'Future Social Housing Rent Policy'. This response provides a brief introduction to the LPDF and what we do and then moves on to answer the questions set out within this consultation.

The LPDF welcomes this consultation, recognising the importance in ensuring sufficient delivery of social housing and the direct impact that the rent policy has on the sector's ability to deliver this. Restoring the financial capacity of Registered Providers (RPs) is of critical importance for the delivery of affordable housing, but also for the knock-on impacts that this has for the delivery of market housing and for the government achieving its 1.5 million new homes target this Parliament. The financial capacity of housing associations and the appetite to bring forward s.106 affordable housing is an issue which has been acting as a significant barrier to housing delivery for a number of our members over recent months and is one that will not be fixed until stability and certainty is restored for the RPs.

The proposals within this consultation are seen as a positive step towards achieving the government's goals. However, these proposals alone will not be sufficient to reverse the decline in social and affordable housebuilding, highlighting the complexity and deep-rooted nature of these issues. The LPDF believe that further support is required to assist the government in reaching its 1.5 million new homes target this parliament.

About the LPDF

The LPDF seeks to represent the UK's leading land promoters, home builders and commercial developers.



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LPDF members support the housebuilding and commercial development sectors by promoting sites through the planning system, providing “shovel ready” land with a planning permission which can facilitate the delivery of infrastructure and serviced land parcels.

The LPDF seeks to actively engage with government on planning, housing and commercial development policy and to educate the wider public on the social, environmental and economic benefits of development through an evidenced based approach.

The LPDF encourages its members to deliver well designed, high quality, sustainable places which deliver a mix of housing types and tenures, commercial spaces and community uses that have a positive social, environmental, and economic impact.

Our key values include:

- Working in a positive and cooperative way with central and local government and key stakeholders, to deliver a planning system capable of supplying the homes and employment space we need.
- Promoting research and an evidence-led approach to policy development.
- Increasing the supply of new homes to meet demand and make home ownership a realistic possibility for all those who aspire to it.
- Ensuring that we build the affordable homes of all types and tenures that this country so desperately needs.
- Delivering new employment space to meet demand from businesses and support economic growth.
- Championing the impact of increased housing delivery on reducing intergenerational unfairness.
- Creating well designed, high quality and sustainable places to live and work.
- Educating and informing about the social, environmental and economic benefits of development.
- Supporting diversity of delivery in the market and championing SME developers.
- Promoting diversity and inclusivity within the sector.

Questions

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?

Yes, the LPDF strongly believe that a rent policy of at least 5 years is critical in order to ensure the certainty and stability within the sector and its ability to finance the delivery of social housing. This will enable RPs to plan ahead with confidence in their finances. Without this, the LPDF believes that the problems which currently exist will continue and a further decline in social and affordable housing is likely.



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Question 2: What impact would a longer settlement have, and what alternative length should a settlement be? (e.g. 7 years / 10 years?)

The LPDF believe that the longer the rent settlement lasts, the better this will be for the sector as it will offer a greater level of certainty and stability. As such, the LPDF's preference would be for a 10-year option, as it would provide RPs, and their investors, greater certainty, allowing for more informed and efficient long-term investment decisions.

Question 3: Would a rolling settlement of 5 years (where the 6th year is set 5 years in advance) provide additional stability or certainty?

The LPDF would be supportive of a rolling settlement, provided it is designed to automatically continue with CPI+1% (and convergence, discussed in response to Question 7 below) as the default, without the need for consultation. This would ensure at least five years of certainty for the sector, while allowing the government to initiate consultation five years ahead of any proposed changes to the settlement.

Question 4: What impact would these alternative lengths of rent settlement have on providers' willingness and ability to invest in new and existing homes?

As noted in response to Question 2 above, a longer rent settlement would provide a greater level of certainty and stability for providers which would have a positive impact on their ability and willingness to invest in both new and existing homes.

Question 5: Are there rent policy measures that would provide confidence in the stability of our policy in the event of an inflationary spike?

The LPDF have no comments in response to this question.

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

The LPDF are aware that the National Housing Federation (NHF), through this consultation, are calling for additional rent flexibility for supported housing and housing for older people, higher than the current 10% tolerance. This is so that the rents can better reflect the costs of building and maintaining these types of schemes. The LPDF would support this approach as it would seem logical to allow additional flexibility to ensure that these specialist needs are met and that the schemes are maintained to an appropriate standard.

Question 7: Do you agree with our proposal that rents should be permitted to increase by up to CPI+1% per annum?

Yes, the LPDF would support the proposal that rents should be permitted to increase by up to CPI+1% per annum. However, we also support the NHF view that a convergence mechanism should be included as part of the settlement. A convergence mechanism would allow RPs to gradually increase rents that are below the earnings-linked rent formula.

By including a convergence mechanism within the settlement, this would help to restore the financial capacity of RPs and by doing so, would unlock a significant number of new homes by generating



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additional rental income. As the additional borrowing capacity that the additional rental income unlocks will enable the new development.

The LPDF are aware that the NHF have written to the Chief Secretary to the Treasury setting out their analysis of the impact of rent convergence on the ability of RPs to invest in new and existing stock. The LPDF are fully supportive of the NHF in their views on this matter and believe it to be of critical importance for the forthcoming rent settlement to include a convergence mechanism.

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?

As discussed above the proposed rent policy would provide a degree of stability and certainty for RPs which would in turn enable them to invest in new and existing homes. A longer settlement would also provide an additional level of certainty for rent payers.

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?

RPs have a critical role to play in the delivery of social housing, so establishing a package of measures to build back their capacity is important. In terms of additional measures to help rebuild RPs capacity to invest, the LPDF would urge the government to bring forward the successor to the 2021-2026 Affordable Homes Programme as quickly as possible. A larger Affordable Homes Programme will be needed to meet the government's delivery ambitions and the LPDF believe that this will need to include a higher grant rate per home than previous Affordable Homes Programmes.

The LPDF also consider that providing grants for existing homes would have a substantial impact on the capacity of RPs to invest in new stock. By alleviating some of the financial pressures associated with energy efficiency upgrades, higher standards for existing homes and building safety remediation costs this would then free up finances which could be directed towards building more social housing.

In addition to the above it is essential to have clarity and stability in the regulatory environment for social landlords. Allowing adequate time to implement new regulations would also enable RPs to plan their investment programs more efficiently and with greater certainty.

Question 10: Do you have any comments on the detail of the draft direction and policy statement that are not covered by your responses to the previous questions?

The LPDF have no comments to make to this question.

Conclusions

The LPDF welcomes the opportunity to comment on the future social housing rent policy. Whilst the majority of our members are more generally focussed on the delivery of market housing, the affordable housing sector is directly linked to this and the financial constraints that RPs have recently been faced with has been creating significant barriers for the delivery of both market and affordable housing. It is of fundamental importance that an appropriate rent settlement is reached as quickly as



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possible and that this covers a long enough period to provide the necessary stability and certainty for those investing and delivering affordable housing.

The LPDF believes that without a package of measures, the sector will face challenges in sustaining new supply at existing levels and will be unable to achieve the substantial increase in social and affordable housing required to fulfil the government's commitment to build 1.5 million homes. We support the government in their increased focus on the social housing sector and trust that the necessary positive changes are made to stabilise this sector and increase delivery. It is of fundamental importance that we build back the RPs funding capacity in the face of all their pressures.

We hope that this response to the current consultation is helpful and if you wish to discuss these matters in any further detail, the LPDF would be only happy to assist.

Yours faithfully,

A handwritten signature in black ink that reads 'n burnett' in a cursive, lowercase style.

Nicole Burnett

LPDF Senior Policy and Research Manager