Social housing rents consultation

G15 response

October 2022

About the G15

The G15 is made up of London's largest housing associations. The G15's members provide more than 715,000 homes across the country, including around one in ten homes for Londoners. Delivering good quality safe homes for our residents is our number one priority. Every year our members invest almost £900m in improvement works and repairs to people's homes, ensuring people can live well. Together, we are the largest providers of new affordable homes in London and build around 15% of all affordable homes across England. It's what we were set up to do and what we're committed to achieving. We are independent, charitable organisations and all the money we make is reinvested in building more affordable homes and delivering services for our residents.

Find out more and see our latest updates on our website: www.g15.london

The G15 members are:

- A2Dominion
- Catalyst
- Clarion Housing Group
- The Guinness Partnership
- Hyde
- L&Q
- MTVH
- Network Homes
- Notting Hill Genesis
- One Housing
- Optivo
- Peabody
- Southern Housing Group

For more information, please contact: G15@mtvh.co.uk

Executive Summary

As not-for-profit organisations that work with and support some of the least well-off people in the country, G15 members are deeply concerned by the impact cost of living pressures are having on the people we provide homes to.

G15 members have increased support for residents, including providing £5.8m for vital crisis support this year, and helping residents to secure £44m of financial gains last year. This is in addition to the work we are doing to bring down people's energy bills by improving the energy performance of the homes we provide, alongside charging social and affordable rents far below market rates at around £125 per week on average (around 50% of market rents).

We are also urging the government to provide further targeted support for those most affected by the cost of living pressures, especially around sky-rocketing energy bills that are driving much of the challenges people are facing. Crucially, this must also coincide with the uprating of social payments in line with inflation, which is something that we have repeatedly called for. Almost 7 in 10 general needs residents living in the homes we provide rely on this support, and for many people this covers the entire cost of renting their home.

Any resident facing financial challenges should contact their housing provider as soon as possible to discuss what support and advice can be provided. G15 members have also reconfirmed their commitment to the NHF eviction pledge and will support people as much as we can where they are engaging.

Potential impact of social rent ceilings

To maintain and improve existing residents' homes, and to continue to build much needed new affordable homes, significant investment each year is essential. As not-for-profit organisations, all the resources we generate are put back into the homes we provide and build, and to support the services residents receive. Re-investable rental income for housing associations is critical to supporting this work. Similarly, meeting the significant challenges of building safety, decarbonisation, and addressing homelessness, requires strong and stable income for organisations.

The surpluses (and/or 'reserves') that are reported as part of our financial results are not 'rainy day' funds that can simply be applied to cover costs elsewhere. Instead, they are key to securing borrowing to deliver the essential work that we do, and are held as fixed assets and working capital, rather than cash.

Housing associations have already seen costs for vital materials for repairs and maintenance work increase by as much as 16.8% this year, and the cost of constructing new homes has grown by more than 11%.

Energy costs for G15 members are forecast to have increased by 225% for electricity and by 573% for gas, on average, between 2021/22 and 2023/24. These above inflation increases present significant pressures on members' budgets and investment plans.

Insurance premiums have also increased sharply over recent years, with one G15 member seeing increases of over £3m in the last two years, and another seeing increases of over 100% year-on-year. Service charges are also rising with inflation, or higher, which places further pressures on both providers and residents (in the case of variable service charges).

Credit rating agencies have cautioned about the impact of divergence between rental income and costs for housing associations and the impact this could have on borrowing costs and investor confidence. The current economic volatility will also have a material impact on borrowing costs for organisations, further impacting our financial standing, which is a critical aspect of how we are able to deliver the work that we do.

Based on the social rent ceilings outlined in the government consultation, this table demonstrates the scale of the reduction in re-investable rental income that G15 members would face from a one-year ceiling:

	Reduction in re-investable rental income over 5 years	**Reduction in re-investable rental income over 10 years**	**Reduction in re-investable rental income over 30 years**
Rent ceiling at 3%	£2.071bn	£4.661bn	£17.959bn
Rent ceiling at 5%	£1.516bn	£3.493bn	£13.473bn
Rent ceiling at 7%	£1.017bn	£2.380bn	£9.296bn

As these figures demonstrate, the impact of the government's proposals on G15 not-for-profit housing associations and the activities they deliver would be massive.

In consulting members, it has become clear that, should a low social rent ceiling be applied by the government, reductions in spending across all areas of activity will need to be considered. This includes:

- **Impact on building safety planned works** – The safety of all the people we provide homes to is our number one priority. We are concerned that, without government funding assistance, the rent ceilings being proposed will slow planned building safety works. G15 members are currently collectively forecasting to spend over £4bn on building safety works activities between 2021 and 2034, including meeting costs for social housing properties directly as there is no government funding for these homes.

- **Investment in existing homes reduced** – G15 members spent around £900m investing in existing homes last year. Investment in existing homes, such as works to replace kitchens, bathrooms, and windows, would have to be delivered over a longer period if income is significantly reduced, meaning few improvements each year.

- **Slower progress on decarbonisation and retrofitting homes -** Efforts to decarbonise and retrofit existing homes would be scaled back and progress towards achieving the requirement for all homes to be EPC C rated by 2030 curtailed.

- **Fewer new affordable homes delivered -** Significant reductions in the number of new affordable homes to rent and buy that are built, further exacerbating the housing crisis by failing to meet need and having a massive impact on economic activity at a critical time.

- **Reduced interest cover and negative impacts on financial capacity -** Organisations' interest cover will also be negatively affected by the proposed

ceilings, which is a key regulatory measure, and would lead to higher borrowing costs that would reduce our capacity to invest in existing homes and to deliver new homes.

G15 members' approach to rent setting considerations:

Each individual G15 member will be responsible for its own approach to rent setting and making budget decisions. However, we have a number of key principles in our approaches and considerations we are seeking to balance.

Social rent setting:

- If no ceiling was introduced on social rents, it would be extremely unlikely that any organisation would seek to apply the maximum possible increase next year under the existing social rent setting standard.

- All members are carefully considering the impact of the cost of living challenges on residents and the essential work we do in the context of rent setting for 2023/24.

- In getting the balance right on rent setting, we are committed to maintaining affordability for residents.

- Not-for-profit housing associations should be allowed to set rents independently as heavily regulated organisations that are best placed to achieve the right balance, in the context of residents' immediate and future needs, and the long-term requirements of organisations.

Shared ownership rents

Whilst outside of the scope of the government's consultation, G15 members recognise the impact of high inflation on the formula for setting the rental element of shared ownership and the concern that many shared owners will have. That's why we want to provide a summary of G15 members' approaches and current thinking on this too.

It should be noted that limiting shared ownership rent increases at 7%, for example, would reduce re-investable rental income for G15 members by £191m over 5 years, and by £1.15bn over 30 years, in addition to the figures listed above.

- If possible, organisations do not want to apply the maximum increases on rents for shared owners.

- We recognise the unusually high level of inflation means rent increases for shared owners could potentially be higher than in previous years.

- Any decision we can make on shared ownership rents will be affected by the government's decision on social rent ceilings, and the volatile economic situation which is driving up costs further.

- Each organisation will make an individual decision based on careful consideration of multiple factors, including the need to maintain existing homes and services and the financial pressures facing residents, particularly the least well-off.

Mitigations government should consider

Further action is required by the government to support people facing cost of living pressures that are driven in most part by rapidly rising energy bills, especially those people who are least well-off. In taking action to support people with the cost of living, exacerbating the housing crisis by significantly reducing resources for organisations to invest in existing homes and to build much-needed new affordable homes should be avoided.

A number of measures that the government should consider in making its decision on the rent ceiling proposals are:

- Social security payments should be uprated in line with September inflation measures to support the least well-off, recognising that approximately 68% of G15 members' general needs residents are in receipt of Universal Credit or Housing Benefit.

- A specific exemption should be made for supported housing from the proposed rent ceilings, recognising the viability challenges that would be created and the impact this could have on the delivery of such critical services.

- Mitigations must be announced alongside any rent ceiling decision to prevent significant reduction in investment in existing and new homes, including:

    - the reintroduction of rent convergence
    - allowing Recycled Capital Grant Funding (RCGF) to fund major repairs
    - additional grant funding for development of affordable homes
    - removing VAT on housing association activity
    - discussions on the post-2025 rent settlement should introduce a long-term approach based on key principles to secure the financial future of the sector and affordability for residents.

We recognise the importance of residents' voices and input across all areas of our activity, including on this issue. The G15 brought together a group of residents who have engaged with previous consultations and met with former Minister, Eddie Hughes MP, in 2021 to discuss social housing regulation. The views of this group are included later in this consultation response with participants' permission, and demonstrate the difficult balance that has to be struck in making a decision on rent setting.

As this response demonstrates, we recognise the challenges residents face and the desire of the government to assist people. G15 members are committed to continuing to provide support to residents. In reaching decisions on rent setting for 2023/24, careful consideration must be given by the government to the consequences of the proposals in this consultation.

Impact of proposed rent ceilings

Existing cost pressures

G15 members are seeing increases in our costs across key areas of activity. Analysis by Cebr[1] of ONS data for the National Housing Federation has found that:

- Materials for maintenance and repairs price growth peaked at 16.8% in April 2022, with growth at 14% in July 2022.
- Costs of construction new homes has increased to 12.3% in June 2022, and the annual rate grew to 11.1% overall. This is above June 2022 CPI at 9.4%.
- Further pressure housing associations stems from large increases in nominal pay. Over the first half of 2022, earnings increased by 6% on the year, on average, with the most recent datapoint from June pointing towards 6% annual growth that month.

G15 survey data has found that energy costs for members are forecast to have increased by 225% for electricity and by 573% for gas, on average, between 2021/22 and 2023/24. Absorbing these costs is already having significant a significant impact on organisations budgets.

Insurance premiums have also increased sharply over recent years, with one G15 member seeing increases of over £3m in the last two years, and another seeing increases of over 100% year-on-year. Service charges are also rising with inflation, or higher, which places further pressures on both providers and residents (in the case of variable service charges).

Credit rating agencies have cautioned about the impact of divergence between rental income and costs for housing associations and the impact this could have on borrowing costs and investor confidence. The current economic volatility may also have a material impact on borrowing costs for organisations, further impacting our financial standing, which is a critical aspect of how we are able to deliver the work that we do.

It is in this high inflation environment that is leading to increased costs to providers across all our activities that the government must consider its decision. Whilst the four-year 1% rent reduction was massively detrimental to social housing providers' financial capacity, the period this covered was relatively stable in terms of inflation, and inflation was far lower than is currently the case. Therefore, rent ceilings in the current inflationary environment will have a more severe impact than the previous rent reductions.

[1] https://www.insidehousing.co.uk/news/new-homes-repair-and-maintenance-costs-all-rising-above-inflation-warns-nhf-77899

Impact of proposed rent ceilings

The table below illustrates the impact on rental income for G15 members for each proposed rent ceiling if applied in 2023/24:

	Reduction in re-investable rental income over 5 years	Reduction in re-investable rental income over 10 years	Reduction in re-investable rental income over 30 years
Rent ceiling at 3%	£2.071bn	£4.661bn	£17.959bn
Rent ceiling at 5%	£1.516bn	£3.493bn	£13.473bn
Rent ceiling at 7%	£1.017bn	£2.380bn	£9.296bn

If a rent ceiling were to be applied in both 2023/24 and 2024/25, as the consultation invites views on, this would see the financial impact increase by approximately 60%.

As these figures demonstrate, the impact of the government's proposals on providers and the activities they deliver would be massive. In consulting members to inform this response, it has been clear that should a low rent ceiling be applied by the government, reductions in spending across all areas of activity will need to be considered.

Impact on building safety planned works

The safety of all the people we provide homes to is our number one priority. G15 members are currently collectively forecasting to spend over £4bn on building safety works activities between 2021 and 2034, including meeting costs for social housing properties directly as there is no government funding for these homes.

We are concerned that, without government funding assistance, the rent ceilings being proposed will slow planned building safety works. For one G15 member, over the next 5 years this could reduce works by as much as 50-75%. Whilst individual members will have different programmes and capacity challenges, it is a concern for all members that reduced resources will restrict their ability to make progress in assessing and remediating (where required) buildings. With reduced resources, it is highly likely that it will take providers longer to assess lower risk buildings and to carry out works. This is due to the reduced financial capacity we could have to fund inspections and works.

The Hyde Group chairs the G15's building safety group and has held a number of discussions with concerned members who fear they could have little choice but to defer building safety works if rents are capped at low levels without additional support. This would be a devastating blow to the very residents our members are here to support. At the most extreme, when coupled with other significant economic pressures, some providers could find it difficult to fund the costs of cladding replacement works that are not fully covered by the building safety fund, resulting in residents having to wait longer for their homes to be made safe.

Investment in existing homes reduced

This includes slowing down investment in existing homes by extending planned works programmes, such as those to replace kitchens, bathrooms, and windows. One G15 member has indicated that a 5% rent ceiling would lead to a reduction in major repairs spending, including on fire safety, of £5m next year, rising to a reduction of £10m if a 3% ceiling was applied.

Collectively, G15 members spend almost £900m on improvements, maintenance, repairs, and safety checks for existing homes each year. Last year, we invested £350m in our residents' homes to install 10,500 new kitchens, nearly 5,000 new roofs, and more than 21,000 new bathrooms and windows.

However, reduced resources would mean delays to some proactive works. For example, a significant cap on rents could see stock investment programmes, to achieve Decent Homes Standard Plus and to reduce carbon in homes, extended from 10-year programmes to 15/20-year programmes.

Slower progress on decarbonisation and retrofitting homes

It would also see efforts to decarbonise and retrofit existing homes scaled back and progress towards achieving the requirement for all homes to be EPC C rated by 2030 curtailed. Homes rated EPC F are likely to have a gas bill £968 higher than homes rated EPC C, and when gas and electricity bills are taken together, those living in the worst rated homes will pay almost £2,000 extra compared to EPC C, and the average EPC D homes will pay almost £600 extra, demonstrating the need to continue investment in improving energy efficiency of existing homes.

Fewer new affordable homes delivered

The development of new affordable homes to rent and buy would also be significantly reduced, and in some cases halted entirely depending on the ceiling applied, further exacerbating the housing crisis by failing to meet need and having a massive impact on economic activity at a critical time.

One G15 member has forecast that it's programme of new homes would reduce by around one third (approximately 1,900 homes) if a ceiling of 3% was applied. Another member commented that whilst developments that are contracted and ongoing would go ahead, viability would fall and additional subsidy would be required, alongside there being no capacity for new developments outside those in its current pipeline. A further member gave the example that in the scenario of a 3% ceiling, the organisation would lose £3bn over 30 years, which would mean diverting money from development to cover stock investment commitments and result in them building 5,000 fewer homes over that period.

G15 members started building 10,605 homes last year, 83% of which were affordable homes, and completed 11,527 homes, 69% of which were affordable homes. This represents a significant contribution to housebuilding in England. Unless off-set by increased government funding for the supply of new homes, a reduction in rental income will negatively affect G15 members' ability to build new homes. DLUHC has said that inflation, and in particular differential inflation (rental revenues minus costs for providers), presents a major

risk to the success of the AHP 2021-2026.[2] Housing associations contributed 22.6% of all new build housing delivery in the 5 years to March 2021. Therefore, should development capacity of housing associations be reduced, there will be a significant gap in delivery overall at a time of economic challenge, which will both mean housing need is harder to meet and there will be a loss of economic contribution.

Reduced interest cover and impact on financial capacity

A particular area of concern is the impact on interest cover for housing associations. The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus[3] that a registered provider generates compared to interest payable, and is one of the key value for money metrics the Regulator of Social Housing tracks. In September, the RSH reported that interest cover stood at its lowest percentage recorded since cash flow data was first collected in 2015.[4] The impact of the rent ceilings for one G15 member would see a further reduction in its interest cover of 0.05x at a 5% ceiling, and 0.1x at a 3% ceiling.

The proposed rent ceilings are likely to impact most members by reducing operating margins. The rents set for the current financial year, 2022/23, at 4.1% are well below existing inflation and the rising costs of critical activities. This divergence will be compounded under the government's proposals, which will mean costs continue to run higher than rental income, meaning margins will compress further. For example, if social housing lettings turnover goes up by 5%, but operating costs go up by 15%, members with a 25% operating margin could see their margin compress to 18% and their operating surplus fall by 25%. A fall in operating surplus implies an equal fall in social housing lettings operating surplus ICR (SHL ICR) assuming interest costs stay constant. This means members going into this environment would need an SHL ICR of at least 1.33x to withstand the drop in surplus such that the SHL ICR are at least 1x.

A reduction in interest cover would mean that providers are less attractive to investors, who see interest cover as a core viability metric. A loss of cover such as this could result in a credit downgrade and beyond a point, a regulatory downgrade, for organisations making it harder to bring in finance and secure affordable borrowing, which are key to the operation of our financing model. Housing associations' interest coverage ratio gas fallen for two years in a row, dropping from 174% in 2018 to 138% in 2020.[5] The fall means the sector is more burdened by debt expenses.

We are aware that funders are concerned about the impact on financial viability of housing associations. Housing associations and investors need certainty to inform borrowing and lending decisions. There are concerns about the potential for bulk downgrades in public ratings, and concerns have been raised about the impact on risk perceptions of apparent

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[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1096533/Scoping_Report_for_the_Evaluation_of_the_Affordable_Homes_Programme_2021-26_FINAL.pdf

[3] Surplus is the money made through activity less the cost of paying interest. Surpluses are not bank balances that can be invested in day-to-day services or used to defer rent increases, but are used to secure additional borrowing that is invested in existing homes and services, and the delivery of new homes.

[4] https://www.socialhousing.co.uk/news/rsh-interest-cover-at-lowest-level-on-record-as-expenditure-mounts-77993

[5] Regulator of Social Housing, 2020 Global Accounts of private registered providers, March 2021

inconsistency of government support for the sector on the funding model of the sector. BusinessLDN has also warned that changes to the rent setting regime by government will dent confidence of investors.[6]

Supported Housing

Many G15 members provide supported housing. Due to the nature of the model, the ceilings being proposed would make many schemes unviable to deliver and would likely lead to providers exiting the scheme.

The operating margin for many supported housing schemes is significantly lower than overall group performance. As such, to enable organisations to meet performance required from lenders and investors, supported housing margin is effectively 'subsidised' by other social and non-social activities. Any rent ceiling significantly below inflation will decrease capacity to continue to operate supported housing. A severe or sustained rent ceiling may, unfortunately, force some organisations to consider a partial or full exit from this sector.

In some settings, residents, often those with additional needs or vulnerabilities, have their support payments (benefits) paid directly to their landlord. Therefore, a rent ceiling will see no direct benefit to residents in terms of cost of living pressures, but a ceiling would reduce resources available to providers to deliver the services on which residents rely. This is a particular concern at a time of rising costs for supported housing providers, including with energy costs that are purchased on commercial terms and have not yet been subject to any price caps or government support.

Change in average weekly rents

The impact on average weekly rents for one typical G15 member of the proposed ceilings would be:

Tenure	Current average weekly rent	3% increase	5% increase	7% increase
Social Rent	£119.68	£3.59	£5.98	£8.38
Affordable	£166.55	£5.00	£8.33	£11.66
Social & Affordable combined	£122.60	£3.68	£6.13	£8.58

The median monthly rent in London for private sector homes was £1,450 in March 2022.[7] Whilst any increase in costs at this time needs to be carefully considered, 68% of general needs residents living in G15 members homes receive Universal Credit or Housing Benefit to meet housing costs, and many are supported to pay their entire rent and therefore would

[6] The case for private investment into affordable housing in London, BusinessLDN, October 2022.

[7] https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalmarketsummarystatisticsinengland/april2021tomarch2022

not receive any additional saving from a cap. However, for those residents who do pay their own housing costs, members have significant support in place, and we would urge government to consider further support for those who need it.

Mitigations

Alongside further support for people affected by the cost of living challenges, as outlined below, it is essential that the government announces mitigations against the impact the proposed ceilings would have on providers. Such measures would help prevent significant reductions in investment in existing and new homes.

A key measure that should be considered is the reintroduction of rent convergence. This mechanism operated previously by allowing rents to rise by an additional £2 per week to reach formula rent. Applying this same mechanism would off-set some of the impact of the proposed rent ceilings. The G15 has calculated that 29% of members' homes covered by the rent standard are currently below target rent. This leads to an annual shortfall in rental income of £67.7m. Reintroducing rent convergence would be a welcome and fair step, and should also be the agreed starting point for the post-2025 rent settlement.

Allowing Recycled Capital Grant Funding (RCGF) to be used to fund major repairs would alleviate some pressures for certain providers. Whilst not all G15 members have significant RCGF balances, some do and would welcome this flexibility. The ability to use RCGF to fund major repairs will maintain the major repairs spend. RCGF applied to fund major repairs should preferably be written-off entirely or otherwise written down over a number of years. Any unamortised grant used to fund major repairs would be paid back if a property is sold outside the social sector.

Given the risk to the development of new affordable homes that has been outlined, consideration should be given to increased grant to deliver committed programmes. Inflation costs are far higher than when original grant awards were made, and greater flexibility is required.

Another key consideration should be how VAT applies to housing associations. Housing associations are unable to recover most of the input VAT which they incur. The irrecoverable VAT of one typical G15 member is £30m per annum. Our estimate of the costs of irrecoverable input VAT for the sector as a whole is £1bn-2bn per annum. Costs of £1bn-£2bn per annum severely restrict the extent to which the sector can borrow to fund development of additional affordable housing and invest in key areas, without breaching loan covenants.

UK VAT law was originally created by the EU and could not be easily changed. A benefit of leaving the EU is that this is now no longer the case. Protecting housing associations from irrecoverable VAT costs would also support the government's tax cutting agenda. It would be necessary to consult on how, as a technical VAT law matter, housing associations could be protected from the current costs of irrecoverable input VAT, but there are a number of possible approaches:

- Rents charged by not-for-profit registered providers could be recategorised as being zero rated supplies rather than exempt supplies. This would allow the recovery of associated input VAT.
- A special VAT rate for purchases by not-for-profit registered providers could be introduced. There is already a zero rate for most advertising purchases by charities, for example, which could be extended to other supplies. This would mean that suppliers would not need to charge VAT and therefore irrecoverable VAT would not arise.

- An extension of the provisions in Section 33 VATA 1994 which allow councils to reclaim input VAT on their social housing costs. The Section 33 provisions would need to be amended to apply both to not-for-profit registered providers and also to apply where the VAT attributable to exempt supplies is not insignificant.

The government's impact assessment published alongside the consultation recognises the significant savings to public spending if rent ceilings are introduced, with the cost of social security payments being far reduced as many social housing residents are supported to pay their rent by the state. We would welcome the government considering whether the lower costs it faces could lead to additional resources being invested in the social housing sector, whether that is to build new homes, progress decarbonisation works, or to otherwise invest in existing homes.

G15 members' support for residents

In response to the cost of living challenges facing many people, driven by sky-rocketing energy bills, G15 members have committed a further £5.8 million to support residents facing hardship this year.

Through a range of resident welfare and hardship funds, administered by each not-for-profit housing association, residents can receive support with issues such as emergency fuel and food needs, as well as receiving specialist advice and support. The majority of members have increased the support available in these funds from last year, with increases ranging from 18% to 1,171%.

Alongside this emergency support, during the last year (2021/22), G15 members supported residents to secure £44 million of financial gains by accessing social security support and other budget boosting measures.

G15 members also provided 33,767 people with targeted advice support in the last 12 months, including specialist debt advice.

As well as crisis support, G15 members continue to invest to improve the energy efficiency of existing homes and to cut bills for residents. For example, through insultation works, MTVH has saved residents £739,000 over the last year on their bills, and Social Housing Decarbonisation Fund backed improvements will benefit a further 500 homes, saving a further £230,000 on energy bills. Clarion will deliver energy improvements to at least 3,000 homes this year, having carried out works to 1,726 homes over the last year. Peabody is currently fitting 300 homes with solar panels and batteries.

All G15 members are working towards ensuring all homes meet at least Energy Performance Certificate Band C by 2030, with over 71% of G15 homes rated EPC C or above already. Homes rated EPC F are likely to have a gas bill £968 higher than homes rated EPC C, and when gas and electricity bills are taken together, those living in the worst rated homes will pay almost £2,000 extra compared to EPC C, and the average EPC D homes will pay almost £600 extra, demonstrating the need to continue investment in improving energy efficiency of existing homes. Such investment will be affected by the proposed rent ceilings.

G15 members are also working hard to support those residents in financial difficulty and who have built up arrears. All members are committed to the following principles in regards to tenancy sustainment:

- Keeping people secure at home - No one will be evicted by a G15 member as a result of financial hardship, where they are working (or engaging) with their housing association to get their payments back on track.

- Helping people to get the support they need – G15 members will help residents to access benefits and other support to alleviate financial hardship, including supporting people to get into work where possible.

- Acting compassionately and quickly where people are struggling – G15 members will work with any resident who is struggling to pay rent to make arrangements that are manageable for them in the long term. Legal action will only be taken in serious

circumstances – for example as a last resort where a resident will not agree a plan with their landlord to pay their rent, or where it is needed urgently in cases of domestic abuse or of antisocial behaviour that is putting other residents or communities at risk.

Eviction is always the last resort for any G15 member and comes at the end of an extended period of support. The issuing of proceedings has the primary aim of bringing a resident forward to discuss about the support that can be provided to recover their financial wellbeing when engagement has not been forthcoming. It also provides an opportunity to connect to the other support services we offer as there are often multiple complex challenges.

Further support for residents from government

Energy Bills

G15 members recognise the unprecedented support the government has announced for many people with the cap on energy prices from 1 October 2022. This will provide welcome relief for many people about future increases in costs, and is in addition to other measures the government has announced.

However, whilst capping energy price rises from 1 October is welcome, the costs people will be facing are still far higher than they currently are (average £1,971), and higher still than earlier this year (£1,277 average from 1 April).

Further action is required by the government to support people facing cost of living pressures that are driven in most part by rapidly rising energy bills, especially those people who are least well-off. This must also include those residents who receive their heating and hot water through district of communal heating systems. We welcome the commitment the Prime Minister has made in announcing that the support will be extended to households using heat networks.

Social security

Social security payments should be uprated in line with September inflation measures to support the least well-off. Approximately 68% of G15 members' general needs residents are in receipt of Universal Credit or Housing Benefit. With inflation affecting the least well-off more significantly in their day-to-day spending and costs, it is imperative that social security awards keep pace with rising inflation.

G15 members have also called for:

- Bringing forward the planned uprating of social security from next April next year to this October
- Limit deductions from Universal Credit for prior overpayments/sanctions
- Remove the benefit cap and two-child limit
- Restore local housing allowance rates to at least the 30th percentile and return to annual uprating
- Prevent energy companies from forcibly switching customers to prepayment meters
- Commit to bring forward additional funding for energy efficiency measures in homes

G15 engaged residents' views

We recognise the importance of residents' voices and input across all areas of our activity, including this issue. The G15 brought together a group of residents who have engaged with previous consultations and met with former Minister, Eddie Hughes MP, in 2021 to discuss social housing regulation. The views of this group demonstrate the difficult balance that has to be struck in making a decision on rent setting.

Some people involved in their organisation's Board and formal engagement structures had discussed the issue of rent setting in meetings. People felt that whilst they may like to see a 0% increase (a rent freeze), it was important to see the implications for both the organisation and for residents in the future, as participants recognised that it could mean colleagues would be let go and/or maintenance and investment in existing homes not done.

There was agreement that whatever level rents are set at, people should be realistic about the impact. One member of the group reflected on the previous 4-year rent cut (2016-2020) and the impact this had on their organisation's ability to invest in maintenance. As a result, they were worried about the impact of the government introducing a freeze or low cap.

People agreed that the G15 and its members should be clear and open about the potential trade-offs and impact of rent caps, but should tell this story in a human way by showing the support that is in place for people as well as the real-world impact of the big numbers being talked about in lost rental income.

There were some comments about specific rent levels that could be set, with 3% being seen as fine, but 7% possibly too much. However, there was a desire to see more information about what the impact of the different proposals could be. Some people also noted reports that smaller housing associations may be in real trouble if their rental income is restricted, and may be forced to merge to avoid collapse.

The group discussed the extremely challenging situation some people are facing due to the cost of living crisis.

Members asked what mitigations could be asked for if caps are introduced, for example, would housing benefit savings be reinvested into the sector. There was also a discussion about how government initiatives were very broad brush and actually more targeted support for those who need it most was needed.

Concerns were raised about the impact on the development of new affordable homes, particularly in light of proposals in the Levelling Up & Regeneration Bill, which could see the amount of affordable homes secured through the planning system reduced.

There was concern that the current system could allow providers to increase rents by as much as CPI+1%, which would see increases of around 12% potentially, which were seen as unaffordable. Comments were also made about how inflation will be high for at least two years, so a 2-year cap should be considered and is most likely to be needed. There was also concern that if rents go up too high as the recession bites, people will leave their homes if they can find cheaper alternatives. Evictions were raised as a worry as well.

The private and social rent freeze announced in Scotland were raised, as was the impact on leaseholders of rising service charges as well as rents who are less likely to get support from

the social security system. More people possibly being caught by the benefit cap was also a concern.

Whilst the action on energy bills by the government was welcome, the issue of communal heating systems was raised as a concern.

One resident in receipt of Universal Credit commented that they had a better appreciation of the scale of the costs to organisations of the rent caps. They were also more worried about those not in receipt of social security than those receiving support, as if the government increases payments in line with inflation they will be supported, but those not on Universal Credit or Housing Benefit will continue to be squeezed.

Members also raised a lack of trust in the government's approach to rent policy, which is particular issue as organisations have to have long-term decision-making approaches, which is harder with increased uncertainty and limits the ability to bring in private investment.

Responses to 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?*

> **Response:** Not-for-profit housing associations should be allowed to set rents independently as heavily regulated organisations that are best placed to achieve the right balance on such matters in the context of residents' needs and the long-term requirements of organisations. All G15 members are considering the impact of the cost-of-living challenges on residents and the essential work we do in the context of rent setting for 2023/24 carefully, and it would be extremely unlikely that any organisation would seek to apply the maximum possible increase next year under the existing rent setting standard.

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)?*

> **Response:** Not-for-profit housing associations should be allowed to set rents independently as heavily regulated organisations that are best placed to achieve the right balance on such matters in the context of residents' needs and the long-term requirements of organisations. All G15 members are considering the impact of the cost-of-living challenges on residents and the essential work we do in the context of rent setting for 2023/24 carefully, and it would be extremely unlikely that any organisation would seek to apply the maximum possible increase next year under the existing social rent setting standard.
>
> The impact of these ceilings is explained more fully elsewhere in this response. In terms of lost income, the proposed ceilings would have the following impact:

	Reduced rental income over 5 years	**Reduced rental income over 10 years**	**Reduced rental income over 30 years**
Rent ceiling at 3%	£1.912bn	£4.301bn	£16.514bn
Rent ceiling at 5%	£1.389bn	£3.206bn	£12.316bn
Rent ceiling at 7%	£923m	£2.166bn	£8.428bn

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)?

> **Response:** We do not believe a rent ceiling should be applied and instead individual organisations should be allowed to set rents directly, as previously stated. Any ceiling should be for one year.

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?*

> **Response:** We agree that any proposed ceiling should not apply to the maximum initial rent that may be charged when homes are first let and subsequently re-let. This will protect resources for investment in existing and new homes.

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?*

> **Response:** Many G15 members provide supported housing. Due to the nature of the model, the ceilings being proposed would make many schemes unviable to deliver and would likely lead to providers exiting the scheme. In some settings, residents, often those with additional needs or vulnerabilities, have their support payments (benefits) paid directly to their landlord. Therefore, a rent ceiling will see no direct benefit to residents in terms of cost of living pressures, but a ceiling would reduce resources available to providers to deliver the services on which residents rely. This is a particular concern at a time of rising costs for supported housing providers, including with energy costs that are purchased on commercial terms and have not yet been subject to any price caps or government support. A specific exemption should be made for supported housing from the proposed rent ceilings, recognising the viability challenges that would be created otherwise and the impact this could have on the delivery of such critical services.