



**Future of Social Housing Rent Policy Consultation  
December 2024**

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**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?**

A 5-year rent settlement does not provide the stability and certainty social tenants, local authorities and other Registered Providers need to face the housing emergency.

Shelter urges the government to set a 10-year rent policy to ensure that households are better able to plan for their families' future. Just as important, a 10 – year settlement would also help providers manage their current properties and business plans for the new homes communities desperately need.

It is the responsibility of the government and Regulator of Social Housing to protect social homes and its genuine affordability. This includes setting a long-term rent policy with protections and caps in place to reduce the uncertainty both social tenants and the sector already face with rents tied to inflation. Inflation and supply chains are also impacted by international affairs, war and pandemics. All of which have impacted supply already and jeopardises the government's mission to build 1.5million new homes and the delivery of the most social and affordable homes in a generation.

**Question 2**

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

See above.

### Question 3

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

A rolling settlement of 5 years, where the policy is set to CPI+1% would be very similar to the current policy. Providers, tenants, and charities agree that the status quo is not the long-term settlement the social housing sector needs, nor does it provide protection from inflationary spikes, and external and unpredictable events. A 5-year rolling settlement would likely have the same challenges, even if the time shifts of when a new settlement is announced. It would only give providers and families a year's notice of what the next five years would bring.

If the government adopts a 5-year rolling settlement, it is important for the government to release economic and equality impact assessments before the next settlement is decided.

### Question 4

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

Shelter understands from both registered providers and local authorities that a more stable and long-term settlement of more than 5 years would help increase their ability and willingness to invest in new and existing homes.

However, a longer-term rent settlement alone cannot solve the barriers and challenges providers face with building or planning new supply, maintaining current homes, and meeting future regulations. A long-term settlement must be part of a wider social housing strategy that includes protecting affordability, as well as helping registered providers with grant funding to meet the challenges of the future. Councils and Local Planning Authorities also need the proper in-house expertise to manage and grow their housing operations and planning departments.

#### **The most direct and effective lever the government can use to increase social housing supply is a significant increase in grant funding. This can be done at the next Spending Review in Spring 2025.**

Research commissioned by Shelter and the National Housing Federation estimated that £11.8bn of grant funding would be needed to construct 60,000 social homes. This is equivalent to 2/3 of a year's worth of the 90,000 social homes that is needed per year for 10 years.<sup>1</sup>

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<sup>1</sup> "The economic impact of building social housing". Cebr. Shelter and NHF commissioned report. February 2024. [Research: The economic impact of building social housing - Shelter England](#)

We agree with the government's position stated in this consultation, that it will not achieve its mission of 1.5million homes and kick start economic growth "without a significant increase in social and affordable housing". The upcoming Spending Review is a big opportunity for the government to commit significant investment in a new mass scale social housebuilding programme with social rent homes at its heart.

## **Question 5**

### **Are there rent policy measures that would provide confidence in the stability of our policy in the event of an inflationary spike?**

If the government is set to issue a new Direction to the Regulator, alongside the new Policy Statement, which caps annual social housing rents annually by CPI+1%, it must set parameters to protect tenants and social housing providers from economic shocks and external circumstances.

Given the Office for Budget Responsibility's (OBR) CPI forecast (2.6% in 2025, 2.3% in 2026, 2.1% in 2027, 2.1% in 2028 and 2.0% in 2029), and the Chancellor's commitment to end "short-termism"<sup>2</sup>, Shelter believes the one way to protect tenants from sharp increases tied to inflation, and build more certainty in providers' business plans is to build a policy around this CPI forecast. Again, this is if the government moves forward with its proposals.

Annual social rent increases should be capped at 3.22% to prevent significant financial impact on tenants. This percentage is the average (mean) of the 5-year OBR forecast (2.22%), plus 1%. In short, if annual increases are tied to the Consumer Price Index, then annual increases should be CPI +1% OR 3.22%, whichever is less. Implementing CPI +1% as the only cap is not sufficient.

We saw in 2022 that the last government needed to intervene as inflation skyrocketed. Social rent increases that year were set to rise more than private rents and would have surpassed even the highest on record for the PRS.<sup>3</sup> Tenants should not be subjected to a loss of income or held financially responsible for factors outside of their control and that they did not create- like a war or a pandemic.

If this additional cap of 3.22% were to be implemented, local authorities and other registered providers should also be protected from inflationary spikes of CPI over 2.22%, in order to properly maintain and protect current homes and plan for additional ones.

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<sup>2</sup> "Autumn Budget 2024 Speech". Delivered by Chancellor Rachel Reeves. October 2024. [Autumn Budget 2024 speech - GOV.UK](#)

<sup>3</sup> "Private rent and house prices, UK: December 2024". Office of National Statistics. [Private rent and house prices, UK - Office for National Statistics](#)

If CPI were above 2.22%, then the government should pay forward savings, incurred on housing benefit from a cap, directly to providers with the expectation that the funding would be used on maintenance and new homes. In essence, this would be a guarantee that providers won't see a loss of income due to a cap and new supply would not be affected.

In a 5-year social rent settlement that is linked to CPI+1%, with a cap of 3.22%, rents would increase by a total of 17% or £1,143 a year by 2035/36.<sup>4</sup> Anything more than a 3.22% increase would further burden families, especially in times when wage growth does not follow inflation.

Then, for example, in the absence of a future comprehensive consultation, if the government were to issue two 5-year rent settlement policies of CPI+1%, capped at 3.22%, this would equate to a 37% increase in social rents over the next decade – social rents would be an estimated £2,119 more per year by 2035/36.<sup>5</sup>

Annual social rent increases should be capped at 3.22% to prevent significant financial impact on tenants, especially if the government plans to set the rent policy at CPI+ 1% for 5 years or more.

Lastly, while this cap would help to set some protections, it would not completely mitigate the challenges that come with rents tied to inflation. Therefore, it is crucial for the government to publish a consultation well in advance of the next settlement in 2031 and include **full economic and equality impact assessments, and different choices for the sector and the public to be consulted on.**

## Question 6

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

Yes, there are other steps that the government should take to not only build confidence and stability, but to protect tenants and the sector.

The bedroom tax and benefit cap must end, so that benefits can fully cover any rent increases without the risk of families being pushed further into financial difficulties. Social tenants already spend 29% of their income on rent, when 30% is the common measure of affordability.<sup>6</sup>

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<sup>4</sup> Shelter analysis of MHCLG social lettings data

<sup>5</sup> Ibid

<sup>6</sup> EHS, [Annex tables for English Housing Survey 2023 to 2024 headline findings on demographics and household resilience](#), Annex Table 2.5

123,000 households are affected by the household benefit cap across England, Wales and Scotland. The vast majority (71%) are lone parents with children.<sup>7</sup>

Already in 2022/23, there were 78 local authority areas in England where average housing association and/or council rents exceeded affordable levels (30% of income) for families affected by the benefit cap. Those families would likely fail to pass social housing provider affordability checks and so would not be able to access a social home.<sup>8</sup>

### **Question 7**

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

Social rent homes are the only genuinely affordable home as they are tied to local income and are capped by the Regulator. See above.

In addition to the concerns and policy proposals Shelter has put forward in the responses above, our organisation fears what annual increases tied to CPI+1% will do in terms of decoupling the rent formula further away from local incomes overtime. We are also worried about the risk it could cause social rents to be less affordable than private or 'affordable' rents in some local areas.

For these reasons, Shelter is not currently advocating for a specific formula or rent policy but instead, we are urging the government to look at protections and safety mechanisms for tenants and providers if it plans to proceed with the CPI +1% proposal for the next five years and thereafter.

We are also calling on the government to set up a commission on the future of annual increases, affordability checks and the rent formula itself. The members of this commission should include local authorities and other registered providers, but it must also include tenants, and those stuck on the social housing waitlist and families in temporary accommodation. This will ensure that providers are heard, but also that the voices of people with lived experiences and those who will have to face affordability checks and barriers in the future are also heard. The commission should be set up years before the next settlement is decided in 2031.

### **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?**

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<sup>7</sup> DWP, [Benefit cap: number of households capped to February 2024](#)

<sup>8</sup> Berry, C., Drew, H. and Howes, S. [Joint briefing: Why scrapping the household benefit cap is vital for families, children and survivors of abuse](#), Shelter

The proposed rent policy of CPI+1% for the next 5 years without proper safety mechanisms in place for social tenants is concerning. More than a quarter (28%) of social tenants find it difficult to afford rent<sup>9</sup> and 15% of social tenants have been in arrears in the last year.<sup>10</sup> This is partially to do with the current rent policy which is CPI+1%, and the serious lack of grant funding for social rent homes, as well as the bedroom tax and benefit cap hurting families. The cost-of-living crisis is felt across the country.

More than seven in ten (72%) social tenants have no savings<sup>11</sup> and more to the point, not all social tenants claim housing benefits. According to the EHS, almost two thirds of social tenants (63%) receive housing benefit.<sup>12</sup> Shelter has previously estimated that this figure is closer to 70%. This leaves a significant number of social tenants at risk of crushing rent increases, with 30% of social tenants that do not receive benefits.

Sharp increases can result in more tenants being behind on rent payments and can possibly lead to evictions and homelessness. If a family is removed from social housing, their options are extremely limited and, in some cases, would be non-existent. It can also cost local authorities more in temporary accommodation spend and an increase in benefit claims.

If the government wants to incentivise registered providers to build and help support councils get back into the business of building as they once did, it needs to invest in social homes. The biggest opportunity is the next Spending Review in 2025.

Additionally, it also needs to support all providers with upcoming regulations through financial resource and capacity building to ensure homes are decent, safe and energy efficient. The climate and housing emergencies are linked.

## **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?**

As mentioned above, the most effective and direct lever that the government can use in helping local authorities and other registered providers, is a significant increase in grant funding for a new affordable or social homes programme, with a focus on social rent homes.

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<sup>9</sup> EHS, [Annex tables for English Housing Survey 2023 to 2024 headline findings on demographics and household resilience](#), Annex Table 2.9

<sup>10</sup> EHS, [Annex tables for English Housing Survey 2023 to 2024 headline findings on demographics and household resilience](#), Annex Table 2.7

<sup>11</sup> EHS, [Annex tables for English Housing Survey 2023 to 2024 headline findings on demographics and household resilience](#), Annex Table 2.12

<sup>12</sup> EHS, [Annex tables for English Housing Survey 2023 to 2024 headline findings on demographics and household resilience](#), Annex Table 2.10

While the changes in the new National Planning Policy Framework were a step in the right direction for planning, these changes along with a short term 5- year rent policy will not end the housing emergency.

The government must commit to delivering 90,000 social homes a year for 10 years to reduce homelessness, clear the social housing waitlist and end the housing emergency.