Consultation on Future Social Housing Rent Policy - Curo Response

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1. Do you agree with our proposal that the government should set a rent policy in place for at least the next 5 years, from 1 April 2026 to 31 March 2031?

Yes, but this should form part of a larger fundamental review of rent policy that covers the appropriate scope of what rents should fund. This could be supported by a dedicated task force overseen by the Regulator of Social Housing — with representatives from tenants, lenders, RPs, and the Government.

In the interim, grant rates should be increased to support the continuation of new social housing supply to reflect increased costs of construction and to reduce the burden on the rental streams from existing homes. A longer-term review should examine how rents are currently expected to support an increasing range of priorities—including maintaining existing homes, funding new housing supply, major repairs, and meeting emerging standards—despite being controlled, cut, and capped over recent years.

The pressures from things such as decarbonisation, Awaab's Law, and the professionalisation of the sector are already significant. The current settlement also fails to consider the increasing support needs of customers, particularly as the NHS, social care, and third sector continue to face ongoing challenges in meeting these needs.

A review should address the need for adequate capital grants or subsidies for new social housing and the replacement of outdated properties, recognising that existing tenants' rents cannot bear these additional burdens alone. A renewed focus on rent convergence is also essential to address historical disparities and ensure tenants are paying fair and equitable rates when living alongside each other.

Ultimately, the review should aim to align rents within a sustainable funding model, that ensures rents are used primarily for adequately maintaining and managing the homes of the tenants who live in them and pay those rents.

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2. What impact would a longer settlement have, and what alternative duration should it be? (e.g., 7 or 10 years?)

Long-term rent certainty is crucial for Registered Providers (RPs) to effectively plan investments and budget effectively.

A longer settlement based on the current formula simply delays addressing the core issue: how rents are expected to fund an ever-expanding range of priorities. While a five-year extension would be a positive step, it should be seen as a temporary measure, with the expectation that a new and more sustainable regime is introduced once it concludes.

However, since 2011, the Government has failed to uphold these settlements, undermining sector stability. The G15 group of London's largest housing associations reported a loss of £6.6 billion resulting from the government's 2016-2020 1% annual rent reduction and the 2023 7% rent cap. (Source: Housing Today)

Extending future settlement dates is a positive step, but a safeguard against further unplanned for changes is essential. This could be implemented through amendments to the Housing and Regeneration Act 2008, or a publicly declared compact with the sector and its tenants, enabling everyone involved to plan reliably for the long term.

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

As stated, a long-term, stable approach—backed by enforceable commitments—will build more certainty than rolling adjustments.

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4. How would these alternative settlement lengths affect providers' willingness and ability to invest in new and existing homes?

Long-term rent commitments, when upheld, encourage providers to plan for both new builds and existing stock improvements – but funding and capacity remain an issue.

New rented social housing should only be funded through adequate capital grants and supported by reform to planning. Building in capacity for new homes is an additional strain on an already oversubscribed income source. The NHF noted a 30% decrease in new affordable housing starts in 2023-24, attributing this decline to financial constraints exacerbated by inconsistent rent policies. (Source: Financial Times)

The regeneration of properties that have come to the end of their useful life is as important as building new ones. This is a huge overlooked national priority and can only be funded by a combination of capital funding and a new rent regime that can adequately pay for the investment. Critically, existing tenants' rents cannot take the weight of these priorities at the same time as being used to bring existing homes up to modern-day standards.

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5. Are there rent policy measures that could provide confidence in policy stability in case of an inflationary spike?

The current rent setting arrangements are not fit for purpose and pegging them to CPI causes unintended spikes and troughs from time to time. As mentioned, a legislative mechanism that safeguards against further unilateral changes would be beneficial while a further review of rents and what they are used for is essential.

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6. Are there additional steps the government should take to reinforce confidence in the stability of its rent policy?

The government should allow the Regulator of Social Housing to set and control rents based on their independent assessment of the financial capacity and needs of the sector.

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7. Do you agree with our proposal allowing rents to increase by up to CPI+1% per annum?

No, the CPI +1% approach is overly simplistic and ineffective. Rent increases should align with what providers are expected to achieve—looking more widely at service provision, decarbonisation, fire safety, development, and regeneration. At the very least, rents should rise with the real cost increases each year. The Regulator of Social Housing reported that the weighted average increase in maintenance and major repairs was 18% in the year to March 2023. (Source: GOV.UK)

If rents don't match real cost increases, stock improvements stall, and service standards drop as current rent levels cannot cover existing homes, services, and new developments, reducing overall investment capacity.

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8. What impact do you foresee from our proposed rent policy on rent affordability and providers' willingness and ability to invest in new and existing homes over the next 5 years?

Any rent settlement must, above all, be something that tenants, the government, and registered providers (RPs) can depend on. The current proposals essentially extend arrangements that have already shown to be inadequate. The average cost of maintaining a social housing unit has risen 11% in 2023/24; putting this number at a record-high of more than £5,000 per unit. (Source: Housing Today)

These rising costs, combined with capped rent revenues, mean that housing associations face real-term cuts, with limited funds left for long-term investment in property upgrades and expansion. The CPI +1 model does not offer the capacity needed to meet government policy goals, customer expectations, or the long-term demands on RPs. Over the past 25 years, the role of rents has expanded, but the method of setting them has not adapted accordingly. As a result, the sector struggles to fund home investments, maintain service standards, and support new housing supply. While the current arrangement may serve as a temporary measure, it is not a sustainable solution. Without a fit-for-purpose rent-setting regime, we, like many others, will need to prioritise investment in maintaining existing stock over developing new homes. Without a fundamental review of the rent system and its purpose, the sector will likely continue to consolidate, leading to a one-size-fits-all approach that overlooks community-specific issues. Without capacity to adequately invest in existing homes and build new ones, most will focus on existing homes. On that basis, a continued reduction in projected development pipelines will certainly follow.

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9. Do you have thoughts on other measures, beyond rent policy, that could strengthen registered providers' capacity to invest in new and existing homes?

Increased capital subsidy for new build affordable homes and regeneration would strengthen capacity. Funding for net zero and fire safety should be allocated based on need, not on bidding processes which increase administrative costs and add no value.

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10. Any additional comments on the draft direction and policy statement not covered by the previous question