



Llywodraeth Cymru
Welsh Government

Chairs of Registered Social Landlords
Director of Finance of Local Housing Authorities
Director Housing of Local Housing Authorities

18 December 2019

Dear Colleagues

Rent Policy for Social Housing Rents from 2020-2021

The purpose of this letter is to advise social landlords of the maximum rent levels that tenants can be charged from 6th April 2020 in order to comply with the Welsh Government's Policy for Social Housing Rents (Rent Policy).

I recognise the importance of the recommendations of the Independent Affordable Housing Supply Review. The Review Panel made a number of recommendations relating to Rent Policy, and rightly placed the needs of tenants and affordability at the heart of their recommendations.

The Review Panel recommended a 5 year rent policy be implemented as this would provide certainty and stability for tenants and landlords. The Review also recommended that landlords should consider value for money alongside affordability and make an unambiguous annual assessment on cost efficiencies as part of their rationale for justifying any rent increases. My decision on rent policy also takes into account the findings of a report I commissioned Heriot Watt University to undertake of Welsh Government Rent Policy.

All of these considerations highlight the need to balance the needs of landlords and the interests of tenants. I have also been anxious to ensure that my decision on rent levels should be considered within the context of our broader housing policies. We are still not building enough homes and I am concerned in particular by the wider impacts arising from the shortage of social housing. We are clear about the requirements of building homes that are near zero carbon. We must also respond to the need to decarbonise our existing housing stock. In addition you will all be aware of the pressures arising from growing levels of homelessness and the stronger partnership working we are encouraging as a result.

There must be a clear balance between the interests of landlords and residents. Affordability for tenants must take into account the whole cost of living in a property e.g. rent, service charges and energy costs of properties, and I expect landlords to consider these costs when setting rents each year. **Affordability is an issue I take very seriously and I am mindful of not placing excessive financial burdens upon tenants.**

Rent Policy for Social Housing Rents from 2020-21

Having considered all of these wider factors and in order to encourage sustainable long term planning I have decided that we should set rent policy for a five year period beginning in April 2020.

In relation to the detailed arrangements I have agreed:

1. An annual rent uplift of up to CPI+1%, each year for 5 years from 2020-21 to 2024-25 using the level of CPI from the previous September each year. September 2019 was 1.7%.
2. CPI+1% will be the maximum increase allowable in any one year but CPI+1% must not be regarded as an automatic uplift to be applied by social landlords. Landlords decisions on rent should take into account the affordability of rents for tenants as set out below.
3. The level of rents for individual tenants can be reduced or frozen or can rise by up to an additional £2 over and above CPI+1%, on condition that total rental income collected by the social landlord increases by no more than CPI+1%. This provision is designed to enable social landlords to restructure rents payable where necessary.
4. Should CPI fall outside the range of 0% to 3%, the Minister with responsibility for housing will determine the appropriate change to rent levels to be applied for that year only.
5. Social landlords should advise the Welsh Government where they have concerns about the impact that rent policy has upon their business plan or financial viability, or on their ability to meet their obligations to tenants and lenders.
6. As an intrinsic part of the five year rent policy, social landlords will be expected to set a rent and service charge policy which ensures that social housing remains affordable for current and future tenants. As part of their annual decision on the level of rent uplift/reduction to be applied they should make an assessment of cost efficiencies, value for money and affordability for tenants which should be discussed at the Board/Cabinet/Council.

This new rent policy will apply for 5 years from 6 April 2020 with rents due to be set for one financial year at a time from that point in line with these policy requirements . The maximum uplift of CPI + 1% has been incorporated within the rent modelling for 2020-21 to 2024-25 and a revised Target Rent Band has been calculated for each social landlord. The rent policy Tables 1 to 4 are attached to this letter.

Wider Rental Agreement

The Welsh Government values the role played by social landlords in building additional homes, shaping our communities and contributing to our wider social and economic objectives as a government. In recognition of the greater stability and certainty provided by this revised policy on rents I am pleased we have been able to agree with your representative organisations a series of new initiatives intended to deepen our joint working. In addition to all those areas where we already work with social landlords we have been able to agree that all social landlords will:

- Strengthen your approaches designed to ensure you minimise all evictions and deliver on a new agreement not to evict into homelessness;
- Undertake a standardised tenant satisfaction survey and provide the data for publication on a central website to assist tenants in scrutinising and comparing landlord performance. First survey results to be available for publication by April 2021 and surveys to be carried out at least bi-annually thereafter;
- Build on your existing commitment to delivering high quality homes, with an aspiration that DQR 2020 **space** standards will apply across tenure¹ on sites which attract Welsh Government funding, on a phased basis from 2021; and
- Work towards an aspiration that all new build housing, regardless of tenure, achieves energy efficiency standards of no less than EPC A on sites which attract any Welsh Government funding from April 2021.

Monitoring Compliance

All social landlords will be required to prepare an annual assessment of affordability, cost efficiencies and demonstrate their homes and service represent value for money as part of their decision on the rent uplift to be applied each year. All social landlords should justify their rent increases via robust annual assessments on cost efficiencies.

Social landlords should remember that the rent policy settlement is a maximum amount which can be charged, it is not a target rent. The Welsh Government expects social landlords to undertake comprehensive assessments each year which puts affordability for tenants at the core of their considerations.

Each social landlord will be required to complete a monitoring form which will be used to monitor compliance with Welsh Government Rent Policy. Monitoring will commence following discussions with your representative bodies shortly.

¹ Please note that the full DQR 2020 standard includes other requirements in addition to space standards and these will need to be met in full for homes financed by schemes such as Social Housing Grant.

If you have any queries or concerns about rent policy and Welsh Government's expectations, please feel free to contact Kathryn Beard or Sarah Laing Gibbens.

Contact Details: Kathryn Beard / Sarah Laing Gibbens
kathryn.beard@gov.wales / sarah.lainggibbens@gov.wales

Yours faithfully



Julie James
Minister for Housing and Local Government

c.c. Local Authority Council Leaders
Local Authority Chief Executives
Director of Housing (Transfer Local Authorities)
Chief Executives of Registered Social Landlords
Directors of Finance, Registered Social Landlords
Local Authority HRA Business Plan contacts
Welsh Local Government Association
Community Housing Cymru
Chartered Institute of Housing Cymru
Tenants Participation Advisory Service
Tai Pawb
UK Finance
Abbeyfield Co-ordinator Wales
Prof Mark Stephens, Heriot Watt University