Future Social Housing Rent Policy Consultation: District Councils' Network Response

About the District Councils' Network

The District Councils' Network (DCN) is a cross-party network of 164 district councils and 5 unitary councils. We are a special interest group of the Local Government Association, providing a single voice for all district services.

DCN member councils deliver a wide range of local government services to over 21 million people – 38% of England's population. They cover 60% of the country by area. DCN councils are home to 38% of England's businesses and 33% of national Gross Domestic Product.

77 district councils have a Housing Revenue Account and collectively own 390,000 council homes – 25% of all council-owned social homes in England.

Consultation 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. DCN strongly supports the principle of setting a fixed rent policy period that provides medium to long-term certainty. Our members agree that guaranteed rent policies are essential for effective business planning, capital investment and stock maintenance programmes. However, five years represents only a minimum timeframe and falls short of the planning horizons housing providers work to.

Any settlement must be genuinely binding. Previous experience of settlements being altered mid-term has severely undermined councils' ability to plan effectively and damaged confidence in long-term commitments. Oxford City Council for example highlights how previous changes to agreed settlements have created significant financial pressures on their HRA.

While welcoming the government's recognition that stability in rent policy is important, the sector believes more ambitious timeframes are needed to deliver the scale of investment required in both existing and new social housing.

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

A longer settlement of 10 years would significantly enhance councils' ability to plan and deliver both investment in existing homes and new development. Housing investment strategies and business plans typically work on 30-year cycles, making a longer rent settlement more aligned with operational reality.

This is particularly crucial for new housing development, which requires extended planning horizons. Lancaster City Council demonstrates this challenge with 250 potential new social homes currently stalled partly due to uncertainties around future income streams. Development pipelines involving site assembly, planning, procurement and construction frequently extend beyond 5 years.

DCN members highlight that building safety works, planned maintenance programmes and regeneration schemes all require sustained investment over many years. The certainty of a longer settlement would allow these programmes to be planned and delivered more effectively, helping meet the pressing need for both improved existing homes and new social housing in our communities.

However, any longer settlement must include clear protections or compensation mechanisms to maintain confidence that the terms will be honoured throughout the period.

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

While a rolling settlement appears attractive at first glance, our members have mixed views on whether this would provide genuine additional stability. The fundamental issue remains that five years is too short a planning horizon for housing providers, whether fixed or rolling.

DCN members point out that a rolling approach could create annual debates about rent policy for the newly-added year, potentially increasing rather than reducing uncertainty.

There is also concern that a rolling settlement might complicate business planning. Housing providers need to confidently predict income across 30-year business plan periods to enable long-term investments and cyclical maintenance strategies. A continuously shifting settlement end date could make this more challenging.

Instead of a rolling approach, we believe that a longer fixed settlement period, properly protected and adequately funded, would provide greater stability. This would give providers the certainty needed to deliver sustained investment programmes while avoiding the potential complexity and uncertainty of annual policy reviews.

If a rolling settlement is pursued, it should be based on a longer initial period - for example, a 10-year settlement that rolls forward annually. However, the crucial factor remains the length of the guaranteed period rather than the rolling mechanism.

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

The length of rent settlement has a direct impact on councils' ability to plan and deliver investment in both new and existing homes. Housing providers need long-term certainty to make major investment decisions, particularly given development pipelines typically span multiple years from site assembly through to completion.

Currently, many councils have potential development sites and investment plans that are stalled or delayed due to uncertainty around future income streams. Lancaster City Council's example of 250 stalled potential homes illustrates this wider sector challenge.

The sector's investment needs span both existing stock and new development. Business cases for major works and estate regeneration need to consider borrowing windows of 30-40 years, making longer-term income certainty crucial for financial planning. Councils must also balance competing demands including building safety works, energy efficiency improvements, and new regulatory requirements.

The financial challenge is severe. Lancaster City Council reports that construction industry costs have increased by 25%, with forecast rises of 4% annually to 2029. Combined with borrowing costs tripling since December 2020, this makes investment planning without long-term income certainty extremely challenging.

While district councils retain a strong commitment to investing in homes regardless of settlement length, their practical ability to deliver is significantly enhanced by longer-term certainty around rental income.

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

We believe clear mechanisms must be built into any rent settlement to handle inflationary spikes, learning from recent experiences where sudden policy changes created significant financial pressures for housing providers.

If rent caps need to be imposed during high inflation periods, DCN strongly advocates for these to be accompanied by compensation mechanisms to maintain financial stability. Housing providers face inflated costs for materials, labour, and services during these periods, regardless of any rent cap implementation.

One possible solution would be to use 12-month average inflation rates rather than a single month's figure to help smooth out volatile spikes.

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

We believe rent policy must be protected through legislation to prevent mid-term changes. Our member councils' past experiences of settlements being altered have significantly impacted their ability to plan and invest effectively.

This legislative protection should be coupled with extension of the New Burdens Doctrine to the Housing Revenue Account. Currently, our member councils face increasing costs from new regulations and requirements without corresponding funding, destabilising their long-term financial planning.

We also call for the reintroduction of rent convergence. South Derbyshire District Council highlights how the current inability to reach formula rent levels is costing it £1.41m annually - a financial pressure that is replicated across much of our membership.

Most fundamentally, district councils need confidence that future settlements will be honoured in full. Once rent reductions are imposed, there is no mechanism to recover this lost income, creating lasting impacts on investment capacity.

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

While we support CPI+1% as a minimum baseline, we believe this alone will not provide sufficient income to meet the multiple challenges district councils face.

Core management and maintenance costs consistently outpace CPI+1%. Lancaster Council provides clear evidence of this gap - when CPI was at 9.6%, repairs and maintenance costs rose by 16%.

We believe the reintroduction of rent convergence alongside CPI+1% is essential. Many of our member councils are operating with rents well below formula levels. Oxford City Council demonstrates this problem with a £4.3m gap between actual and formula rents, which continues to grow over time.

Our member councils need a rent settlement that not only helps maintain current services but provides capacity to handle emerging requirements around building safety, energy efficiency standards and the requirements of Awaab's Law. The proposed CPI+1% will need to be part of a wider package of measures to achieve this.

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?

The proposed rent policy strikes a balance between affordability for tenants and enabling councils to maintain services, though it falls short of providing the investment capacity needed for major improvements or new development.

Recent research by Babergh & Mid Suffolk Councils shows social rents would remain affordable in their area even with these increases. However, their business planning also indicates that, while they could maintain current homes to existing decent homes standards, any new regulatory requirements would put financial stability at risk.

Great Yarmouth reports that its HRA reserves have dropped significantly as investment needs exceed income. Councils face mounting pressures from fire safety compliance, achieving EPC C by 2030, and improving tenant services, all while maintenance costs have risen 16% against CPI of 9.6%. This pattern is reflected across our membership, with the proposed rent policy likely to maintain rather than resolve this pressure.

Many councils are still dealing with the impact of the 2012 debt settlement. Councils were left shouldering £29bn of debt - more than double the £11bn level that analysis shows would be sustainable. This debt burden, combined with today's cost pressures, means councils are struggling just to maintain basic services, let alone fund major improvements or build new homes.

We are particularly concerned that the policy may force councils to prioritise maintaining existing homes over building new ones. As East Suffolk Council notes, while the settlement provides some stability for planning, their business modelling shows it will not generate sufficient funds to support both existing stock investment and new development.

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?

The ongoing housing crisis calls for more than just adjustments to rent policies. District councils play a crucial role in this landscape, delivering 45% of affordable housing completions in their areas, and managing around 390,000 social homes.

Unfortunately, our ability to keep up this vital work is facing growing challenges. While having a stable rent policy is certainly important, our members have expressed that it's not enough on its own. We need a broader set of reforms that encompass funding sources, planning powers, and regulatory frameworks.

From discussions with councils across England and valuable input from housing providers, we've identified several key measures that need to be taken. We will share a full list of these recommendations in our upcoming report, "A Blueprint to Tackle the Affordable Housing Crisis," which will be launched in the New Year.

Here are some of the recommendations that you can expect to find in this blueprint:

Funding:

- Extend the PWLB concessionary rate for HRAs beyond March 2026.
- Reform grant funding with longer timescales and higher rates for energy-efficient developments.
- Create a national initiative to help housing associations take on smaller sites.
- Allow full flexibility to combine funding streams to maximise investment.
- Streamline local housing companies with template documents and simplified reporting.
- Development pipeline challenges mean funding needs to cover site assembly, planning, procurement and construction phases.

Planning:

- Reform viability assessments which currently slash affordable housing from 34% to 18% in rural areas.
- Review viability on major sites during development to secure affordable homes when profits rise.
- Secure developer contributions from land value gains, with higher rates for

high-value sites.

- Close permitted development loopholes bypassing affordable housing requirements.
- Create a national database matching Section 106 properties with providers.
- Support conversion of retail/office space to social housing.

Existing Stock:

- Reinstate the national Empty Homes Programme with enhanced powers and funding for councils
- Implement stronger controls on holiday lets through registration and planning
- Create digital platforms to facilitate downsizing in social housing
- Support council-managed letting agencies with guaranteed rent schemes

HRA sustainability:

- Extend New Burdens Doctrine to HRAs to fund new requirements
- Provide one-off capital injection to stabilise HRAs and prevent investment delays (Crawley)
- Address growing costs from disrepair claims which drain resources

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?

While the direction shows progress, there are several vital implementation concerns. The fundamental tension between central rent policy and local accountability means any national framework must allow councils enough flexibility to respond to local circumstances.

The policy needs statutory protection against negative rent changes, given the lasting damage from previous policy shifts. Once income is lost through caps or reductions, there is no way to recover it.

Our member councils face stark choices - either maintain existing homes or build new ones to tackle homelessness, but current funding levels make it impossible to do both. This pressure will only increase when new decent homes standards and Awaab's Law requirements come into force.

The policy needs to better recognise these on-the-ground realities if it is to deliver stable, sustainable housing revenue accounts, and ultimately result in more social homes being built.