Review of social housing rents

Insights from social housing providers

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Contents

Introduction

At the outset of the review process, the Minister for Housing invited social housing providers to share their views on the social housing rents policy and related Income Support policies. Social housing providers were asked to reflect on the following areas:

(a) The appropriateness and effectiveness of setting social housing rents at 80% of market value.

(b) The extent to which the rents policy and Income Support policies may contribute to tenants experiencing rental stress.

(c) The implications of the rents policy for the delivery of social housing, including any unintended consequences that may have arisen as a result of the policy.

(d) Potential amendments to the rents policy or Income Support policies to avoid placing financial pressure on tenants, strengthen the delivery of homes and housing services, or support financial sustainability.

(e) Issues and opportunities associated with alternative approaches to setting social housing rents.

(f) The principles that should underpin the rents policy.

Responses were received from Andium Homes, the Jersey Homes Trust and Les Vaux Housing Trust. The issues raised by social housing providers are outlined below.

Appropriateness and effectiveness of the social housing rents policy

Summary

- Setting social housing rents at 80% of market value is broadly viewed as an effective way to deliver affordable, good-quality housing. This approach balances affordability for tenants with the financial viability of social housing providers.
- Income Support plays a crucial role in ensuring affordability for low-income households.
- Lowering rents further would primarily benefit households who are not eligible for Income Support. This could provide a discount for households who are capable of affording market rents.

Social housing providers broadly support the current social housing rents policy, which sets rents at up to 80% of market value. When combined with Income Support, the policy is considered effective in delivering affordable, good-quality homes to households in need. They highlighted several key strengths of the policy:

- **Affordability and fairness**: It ensures that rents are affordable relative to household incomes, particularly for low-income households.
- **Balanced tenant contribution**: It enables households who are not eligible for Income Support to access social housing at below-market rents, maintaining a level of financial subsidy within the rental structure to improve housing affordability.

- **Market alignment**: It is transparent, efficient and maintains a clear benchmark for affordability relative to the private rented sector. This provides certainty and consistency for social housing providers, enabling long-term planning and investment in homes and housing services.

Social housing providers emphasised that the success of the rents policy depends on the adequacy and responsiveness of Income Support. Income Support is the primary mechanism for securing affordability, covering up to the full rent for eligible households.

Andium Homes also noted that its annual rent increases are capped at a maximum of 4% under the rent adjustment policy. This cap protects tenants during periods of high inflation and contributes to housing stability for tenants.

Social housing providers cautioned against reducing rents below 80% of market value. Such a change could, primarily, assist households above the Income Support threshold, effectively providing a discount (in real terms) to those who may be able to afford private sector rents. Whilst social housing providers recognised the added value these tenants receive, such as secure tenancies and responsive housing services, they emphasised the importance of maintaining a balance between affordability, sustainability and fairness.

Experiences of rental stress

Summary

- Social housing providers report no widespread concerns about rental stress, largely because the housing component of Income Support covers all or part of the rent for the majority of tenants.
- However, financial pressure may still arise from broader cost-of-living pressures, suggesting a potential need to review the non-housing components of Income Support.
- Income Support is widely regarded as the most effective mechanism for managing housing costs and ensuring the sustainability of social housing providers.
- Targeted improvements to existing policies, rather than major policy changes, are seen as the most appropriate way to address any financial pressures experienced by tenants.

Social housing providers report that significant rental stress among tenants is uncommon, primarily because Income Support covers all or part of the rent for the majority of households. However, financial pressure may arise for tenants who are ineligible for Income Support or who are affected by broader cost-of-living challenges.

Social housing providers agree that Income Support is the most effective mechanism for assisting tenants who require help with their rents, and for supporting a household's financial viability. However, they highlighted several scenarios where tenants may experience short-term financial pressures that are not fully addressed by the Income Support system:

- **New tenancies**: Tenants moving from private to social housing may temporarily incur rent on two properties whilst waiting for their private sector lease to end and for the return of their deposit.
- **Essential items**: The cost of carpets, white goods and other necessities can pose a barrier for tenants when setting up a new home. These costs can be mitigated by a Special Payment in the form of a grant or loan from Income Support, which can help to ease the financial pressure when moving between tenures.

Andium Homes explained that it is working with the Affordable Housing Gateway to review its lettings process. The aim is to give prospective tenants, as far as possible, sufficient notice to end their leases in the private rented sector, thereby reducing the risk of paying "double rent".

Additionally, Andium Homes offers a flexible payment option that allows tenants to spread the first month's rent across subsequent payments on a case-by-case basis. However, it may be beneficial to explore whether Income Support could also assist with this upfront cost, particularly when such expenses are unavoidable during the move from private rented to social housing.

Social housing providers also identified a mismatch between the timing of Income Support payments – typically made weekly or four-weekly – and the monthly, in advance rent payment approach used by social housing providers. This misalignment can make budgeting difficult for some tenants and may contribute to rent arrears building up over time. Aligning payment cycles could help tenants better manage their finances.

Finally, administrative issues such as delays in processing Income Support applications or undeclared changes in circumstances can result in tenants receiving overpayments, potentially causing them disruption and leading to rent arrears.

The delivery of social housing and unintended consequences

Summary

- The social housing rents policy, together with Income Support, provides social housing providers with financial stability and certainty, enabling them to provide housing services, maintain and refurbish existing homes, and develop new homes.

- Rising operational and capital costs are outpacing rental income, placing increased financial pressure on social housing providers. Major changes to the social housing rental model risk exacerbating these pressures and undermining long-term financial viability.

- Reducing rental income would likely compel social housing providers to either scale back expenditure or seek alternative funding options, including options such as capital investment from government. This could impact service delivery and their future development plans.

- Unintended consequences of the policy include disincentives for tenants to right-size, and barriers to transitioning from the historic rent structure to the 80% of market rental model.

Effectiveness of the current social housing rental model

Social housing providers broadly support the current social housing rental model of setting rents at 80% of market value. The model is simply constructed on a market-based calculation, allowing social housing providers to plan ahead with a reasonable degree of certainty, gain the confidence of private lenders, and deliver homes and housing services.

Andium Homes reported that over the 11 years since the introduction of the rental model, it has provided a stable basis for its capital programme. Compared to other jurisdictions, facing long waiting lists and unfunded social housing, Jersey's rental model has supported investment and improved access to social housing.

Emerging financial pressures

However, all social housing providers warned that rising operational and capital costs are outpacing rental income growth. Whilst these pressures stem from broader economic conditions rather than the rents policy itself, such issues are making it increasingly difficult to maintain existing homes, deliver housing services, and develop new homes.

All social housing providers expressed concern that any significant changes to the rental model could, therefore, impact on their capital programmes and put their financial sustainability at risk.

Andium Homes explained that it would be required to make difficult decisions about how it could absorb any reduction in revenue if there were changes to the rental model. Options included reducing the financial return to government (currently estimated at £29.8 million in 2025, or 43% of their rental income) and introducing mixed tenure schemes. Andium Homes stated that it had ruled out scaling back on maintenance and development of new homes and other services, or increased borrowing to cover costs – citing risks to housing quality and placing further pressure on its financial model.

The Jersey Homes Trust added that further government assistance, either through Income Support or direct financial grants, may be required to enable social housing providers to maintain financial viability in the event of any changes to the rental model.

Unintended consequences of the social housing rents policy

Beyond these financial pressures, social housing providers identified several unintended consequences of the social housing rents policy:

- **Disincentives to right-sizing**: The policy can discourage tenants with historic rents below 80% of market value moving to smaller homes, as this could result in higher rent. In some cases, moving to a smaller home could result in a tenant paying more rent, although it was recognised that other factors can influence this decision. Even when tenants receiving Income Support face a capped housing component due to occupying a property larger than their needs, this does not always create a sufficient financial incentive to downsize.

- **Transitioning from historic rent structures**: Andium Homes recommended that consideration should be given to allowing rents currently below 80% of market value to be transitioned to 80% at a faster and more consistent rate. Andium Homes suggested options such as raising the annual rent increase cap to 5% or setting it annually at 1.5% above RPI.

- **Rental drift:** Longer tenancies can significantly fall behind the initial benchmark of 80% of market rent. Challenges in adjusting rents to reflect current market conditions mean that, in real terms, rental income tends to decline as the tenancy progresses.

- **Discounted housing for high-earners**: Les Vaux Housing Trust noted that the rents policy allows high-earning households to benefit from discounted rents, even though they may be able to afford the full market rent and would no longer qualify for social housing through the Affordable Housing Gateway.

- **Market volatility**: Andium Homes highlighted that the rents policy does not account for the financial impact that arises after a period of falling or stagnant rents, and where rents rise again. When rents increase rapidly, Andium Homes cannot, especially whilst operating under the 4% annual rent cap, adjust quickly enough to reach the target 80% of market rent. This is particularly challenging during periods of high inflation, when costs increase faster than rental income, placing pressure on Andium Homes' financial model.

Overall, social housing providers are in broad agreement that the existing rental model provides financial predictability, enabling long-term planning and investment in social housing. However, intensifying cost pressures, coupled with unintended consequences of the rents policy, are placing greater financial pressure on social housing providers. These challenges risk compromising the long-term sustainability of the rental model and warrant careful policy consideration.

Potential amendments to the social housing rents policy

Summary

- Social housing providers generally favour targeted adjustments to the current social housing rents policy and related Income Support policies, rather than pursuing comprehensive reform.

- Instances of financial pressures amongst tenants may indicate a need to reassess the interaction between the rents policy, Income Support and its non-housing components.

- Reducing rent levels (e.g., to 70% of market value) could benefit tenants who do not receive Income Support. However, for the majority of tenants whose rent is fully or partially covered by Income Support, the impact would be neutral.

- Greater flexibility in the rents policy may be necessary to reflect rising costs facing social housing providers, and to support their financial sustainability.

Social housing providers support targeted adjustments to the current social housing rents policy and Income Support policies, rather than pursuing comprehensive reform of the social housing rental model. Key areas identified include:

- a review of the adequacy of the non-housing components of Income Support;
- flexibility in the application of the social housing policy rent cap;
- alignment of the monthly cycle of rent and Income Support payments; and
- incentives for right-sizing.

Social housing providers suggest that, if tenants experience financial pressures, it is important to review how the rents policy aligns with Income Support, particularly the adequacy of the non-housing components of Income Support. Reducing rent levels (e.g., to 70% of market value) might benefit tenants who do not receive Income Support. However, for the majority of tenants whose rent is fully or partially covered by Income Support, the impact would be neutral. Such a change would advantage higher-income tenants, not eligible for Income Support, who may be able to pay full market rents, but still benefit from the good-quality homes, security of tenure, and responsive services offered by social housing.

Moreover, social housing providers emphasise the need for stability and certainty in the rents policy, with rent levels that keep pace with inflation and rising costs. Andium Homes highlighted that its largest annual expense is the financial return to government, which has occasionally been adjusted to offset changes in the rents policy. A reduction in Andium Homes' rental income, without a corresponding adjustment to the return, would directly impact its ability to deliver services to tenants, maintain existing housing stock and develop new homes.

To improve flexibility, Andium Homes proposed allowing annual rent increases (up to the cap of 4%) with a tolerance level in the region of 85% of market value, except for tenancies intentionally frozen when the rents policy was changed from 90% to 80% of market value. During periods of high inflation, adjusting the return to government could help mitigate the impact of the 4% annual cap on its financial model.

Social housing providers identified an opportunity to better align the monthly rent payment cycle with weekly Income Support payments, helping tenants to manage their finances more effectively and reducing the risk of rent arrears.

They also highlighted the potential to use rent policy as a tool to encourage right-sizing, either by accelerating the transition of all social housing rents to 80% of market value or applying higher rents to tenants who under-occupy their homes.

Issues and opportunities of alternative social housing rental models

Summary

- An income-based rental model could offer a more responsive approach to setting rents, aligning them more closely with tenants' actual ability to pay.
- However, implementing such a model carries significant risks: administrative complexity, data reliability and financial unpredictability. To mitigate these risks, government support would be essential to offset financial uncertainty.
- Income Support already performs a similar function, assessing eligibility for rental assistance. Introducing an income-based model alongside it could duplicate processes, create confusion for tenants, and require substantial investment in staffing and IT systems.

Social housing providers were asked to give their views on potential alternative social housing rental models, including a model based on household incomes as proposed in P.29/2025, and the potential advantages, opportunities and limitations associated with alternative models.

Social housing providers acknowledged that an income-based rental model could ensure that rents are more responsive to household incomes and better reflect tenants' ability to contribute towards their rents. However, they emphasised that any potential advantages of an income-based model would be outweighed by considerable difficulties in implementing the model, including:

- the increased administrative burden, particularly in managing household income fluctuations;
- higher operational costs due to the complexity of administration;
- the difficulty in accessing accurate information about tenants' household income;
- unpredictable rental income, which would have implications for financial viability.

Social housing providers noted that they do not currently collect information on tenants' household incomes. Moving to an income-based rental model would, therefore, require substantial investment in new processes, regular income verification, and ongoing monitoring to verify household earnings. Household incomes can also be subject to frequent changes – for example, as a result of changes in employment, adjustments to Income Support payments and changes in household composition.

They emphasised that Income Support is already set up to assess household incomes and the level of assistance tenants receive towards their rents. A rental model based on household incomes would introduce a duplicative means-testing process that could be confusing and onerous for tenants, and for the social housing providers would require new staff, legislation, IT systems and expertise to manage in practice.

Moreover, social housing providers highlighted that moving to an income-based rental model would lead to highly variable and volatile rental income, making it difficult to plan long-term finances with certainty, secure private finance or carry out investment in social housing. There would, as a result, be a need for government to offset this financial volatility and ensure alternative funding for social housing providers.

Andium Homes further noted that its property asset valuations are based on projected rental income. A shift to an income-based model could reduce asset values, which could put it in breach of its existing loan covenants and increase borrowing costs due to reduced financial headroom and perceived risk.

Finally, social housing providers cautioned that an income-based rental model could discourage tenants from increasing their earnings. It could also create a tension between households paying different rents for similar homes.

The principles underpinning the social housing rental model

Summary

- A well-designed social housing rents policy must balance competing principles, aiming to meet the diverse needs of tenants, social housing providers and policymakers.

- Two core principles should guide the review: rents must be genuinely affordable for tenants to avoid causing financial pressure; and support the long-term financial viability of social housing providers.

- Social housing providers generally see the current rents policy, in conjunction with Income Support, as an effective mechanism to deliver affordable, good-quality homes.

- Any changes to the rents policy should be approached with caution to ensure that it continues to achieve its original objectives and maintains confidence amongst tenants and social housing providers.

Social housing providers were invited to share their views on the principles that should underpin the social housing rents policy. There was strong consensus that affordability and financial viability must remain the core principles of the approach:

- **Affordability**: Rents should be genuinely affordable, enabling tenants to meet other essential needs without causing undue financial pressure.

- **Financial viability**: Rents must enable social housing providers to generate stable and predictable income. In the current economic climate, any changes to the policy must be carefully considered to avoid undermining their ability to remain financially viable.

The Jersey Homes Trust proposed a set of additional principles to strengthen the rents policy:

- **Fairness and consistency**: The policy should be based on clear and transparent rules, which are applied consistently and perceived as fair by both tenants and social housing providers.

- **Simplicity and administrative efficiency**: The policy should be easy to understand and administer, reducing complexity, errors and delays.

- **Optimal use of housing stock**: The policy should encourage tenants to move to appropriately sized homes when needed, helping to free up larger properties for families.

- **Independence**: Social housing providers should be able to plan and invest confidently, and to maintain their independence, supported by predictable rental income.

Conclusion

Social housing providers broadly support the current social housing rents policy, where rents are set at up to 80% of market value. This approach has proven effective in delivering affordable, good-quality homes for tenants, whilst also generating stable and predictable rental income for social housing providers. The financial certainty offered by the rents policy underpins long-term planning and facilitates access to borrowing, enabling social housing providers to maintain existing social housing stock, deliver housing services and invest in the development of new homes.

However, social housing providers have raised concerns about intensifying cost pressures and a range of unintended consequences that may compromise the long-term sustainability of the rental model. In response, they have identified targeted policy adjustments that could improve the model for both tenants and social housing providers. These include:

- better aligning rent and Income Support payment cycles;
- enhancing support for tenants transitioning from the private rented sector into social housing;
- incentivising right-sizing through the rents policy; and
- introducing flexibility in the rent cap to reflect rising operational and capital costs.

Whilst alternative social housing rental models, such as an income-based model, could offer a more responsive approach to setting rents, aligning them more closely with tenants' actual ability to pay, social housing providers cautioned that the administrative complexity, financial unpredictability and duplication with existing systems like Income Support present significant risks.

Any transition away from the current market-based rental model would require thorough analysis and strong government backing to mitigate financial risks to social housing providers. It would also need a clear understanding of the potential advantages and trade-offs, supported by a compelling case for how the proposed alternative model would deliver improvements over the existing market-based model.

The success of the social housing rents policy ultimately depends on its ability to uphold two core principles: genuine affordability for tenants and financial sustainability for both social housing providers and public finances. Maintaining this balance is critical to ensuring the long-term viability of social housing and its capacity to meet Jersey's housing needs.