



Homes &
Communities
Agency

RENT STANDARD

April 2015

Rent Standard

1 Required outcome

- 1.1 Registered providers¹ shall charge rents in accordance with the government's direction to the regulator of May 2014 and the Rent Standard Guidance.

2 Specific expectations

- 2.1 Registered providers shall ensure they meet the following requirements, which derive from the government's direction to the regulator of May 2014, and the 'key requirements' set out in the Rent Standard Guidance that accompanies this standard.
- 2.2 Subject to paragraphs 2.3, 2.5 and 2.6, registered providers shall set rents for low cost rental accommodation with a view to achieving the following:
- (a) Rents conform with the pattern produced by the rents formula set out in the Rent Guidance² ('formula rents') with a 5% upward tolerance on individual rents (10% for supported housing and sheltered housing) ('the limit of the rent flexibility level'), but subject to the maximum rent levels specified in that Guidance ('rent caps'),
 - (b) Weekly rent for accommodation increases each year by an amount which is no more than CPI + 1%,
 - (c) Weekly rent for accommodation which is above the limit of the rent flexibility level increases each year by an amount which is less than CPI +1%, until it reaches the limit of the rent flexibility level,
 - (d) Rent caps increase annually by CPI +1.5%,
 - (e) Formula rents increase annually by CPI +1%.
- 2.3 The requirements of paragraph 2.2 do not apply to accommodation let on Affordable Rent terms. Subject to paragraph 2.6, where accommodation is let on Affordable Rent terms, registered providers shall set rents with a view to achieving the following:
- (a) Rent for accommodation (inclusive of service charges) is set at a level which is no more than 80% of the estimated market rent for the accommodation (inclusive of service charges), based on a valuation in accordance with a method recognised by the Royal Institution of Chartered Surveyors.
 - (b) Rent for accommodation increases each year by an amount which is no more than CPI + 1%.

¹ The term "registered providers" refers to private registered providers.

² The Rent Guidance means the Guidance on Rents for Social Housing issued by the Government on 23 May 2014 and any other guidance issued by the Government in relation to that document.

- (c) Rent for accommodation is re-set, based on a new valuation, each time the accommodation is:
 - (i) let to a new tenant, or
 - (ii) re-let to the same tenant (but where a probationary tenancy comes to an end and the registered provider re-lets the accommodation to the same tenant the provider is not required to re-set the rent).

- 2.4 Affordable Rent terms can only be used in relation to accommodation provided pursuant to a housing supply delivery agreement entered into between a registered provider and the Homes and Communities Agency (HCA) or the Greater London Authority (GLA).

- 2.5 The Rent Standard shall not apply to rental accommodation let by registered providers to a social housing tenant household during a financial year where the household income was £60,000 or more in the tax year which ended in the financial year preceding the financial year in which the Rent Standard will not apply.

- 2.6 Where the application of the Rent Standard would cause providers to be unable to meet other standards, particularly in respect of financial viability, including the risk that a reduction in overall rental income causes them to risk failing to meet existing commitments such as banking or lending covenants, the regulator may agree to waive specific requirements of the Rent Standard for a period of time.

- 2.7 Registered providers shall provide clear information to tenants that explains how their rent and any service charge are set, and how they are changed, including reference to the CPI benchmark to which annual changes to rents should be linked (except where rents are controlled under different legislation).

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