

The Direction on the Rent Standard 2018

The Secretary of State makes the following Direction in exercise of the powers conferred by section 197 of the Housing and Regeneration Act 2008(a).

In accordance with section 197(4) and (5) of that Act, before making this Direction the Secretary of State consulted the Regulator of Social Housing, the Greater London Authority, the Charity Commission and bodies appearing to the Secretary of State to represent the interests of local housing authorities, tenants of social housing and registered providers.

Citation, commencement and application

- 1.—(1) This Direction may be cited as the Direction on the Rent Standard 2018.
- (2) This Direction comes into force on the day after the day on which it is made.
- (3) This Direction applies to the regulator in relation to the rents of registered providers of social housing.

Interpretation

- 2.—(1) In this Direction—

“2020 limit” means the amount that is found by—

- (a) finding the average weekly rent for the tenant’s accommodation in the fourth relevant year within the meaning of section 23(6) of the Welfare Reform and Work Act 2016; and
- (b) increasing that amount by CPI + 1%;

“affordable rent housing” means, in relation to accommodation, that the accommodation is—

- (a) provided by a registered provider pursuant to an agreement between that provider and the Homes and Communities Agency or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent;
- (b) provided by a registered provider pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent; or
- (c) provided by a local authority and the Secretary of State, the Homes and Communities Agency or the Greater London Authority has agreed that it is appropriate for the accommodation to be let at an affordable rent;

“CPI” means the percentage change in the consumer prices index over the period of 12 months up to and including the September falling in the previous financial year;

“consumer prices index” means the general index of consumer prices (for all items) published by the Statistics Board or, if that index is not published for any month, any substituted index or index figures published by that Board;

“financial year” means a year beginning on 1 April;

“registered provider” means a registered provider of social housing;

“regulator” means the regulator of social housing;

“Rent Policy Statement” means the Policy Statement on Rents for Social Housing issued by the Secretary of State on [date] 2018;

“rent standard” means a standard for registered providers requiring them to comply with specified rules about their levels of rent set under section 194(2A) of the Housing and Regeneration Act 2008;

“supported housing” means accommodation provided by a registered provider that—

- (a) is made available only in conjunction with the supply of support;
- (b) is made available exclusively to households including a person who has been identified as needing that support; and
- (c) falls into one or both of the following categories—
 - (i) accommodation that has been designed, structurally altered or refurbished in order to enable residents with support needs to live independently;
 - (ii) accommodation that has been designated as being available only to individuals within an identified group with specific support needs; where—

“support” includes—

- (a) sheltered accommodation,
- (b) extra care housing,
- (c) domestic violence refuges,
- (d) hostels for the homeless,
- (e) support for people with drug or alcohol problems,
- (f) support for people with mental health problems,
- (g) support for people with learning disabilities,
- (h) support for people with disabilities,
- (i) support for offenders and people at risk of offending,
- (j) support for young people leaving care,
- (k) support for teenage parents
- (l) support for refugees.

(2) Any expression which is used, but not defined, in this Direction has the same meaning as in the Housing and Regeneration Act 2008.

Formula rent

3.—(1) The formula rent of accommodation is found in accordance with the method set out in paragraphs 2.4 to 2.6 of the Rent Policy Statement with upwards tolerance of—

- (a) if the accommodation is supported housing, 10% of formula rent; or
- (b) if the accommodation is not supported housing, 5% of formula rent.

(2) But as set out in paragraph 2.8 and 2.9 of the Rent Policy Statement formula rent is subject to the rent cap.

(3) The rent cap is determined in accordance with paragraphs 12 and 13 of Appendix A to the Rent Policy Statement.

Direction to set a rent standard

4.—(1) The regulator must set a rent standard that applies from 1 April 2020 in relation to low cost rental accommodation that is not—

- (a) let to a high income social tenant; or

- (b) accommodation to which the Rent Policy Statement does not apply^(a).
- (2) The rent standard must require registered providers to comply with the rules about their levels of rent set out in paragraphs 6 and 7.
- (3) The regulator must have regard to the Rent Policy Statement when setting the rent standard.
- (4) In this paragraph—
 - “high income social tenant” means the tenant of a household that had a total household income of £60,000 or more in the relevant tax year, where—
 - (a) “total household income” means, in relation to accommodation—
 - (i) if there is one resident, the income of that resident;
 - (ii) if there are two residents, the sum of the residents’ incomes; and
 - (iii) if there are more than two residents, the sum of the two highest incomes of the residents;
 - (b) “resident” means—
 - (i) any person who is the tenant or a joint tenant; and
 - (ii) any person who resides at the accommodation and is the spouse, civil partner or partner of the tenant or of a joint tenant;
 - (c) “income” has the same meaning as “total income” in section 23 of the Income Tax Act 2007;
 - (d) “partner” means a person who is not married to, or a civil partner of, the tenant or joint tenant who lives with the tenant or joint tenant in the accommodation as if they were married or in a civil partnership; and
 - (e) “relevant tax year” means the tax year ending on the 5th April which falls in the financial year prior to the financial year in which the rent is reviewed.

Exemptions from the rent standard

5. The regulator may in relation to a private registered provider grant an exemption from or vary a requirement of the rent standard if the regulator considers that complying with the requirement would jeopardise the financial viability of the provider.

Social rent housing

6.—(1) This paragraph applies in relation to the rent of accommodation that is not affordable rent housing.

- (2) The maximum weekly rent for a new tenant is formula rent.
- (3) Subject to sub-paragraph (4), the weekly rent of an existing tenant may not be increased by more than—
 - (a) CPI + 1% in any year; or
 - (b) if the tenant’s rent exceeds the rent flexibility level, CPI in any year.
- (4) In the year following the end of the rent restriction period the maximum weekly rent for an existing tenant is the 2020 limit.
- (5) In this paragraph—
 - “existing tenant” means a tenant who is not a new tenant where “new tenant” means a tenant who is granted a tenancy of the accommodation for the first time; and
 - “rent flexibility level” means—
 - (a) 105% of formula rent; or

(a) See Chapter 5 of the Rent Policy Statement.

- (b) if the accommodation is supported housing, 110% of formula rent.

Affordable rent housing

7.—(1) This paragraph applies in relation to the rent of affordable rent housing.

(2) The maximum gross rent for a tenant under a new tenancy is 80% of the market rent for the tenant's accommodation, subject to sub-paragraphs (3) and (4).

(3) If the formula rent is higher than 80% of the weekly market rent for the tenant's accommodation the maximum weekly rent (exclusive of service charges) is formula rent.

(4) The rent of an existing tenant may not be increased by more than CPI + 1% in any year, subject to sub-paragraph (5).

(5) In the year following the end of the rent restriction period the maximum weekly rent for an existing tenant is the 2020 limit.

(6) In this paragraph—

“existing tenant” means a tenant who is not a tenant under a new tenancy;

“gross rent” means the rent inclusive of all service charges;

“market rent” means, in relation to accommodation, an estimate of its market rent inclusive of all service charges at the time the tenancy is granted that is based on a valuation in accordance with a method recognised by the Royal Institution of Chartered Surveyors;

“tenant under a new tenancy” means a tenant who is—

- (a) granted a tenancy of the accommodation for the first time; or
- (b) granted a new tenancy of the accommodation, unless the tenancy follows on from a probationary tenancy.

Revocation and transitional provision

8. The Direction on the Rent Standard 2014—

- (a) is to have no effect in relation to rents from 1 April 2020; and
- (b) is revoked on 1 April 2020.

Signed by authority of the Secretary of State for Housing, Communities and Local Government

Date

Name
Title
Ministry of Housing, Communities and Local Government