



Department for
Communities and
Local Government

Direction on the Rent Standard 2013

Draft for consultation

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The Direction on the Rent Standard 2013

1. The Secretary of State, in exercise of the powers conferred by section 197 of the Housing and Regeneration Act 2008 (“the 2008 Act”) makes the following Direction:

Citation

2. This Direction may be cited as the Direction on the Rent Standard 2013.

Application

3.—(1) The Direction shall apply to standards set by the Regulator in relation to rent for registered providers from 1 April 2015.

(2) Paragraph 5 of the Directions on Regulatory Standards has no effect from 1 April 2015.

(3) Subject to sub-paragraph (4), the Rent Standard set by the Regulator of Social Housing (“the Regulator”) pursuant to this Direction applies to low cost rental accommodation of registered providers but shall not apply to rental accommodation let by private registered providers to which grant has been given on the basis that the accommodation is intermediate rent, or accommodation specified as exempt from the rent influencing regime in the Rent Standard Guidance.

(4) (a) The Rent Standard set by the Regulator pursuant to this Direction shall not apply to rental accommodation let by private 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.

(b) In this sub-paragraph—

“household” means—

the tenant or joint tenants; and

the spouse, civil partner or partner of a tenant where the spouse, civil partner or partner is residing at the rental accommodation.

“household income” means—

(i) the sum of the incomes of the household; or

(ii) where the household consists of two or more persons, the sum of the two highest incomes in the household;

“income” has the same meaning as “total income” as described in section 23 of the Income Tax Act 2007;

“partner” means the person—

(i) where the tenant and the person are of opposite sexes, the tenant and the person are living together as if they were married to each other; and

(ii) where the tenant and the person are of the same sex, the tenant and the person are living together as if they were married to each other or living together as if they were civil partners;

“tax year” means a year beginning on 6 April.

Interpretation

4.—(1) In this Direction—

“CPI” means the general index of consumer prices (for all items) published by the Office for National Statistics or, if that index is not published for any month, any substituted index or index figures published by that Office; and where this Direction refers to CPI, this shall be the figure for CPI for September of the preceding year;

“the Directions on Regulatory Standards” means the Directions on Regulatory Standards made by the Secretary of State on 1 March 2012 and which apply to private registered providers from 1 April 2012;

“let on Affordable Rent terms” means, in relation to accommodation, provided pursuant to a housing supply delivery agreement entered into between a registered provider and the Homes and Communities Agency or the Greater London Authority;

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

“Rent Guidance” means the Guidance on Rents for Social Housing issued by the Government on XXXX and any other guidance issued by the Government in relation to that document;

“Rent Standard Guidance” means the Rent Standard Guidance published by the Regulator in March 2012, and any other guidance issued by the Regulator in relation to that document; and

“set” in relation to a standard, includes revise, and cognate expressions are construed accordingly.

(2) Expressions which are used, but not defined, in these Directions have the same meaning as in the 2008 Act.

(3) References in any document referred to by these Directions to—

- (a) registered social landlords, or cognate expressions, shall be treated as references to private registered providers,
- (b) the Housing Corporation or the Tenant Services Authority shall be treated as references to the Regulator.

Rent

5.—(1) The Regulator must set a standard relating to rent (“the Rent Standard”).

(2) The Rent Standard is to apply to private registered providers only.

(3) In setting the Rent Standard, the Regulator must have regard to the Rent Guidance.

(4) Subject to sub-paragraph (7), from the financial year beginning on 1 April 2015 and for subsequent financial years, the Regulator must set the Rent Standard with a view to achieving the following, so far as possible—

- (a) rents conform with the pattern produced by the rents formula set out in the Rent Guidance (“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%.
- (5) Sub-paragraph (4) does not apply to accommodation let on Affordable Rent terms.
- (6) Subject to sub-paragraph (7), where accommodation is let on Affordable Rent terms, the Regulator must set the Rent Standard with a view to achieving the following, so far as possible—
- (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%,
 - (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).
- (7) 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 meeting existing commitments such as banking or lending covenants, the Regulator may allow extensions to the period over which the requirements of the Rent Standard are met.

For and on behalf of the Secretary of State for Communities and Local Government