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## D I R E C T I O N

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### The Direction on the Rent Standard 2025

The Secretary of State makes the following Direction in exercise of the powers conferred by section 197(1) and (2)(b) of the Housing and Regeneration Act 2008<sup>(a)</sup>.

In accordance with section 197(3) of the Housing and Regeneration Act 2008, in deciding whether to give this Direction the Secretary of State has, in particular, had regard to the Regulator of Social Housing's fundamental objectives.

In accordance with section 197(4) and (5) of that Act, before making this Direction the Secretary of State consulted the regulator, the Greater London Authority, the Housing Ombudsman, 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 2025.
- (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 that registered providers of social housing may charge for low cost rental accommodation that is not accommodation to which the Rent Policy Statement does not apply<sup>(b)</sup>.

#### **Interpretation**

- 2.—(1) In this Direction—  
“affordable rent housing” means—
  - (a) affordable rent housing within the meaning of paragraph 3.3 of the Rent Policy Statement, and
  - (b) accommodation that—
    - (i) has not been converted from social rent housing, and
    - (ii) has been or is to be let on an affordable rent basis as permitted by paragraph 3.4 of the Rent Policy Statement,

(excluding accommodation to which the Rent Policy Statement does not apply);

“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 is a reference to the percentage change in the CPI in the 12 months to the September falling in the preceding financial year;

“existing tenant” means, in relation to particular accommodation, a tenant who is not a new tenant;

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

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(a) 2008 c. 17. Section 197 was amended by Section 25(5)(a) to the Local Democracy, Economic Development and Construction Act 2009 (c. 20), Schedule 12 to the Local Audit and Accountability Act 2014 (c. 2), Schedules 17, 19 and 25 to the Localism Act 2011 (c. 20) and section 5(4) of the Social Housing (Regulation) Act 2023 (c. 36). There are other amendments but none is relevant.

(b) See paragraphs 5.1 to 5.3 of the Rent Policy Statement.

“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—

- (c) “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;
- (d) “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;
- (e) “income” has the same meaning as “total income” as described in section 23 of the Income Tax Act 2007<sup>(a)</sup>;
- (f) “partner”, except in the expression “civil partner”, means a person who—
  - (i) is not married to, or a civil partner of, the tenant or a joint tenant, and
  - (ii) lives with the tenant or joint tenant in the accommodation as if they were married or in a civil partnership;
- (g) “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;

“new tenant” means, in relation to particular accommodation, a tenant who is granted a tenancy of that accommodation for the first time;

“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 for Housing, Communities and Local Government on [x date];

“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;

“social rent housing” is low cost rental accommodation that is not affordable rent housing (excluding accommodation to which the Rent Policy Statement does not apply);

“supported housing” has the meaning in paragraphs 2.37 and 2.38 of the Rent Policy Statement.

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

### **Direction to set a rent standard**

- 3.**—(1) The regulator must set a rent standard that applies from 1st April 2026.
- (2) The rent standard must require registered providers to comply with the rules about their levels of rent set out in paragraphs 5 and 6 of this Direction.
- (3) The regulator must have regard to the Rent Policy Statement when setting the rent standard.

### **Exemptions from the rent standard**

**4.** 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.

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(a) 2007 c. 3. Section 23 has been amended by the Finance Act 2009, the Finance Act 2013, the Finance Act 2014 and the Finance (No. 2) Act 2023.

## **Social rent housing**

**5.**—(1) This paragraph does not apply in relation to the rent of tenants who are high income social tenants.

(2) Subject to sub-paragraph (4), the maximum weekly rent for a new tenant of social rent housing is formula rent with an upwards tolerance of—

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

(3) Subject to sub-paragraph (4), the maximum amount by which the weekly rent of an existing tenant of social rent housing may be increased each year is—

- (a) where  $R1 \leq$  the rent flexibility level—

$$R1 \times (CPI + 1\%);$$

- (b) where  $R1 >$  the rent flexibility level—

$$R1 \times CPI;$$

- (c) where  $R1 + [\pounds1/\pounds2] <$  formula rent—

$$(R1 \times (CPI + 1\%)) + [\pounds1/\pounds2];$$

- (d) where—

- (i)  $R1 <$  formula rent, and

- (ii) paragraph (c) does not apply—

$$(R1 \times (CPI + 1\%)) + (\text{formula rent} - R1).$$

(4) A registered provider must not charge a tenant of social rent housing a weekly rent that is more than the rent cap.

(5) In this paragraph—

“formula rent” means the amount calculated in accordance with the method set out in paragraphs 2.9 to 2.12 of the Rent Policy Statement;

“R1” means the weekly rent for the accommodation in the year preceding the one in which the rent increase will be applied;

“rent cap” means, in relation to accommodation, the amount calculated in accordance with paragraphs 11 and 12 of Appendix A to the Rent Policy Statement.

“rent flexibility level” means—

- (a) 105% of formula rent, or
- (b) if the accommodation is supported housing, 110% of formula rent.

## **Affordable rent housing**

**6.**—(1) This paragraph does not apply in relation to the rent of tenants who are high income social tenants.

(2) The maximum weekly gross rent for a new tenant of affordable rent housing is the higher of—

- (a) 80% of the weekly market rent for the accommodation, and
- (b) the social rent for the accommodation.

(3) The maximum amount by which the weekly rent of an existing tenant of affordable rent housing may be increased each year is—

$$R1 \times (CPI + 1\%).$$

(4) In this paragraph—

“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;

“R1” has the meaning given in paragraph 5(5);

“social rent” means, in relation to accommodation, the amount of rent that a new tenant of the accommodation could be charged under paragraph 5 if the accommodation were social rent housing.

### **Disapplication of requirement for the regulator to consult**

**7.**—(1) The requirement to consult under section 196 of the Housing and Regeneration Act 2008 before setting, revising or withdrawing a rent standard is disapplied in relation to—

- (a) matters mentioned in this Direction;
- (b) matters mentioned in the Rent Policy Statement;
- (c) matters mentioned in the rent standard dated April 2020, insofar as they relate to rents in the period from 1 April 2020 to 31 March 2026;
- (d) the withdrawal of the rent standard dated April 2020 (or any part of it);
- (e) matters mentioned in the rent standard dated April 2023, insofar as they relate to rents in the period from 1 April 2023 to 31 March 2024;
- (f) the withdrawal of the rent standard dated April 2023 (or any part of it).

### **Revocation and transitional provision**

**8.** The Direction on the Rent Standard 2019 and the Direction on the Rent Standard 2023—

- (a) are to have no effect in relation to rents from 1st April 2026, and
- (b) are revoked on 1st April 2026.

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

	<i>Name</i>
	Title
Date	Ministry of Housing, Communities and Local Government