

The logo consists of a blue shield-like shape with a white border. Inside the shield, the letters 'DTP' are written in a bold, white, sans-serif font. The shield is positioned on the left side of the slide.

DTP

Acuity

The Rent Standard

23 November 2021



Content



- What are the regulations (and the legislation)?
- What do we need to know?

Relevant
legislation
and
regulations



Regulator of
Social Housing



Rent regulation



- Rent setting - it is technical and complex
- Fundamental requirement of being a Registered Provider
- There have been significant changes in recent years
- There are different standards for different tenures
- There is specific terminology
- Data quality and controls are paramount
- The Regulator's focus is on safeguarding viability, affordability and best use of public funds (controlling welfare spending)
- Issued Addendum to Sector Risk Profile in March 2020



Rent regulation



- The Board requires assurance that you are compliant - not required to scrutinise the detail
- Officer led certification – across each relevant area of regulation & legislation
- Periodic external validation
- Periodic external audit
- Have in place an accurate rent policy – application to different tenures, exemptions, approach to market rent review, supported housing exemptions, use of flexibility etc.
- Review of rent policy on an annual basis



Housing and Regeneration Act 2008

- Provides the definition of “social housing” in section 68, means low cost rental accommodation, defined by section 69:
Accommodation is low cost rental accommodation if: (a) it is made available for rent,
(b) the rent is below the market rate, and (c) the accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market.
& low cost home ownership accommodation (defined by section 70)
- Often forgotten and **fundamental to compliance**



RSH Governance & Financial Viability Standard, 2015

Requirement to:

- Adhere to all relevant law
- Certify compliance with the Standards

Links to principles of:

- Rent setting being fundamental to financial viability
- Value for money
- Robust systems of risk management & internal controls



Rent legislation



MHCLG Policy Statement on Rents for Social Housing last updated February 2019

- Key document - sets out Government Policy which is reflected in the Rent Standard & legislation

Some policy detail for
reference purposes



MHCLG Policy Statement



- Initial rent on properties let at social rent must be no higher than **Formula Rent** (subject to flexibility)
- Formula rent = 70% national average rent (at April 2000) x relative county earnings (1999 levels) x bedroom weighting plus 30% national average rent x relative property value (January 1999)
- Formula rent is then up-rated for each year using the relevant uplifts - set out in the Statement
- Subject to a rent cap – set out in the Statement
- Flexibility based on local circumstances and affordability up to 5% (10% for supported). Use must be set out in your own rent policy



MHCLG Policy Statement



- Covers **Affordable Rent** – only by formal supply delivery agreement with Homes England / GLA / Secretary of State
- Rent, inclusive of service charges must not exceed 80% of gross market rent
- Cannot be lower than potential formula rent for the property
- Use RICS valuation methodology – do not need to review on every re-let (have in place a rolling schedule)
- Annual increase not more than $CPI + 1\%$



MHCLG Policy Statement



- Guidance on **conversion of tenures** – social rent remains social & cannot become affordable rent (unless agreed as above), market or intermediate rent
- Affordable rent cannot be converted to market rent or intermediate rent
- Provides definition of **supported housing**
- Provisions for **social tenants with high incomes** – RPs are not expected to adhere to this



MHCLG Policy Statement



- Sets out guidance on **property valuations** – RICS Red Book. Can be generic valuations for similar stock.
- Guidance on **Fair Rents** – must not be charged more than the lower of that set by Rent Officer and Formula Rent; cannot increase by more than CPI +1% (even if below Formula)



MHCLG Policy Statement



Does not apply to:

- Shared ownership
- Intermediate rent
- Specialised supported housing
- Student accommodation
- PFI social housing
- Temporary social housing
- Care homes

All are fully defined in the Policy Statement – with clear criteria for exemptions (more of which later)

Other legislation & the Rent Standard



Welfare Reform and Work Act 2016 (WRWA)

- Effective since 2016/17, essentially introduced the 1% rent decrease (with some exceptions) for 4 years (“the social rent reduction”)
- For supported housing the 1% decrease applied for 3 years 2017/18 to 2019/20
- Reiterates a lot of the Government Policy Statement.
- Provides the schedule of Formula Rents applicable since 2001 for rents for social housing



- Sets out criteria for **exceptions and exemptions** – specialised supported housing (SSH) and temporary social housing (TSH). Detailed requirements (no public funding and evidence of health / social care / local government commissioning - not HB eligibility)
- **An audit trail of evidence for each of the criteria** is fundamental to compliance
- Restates definitions of Affordable Rents



Rent Standard



RSH Rent Standard April 2020

- Enabled maximum rent increase of up to CPI (Sept of prev year) plus 1% for social and affordable rents for a period of at least 5 years
- Did not remove the statutory obligation to complete the 4 year social rent reduction – if this was not complete at 31 March 2020, it has to be completed before applying the increase
- Board must consider local market and affordability in implementing the increase (bear this in mind for the 2022 increase)



Rent Standard



- Must adhere to the limit even if the current rent is below Formula Rent – can only move to Formula Rent when the property is re-let (subject to the rent cap)
- If rent exceed flexibility - cannot increase by more than CPI until brought within flexibility level and must set rent than does not exceed Formula (plus flexibility) when re-let



Rent Standard



- For the first year of the increase, RPs have to calculate the maximum rent increase for existing social & affordable tenants using a “2020 limit” to manage the transition from rent decreases to uplifts
- Baseline average weekly rent payable in respect of the fourth and final year of the social rent reduction (since last re-let)
- Provides for a time limited exemption if the Standard jeopardises the RPs financial viability



Service charges



Service charges (not covered here)

- Via the tenancy agreement or lease and the Landlord & Tenant Act 1985
- Service charges should be linked to actual costs
- Charges must be reasonable and transparent
- Tenants must have clear information
- Social rents must be separated from service charges elements
- RP's must aim to keep increases within CPI + 1%

Any
questions?

