

## Decision under Delegated Powers

### New Rent Standard from 2020 - Consultation Response

#### Officer Requesting Decision

Beverly Wagstaffe, Housing Strategy and Support Manager

#### Officer Making the Decision

Alison Simmons, Head of Strategic and Private Sector Housing

#### Recommendation

1. That the Council responses to the Regulator of Social Housing consultation on the New Rent Standard from 2020 as detailed in Appendix A.

#### Reason

1. To ensure that the Council's views are considered by the Regulator of Social Housing before the New Rent Standard is implemented.

#### Authority for Decision

Under section 8.2 of the Constitution the Head of Strategic and Private Sector Housing has delegated authority to respond to consultation documents in relation to those Council functions for which she has responsibility, in consultation with the relevant Lead Member.

#### Decision and Date

Signed: 

16/9/2019

Dated:

Head of Strategic and Private Sector Housing

#### Background

In October 2017, the Government announced that at the end of the Welfare Reform and Work Act it would return to annual rent increases of CPI + 1% up to 2025, implemented through the Regulator's Rent Standard rather than through legislation.

In February 2019, The Secretary of State for Housing, Communities and Local Government issued direction to the Regulator of Social Housing to set a new Rent Standard from 2020.

On 7<sup>th</sup> May 2019, the Regulator opened a consultation on the New Rent Standard from 2020, closing 30<sup>th</sup> July 2019.

The proposed Rent Standard sets out expectations relating the following areas:

- The 2020 Limit
- Rules on Social Rent (including fair rent)
- Rules on Affordable Rent
- Movement between different types of rent

The consultation seeks views on the whether the proposed New Rent Standard reflects the Government's requirements and gives appropriate clarity about the rules on rent.

The Head of Strategic and Private Sector Housing has consulted with the Lead Member for Housing and the Council's Group Accountant responsible for calculating social rents charged by the Council.

### **Risk Management**

No risks have been identified with this decision.

### **Key Decision:**

No

### **Background Papers:**

The Regulator of Social Housing consultation paper available at:  
<https://www.gov.uk/government/consultations/consultation-on-a-new-rent-standard-from-2020>

# consultation response

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## NEW RENT STANDARD FROM 2020

This briefing paper considers the Regulator of Social Housing consultation paper on a new Rent Standard from 2020, published on 7<sup>th</sup> May 2019, closing the 30<sup>th</sup> July 2019.

### Introduction

In 2016, Parliament passed the Welfare Reform and Work Act, which together with Regulations made under it, created legislation resulting in Social Rents being reduced by 1% per year until 2020.

In October 2017, the Government announced that at the end of the Welfare Reform and Work Act it would return to annual rent increases of CPI + 1% up to 2025, implemented through the Regulator's Rent Standard rather than through legislation.

In September 2018, further details of the proposed rent regime for 2020 to 2025 were issued in the form of a Rent Policy Statement. This Policy Statement indicated that, for the first time. The Regulator would be regulating the rents of Local Authority Registered Providers as well as Private Registered Providers (RPs). This means from April 2020 the Council will need to report details of the rents charged to the Regulator for Social Housing. The format of how rents are to be reported is currently not known. However, in advance of the new Rent Standard coming into effect Local Authorities will have the opportunity to submit data in a pilot year to facilitate a smooth transition.

The proposed Rent Standard sets out expectations relating the following areas:

- The 2020 Limit
- Rules on Social Rent (including Fair Rent)
- Rules on Affordable Rent
- Movement between different types of rent

## 1. Proposed Rent Standard

### Exceptions to the proposed Rent Standard

The Rent Standard does not apply to the following categories of property:

- Shared Ownership
- Intermediate Rented Accommodation
- Specialised Supported Housing
- Relevant Local Authority Accommodation - this is where the Secretary of State has agreed with a Local Authority that it would be inappropriate to apply the rent policy to a property as it would cause the Authority unavoidable and serious financial difficulty
- Student Accommodation
- Private Finance Initiative (PFI) Social Housing
- Temporary Social Housing
- A property let to a high income social tenant - this is where a property is let at market rents

### 2020 Limit

A new mechanism called the 2020 Limit has been introduced to act as the baseline for the CPI + 1% increase whilst protecting the rent reductions of the previous 4 years. The 2020 Limit is the average weekly rent charged in 2019/2020 and then increased by CPI+ 1%.

### Social Rent

Where accommodation is not Affordable Rent housing the maximum weekly rent for a tenant who is granted a tenancy for the first time is the Formula Rent excluding any service charges.

However, subject to the 2020 Limit, the weekly rent of any existing tenant may not increase by more than CPI + 1% in any year or exceed the rent flexibility of 10% of Formula Rent if supported housing or 5% if not supported housing.

## Affordable Rent

Where Affordable Rent is being charged, the maximum rent inclusive of service charges for a new tenant is 80% of the market rent. Where an existing tenant is being charged an Affordable Rent, this may not increase by more than CPI + 1% in any year.

Currently, the Council does not let any properties at Affordable Rent.

## Movement between different types of rent

Properties relet where the former tenancy was subject to a fair rent protection ends or occupied by a high income social tenant should be let at a Social rent or Affordable Rent. There are no properties let by the Council that fall under this category.

Social Rented properties may not be converted to Affordable Rent, Market Rent and Intermediate Rent unless they meet specific circumstances set out in the Rent Policy Statement.

Affordable Rented properties must not be converted to Market Rent or Intermediate Rent unless they meet specific circumstances set out in the Rent Policy Statement.

A copy of the Rent Policy Statement is available at:

<https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020>

## Consultation Question 1

Do you consider that the Regulator has accurately reflected the requirements of the direction in the proposed 2020 Rent Standard?

## Proposed Council Response

Yes, they are clear and accurate.

## Consultation Question 2

Do you agree that the proposed 2020 Rent Standard, when read alongside the Policy Statement, gives Providers an appropriate level of clarity about the rules on rent with which they will be required to comply?

## Proposed Council Response

The proposed standards offer all the necessary information to comply.

### Consultation Question 3

Do you have any other comments in relation to the proposed 2020 Rent Standard?

#### Proposed Council Response

To provide certainty of rental income and to facilitate Business Planning, RPs and Councils require long term certainty of how rents will be calculated. Therefore, a commitment to how the rents will be calculated beyond the minimum of 5 years would be welcomed. They should be retained for a period longer than 5 years because it gives the sector the confidence to invest.

### Consultation Question 4

Do you agree with the conclusion of the Business Engagement Assessment including equality analysis?

#### Proposed Council Response

No. To be fair to all RPs the Business Engagement Assessment should consider the impact on Local Authority Registered Providers as well as Private Registered Providers.