

# New Rent Standard

HMB January 2020

**Housing and Landlord Services**

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# Social housing rent regulation and legislation

- 2015 Rent Standards: convergence
- April 2015 CPI\* + 1% for 10 years
- Replaced in July 2015
- Welfare Rights and Work Act 2016: 4 years of annual 1% reduction
- Significantly reduced HRA budget and business plan

\*Consumer Price Index

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# What has happened so far

- Nov 2018 – consultation on new direction
- Feb 2019 - direction to the Regulator of Social Housing (RoSH) to set a Rent Standard
- May 2019 - consultation on New Rent Standard
- Nov 2019 - final version of Rent Standard issued

# Key Issues

- The RSH will now regulate rents charged by social housing stock-owning local authorities (LA registered providers)
- Rent increases on social rent and affordable rent properties restricted to a maximum of CPI+1% annually from 2020 for a period of at least five years

# Summary of the standard

- April 2020 rents increase by a maximum of CPI+1%
- Individual rents cannot increase:
  - Above the rent cap
  - Above the 2020 limit
- Landlords can apply 5% flexibility on formula rents (10% on supported housing)
- There are exclusions to the standard
- Recommended CPI+1% limit for service charges

# Formula rents

- Pre-determined formula for calculating social rents based on 1999 property values
- Housing and Landlord Service apply formula rents to properties when they are let
- 2020 only: rents that are higher than formula plus flexibility, if used, can only increase by CPI
- Currently identifying if any rents are above formula

# Rent cap

- 2019/20 average BCC rent £80 excluding service charges (aprox 33% of market average)
- 2019/20 rent caps:
  - One bedrooms - £141.43
  - Two bedrooms - £149.74
  - Three bedrooms - £158.06
- The 2020 average rent level is being evaluated

# Rent Flexibility

- 5% general needs and 10% supported housing
- Only applied to formula rent at relet
- Providers should ensure that there is a clear rationale for doing so which takes into account local circumstances and affordability.
- Factors:
  - What are the rent levels
  - How do rent levels compare to formula and Affordable Rent/ Market Rent/ Benefit caps



# Exclusions

- Shared ownership low cost rental accommodation
- Intermediate rent
- Specialist supported housing
- Relevant local authority accommodation
- Student accommodation PFI social housing
- Temporary social housing
- Care homes

# Exclusions and BCC

- Specialist supported housing – must be provided by a private registered provider
- Relevant local authority accommodation - prove that applying the rent policy would cause the authority unavoidable and serious financial difficulty, requires Secretary of State approval
- Temporary social housing - the local authority holds the social housing on a lease or a licence which has a term of more than two years and fewer than 30 years.

# Impact on 2020 HRA budget

- 2019/20 rental income forecast was £113.3m
- 2020/21 forecast, TBC, will not be 2.7% higher as:
  - The 2019/20 forecast was too high
  - 2019/20 was a 53 week rent year
  - Stock numbers will have decreased slightly, as more properties lost through RTB than built/replaced

# Regulation

- Co-regulation, outcome based standards
- Annual reporting to RoSH regarding rent levels
- Expectation regarding compliance
- In-depth assessment can be carried out if irregularities identified
- RPs subject to Financial Standard regulation must proof they deliver Value for Money, includes maximising income opportunities

# 2020 rent review

- Opportunity to increase rents in order to deliver:
  - One for one replacements of homes lost through RTB through new development, preemptions and acquisitions
  - Replacement of ‘poorly performing stock’
  - Retrofitting to reduce carbon emissions
  - Respond to new building safety regulations/outcomes from Grenfell enquiry
  - Priorities for service improvements identified in the recent tenant survey

# Bristol rents comparison

Local Authority	Rent level (2017/18) £
Bristol	80.30
Bournemouth	84.15
Poole	85.18
Southampton	85.87
Wiltshire	89.23
Cambridge	101.27
Oxford	106.10

# 2020 rent review recommendations

- Increase rents and service charges by CPI plus 1%, inline with the new standard
- Explore the use of flexibility on formula rents, to be applied when properties are relet

