

9/2018 Rents for social housing from 2020/21



28/9/18

Key Points

- On 13 September the Government issued for consultation proposals on the regulation of rents for social housing from April 2020; the deadline for responses is Thursday 8 November 2018.
- The Government proposes to issue a direction to the Regulator of Social Housing on the content of a new rent standard that would apply to both local authorities and private registered providers; subject to the outcome of the current consultation, the Regulator would consult on a draft standard with a view to bringing it into force from April 2020.
- The new rent standard would specify that social rents should be set in accordance with the formula established in 2001, with flexibility to set rents up to 5% above formula, or 10% above formula in the case of supported housing. From April 2020, registered providers will be allowed to increase rents by up to CPI + 1% annually for at least 5 years. In the first year, this limit will apply to the increase in average weekly rent; subsequently it is proposed to apply to individual property rents.
- In the few cases where local authority social rents in March 2020 are higher than formula rents (including flexibility), the landlord would be expected to reduce them to the formula level when they are re-let; if not re-let, rent increases would be limited to CPI (without the additional 1%) until they converge with the formula level.

Background

Most local authority rented properties are let on 'social' rents calculated in accordance with a formula introduced by Government in 2001. The relevant formula was set out in guidance to which local authorities were expected to have regard, but not required to follow. Until 2016, effective control of local authority rents was achieved indirectly through the Housing Benefit system, limiting the payment of housing benefit subsidy to a Limit Rent set annually by DWP. The rents charged by private registered providers, in contrast, were required to comply with a standard issued by the Social Housing Regulator and its predecessors. From April 2016, registered providers were required to reduce almost all rents by 1% a year for a period of 4 years ending in March 2020. In October 2017 the Government announced that, from April 2020, registered providers would be allowed to increase rents annually by up to 1% above the increase in Consumer Prices. This consultation details how that announcement will be implemented

Regulation of local authority housing

At present local authority registered providers (local authorities with retained stock) are expected to comply with the consumer standards set by the Social Housing Regulator, but not the economic standards, including the rent standard. However, because the Government does not believe that the current arrangements for controlling local authority rents through the 'limit rent' system will work as Universal Credit is rolled out, it is proposing to bring local authorities within the remit of the rent standard from April 2020. It is consulting on a draft direction to the Social Housing Regulator to draw up a new rent standard and a draft Policy Statement to which the Regulator would be required to have regard in drawing up the new standard. The new standard would apply to both local authorities and private registered providers. Subject to the outcome of the current consultation, the Regulator would consult on a draft standard with a view to bringing it into force from April 2020. Once the new standard is in force, local authorities would continue to claim Housing Benefit Subsidy as they do now, but this will no longer be subject to Rent Rebate Subsidy Limitation.

Social rent policy



The draft direction and Policy Statement specify that social rents should be set in accordance with the formula established in 2001, with flexibility to set rents up to 5% above formula, or 10% above formula in the case of supported housing. From April 2020, registered providers will be allowed to increase rents by up to CPI + 1% annually for at least 5 years. In the first year, this limit will apply to the increase in average weekly rent; subsequently it is proposed to apply to individual property rents.

In the few cases where local authority social rents in March 2020 are higher than formula rents (including flexibility), the landlord would be expected to reduce them to the formula level when they are re-let; if not re-let, rent increases would be limited to CPI (without the additional 1%) until they converge with the formula level.

The Social Rent policy, as described, would not apply to properties let on Affordable Rents, intermediate or market rents, or to shared ownership properties. Nor would it apply where a tenant's household income exceeds £60,000, where the local authority would retain the discretion to charge a higher rent, up to the market level.