

WELSH GOVERNMENT RENT AND SERVICE CHARGE STANDARD 2020-2025

1. Introduction

Social housing remains a top priority for government. Good quality housing can impact positively on health, mental health and education, which is why this government is committed to rapidly increasing the supply of social houses across Wales.

The Independent Affordable Housing Supply Review (AHSR) carried out in 2018 made a number of key recommendations relating to Rent Policy, and rightly placed the needs of tenants and affordability at the heart of their recommendations.

The Welsh Government has taken on board the recommendation of the AHSR and this document sets out the Welsh Government's Standard for Social Housing Rents and Service Charges (Rent and Service Charge Standard) that social landlords will need to adhere to until 2025. It is recognised that having a long term agreement on how social rents and service charges can be set each year, will provide certainty to tenants about rent levels, and also to social landlords to support the financial borrowing they require to help deliver more affordable homes.

In recognition of the greater stability and certainty provided by this standard on rents, a number of joint initiatives have been agreed with the representative organisations (WLGA and CHC) which will further evidence the commitment shared for building additional homes, shaping communities and contributing to the wider social and economic objectives. Details of those initiatives are outlined in part 3 of the document.

There must be a clear balance between the interests of landlords and residents. Affordability for tenants must take into account the whole cost of living in a property e.g. rent, service charges and energy costs of properties, and landlords will be expected to consider these costs when setting rents each year. Affordability for tenants is the key to this Rent and Service Charge Standard.

PART 1 of this document sets out the Welsh Government's Rent and Service Charge Standard (formally known as the rent policy) and the set of rules which must be complied with. **PART 2** contains the associated guidance to the standard and rules and **PART 3** outlines the wider jointly agreed initiatives with the sector but does not form part of the standard.

PART 1 – RENT AND SERVICE CHARGE STANDARD AND RULES

Standard

Rent and service charges are affordable for current and future tenants.

All social landlords in Wales must comply.

The Welsh Ministers have set the Social Housing Rent Standard pursuant to section 111 of the Housing (Wales) Act 2014 (the 2014 Act). All **Local Housing Authorities** in Wales must comply with the Social Housing Rent and Service Charge Standard, rules and guidance. The rules set out are pursuant to s111 (3) (a) and (b) of the 2014 Act and guidance is issued under s112 (1) (a) and (b).

The Welsh Ministers have also set standards to be met by **Registered Social Landlords** (The Regulatory Standards) under section 33A of the Housing Act 1996 (the 1996 Act). All RSLs must comply with Social Housing Rent and Service Charge Standard (RS5), rules and guidance. The rules set out are pursuant to s33A (2A) of the 1996 Act and guidance is issued under s33B (1) (a) and (b).

The standard (and the former rent policy) applies for a period of 5 years from 6th April 2020-21 to 31st March 2024-2025 and applies to all “social landlords”¹. It is relevant to general needs housing and sheltered housing regardless of whether it was funded by grant or from landlords own resources.

Rules - to be complied with under Section 111 (3) (a) and (b) of the 2014 Act and Section 33A (2A) of the 1996 Act.

- CPI+1% is the **maximum overall** increase allowable in any one year but CPI+1% **must not** be regarded as an automatic uplift to be applied by social landlords.
- Individual tenants’ rents can be reduced, frozen or rise by “up to an additional £2” per week on condition that the social landlords overall increase in rental income is no greater than CPI+1%.
- Should CPI fall outside the range of “0% to 3%”, the responsibility will rest with the Welsh Ministers to determine the appropriate uplift to be applied for that year.
- Social landlords must advise the Welsh Government as soon as is reasonably practicable if there are concerns about the impact of the rent standard on their business plan, financial viability, or in their ability to meet their obligations to tenants and lenders.

¹ The terms “social landlords” in this document refer to Registered Social Landlords (RSLs) that are registered with and regulated by the Welsh Government and local housing authorities who have retained their housing stock or who may open a housing revenue account in the future.

- Social landlords are expected to **set service charges which are reasonable and affordable**. Landlords are required to review service charges annually, ensure they provide value for money for tenants and are affordable. Landlords are required to list their service charges separately to the rent to allow for transparency to tenants.
- As part of their annual decision on the level of rent uplift/reduction to be applied social landlords should make an assessment of cost efficiencies, value for money and affordability for tenants which should be discussed at the Board/Cabinet/Council and reported in the self certification monitoring form in **Annex B**.

This standard and associated rules provides social landlords and tenants with long term certainty about rent and service charge increases. It will allow social landlords to plan effectively in terms of their borrowing and development programmes.

PART 2 – RENT AND SERVICE CHARGE STANDARD – GUIDANCE

This standard for social housing rents and service charges is a framework that applies to all social landlords and consistently reflect variations in the type size, quality and location of each landlord’s housing stock.

The responsibility for setting the rents and service charges for individual homes will remain with individual landlords as is currently the case. This is because there are important localised issues that landlords need to take into account when setting rents and service charges for individual homes which inherently cannot be adequately reflected in any wholly centralised rent and service charge standard regime.

The rent and service charge standard applies to all general needs and sheltered housing funded through Welsh Government programmes or provided from a landlord’s own resources.

Exemptions to the standard are referenced in **Annex A**.

1. Target Rent Bands

The Target Rent Bands are suspended for the time being following discussions with WLGA and CHC due to the disruption of data collection caused by the coronavirus pandemic. The future role of the target bands will be decided in collaboration with the sector going forwards.

2. Bungalows

In the 2015 rent policy consideration was given to how bungalows should be treated and as such data has been collected to ensure adequate information was available. The Welsh Government’s Knowledge and Analytical Services modelled this information using a range of weightings and the conclusions drawn were that the additional weightings did not introduce sufficient flexibility and would have an

adverse impact upon the rent policy for most landlords and therefore it is not beneficial to the sector to treat bungalows separately. **It is worth noting that landlords already have the flexibility within the rent standard to decide what is appropriate for their stock and tenants and whether bungalows should attract a higher rent.**

It has therefore been agreed that, for the purposes of this rent and service charges standard, houses and bungalows will continue to be treated the same as other house types.

3. Mechanism for annually uplifting rent levels

Subject to section 5, the Welsh Government will review the standard every 5 years. Social landlords will be notified of the annual increase as soon as practicable following confirmation of the September CPI figure published in October each year by the Office of National Statistics. However, if CPI should fall outside the range of 0% to 3%, the Welsh Ministers will determine the appropriate change to rent levels to be applied for the following year only.

4. Monitoring of the Rent and Service Charges Standard

Affordability is at the heart of this standard and as such there are clear expectations of RSL Boards and Local Authority members to demonstrate how they would deal with the impact of rent and service charges changes on their tenants' incomes. Social landlords will have to demonstrate how they are mitigating and managing risks to tenants' income, and these will be closely monitored by officials.

Monitoring returns will need to be submitted to Welsh Government in February every year to demonstrate compliance with the Standard. The first return will be due in April 2022 and then every February thereafter. The returns will be on a Welsh Government template at **Annex B**.

To demonstrate compliance with the Standard, assurance will be required in the following areas as a minimum:

- Effective tenant engagement and consultation including the methodology and outcome/responses
- Demonstrating affordability is at the centre of the decision making process for setting rent and charges for services, Boards and Local Members need to provide assurance their charges are not placing tenants in hardship.
- The options considered and the rationale for the rent and service charge setting decision
- A record of the report and minute/resolution approving the rent setting decision
- An assessment of cost efficiencies proposed across the organisation

5. Revision

The Welsh Ministers may at any time, subject to consultation, revise or withdraw the provisions set out in this Standard and guidance.

PART 3 – JOINTLY AGREED INITIATIVES

As agreed with Community Housing Cymru and the Welsh Local Government Association, as representative bodies, all social landlords are to:

- Strengthen your approaches designed to ensure you minimise all evictions and deliver on a new agreement not to evict into homelessness;
- Undertake a standardised tenant satisfaction survey and provide data for publication on a single central website to assist tenants in scrutinising and comparing landlord performance. The first survey results to be available for publication by April 2022 and surveys to be carried out at least bi-annually thereafter. The standard survey questions and required methodology to be determined by the Welsh Government;
- Build on the commitment to deliver high quality homes which comply with the new housing quality standard “WDQR 2021” across all tenures on sites which attract Welsh Government funding.
- Continue to work towards an aspiration that all new build housing, regardless of tenure, achieves energy efficiency standards of no less than EPC A on sites which attract any Welsh Government funding.

Key Contacts

This Rent and Service Charge Standard has been produced in collaboration with Community Housing Cymru and Welsh Local Government Association.

If social landlords consider that any financial viability issues are identified, they need to raise the matter with:

Local Authorities: HousingQualityStandards@gov.wales

RSLs: HousingRegulation@gov.wales

ANNEX A – Properties excluded from the Social Housing Rent Standard

The Social Housing Rent and Service Charge Standard shall not apply to the following property types owned or managed by Social Landlords:

Other Social Housing

- extra-care housing;
- other supported housing;
- any housing units which are not self-contained;

Other Non Social Housing

- housing let at intermediate rent levels;
- housing let at market rent levels;
- Shared ownership, homebuy, flexible tenure for the elderly;
- non-residential properties;
- leased dwellings which includes those leased to temporarily house the homeless;
- dwellings that are managed by a social letting agency;
- properties where the Social Landlord has sold the leasehold (through right to buy, right to acquire or otherwise) but retains the freehold;
- residential care homes;
- nursing care homes;
- residential investment properties;
- student accommodation;
- Vacant dwellings awaiting demolition or disposal where formal agreement by the Board/Council has been obtained.
- Other specialised forms of provision subject to the consent of the Welsh Government

ANNEX B – Self Certification Monitoring Template

Welsh Government Social Housing Rent Standard

Annual Self-Certification Monitoring Return

This form is in two parts, part one (mandatory) refers to compliance with the rent standard and part two (voluntary) relates to information required as part of the wider rental agreement agreed.

The form is to be completed by all social landlords.

- **Please return the form to Welsh Government by 28 February 2023 to HousingQualityStandards@gov.wales**

| | |
|--|------------|
| Name of Social Landlord | |
| WG RSL registration number (if applicable) | |
| Date return completed | DD/MM/YYYY |

PART ONE (MANDATORY): Please answer all the following Questions relating to your rental income

| Questions for the year APRIL 2022/23 | |
|---|--|
| Q1. Please confirm the overall percentage increase you applied to your rents at April 2022 and stock numbers on the 31 st March 2022. <i>(Please note - Welsh Government Rent Standard permits a maximum ceiling of 3.1% (CPI only) for 2022/23)</i> | |
| Q2. Please confirm that the level of rent for an individual tenant did not rise more than CPI plus an additional £2 | |
| Questions for year APRIL 2023/24 | |
| Q3. Please indicate the estimated gross annual rental income for 2023-24 for general needs and sheltered self-contained dwellings based on revised rents at April 2023 and stock numbers on the 31 st March 2023 <i>(Definition of 'estimated gross annual rental income' is the rental income you expect to receive for your whole portfolio of</i> | |

| | |
|--|--|
| <i>properties, including any new builds you are anticipating in year, and regardless of whether properties are occupied or void)</i> | |
| Q4. Please confirm the overall percentage increase YOU INTEND to apply to your rents at April 2023 | |

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| Q5. Please confirm you have a local rent and service charge policy in place. |
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| <p>Q6: Please outline the factors you considered when assessing affordability when you set your rents and service charges for the 2023/24 rent year. Include details of how affordability for your tenants was taken into account and influenced the approach taken.</p> <p><i>Please limit your answer to 500 words</i></p> |
| |
| <p>Q7: Please outline the tenant involvement (engagement, consultation and feedback) undertaken and how feedback received has influenced your rent setting policy for the 2023/24 rent year.</p> <p><i>Please limit your answer to 500 words</i></p> |
| |

Q8: Please state the date your Board/Council/ Committee made or ratified the final decision on your rent setting for 2023/24

DD/MM/YYYY

Q9: Please explain how your annual assessment on operating costs and cost efficiencies has impacted on your rent setting decision for April 2023/24
Please limit your answer to 500 words

Q10: Please provide any other comments or raise an issue in relation to your rent setting exercise for April 2023/24
Please limit your answer to 500 words

PLEASE NOTE WE MAY ASK FOR FURTHER INFORMATION OR CLARIFICATION ON ANY OF THE ABOVE MATTERS

PART TWO – Voluntary

Please provide an update on the following jointly agreed initiatives:

a) End all evictions into homelessness

Q11: Please confirm that you are strengthening your approaches designed to ensure you minimise all evictions and deliver on a new agreement not to evict into homelessness

Q12: If you would like to provide further details please do so here:

b) Undertake a standardised tenant satisfaction survey

Q13: Confirm that you will complete a tenant satisfaction survey, including the core questions, for submission by 28th February 2023

c) Standards

Q14: Please confirm that all new build development financed by Welsh Government Housing Capital Funding, will comply with the new housing quality standard “WDQR 2021” across all tenures on sites.

d) EPC A

Q15: Please confirm that all new build financed by Welsh Government Housing Capital Funding will achieve energy efficient standard of EPC A and above.

| | |
|------|--|
| Name | |
|------|--|

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| Position | |
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This must be either the Section 151 Officer for a Local Authority or the Director of Finance for a Registered Social Landlord

| | |
|------|--|
| Date | |
|------|--|

Please submit your return to: HousingQualityStandards@gov.wales by 28 February 2022