



Affordable Rent Setting Policy

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[Title]			
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Lead officer	Click here to enter text.	Review date	Click here to enter a date.
Contact	Click here to enter text.	Effective date	Click here to enter a date.

1. Aims of the Policy

1.1 The purpose of this policy is to provide a framework for how Eastleigh Borough Council Affordable Housing Service (the Council) sets and reviews the rent levels of its properties. [It will detail how the Council aims to balance the need to maximise income to pay for essential services such as repairs and maintenance and support for tenants whilst keeping rents affordable.](#)

As a new landlord of affordable homes the Council will look to review this policy as and when is required to ensure it reflects the ~~needs and includes the opinions of tenants~~ [concerns of the tenant scrutiny group. The Council is a firm but fair landlord that will ensure it collects rents promptly to protect the Housing Revenue Account and its tenants.](#)

1.2 Through the standards set out in this policy and adherence to legislation, the Council will be able to ensure that:

- The rent charges reflect the amenities of the property
- The rent charges consider individuals' circumstances [should their income levels go up or down](#)
- [Tenants are aware of the rental weekly charges at the start of their tenancy and any changes that may be implemented in April of each year](#)
- [Tenants are aware of the importance of paying rent promptly and the consequences if they don't.](#)
- The Councils Affordable Housing Service (the Council) can plan for future housing and further invest in its existing properties.

2. Background

2.1 Registered providers must be compliant with a new Rent Standard - The Rent Standard applies, subject to the exceptions in 4. below, to 'low-cost rental' accommodation, as defined by section 69 of the Housing and Regeneration Act 2008.

2.2 Registered providers must set rents from 1 April 2020 in accordance with the Government's Policy Statement on Rents for Social Housing 2019 (hereafter Rent Policy Statement)

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf

which can be found on the Ministry of Housing, Communities and Local Government (MHCLG) website.

<https://www.gov.uk/government/organisations/ministry-of-housing-communities-and-local-government>

3. Legislative Requirements

This policy is laid out in accordance with the following legislation and Government policies/guidance:

- Housing Act 1985
- Local Government and Housing Act 1989
- MHCLG Rent Policy Statement 2019

Commented [SA1]: I would take this out as any increase will never reflect the opinion of the tenants!

Commented [ES2R1]: Not directly but if we have a constituted scrutiny group they will want to be involved - doesn't mean we do what they say but we just give good reasons as to why we cant.

Commented [BP3R1]: Taking into account previous comments I would suggest changing this to something like "reflects the concerns of the Tenants scrutiny group" Removes opinions which we'd never meet but allows tenants to be involved?

Commented [SA4]: This suggests a person would have their own specific charge depending on need....feels like this would never happen?

Commented [ES5R4]: This refers to those tenants that hit the high income threshold. And perhaps when they drop down under it again.

Commented [BP6R4]: I feel this one could be used against us on an individual basis. Understand the threshold bit and what its trying to achieve but think the wording is too vague and can be misinterpreted.

Commented [SA7]: I wouldn't include links to external sources as we have to check they are correct!

Commented [SA8R7]: Just say where to find it

Commented [ES9R7]: No problem, I go for the Gov documents on the gov.uk website. I was asked to add these to the last policies

- Regulator of Social Housing Rent Setting Guidance
- The Housing and Regeneration Act 2008
- Regulator of Social Housing Rent Standard
- Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016
- Welfare Reform and Work Act 2016
- Equality Act 2010
- Human rights Act 1998

4. Exclusions from Rent Standard

4.1 The Rent Standard applies to 'low-cost rental' accommodation. However it does not apply to the following categories of property, as defined in Chapter 5 of the Rent Policy.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf

- Shared ownership low-cost rental accommodation
- Intermediate rent accommodation
- Specialised supported housing
- Relevant local authority accommodation*
- Student accommodation
- Private Finance Initiative (PFI) social housing
- Temporary social housing
- Care homes
- High Income tenants

* Relevant local authority accommodation 5.6 Accommodation is 'relevant local authority accommodation' if it is accommodation provided by a local authority and the Secretary of State has agreed that it would be inappropriate to apply this rent policy to the accommodation because this would cause the authority unavoidable and serious financial difficulty.

The process for authorities to secure the Secretary of State's agreement will be set out in due course.

5. Types of Rent

In 2011, the Government introduced 'affordable rent' which permits rents (inclusive of service charges) to be set at up to 80% of market rent (inclusive of service charges). ~~The introduction of affordable rent made it possible to build more homes for every pound of government investment, allowing more people in housing need to have access to a good quality home at a sub-market rent.~~

Landlords can only let new properties at affordable rent where certain conditions apply. Within the terms of the Government's affordable homes programmes, existing vacant

Commented [SA10]: What does this include?

Commented [ES11R10]: Relevant local authority accommodation 5.6 Accommodation is 'relevant local authority accommodation' if it is accommodation provided by a local authority and the Secretary of State has agreed that it would be inappropriate to apply this rent policy to the accommodation because this would cause the authority unavoidable and serious financial difficulty. 5.7 The process for authorities to secure the Secretary of State's agreement will be set out in due course.

properties can be converted from social rent to affordable rent in certain circumstances. The rents of properties previously let at social rent must continue to be. This also applies to properties previously let at social rent where a higher rent is being charged to tenants with high incomes.

In particular, social rent properties may not be converted to:

- (a) affordable rent, except where this has been agreed by Homes England, the Greater London Authority or the Secretary of State (under the terms set out in the definition of affordable rent housing
- (b) market rent (other than in the circumstances set out in chapter 4 of Rent Policy Statement) or
- (c) intermediate rent

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf

As a newly registered landlord, the Council will initially provide homes with affordable rents, but may look to include other options as our stock grows.

5.1 Affordable Rent – are set at less than 80% of market rent but typically higher than social rent with the intention of enabling additional investment in new affordable housing.

5.1.1 Shared Ownership – The Council is *considering also* developing *several* shared ownership homes. This is where the tenant owns a proportion of the property and rents the remaining share. Further details on shared ownership rents are set out in section 11.

5.2 Social Rent – where rent is set at a proportion of the market value using a calculation known as ‘formula rent’, as set by Government, which is calculated based on the relative value of the property, relative local income levels, and the size of the property.

<https://www.gov.uk/government/publications/rent-standard>

5.3 Flexibility with Rents – The Government’s policy recognises that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants.

An individual households’ circumstances are considered and all possible solutions to maintaining a tenancy will be looked at, including:

- reducing affordable rent to social rent levels
- setting rent at 40% of household income (if more achievable)
- reducing high income households rents back to affordable

- Please see the process document on how these solutions will be addressed.

6. How rents are calculated

6.1 Social rents - These are set based on a formula set by Government. This is known as ‘formula rent’.

Commented [SA12]: Why less?

Commented [ES13R12]: If service charges are to be added the total cannot exceed the 80% mark

Commented [SA14]: I know at OHH we have moved away from this what others are doing it?

Commented [ES15R14]: I understood that phase 1 has none but subsequent phases have some older peoples so

Commented [SA16]: Is this an actual rent type or is it saying the others are flexible?

Commented [ES17R16]: Its several things - moving rents between affordable and social etc or even market but also being flexible for specific properties.

Commented [SA18]: Is this something we will actually do? If so it needs more detail as to how

Commented [ES19R18]: This would be in the process document

The calculations for formula rent take into account the following:

- The condition and location of the property
- Local earnings
- The property size, specifically the number of bedrooms

An increase or decrease for inflation Consumer Price Index (CPI) is then applied to the figure to calculate the final rent amount. This figure must not exceed the rent cap set by Government and is the maximum amount of rent that can be charged for a property of that size and type. Where this is the case, the rent cap amount is instead used.

<https://www.gov.uk/government/publications/rent-standard/limit-on-annual-rent-increases-2022-23-from-april-2022>

6.2 Affordable rents - The Government stipulates that rent for affordable housing must not exceed 80% of the equivalent market rent.

The Council sets its affordable rent levels at this rate or below 80% by using the Local Housing Allowance (LHA). LHA rates are used in the calculation of housing benefit or housing support within Universal Credit, if the rent exceeds the LHA then the benefits will not meet the additional cost.

The Council have a robust rent methodology and rent setting process which can be found [\(web link\)](#)

7. Rents for affordable tenants with High Incomes

7.1 The Policy Statement states: - "The Government does not expect registered providers to adhere to its social rent and affordable rent policy requirements in relation to social tenants with high incomes." [The policy being the Governments 'Policy statement on rents for social housing'](#).

7.2 The Council view a household, as any tenant named on the tenancy agreement, and any named tenant's spouse, civil partner or partner where they reside in the rental accommodation. Income refers to taxable income in the tax year ending in the financial year prior to the financial (i.e. rent) year in question. E.G the income received in the 2018-19 tax year would guide the rent payable in the 2020-21 rent setting year, where a household was above the threshold. [In this example, Here](#), 2018-19 is the tax year ending (on 5 April 2019) in the financial year (2019-20) prior to the financial (i.e. rent) year in question (2020-21)

7.3 The Council, in considering this policy, ~~will~~ may exercise the right to charge a full market rent where a social tenant household has an annual income of at least £60,000. The Council understand that income can go down as well as up and would look at the flexible rent setting as in 5.4 should their situation change. Regular income checks would be undertaken to ensure fairness.

7.4 Where a high-income social tenant's tenancy comes to an end, and they vacate the property, the Council will let the property to a household in housing need at a rent determined by the original tenure.

Commented [SA20]: This is not the case the cap can be exceeded for new property

Commented [ES21R20]: Not sure on this as this paragraph is taken from the Rent Statement

Commented [SA22]: We need to raise the board of 80% or LHA and agree a plan

Commented [SA23]: How often to we check income?

Commented [ES24R23]: When we only have a few properties, may be wise to do annually to get a bench mark on changes in salary

Commented [SA25]: Need to clarify which policy statement and by who

Commented [SA26]: Would this not be 2019-20 or does text need changing a bit?

Commented [ES27R26]: This is from Rent statement

Commented [ES28]: Here??? Reword

Commented [SA29]: I think this needs to go to board but should say WILL not may

Commented [SA30]: This needs to be clearer as to what flexible rent is

7.5 Where there are more than two incomes within the household, as defined, only the two highest incomes will be taken into account.

7.6 We will use additional capacity generated to fund new affordable housing, where possible.

8. Service Charges

8.1 Service charges may be applied at some properties to cover the costs of estate management.

The charges include, but are not limited to:

- Heating Charge
- Water Rates Charge
- Mobility Scooter Storage Charge
- EV Charging
- Cleaning Charge
- Grounds Maintenance Charge

8.2 The service charge covers both the direct and indirect costs of the services. The rates are calculated based on the average charge, dependant on the service, and the fees from the previous year. For example, the electricity charge in housing communal areas would use the previous years' metering and apply any increased rate (per kWh) from the supplier. The costs are then apportioned equally amongst the properties except for heating of individual properties.

8.3 Some service charges are eligible for Housing Benefit or Universal Credit. In general terms, the charge must be for a housing related service, rather than a personal service. A housing related service includes, but is not limited to:

- Fuel, water, and sewage for communal areas
- Communal window cleaning
- Emergency alarm systems in certain accommodation
- Provision of a heating system
- Communal grounds maintenance
- Maintenance of a communal lift

8.4 - Where service charges are implemented, they will be considered as part of the overall rental cost. This will ensure that the final rent value will not exceed the Local Housing Allowance, formula rent (subject to rent flexibility level) or 80% of gross market rent, whichever applies to the property. Service charges will be set out in the tenancy agreement.

9. Existing Tenancies

9.1 In accordance with the Government's Policy Statement on Rents for Social Housing, the Council will not increase existing rents by more than CPI plus 1 percentage point in any given year. This limit will apply to both social and affordable rent.

Commented [SA31]: Ok by me

Commented [SA32]: Is it equally or would a big house get a bigger charge

Commented [ES33R32]: Its apportioned equally -

Commented [SA34]: I think this needs to be clearer....are we saying social rent + service charge can not exceed 80%/LHA?

Commented [ES35R34]: yes

Commented [ES36R34]: Having read it again, social rent ie formula rent cannot exceed its limit with service charges added.

Commented [SA37]: When? How often?

Commented [ES38R37]: April - but annually is the norm

9.2 The Council offers Flexible or Introductory Tenancies to residents housed in the Council's affordable accommodation. The flexible tenancies last for 2 or 5 years and are reviewed approximately 12 months before the end of the fixed term. As part of this review Officers will consider the tenant's current and predicted circumstances. Evidence on whether an affordable rent may now be reasonable will be considered before a further flexible tenancy is offered.

Commented [SA39]: What evidence etc....needs to be explicit

9.3 Tenants will be given at least 28 days notification of any changes to their rent, in accordance with their tenancy agreement and legislation.

Commented [ES40R39]: At end of flex tenancy another affordability test is carried out - the same as when they first sign up - payslips, proof of benefits etc

10. New Build Housing

10.1 Affordable rent was introduced in 2011 to allow delivery of quality homes at sub-market rent. In accordance with this principle, residents of new council housing may be charged an affordable rent which will not exceed the current LHA cap. However, the Council will continue to investigate charging social rent in areas of specific need.

Commented [SA41]: I think it can exceed it?

11. Sheltered Housing

11.1 There is a demand for sheltered housing in Eastleigh and charging an affordable rent can help enable future provision and further improve existing sites. Therefore, as with general needs accommodation, affordable rent may be charged at new build properties.

Commented [SA42]: Does this need to be in here?

~~11.2 Shared ownership may also be explored at some new build schemes. Where this occurs, the details set out in paragraph 10 will come into effect.~~

Commented [SA43]: Does this mean 12?

11.2. Shared Ownership

~~11.2.2 Shared ownership may also be explored at some new build schemes. Where this occurs, the details set out in paragraph 10 will come into effect.~~

Commented [SA44]: Does this mean 12?

11.2.4 Shared ownership allows the tenant to own a proportion of the property and rent the remaining share. Residents also have the option to 'staircase up' and buy the remaining shares in the property.

Commented [SA45]: Is this in line with VIVID etc?

11.2.3 The Council's new shared ownership properties or those who are staircasing will have the rent calculated simply. The calculation will be based on the unsold equity and as follows: Rent per month = (Unsold equity amount x 2.75%)/12.

Commented [ES46R45]: With Government - Rent limits
If you buy a new-build shared ownership home, the rent limit is 3% of the value of the share the landlord owns. Most landlords charge 2.75%. For 'resale' homes, the starting rent will be set at the same level as the previous shared owner was paying. The landlord will review your rent at the times set out in your lease. This is usually once a year. Your rent may go up when it is reviewed. It will not go down. The most your rent can go up by is the percentage increase in the Retail Prices Index (RPI) for the last 12 months plus up to 0.5%. This means that where the RPI increase for the 12 months is 0% or negative, the most your rent can go up by is 0.5%

11.2.4 No changes will be made to existing tenant's rent, except for the annual increase, unless additional shares are purchased. When this occurs, the resident will be advised of the new rent amount prior to any sale.

<https://www.gov.uk/leasehold-property/service-charges-and-other-expenses>

Commented [ES47R45]: At SHS we left the service charges the same until they owned the freehold and even then there may have been some for the estate

11.2.5 The annual increase in rent will continue to be CPI plus 1 percentage point.

Commented [SA48]: What about service charges?

Commented [ES49R48]: This isn't limited to Caps etc but with leasehold properties is complicated.
<https://www.gov.uk/leasehold-property/service-charges-and-other-expenses>

123. Complaints and Appeals

13.1 The Council follows all legislation when increasing rents and gives 4 weeks' notice of any proposed increases. The Council recognises that this may still concern some. The Council encourages tenants to talk to us and will consider any individual circumstance. If still not satisfied, tenants can make a formal complaint, [using the Housing Complaints process.](#) [Link](#)

14. Local authority information requirements

14.1 The Council will communicate with the Regulator in an accurate and timely manner. ~~This includes all data and information required by the Regulator in respect of compliance with the Rent Standard.~~ Where material issues that relate to non-compliance or potential non-compliance with the Rent Standard are identified, ~~the Council~~ we will communicate these to the Regulator promptly.

15. Monitoring and Review

15.1 This policy will remain a working document and will be reviewed as and when new legislation or guidance is published or is deemed necessary.

16. Linked Policies

- [Income Management Policy](#)
- [Former Tenants Arrears Policy;](#)
- [Leasehold Service Charges Policy;](#)
- [Temporary Accommodation Rent Policy;](#)
- [Housing Complaints Policy](#)

176. Document History and Approval

Identity and Version Control

This document is the final approved version and will be a controlled document with an individual assigned to version review/amendment.

Commented [SA50]: We would use the Councils compliant process...we don't need two?

Commented [ES51R50]: We have a separate Housing one as agree by Corporate and policy etc as the approach to the ombudsman was needed. It does however link to the Corporate one.

Commented [BP52R50]: Is 4 weeks enough time? Given we are talking about families on low incomes I'd like to think we'd know about rent increases before 4 weeks and so ought to inform tenants as soon as possible?

Commented [SA53]: Is this needed here?

Commented [ES54R53]: Its in the regulatory code and is necessary for compliance - so I thought it would be good to be in here.