

## **AFFORDABLE RENT POLICY**

### **1. INTRODUCTION**

1.1 This report considers and recommends an Affordable Rent Policy.

### **2. BACKGROUND**

2.1 The Affordable Rent model of social rented housing was introduced in 2011 to increase the capacity to finance and deliver more affordable housing. The model was seen as providing two major benefits, firstly making the best possible use of constrained public subsidy and the existing social housing stock, and secondly by creating an offer which would be more diverse for people accessing social housing, providing alternatives to traditional social rent<sup>1</sup>. The increased rental income associated with the model would extend the scope of available public capital subsidy for new development, whilst more capacity for borrowing would also be generated by permitting a controlled number of existing social rented homes to “convert” to Affordable Rent.

2.2 During the intervening years the national policy approach to Affordable Rent has been supported through the Affordable Homes Programme 2011/15, 2015/18 and 2018/21. Notably in the latest available annual dataset (2018/19) 76.8% of all new affordable homes for rent across England were delivered as Affordable Rent<sup>2</sup>. The model is set to continue as part of the next national Shared Ownership Affordable Homes Programme (2021/26) with plans for approximately 50% of funded homes being delivered for Affordable Rent or Social Rent, and 50% of funded homes providing routes into homes ownership.

2.3 However, as a tenure that is strictly controlled and monitored by Homes England, many aspects of the model are predetermined, and only those homes that are specifically approved by the Regulator can be let at Affordable Rents.

2.4 Commitments to deliver homes for Affordable Rent were adopted by New Forest District Council in its Housing Strategy (2018). With exceptionally high housing costs and land values, introducing the tenure in a managed way would place the council in a stronger position to deliver more affordable homes, and secure opportunities on the same basis as Housing Associations.

### **3. DEFINITION OF AFFORDABLE RENT**

3.1 Where Affordable Rent is being charged, the maximum rent inclusive of service for a new tenant under a new tenancy is 80% of the market rent for the tenant’s accommodation (Ministry of Housing, Communities and Local Government Rent Standard – April 2020).

3.2 Affordable Rents must be based upon a valuation of market rent including service charges, in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method.

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<sup>1</sup> Ministerial Statement by Housing Minister 9<sup>th</sup> December 2010

<sup>2</sup> Social Rent 16.8%; London Affordable Rent 2.6%; Intermediate rent 3.7%

- 3.3 On each occasion that an Affordable Rent tenancy is granted, including the granting of a further flexible tenancy term to the same tenant, the rent is re-set based on a new market rental valuation.
- 3.4 The rent of an existing Affordable Rent tenant (including where they have a new tenancy) may not be increased by more than CPI+1% in any year, subject to specified limits<sup>3</sup>.
- 3.5 Social Rent properties may not be converted to Affordable Rent without the prior approval of Homes England<sup>4</sup>.

#### **4. NEW FOREST DISTRICT COUNCIL AFFORDABLE RENT POLICY**

##### **When and where homes for Affordable Rent will be provided**

- 4.1 Proposals to provide homes for Affordable Rent will only be advanced when Homes England support is likely to be considered and where the following conditions are met:
- 4.1.1 When the delivery of homes for Affordable Rent have been specified as a planning obligation/condition,  
or,
  - 4.1.2 Where the provision of homes for Social Rent would require high levels of capital subsidy from New Forest District Council  
and
  - 4.1.3 Where the provision of homes for Affordable Rent would not conflict with the achievement of sustainable mixed communities.  
and
  - 4.1.4 Where housing need evidence supports the current and future demand for homes at Affordable Rent levels.
- 4.2 New Forest District Council has no plans or approvals to convert existing Social Rented homes to Affordable Rent.

##### **Rent levels**

- 4.3 Affordable Rents will be set in accordance with the relevant legislation and/or Homes England Rent Standard Guidance in force at the time.

##### **Rent valuations**

- 4.4 An external RICS Valuer or an internal RICS Valuer within the Council's Valuation and Estates Team will undertake the valuations and stipulate the market rental value inclusive of any service charge in line with Homes England guidance. Initial Affordable Rents will continue to be set at up to 80 percent of the market rental value including any service charges subject to an affordability rent cap (see paragraph 4.6 below).

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<sup>3</sup> Ministry of Housing, Communities and Local Government & Regulator of Social Housing Rent Standard 2020

<sup>4</sup> NFDC has no plans or approvals to convert existing Social Rented homes to Affordable Rent

The initial rent will be re-set, based on a new market rental value, on issuing a new tenancy.

#### **Nil grant funded affordable housing**

- 4.5 Nil grant funded affordable housing delivered as a Planning condition or obligation will be let at an Affordable Rent provided that the Section 106 Agreement permits it and the homes have been approved through the Homes England Information Management System (IMS).
- 4.6 Ex local authority homes that are acquired under the council's buy-back scheme will be let at Social Rent levels, in accordance with the target rent setting formula.

#### **Affordable Rent Caps**

- 4.7 Subject to Homes England approval initial rents and reset Affordable Rents will be 'capped' to not exceed Local Housing Allowance levels relevant to the size of accommodation and the Broad Rental Market Area in which they are located.

### **5. FINANCIAL IMPLICATIONS**

- 5.1 Homes for Affordable Rent generate a higher rental income than equivalent homes for Social Rent however all service charges must be included.

### **6. CRIME AND DISORDER IMPLICATIONS**

- 6.1 There are none arising from this report.

### **7. ENVIRONMENTAL IMPLICATIONS**

- 7.1 None arising from this report

### **8. EQUALITY AND DIVERSITY IMPLICATIONS**

- 8.1 The Council is subject to the public sector equality duty, as set out in section 149 of the Equality Act 2010. The duty covers defined protected characteristics comprising age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex; and sexual orientation. The Council must have due regard to the requirements of the public sector equality duty in the exercise of its functions, particularly in the introduction of new policies.
- 8.2 This policy to introduce Affordable Rent has no impact on the protected characteristics under the Equality Act. This policy is based on national policy set out for Affordable Rent. Current and future housing legislation governs the way that social housing is allocated in addition to the Council's own housing allocation policy and this protects those in housing need and prioritises families, older people, and disabled people. An Equality Impact Assessment was carried out on the current Housing Allocation Policy

which was adopted by the Council in April 2019 and through which homes for Affordable Rent will be allocated.

## **9. RECOMMENDATIONS**

9.1 That the Council's Affordable Rent Policy set out within this report be adopted.

## **10. PORTFOLIO HOLDER ENDORSEMENT**

**I have agreed to the recommendation of this report.**

**Signed: CLLR J CLEARY**

**Date: 2 December 2020**

### **For further information contact:**

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