



Affordable Rent Policy

Lead Directorate and Service	Planning and Economic Regeneration, Asset Strategy
Effective Date	April 2012
Date Reviewed	September 2018
Date Due for Review	September 2021
Contact Officer	Tim Gammon
Contact Number	01482 393922
Approved By	The Cabinet

I Background

- 1.1 Affordable Rent provides additional finance for reinvestment in the development of new social housing.
- 1.2 Under the Government's 2011-15 and 2015-18 Affordable Homes Programme (AHP), the Council was required to convert a proportion of existing Social Rent dwellings to Affordable Rent upon re-let. This was to generate the additional capacity required to help repay the borrowing undertaken to fund any new development. The type, size and location of properties to be converted was set out in the Council's Affordable Rent Policy 2014 (updated in 2017).

2 Definition of Affordable Rents

- 2.1 The definition of an Affordable Rent is 'up to 80 percent of gross market rental valuation (MRV) inclusive of any service charges'. Homes England guidance states that Affordable Rents must be based upon a valuation of market rent in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method. Open market rents in the East Riding vary substantially, depending on location. 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 MRV. Once an MRV is issued it remains valid for three months from the date of valuation (unless otherwise stated).
- 2.2 From 1 April 2016, following the introduction of the Welfare Reform and Work Act, the Council must reduce all rents by 1% per annum, for a period of four years up to 2019/20. Should an Affordable Rented dwelling become void during this period the

Council does have the opportunity to increase and re-set these rents, based on the current market rental valuation. The Government has recently announced that from 1 April 2020, social landlords may increase rents by up to CPI + 1%. The Council will determine any changes to tenants' rents as part of the annual HRA Business Plan review process.

3 Policy Statement

- 3.1 From April 2018, following an instruction from Homes England, East Riding of Yorkshire Council will no longer convert existing Social Rent dwellings to Affordable Rent on re-let. Dwellings which were converted to an Affordable Rent prior to 1st April 2018 will remain as such in order to generate sufficient capacity to repay borrowing. The capacity generated will continue to be monitored by Finance and Asset Strategy.
- 3.2 Properties built or acquired with grant funding from the 2011-15 and 2015-18 AHP will continue to be let at an Affordable Rent indefinitely. In addition, any new rent dwellings built or acquired under the Shared Ownership and Affordable Homes Programme (SOAHP) 2016-21 will also be let at an Affordable Rent indefinitely.
- 3.3 New SOAHP properties for rent are not required to be funded using income generated by converting existing stock from Social Rent to Affordable Rent on re-let.
- 3.4 Affordable Rents will be set in accordance with the relevant legislation and/or Homes England Rent Standard Guidance in force at the time.
- 3.5 Shared Ownership rents are calculated on a different basis to both Social and Affordable rents. These rents are based on up to 2.75% per annum of the unsold equity of the dwelling.
- 3.6 Under Continuous Market Engagement, the Council will continue to enter details of schemes on IMS for the delivery of SOAHP Housing. If a bid is approved with permitted conversions, the Affordable Rent Policy will be amended accordingly.

4 Rent valuations

- 4.1 The Council Valuations and Estates Team will undertake the valuations and stipulate the MRV inclusive of any service charge. Affordable Rents will continue to be set at up to 80 percent of the MRV including any service charges, and are valid for three months (subject to a cap see section 6 below). The rent will be re-set, based on a new MRV on issuing a new tenancy.

5 Nil grant funded affordable housing

- 5.1 Nil grant funded affordable housing delivered through planning gain will be let at an Affordable Rent provided that the Section 106 Agreement permits it, the homes have been input for approval on the Homes England Information Management System (IMS)

and providing the dwelling does not fall within the exempt properties outlined at Appendix A. An Affordable Rent will be applied when the rent calculated based upon 80 percent MRV is greater than the calculated formula Social Rent.

- 5.2 Homes built or acquired using Right to Buy capital receipts retained under an agreement with the Ministry of Housing, Communities and Local Government (MHCLG), can also be let at an Affordable Rent, on the proviso that they are entered on to IMS and the dwelling does not fall within the exempt properties outlined at Appendix A. An Affordable Rent will be applied when the rent calculated based upon 80 percent MRV is greater than the calculated formula Social Rent.

6 Affordable Rent Caps

- 6.1 Affordable Rents charged in accordance with this policy will be 'capped'. For one and two bedroom dwellings the cap is based on 22.5 percent of the average full-time gross weekly pay in East Riding and 25 percent of gross weekly pay for homes with three or more bedrooms.
- 6.2 In 2019, the average full-time gross weekly pay for residents of the East Riding was £601.20¹, which gives a ceiling of £135.27 rent per week for one and two bedroom homes, and £150.30 rent per week for homes with three or more bedrooms, both based on a 52 week year.

7 Policy monitoring

- 7.1 Regular monitoring of this policy will be undertaken by Asset Strategy, in consultation with Finance.

8 Further information

- 8.1 For further information on this policy, please contact the Housing Strategy & Development team at the address below or by telephoning 01482 393949.

Housing Strategy and Development
East Riding of Yorkshire Council
County Hall
Beverley
HU17 9BA
Email: housing.strategy@eastriding.gov.uk

¹ Annual Survey of Hours and Earning 2019

Appendix A

Type and location of Council Dwellings exempt from Affordable Rents²

Exemptions are applied in order to ensure that there is sufficient, sustainable demand for council properties and to avoid the creation of a 'benefits trap' for tenants of working age. Accordingly, all studio/one bedroom properties will remain as Social Rent, and any such properties previously converted will be converted back to Social Rent when they become void. For two bedroom and larger properties in wards that contain neighbourhoods in the 10% most deprived in England³ (Table 1), these are also exempt from the Affordable Rent Policy:

Table 1: 2Bed+ Affordable Rent exemption wards

Ward
Bridlington Central And Old Town Ward
Bridlington North Ward
Bridlington South Ward
Goole North Ward
Goole South Ward
South East Holderness Ward

² This section does not apply to properties built or acquired with funding from Homes England

³ According to the most recent English Indices of Multiple Deprivation