

Rent Strategy

2016/2017



“Globally connected, delivering sustainable growth to ensure a green, prosperous and ambitious place for the benefit of all”

Introduction

The aim of Affordable Rent is to assist in the delivery of new social housing and provide an offer which is more diverse for the range of people accessing social housing, providing alternatives to traditional social rent. Affordable Rent is part of a package of new measures announced to create a more flexible social housing sector. *'Local decisions: a fairer future for social housing'* published in November 2010 proposed a new form of tenancy, giving local authorities greater control over who is able to apply for and is eligible for social housing and the discharge of homelessness duty into the private rented sector.

Affordable Rent

The 2010 spending review introduced Affordable Rent for Registered Providers (RPs), changing the way in which new social housing is funded through the Homes and Communities Agency (HCA). Levels of grant have been reduced to around 10 per cent of the cost of development, with the remainder funded by RPs, mainly through borrowing. To cover the cost of this, new homes will be let at higher rents. These can be, up to 80% of local market rents, although in practice many rents will be lower than this. RPs will also be able to convert a proportion of re-lets of existing homes to the Affordable Rent model. Affordable Rents will qualify for Housing Benefit (HB) and local authorities will be able to discharge homelessness duties into these homes.

Affordable rented homes are available to tenants at up to a maximum of 80% of market rent levels and allocated in the same way as social housing is at present. The Affordable Rent is subject to rent controls that require the rent to be at no more than 80% of the local market rent (including service charges, where applicable). Landlords have the freedom to offer Affordable Rent properties on flexible tenancies tailored to the housing needs of individual households in line with the Council's Tenancy Strategy. This Rent Strategy seeks to ensure fair rent levels for all across Central Bedfordshire.

RPs of social housing must set rents in accordance with the National Regulatory Framework for Social Housing¹ but this gives RPs some discretion over the rents that can be set. In setting rent levels, a balance must be struck between ensuring that housing let by registered providers is affordable to all, including those on low incomes and / or in receipt of benefits, and maximising income to enable the development of new affordable housing. Before the introduction of affordable rent, all rented social housing was let at social rent levels.

Currently, tenants moving into Affordable Rent properties will be eligible for Housing Benefit, which means that any otherwise unaffordable gap between

¹ National Regulatory Framework for Social Housing
www.homesandcommunities.co.uk/ourwork/regulatory-framework

social and Affordable Rents may be paid through this means. However, the introduction of Universal Credit in 2013 (see appendix A), puts a caps on the levels of benefit a household is entitled to and housing costs will be a part of this. This means that households may struggle to meet the costs of the new rent levels. We have particular concerns about this in areas with high market rents and in properties with four or more bedrooms.

What we expect from Registered Providers

The council is minded to set out indicative rent levels in the strategy, based on local income levels, to ensure that new homes remain affordable to residents. The council is also keen to ensure that the number of homes converted to Affordable Rent when they are re-let is proportionate. Support for development by RPs would take into account consistency with the council's approach to rents. At the same time, it is appreciated that providers will need to charge rents at a level that enables them to maintain the supply of new homes.

We expect providers not to re-let all sized properties at Affordable Rents, especially in high market rent areas, and if they do let these at affordable rent we expect that the rent is set at no higher than the Local Housing Allowance rate for that area. Local Housing Allowance (LHA) is a flat rate allowance paid to housing benefit claimants.

We expect that all providers will offer tenants who are likely to be affected by welfare benefit changes advice and information about what these changes will mean to them, having particular regard to the introduction of the Universal Credit and housing benefits changes, for example, under-occupancy changes. If I was a tenant of a property likely to be affected then I would expect the landlord to advice etc.

We expect conversions from social rented properties to Affordable Rent properties at the point of re-let to be based on the agreed contract with the HCA and that consultation with the Council takes place before a change in tenure occurs. This will ensure that the council will have effective monitoring in place.

We expect all providers to advertise affordable rent properties through the Bedfordshire Homefinder Choice Based Lettings Allocations policy.

Affordable Rent should not reinforce long term benefit dependency and should reflect incomes that households could reasonably be expected to sustain within their benefits received.

From the evidence gathered we believe the rates for all sized properties for those renting will exceed the LHA rates we currently use, which in CBC depends on where you live as we have four Broad Rental Market Areas (BRMAs). Therefore, we do not expect the affordable rents to exceed LHA levels.

What is Local Housing Allowance?

Local Housing Allowance (LHA) is a flat rate allowance paid to housing benefit claimants. LHA applies to private sector tenants who make a new claim for housing benefit or those claiming housing benefit who change address. It also applies to tenants on housing benefit who move from the social sector into private sector accommodation.

Rent Officers determine LHA rates for the following categories of property; Shared Accommodation, 1 Bedroom, 2 Bedrooms, 3 Bedrooms, 4 Bedrooms.

The rate that applies depends on the size and make up of the claimant's household, and the Broad Rental Market Area (BRMA) the rented property falls in. The LHA rates are updated annually each April.

What are Broad Rental Market Areas?

Broad Rental Market Area (BRMA) is the geographical area used to determine the LHA rate. It is an area where a person could reasonably be expected to live taking into account access to facilities and services for the purposes of health, education, recreation, personal banking and shopping.

Central Bedfordshire is covered by four BRMA's; Bedford, Luton, Milton Keynes and Stevenage and North Herts. The geographical areas covered in the rent strategy are covered by different BRMA's. In some circumstances areas have incorporated three BRMA's to ascertain LHA. The LHA figures were obtained for each area within the research by bedroom size. To obtain an overall average LHA, the identified levels of LHA were combined together for each bedroom size then divided by the number of locations within the geographical area. This then provided an overall average level of LHA for the West, East and South of Central Bedfordshire.

A review of the LHA was undertaken in April 2016 to ensure the figures in the rent strategy are up to date. Figures will be reviewed and refreshed every April along with the most recent rents data.

Rent Officers determine the LHA for each category by calculating the 30th percentile of a list of rents within every Broad Rental Market Area (BRMA). The 30th percentile is a mathematical value which represents the level of rent where around 3 in 10 properties are let at or below LHA. Caps were applied to individual LHA categories, restricting the LHA in some areas, mainly central London.

The data for social rent is based on assumption of social rent being typically around 60% of market rents.

Rent Levels

The following tables show the current market rents and the 80% market rent levels. All rents are shown weekly and monthly. The tables have been broken down into three areas; West, East and South. The market rent levels are an average of rented houses advertised on rightmove.com and zoopla.com.

West (Weekly) - Ampthill, Cranfield, Flitwick, Marston Moretaine, Toddington

Number of bedrooms	Open Market Rent	Social Rent	Affordable Rent	Local Housing Allowance
1	157.75	94.65	126.2	112.01
2	190.52	114.31	152.41	142.42
3	261.52	156.91	209.21	166.95
4	348.58	209.14	278.86	212.39

West (Monthly) - Ampthill, Cranfield, Flitwick, Marston Moretaine, Toddington

Number of bedrooms	Open Market Rent	Social Rent	Affordable Rent	Local Housing Allowance
1	684	410.4	547.2	485.38
2	826	495.6	660.8	617.15
3	1134	680.4	907.2	723.45
4	1,512.00	907.2	1209.6	920.36

East (Weekly) - Arlesey, Biggleswade, Henlow, Potton, Sandy, Shefford, Stotfold

Number of bedrooms	Open Market Rent	Social Rent	Affordable Rent	Local Housing Allowance
1	146.4	87.84	117.12	112.69
2	183.86	110.31	147.08	144.34
3	252.52	151.51	202.01	171.42
4	296.30	177.78	236.8	223.93

East (Monthly) - Arlesey, Biggleswade, Henlow, Potton, Sandy, Shefford, Stotfold

Number of bedrooms	Open Market Rent	Social Rent	Affordable Rent	Local Housing Allowance
1	635	381	508	488.32
2	797	478.2	637.6	625.47
3	1095	657	876	742.82
4	1,285	771	1028	970.36

South (Weekly) - Dunstable, Houghton Regis, Leighton Buzzard

Number of bedrooms	Open Market Rent	Social Rent	Affordable Rent	Local Housing Allowance
1	145.76	87.45	116.6	116.51
2	183.52	110.11	146.81	146.97
3	235.24	141.14	188.19	172.24
4	284	170.59	227.2	214.06

South (Monthly) - Dunstable, Houghton Regis, Leighton Buzzard

Number of bedrooms	Open Market Rent	Social Rent	Affordable Rent	Local Housing Allowance
1	633	379.8	506.4	504.88
2	796	477.6	636.8	636.87
3	1020	612	816	746.37
4	1233	739.8	986.4	927.59

The 80% market rent levels will be reviewed every 6 months to ensure that we can set rent levels to be affordable and attainable for clients.

Area Map for Central Bedfordshire



Appendix A

Rates of Universal Credit

The figures below are **calendar monthly** as UC will be paid on a monthly basis.

Weekly Figures	Single person	Couple	Couple +1	Couple +2	Couple +3	Couple +4
Maximum Universal Credit (excluding housing credit)						
over 25 basic allowance	£317.82	£498.89	£498.89	£498.89	£498.89	£498.89
Child support element			£277.08	£508.75	£740.42	£972.09
Child Benefit (current rate 2013)			£89.70	£149.07	£208.43	£267.80
Council Tax Support	Not included in cap – paid by LA					
Total	£317.82	£498.89	£865.67	£1156.71	£1447.74	£1738.78
Welfare Benefit Cap weekly rates	£350.00	£500.00	£500.00	£500.00	£500.00	£500.00
Bed Size***	Shared / 1	1	2	2/3	3/4/5	3/5/6
Housing Costs	Housing Credit can also be reduced not only if the total benefit exceeds the benefit cap but if the property exceeds room size or the rent is considered excessively expensive it will be restricted. It is therefore not possible to identify the maximum Housing Credit					

The above are based on the basic rates.

If a couple have a disabled child they would receive another £126.11 or £367.92 in the total allowance depending on the rate of DLA the child receives.

If a claimant or partner is unable to work they would receive an extra £126.11 or £315.60 in the total allowance depending on the capability to work.

If the claimant is a carer they could receive another £150.39 in the total allowance.

Single people and couples under 25 received reduced basic allowances of £251.77 and £395.20.

Note: the above amounts are the maximum UC. UC is reduced if the customer has other income such as earnings. However there are disregards for earnings and allowances for childcare.

Bedrooms allowed depends on age of children in the household and if non dependants resident.

There will be deductions for non dependants but the rates are not yet available. They were intended to be less than those currently applied.