



Newport City Homes

Social Rent Setting Policy

1. Introduction

- 1.1 This social rent setting policy applies to all residential property, including both general needs and 55+ housing and will take effect from 1 April 2021.
- 1.2 This policy complies with the requirements of Welsh Government's (WG) social rent policy 2020-2025.
- 1.3 This policy does not cover rent setting for properties that are outside of WG's social rent policy eg market rent and intermediate rent products.

2. Policy Statement

- 2.1 **NCH aims** to improve affordability of rent for current and future social housing residents, demonstrating that homes and services represent value for money whilst ensuring housing stock remains sustainable in the long term.
- 2.2 This policy has been developed in accordance with the following Welsh social housing sector affordability principles:
 - **Affordable:** We will consider the total costs of renting homes and incomes to understand what is affordable for our residents, and ensure that residents have the greatest opportunity to sustain their tenancies and thrive
 - **Sustainable:** We will set rents that allow us to continue to provide high quality, safe, warm homes for the people who need them in the communities we serve
 - **Engage:** We will involve residents to develop and review our approach to rent setting, and inform our decisions on rents
 - **Fair:** We will work to ensure that rents and other charges are set fairly and our homes and services represent value for money
 - **Accountable:** We will be open, transparent and accountable when we make decisions on rents

3. Method of assessing affordability

- 3.1 NCH will adopt the Joseph Rowntree Foundation (JRF) Living Rents methodology (2015) as the core base method used to assess affordability of rent for social housing residents, which will determine the 'percentage increase' that will be applied to residents' rent each year.
- 3.2 The Living Rents methodology is designed on the principle that rent is unaffordable if residents on low incomes spend more than **28%** of their income on their rent, or spend more than **33%** of their income on their rent and associated service charges combined.
- 3.3 This methodology necessitates the use of average income data. NCH will use the Office of National Statistics (ONS) Annual Survey of Hours & Earnings (ASHE) to calculate income data using the figures from those in the lowest 25% of earnings. Based upon the Living Rents methodology, if a single person in

one bedroom accommodation spends less than 28% of their income on rent, their rent will be deemed affordable.

- 3.4 To set an affordable rent for other property types, NCH will use a tool developed by the Organisation for Economic Co-operation and Development (OECD) to adjust the income data. This tool takes into consideration typical family compositions that are allocated to particular property sizes and types. The detail of how the tool allocates values to different property types is referenced at **appendix one**.
- 3.5 The Living Rents methodology has been checked and moderated to ensure that it is fair and affordable for all NCH's residents.
- 3.6 In order to determine the minimum income needed for an acceptable living standard after all costs and bills are paid, NCH will use the Minimum Income Standard to review its assessment against comparable household costs, such as council tax banding and energy costs, where this data is available.
- 3.7 NCH will also ensure that social rent remains affordable in comparison with the private rented sector by ensuring its rents are below the relevant Local Housing Allowance (LHA) rate.

4. Alignment to Living Rents

- 4.1 The rent for all new social housing tenancies, including internal transfers, will be set at the affordable Living Rent assessment.
- 4.2 NCH is committed to aligning all current social rent with the affordable Living Rent assessment. To do this NCH will ensure that the average rent increase for all of its properties falls within the rent envelope that is provided by the Welsh Government annually.
- 4.3 In order to align all current social rent with the affordable Living Rent assessment, adjustments will be required over a number of years that will be applied through the annual rent increase process. NCH will not increase rent by more than a factor of £2 a week as set out in WG's Social Rent Policy (2020 – 2025).
- 4.4 If an existing resident's rent is **lower** than the affordable Living Rent assessment, rent will be increased each year by the agreed percentage uplift, plus a maximum of **£2** a week on top.
- 4.5 If an existing resident's rent is **higher** than the affordable Living Rent assessment, rent will be either frozen or decreased each year by a maximum of **£2** a week until the rent has aligned with the affordable Living Rent assessment. The decision to either freeze or reduce rent will be taken on an annual basis.
- 4.6 Once an existing resident's rent has aligned with the affordable Living Rent assessment, rent will be increased each year by the agreed percentage uplift.

4.7 If an existing resident's rent and service charges combined is more than **33%** of the affordable Living Rent assessment, then the rent may be frozen or increased by a lower percentage, in order to remain within the affordable Living Rent assessment wherever possible.

4.8 Progress on aligning existing rent will be reported to the board of NCH each year through the annual rent increase process.

5. Energy efficiency considerations

5.1 The affordable Living Rent assessment for new-build properties will be set at a slightly higher **30%** of net pay using the ASHE data, and **35%** with rent and service charges combined.

5.2 This approach takes into consideration the fact that new-build properties are more fuel-efficient, with an associated reduction in household heating costs. In meeting the Welsh Government's Development Quality Requirements (DQR), all new-build NCH properties also benefit from higher space standards, greater accessibility and enhanced security.

6. Additional support for vulnerable residents

6.1 NCH aims to ensure that vulnerable residents are not disadvantaged and are supported to sustain their tenancy and their home.

6.2 Residents who are experiencing financial hardship, including residents who are subject to the benefit cap or other welfare reforms, may be supported to pay their rent and sustain their tenancy by assistance from NCH's Hardship Fund.

7. Sustainable business model

7.1 NCH will endeavour to make rent fair and affordable for all residents whilst ensuring it secures sufficient rental income to meet its commitments to residents.

7.2 The affordable Living Rents assessment will be reviewed on an annual basis, to ensure it remains fair and enable NCH to deliver services in line with its commitments.

7.3 In future years the following are examples of the adjustments that could be made to the affordable Living Rent assessment:

- The percentile taken from the ASHE survey data
- The percentage of net income that is considered affordable
- The multiplier for different property types (see appendix 1)
- An additional discretionary percentage change

7.4 Building this flexibility of approach within this social rent setting policy is necessary to ensure there is no adverse impact upon NCH's long-term financial sustainability.

8. Resident consultation

- 8.1 This social rent setting policy and the affordability methodology adopted has been developed based upon consultation with residents.
- 8.2 NCH will conduct a rolling programme of resident engagement as part of an annual assessment of affordability of rent and value for money considerations. The findings of this engagement activity will be reported to board through the annual rent increase process, and will be published on the association's website and appropriate social media channels.
- 8.3 Individual residents will be notified of the affordable Living Rent assessment for their property and the calculation of the rent increase to be applied for the following year, through the annual rent notification letter. A minimum of one calendar months' notice will be provided, with any changes taking effect from the first Monday in April each year.

9. Relevant legislation, good practice and other NCH policies/documents

- 9.1 NCH will ensure that rents are set in accordance with best practice and relevant policy and legislation, including the following:
- Rent Act 1977
 - Housing Act 1985, 1988
 - Housing and Planning Act 2016
 - Welfare Reform and Work Act 2016
 - WG Social Rent policy (2020–2025)
 - WG regulatory framework
- 9.2 This social rent setting policy links closely with the following policies and documents:
- Tenancy Agreement
 - Service Charge Policy
 - Tenancy support policy
 - Living Rent Methodology (JRF, 2015)

10. Implications for Residents

- 10.1 Financial implications. Aligning existing rent with the affordable Living Rent assessment will require rent for different properties to rise at different rates over a number of years. The process will be clear and transparent, and fully informed by resident consultation, to ensure understanding by residents. Alignment must be implemented over a sufficient time period to deliver a gradual convergence of rents to the affordable Living Rent assessment.

- 10.2 Compliance with this policy and associated documentation mitigates, as far as is reasonably practicable, the risk of financial implications which may impact on service delivery.
- 10.3 Welsh Language implications. NCH recognises the right of Welsh people to conduct their business through the medium of Welsh. A Welsh version of the policy will be made available on request.
- 10.4 Equality and Inclusion implications. This policy adheres to the relevant legislation (Equality Act 2010) and the application of this policy will be equality impact assessed each year as part of the annual rent setting process.

11. Policy monitoring and review

- 11.1 Annual reports will be presented to the NCH board detailing progress of alignment towards the affordable Living Rent assessment, and its impact upon affordability of rent, rental income and collection. Board will also receive the findings of the annual resident consultation exercise on affordability and value for money, as part of the annual rent setting process.
- 11.2 This policy will be reviewed by board every three years, or earlier if there is a change in legislation.

12. Roles and responsibilities

- 12.1 The Deputy Director of Homes & Communities (DDofH&C) has overall accountability and responsibility for ensuring that the association implements and monitors the effectiveness of this policy.
- 12.2 The Corporate Financial Controller has responsibility for ensuring that the affordable Living Rent assessments are updated each year and that rent increases are applied in compliance with this policy.

Appendix 1 – Tool used to set affordable rent for different property types

A Modified Equivalence Scale is a tool used widely by governments across Europe to adjust data for household income, taking into account household size and composition.

The following multipliers will be used to adjust the affordable Living Rent assessment for each property type.

Property type	Equivalence multiplier
Bedsit	0.9
One bedroom flat	1
One bedroom house	1
One bedroom bungalow	1
One bedroom 55+ flat	1
Two bedroom flat	1.2
Two bedroom maisonette	1.2
Two bedroom bungalow	1.3
Two bedroom house	1.4
Three bedroom flat	1.5
Three bedroom 55+ flat	1.5
Three bedroom maisonette	1.5
Three bedroom house	1.6
Four bedroom house	1.7
Five bedroom + house	1.8