

Appendix 4: Affordable Rent Guidance

1. Purpose

- 1.1. The purpose of this document is to provide guidance on the setting of Affordable Rent levels. To ensure that Affordable Rent tenancies are sustainable they must be genuinely within the means of households identified as in need of affordable housing whilst also enabling registered providers to optimise their rental income to support affordable housing delivery in the Borough

2. National Policy Context

- 2.1. The National Planning Policy Framework (NPPF) provides the following definition of Affordable Rent Housing

“Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of not more than 80% of the local market rent (including service charges, where applicable).”

- 2.2. The Homes and Communities Agency Rent Standard Guidance requires providers to consider the local market context, including the relevant Local Housing Allowance for the broad rental market area, in which the property is located, when setting rents. Broad rental market areas are set by the Valuation Office Agency and comprise of the area where a person would reasonably be expected to look for housing. The Local Housing Allowance is set at the 30th percentile of rents in the Broad rental market area.
- 2.3. For social housing the maximum rent is set by a national formula which takes account the value of the property and local earnings. Affordable Rent cannot be set lower than the formula rent.

3. Local Context

- 3.1. The South Essex Strategic Housing Market Assessment 2016 recommended that for housing to be considered affordable rent should not exceed one third of net income.
- 3.2. The South Essex Strategic Housing Market Assessment 2016 identified that households in Basildon, with a need for affordable housing, have a household income of less than £23,400 pa.
- 3.3. Basildon Affordable Rent Study 2015 found that, of the applicants registered on Basildon’s Homeseeker Register, 61% of applicants for 1 bedroom properties and 78% of applicants for 2-4 bedroom properties had no earned

income. Households with at least one person in work have relatively low incomes for the Basildon borough with a median income of £19,800 PA.

3.4. 80% Median Private Rent exceeds local housing allowance rates.

Table 1: Private Rent in Basildon Borough

Property Size	Local Housing Allowance (PW)	Median Private Rent (PW)	80% Median Private Rent (PW)
1 bedroom	£128.19	£196	£157
2 bedrooms	£161.26	£207	£166
3 bedrooms	£188.33	£252	£202
4 bedrooms	£266.65	£334	£267

Source Hometrack April-August 2017

3.5. The benefit cap restricts the maximum income households not in employment (some exemptions apply) can receive from benefits to £385 per week. In Basildon Borough affected households requiring a three or four bedroom property will be subject to the benefit cap.

4. Affordable Rent Guidance

4.1. To ensure that Affordable Rent is genuinely affordable, rent should not exceed the Local Housing Allowance and should not result in the tenant becoming subject to the benefit cap.

4.2. To prevent rents exceeding one third net income it is preferable that Affordable Rent is restricted to 60-70% Median Market Rent.

Table 2: Affordable Rent Guidance by Property Size

Property Size	Maximum Affordable Rent (£PW)	Maximum Affordable Rent (%)	Preferred Affordable Rent (£PW)	Preferred Affordable Rent (%)
1 bedroom	£128.19	65%	£118	60%
2 bedrooms	£161.26	77%	£145	70%
3 bedrooms	£188.33	74%	Social rent (Ave £112)	N/a
4 bedrooms	£266.65	79%	Social rent (Ave £115)	N/a

4.3. These rental values will be reviewed and updated annually.

The median private rent for one properties has risen significantly faster than other properties in the last twelve months. This is believed to be due to a large number of premium one bedroom rental properties coming onto the market. This will be reviewed in April 2018