

SA/03 -

Affordable Rent Setting Policy

**ateb Policy
PN02**

“Our policies embed our culture, establish boundaries and outline our operating expectations. They have been agreed by our Board(s) as best practice documents for the Group’s decision making.”

Policy Statement

This policy sets out how ateb will set all types of rents for its homes that are fair and affordable for our customers.

ateb is required to detail how it sets rents for the properties it manages. All of our social rents are set in accordance with the Welsh Government Rent Setting Policy 2020/21 (Social rents). ateb will annually consider and consult on affordability of all its rents with customers.

Rent setting will also assess the business needs to invest in its properties, services and development of new homes and services to further the purpose of the business and improve services to our customers.

| Approval Date | Lead Contact | Review Date |
|----------------------|---------------------------------|--------------------|
| January 2021 | Executive Director for Customer | January 2022 |

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2. Principles

Affordability principles

ateb is committed to the following sector-wide principles:

Affordable: We will consider the total costs of renting homes and incomes to understand what is affordable for our tenants, and ensure that tenants 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 tenants 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.

Affordable Rent Setting

A: Social rent properties (social rent is an affordable rent that is subject to guidelines that are determined by Welsh Government), we will:

Annually set the social property rent in accordance with the Welsh Government Rent Setting Policy 2020/21

Board will ensure affordability for our customers and this will be at the core of determining any rent uplifts/reductions annually. Board should also consider

efficiencies, value for money and affordability for current and prospective customers

ateb will adopt a Living Rent that establishes a link between rents and customers' ability to pay them. It is aimed at ensuring that our rents are genuinely affordable for customers on low incomes. The methodology was published by the Joseph Rowntree Foundation and the National Housing Federation in 2015. It was designed on the basis that it is unaffordable for tenants to spend more than a third of their net income on household costs.

B: Intermediate rent properties (intermediate rent is less than the market rent and historically used by ateb when Social Housing Grant was at a level that did not meet costs to develop homes at a cost where a social rent could be charged), we will:

ateb will adopt a Social Rent for all Intermediate rent properties. Where properties are not aligned to the social rent, they will converge to the living rent over a period of time, through annual increases, decreases or rent freezes.

C: Extra Care rent properties, we will:

Extra Care rents will be set in line with Welsh Government policy with consideration given to Living Rent.

D: Leased and Rent to Own properties, we will:

Where properties are subject to a lease and/or other form of agreement rents will be set in accordance with the terms and conditions of that agreement.

Living Rent

A: Calculating Living Rent:

All rents starting point for calculating a Living Rent are based on setting a rent for a single person who lives in a 1-bedroom property. The Office of National Statistics releases an Annual Survey of Hours and Earnings (ASHE) every October. This data contains estimates of income data at county level. The methodology uses the estimated lower quartile gross weekly income for Pembrokeshire or Carmarthenshire. The net pay figure is calculated using a salary calculator. Based on the affordability criteria, 28% of the net pay becomes the standard affordable rent for standard single person accommodation.

For properties larger than a 1-bedroom property the Organisation for Economic Co-operation and Development (OECD) modified equivalence scale is used to adjust the income data. This takes into consideration the typical family composition that are allocated particular property sizes and

types of social housing. Modified by Savills to inform equivalence multiples when calculating living rent for social housing.

| Property Type | OECD Modified Equivalence Multiple |
|---|------------------------------------|
| Bedsit, Supported Living Space (shared) | 0.9 |
| 1 Bed Flat / House / Bungalow | 1 |
| 2 Bed Flat / House / Bungalow | 1.3 |
| 3 Bed Flat / House/ Bungalow | 1.6 |
| 4 Bed Flat / House / Bungalow | 1.9 |
| 5 Bed House / Bungalow | 2.2 |

Example 1:

1 Adult in 1-bedroom property = 100% of Living Rent

Example 2:

1 Adult and 1 child under 14 in 2-bedroom property = 130% of Living Rent

B: Annual Changes in Living Rent:

The levels of Living Rent will be reviewed annually. The increase freeze or decrease will be determined by the average change of lower quartile income levels for Pembrokeshire or Carmarthenshire in the previous 3 years – using the ASHE survey as a data source. This will reduce the risk of a reduction in rental income to ateb.

If the average income levels for Pembrokeshire or Carmarthenshire fall on an annual basis the policy must always seek to ensure that ateb remains financially viable, whilst maintaining affordability for customers. In a situation where income levels fall over 3 years and subject to a financial viability assessment, ateb could freeze rents, have a smaller increase or continue to increase rents by the levels set within the Welsh Government Policy (CPI +1%).

We will adopt a process of ongoing consultation with our customers on rent affordability with regular reporting to Board. The policy may be amended based upon feedback from our customers or a refinement in the sources of data on which assumptions are based.

ateb will continue to comply with Welsh Government policy, ensuring that the average rent for all properties continues to fall within the defined rent envelope that is updated annually.

C: Flexibility:

There are several circumstances where flexibility could be required to adjust the parameters within the Living Rent model for a time bound period.

Parameters that could be adjusted include for example:

- The percentile taken from ASHE survey
- Percentage of income that is considered affordable
- Equivalence multiple for property type
- Adjustment for income at area level

The circumstances under which these changes would be considered include for example:

- An increase in poor performance such as difficult to let properties
- An increase in competition from the private rented sector
- A high number of local job losses (where customers lose their jobs)
- Where the addition of service charges takes the gross rent over a third of the typical occupants' income (using the ASHE survey and equivalence multiple)

Board approval will always be sought prior to any adjustment of parameters.

D: Service Charges:

Additional charges are incurred by customers who live in properties with communal areas or shared services. These will continue to be charged in addition to the Living Rent.

If the addition of service charge results in an unaffordable cost for a property (over 33% of lower quartile net income considering equivalence) then a rent cap may be considered in these circumstances.

This excludes Extra Care and Supported Living properties where additional services are provided and charged for e.g. meals.

E: Customer Support:

ateb will provide individually tailored support to customers who are finding it difficult to afford their rent and other household costs through the Money Solutions Team (MST) who will focus on support and advice for customers through a customer centric approach rather than enforcement with the aim of ensuring that customers retain their home. The MST will work with, and signpost customers to other agencies where specialist support is required.

ateb will continue to offer financial support in the form of grants to customers who wish to downsize from under occupied homes.

3. Responsibilities

Group

This policy applies to ateb only.

Board of Management

Responsibility for approving rent setting policy and rent increases, freezes or decreases annually.

Key Operational Role Responsibilities

In addition to the responsibilities listed above, the following key roles have specific responsibilities for the operational delivery of the Affordable Rent Setting Policy across the Group:

Group Chief Executive

- Effective operation of the Rent Setting policy.
- Adequate resources are made available to both develop and implement appropriate procedures.
- Enable responsibilities to be effectively delegated

Executive Director for Customer and Executive Director for Finance

- Interface with Corporate Delivery Group.
- Reporting to Chief Executive and Board.
- Ensure the policy is applied and rent setting and income collection procedures are in place, maintained, monitored and reviewed.

Customer Services Manager

- Management of performance and monitoring
- Reporting on performance corporately
- Responsible for the implementation of the policy and to ensure enough resources are available
- Effective consultation with our customers

4. Control

The Executive Director for Customer is the lead contact for this policy and for ensuring it remains operationally effective. This is a 5-year Policy and the Executive

Director for Customer will lead on reviewing this policy annually. Board approval will be obtained if any amendments are required.

5. Links to other documents

1. Welsh Government Rent Setting Policy

<https://gov.wales/rent-policy-social-housing>

SA/03 Affordable Rent Setting Policy

Additional help

Contact our customer team
quoting the policy reference:

Tel: **01437 763688**

Email: **hello@atebgroup.com**

Facebook **@theatebgroup**

Face to Face: **Meyler House, Haverfordwest, SA61 1QP**

Version History

| Ver. | Date | Changes |
|------|--------------|---------------------------------------|
| 1 | January 2020 | New Policy Drafted |
| 2 | January 2021 | Policy Reviewed and approved by Board |
| 3 | | |