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3. Housing for Rent

3.1. Affordable Rent

AR – Overview

Purpose

3.1.1. This chapter sets out the procedures which must be followed and the conditions under which providers must progress Affordable Rent (AR) schemes.

Context

3.1.2. Affordable Rent means low cost rental accommodation (as defined in Section 69 of the HRA 2008).

3.1.3. Affordable Rent homes funded through the 2015-18 Programme must be made available at either a Capped Rent or Discounted Rent level. Across each Provider's Programme Offer there must be an equal split (subject to a tolerance of one), between Affordable Rent homes let at each rent level.

3.1.4. The definition of the two rent levels is:

- Capped Rent, which must be no greater than the higher of (i) 50% of the market rent (inclusive of service charge) and (ii) the Formula Rent for an equivalent dwelling;
- Discounted Rent, which must be no greater than the lower of (i) 80% of the market rent and (ii) the Local Housing Allowance.

3.1.5. Providers should not normally set rent levels below the maximum amount at each rent level, as this has an impact on the level of public subsidy required.

3.1.6. Where it can be demonstrated that a higher level of Capped Rent and lower level of Discounted Rent has a neutral impact on public subsidy, and in such other instances as the GLA decides, the GLA in its absolute discretion may agree to rents being set at amounts different to the levels above. Any future increases in Affordable Rent should be in line with government policy on Affordable Rent.

Scheme Administration

3.1.7. The GLA's scheme administration requirements are set out in the Programme Management Affordable Homes Programme section of the General chapter.

Right to Acquire

3.1.8. The Right to Acquire (RTA) provisions of the Housing and Regeneration Act 2008 apply to all dwellings built or acquired for the 'social rented sector' with public funding since 1 April 1997, unless exempted. It is a condition of grant funding that IPs comply with this legislation. Further details of the Right to Acquire product including property and applicant eligibility, and the legislation can be found in the **Right to Acquire section (4.2 of the Housing for Sale chapter)**.

- 3.1.9. S181 of the Housing and Regeneration Act 2008 requires the GLA to notify grant recipients before giving grant whether schemes are to be regarded as publicly funded for Right to Acquire purposes. The GLA will meet this obligation by means of an Information Management System (IMS) notification confirming to providers of Affordable Rent that schemes are treated as publicly funded for the purposes of the Right to Acquire. This notification will be available for providers to print each time a scheme is approved in IMS.

AR – Rents

General

- 3.1.10. This section describes the GLA's requirements in relation to the rents to be charged on grant-funded Affordable Rent schemes.

Rent setting and valuations

- 3.1.11. The maximum rental level for Affordable Rent should be no more than 80% of gross market rent (inclusive of service charges). In assessing whether the rent is no more than 80% the individual characteristics of the property must be taken into account, such as its location and size.
- 3.1.12. Providers will be expected to maximise their financial capacity, by charging rents at or as close as possible to 80% of market rents, to add to new supply.
- 3.1.13. For both new supply and conversions providers will be required to assess the market rent (using the definition of the International Valuations Standard Committee as adopted by the Royal Institute of Chartered Surveyors) that the individual property would achieve and set the initial rent at up to 80% of that level (inclusive of service charges).
- 3.1.14. In particular it is worth noting that for valuation purposes the appropriate lease terms will normally reflect current practice (e.g. 12 month fixed term assured shorthold tenancy) in the market in which the property is situated, not the individual terms of the tenancy in question.
- 3.1.15. Housing for vulnerable and older people, and extra care housing often includes a range of services to support the particular needs of the client group. For this type of property the market rent comparables (including service charges) should be based on similar levels and types of service provision available in that area. Where there are insufficient or no comparables for similar types of provision in the local area, valuers should be requested to identify comparables from other areas, or give their best view of the market rent (inclusive of service charges) that would be applicable in the location in which the property is situated or use an alternative valuation method, setting out their justification. Providers should then set the initial rent at up to 80% of that level.
- 3.1.16. Exceptionally rents may exceed 80% of market levels in areas where an Affordable Rent would otherwise be lower than the target rent for the property. The target rent therefore constitutes a 'floor' for the rent to be charged. However IPs will be required to document such decisions together with supporting evidence for audit purposes.

Setting Rents at less than 80% market value

- 3.1.17. In order to maximise their financial capacity the GLA expects providers to set rents at up to 80% gross market rent. Where in specific circumstances providers can demonstrate it is appropriate to set rents at less than 80% of gross local market rents whilst still meeting local needs and delivering value for money they will be required to discuss such cases with their GLA lead investor team. Examples where it might be appropriate could include:
- 3.1.18. Where a rent at 80% of market rent would exceed the relevant Local Housing Allowance (LHA) cap or place the rent close to the cap; or
- 3.1.19. If the local rented market was considered to be particularly weak or fragile.

Rent Reviews

- 3.1.20. Homes let on Royal Institute of Chartered Surveyors terms will not be subject to the rent restructuring policy for social rented housing as set out in the Regulator's Rent Influencing Regime Guidance (RIRG).
- 3.1.21. In order to provide protection and certainty for tenants, providers and funders, the maximum annual Affordable Rent increase will be the Consumer Price Index + 1%. CPI will be taken as at September of the previous year.

Subsequent tenancy renewals and re-lets

- 3.1.22. Providers will be required to rebase the rent on each occasion that a new Affordable Rent tenancy is issued (or renewed) for a particular property; and ensure that the rent remains at no more than 80% of gross market rent (inclusive of service charges) as of the date the property is re-let – even if this means the new rent is lower than the rent previously charged.

AR - Tenancy Arrangements

General

- 3.1.23. This section describes the flexible tenancy arrangements that providers are able to operate when providing Affordable Rent, and reflects the requirements of the Regulator's Tenancy Standard.

Requirement

- 3.1.24. The type of tenancy which providers should use when homes are let on Affordable Rent terms is not prescribed. Therefore, providers are able to offer AR on flexible tenancies; retaining the option to offer Assured/Secure tenancies if they wish to.
- 3.1.25. In the majority of cases, the minimum term of an Affordable Rent tenancy is 5 years. However, RPs are able to offer shorter tenancies, down to a minimum of 2 years, where there are exceptional reasons for doing so. RPs who offer tenancies lasting for fewer than 5 years must outline their case for doing this in their published tenancy policy(s). RPs are also able to offer longer fixed-terms or periodic tenancies, with no upper limit
- 3.1.26. Providers will be required to take into account Local Housing Authorities strategic tenancy policies.

Ending a tenancy

- 3.1.27. Where, at the end of a fixed term tenancy, providers decide not to issue a further Affordable Rent tenancy, they will be required to offer timely and reasonable advice and assistance to the existing tenants to help them find suitable alternative accommodation.
- 3.1.28. When disposing of Affordable Rent property, providers are reminded that they will be subject to the [regulator's consent to dispose regime](#).

Grant Recovery

- 3.1.29. Disposal of AR property on the open market, or voluntarily to a tenant on shared ownership terms is a Relevant Event for grant recovery purposes. Providers should credit the apportioned grant to their Recycled Capital Grant Fund in the normal way, and ring fence these amounts to be spent on further supply of Affordable Rent properties.
- 3.1.30.** For further information on grant recovery including Relevant Events, apportioned grant, and RCGF administration refer to the **Grant Recovery chapter**.

AR - Reporting and Audit Requirements

General

- 3.1.31. Providers must maintain accurate and complete records both for reporting and audit purposes and this section sets out the GLA's requirements.
- 3.1.32. For general requirements see Programme Management section of General chapter.
- 3.1.33. All Affordable Rent lettings must be recorded on a Continuous Recording (CORE) sales log. CORE is the remit of Department for Local Government and Communities. Any queries about CORE or the appropriate forms should be referred to them.

Supporting Documentation

- 3.1.34. For details of the required supporting documentation please see **programme management section of the General chapter**.

3.2. Social Rent

SR – Overview

Purpose

3.3.1. This chapter sets out the procedures which must be followed and the conditions under which providers must progress Social Rent schemes; and the basis upon which the GLA will assess applications for grant.

Context

3.3.2. Permanent rented housing which is new build, rehabilitation, and re-improvement.

3.3.3. The principal low cost rental accommodation delivered under the AHPs is **Affordable Rent**. However, there is limited provision for Social Rent, in exceptional circumstances.

3.3.4. It will be for IPs to demonstrate through evidence that there are exceptional reasons why Social Rent provision should be provided, in preference to Affordable Rent.

3.3.5. Social Rent is low cost rental accommodation that is typically made available at rent levels that are set in accordance with the rent component of the Regulator's Tenancy Standard on the basis of the Rent Influencing Regime guidance.

3.3.6. The following scheme types are included under the Rent heading:

- New Build including Acquisition & Works, Off the Shelf and Works Only schemes;
- Rehabilitation including Acquisition & Works, Existing Satisfactory, Purchase and Repair and Works Only schemes; and
- Re-improvement of RSL owned stock but not major repairs. For information on major repairs please see the repair section below.

3.3.7. Further information on the above scheme types can be found in **Procurement and Scheme Issues**.

Scheme Administration

3.3.8. The Programme Management Affordable Homes Programme Section of the General chapter sets out the Scheme Administration requirements which will also apply to Social Rent. It also covers Programme Change Notices which will also apply to Social Rent.

Right to Acquire

3.3.9. The Right to Acquire provisions of the Housing and Regeneration Act 2008 (section 180 etc), apply to all dwellings built or acquired for Social Rent with public funding since 1 April 1997, unless exempted. It is a condition of grant funding that providers comply with this legislation. Please refer to the Right to Acquire of the Housing for Sale chapter for more information.

3.3.10. The Right to Acquire provisions in the Housing and Regeneration Act 2008 require the GLA to notify grant recipients before giving grant that schemes will be regarded as publicly funded for Right to Acquire purposes.

SR – Rents

General

3.3.11. This section describes the requirements in relation to rents to be charged on grant-funded Social Rent schemes.

Requirements

3.3.12. Rent policy is subject to the Regulator’s tenancy standard and social rent levels should be calculated according to a formula based on relative property values and relative local earnings.

3.3.13. Where there are to be changes to the rents forecast in the original offer the provider must notify the GLA. The GLA may require a revised offer submission for the scheme as the revised rent may affect the amount of grant payable on a scheme.

3.3.14. The GLA expects that the proposed rental income will have been considered together with the long-term operational costs, including that the repayment of loan principal and interest can be met. Any initial revenue deficits should be within the financial and cash-flow capacity of the RP. The TSA will monitor the effect of development and the general financial status of the provider.

SR - Reporting and Audit Requirements

General

3.3.15. The reporting and audit requirements for SR are the same as those for AR – please see the **compliance audit chapter** for details.

3.3. Repair – Overview

Purpose

3.3.1. This chapter sets out eligibility and procedures for works to IPs existing rental stock. However, the GLA will not provide funding for works to local authority-owned property.

Context

3.3.2. The GLA's AHP heading of Works to Existing Stock consists of:

- Major Repairs and
- Re-improvements.

Major Repairs

3.3.3. As a general rule the GLA expects RPs to fund repairs to their existing stock through their business plans. However the GLA will in exceptional cases consider funding Major Repairs in respect of eligible properties (see section on eligible properties **below**), which are essential for the property to remain habitable; and where the RP can demonstrate it has no access to resources of its own (including Recycled Capital Grant Fund) to undertake the work.

3.3.4. The criterion for deciding whether work is classed as Major Repairs is that the works do not lead to any rent increase (even if the tenant moves out during the works).

3.3.5. As the works undertaken will not result in an increased rent, there would be no additional rental income to fund the works or to fund any loan repayments. Where the RP is able to demonstrate it cannot use its own resources or RCGF, and is unable to afford to pay for the Major Repair by taking out a loan, the cost of the works may be covered entirely by grant. However, any excessive or Non-Qualifying Costs must be paid for by the RP. Please see **section below on eligible and ineligible works**.

Re-improvements

3.3.6. Whilst re-improvements are works to an RP's existing stock they are not classified as repairs. The requirements and criteria for re-improvements are detailed in the **Procurement and Scheme Issues section of the General chapter**.

Key Features

3.3.7. Where the GLA considers funding Major Repairs schemes on an exceptional basis, the following characteristics will apply.

Fixed Grant

3.3.8. Grant will be payable on up to 100% of eligible costs declared in the offer. However, once funding is agreed, grant is fixed.

Payment

3.3.9. Grant is required to be claimed and then paid following Practical Completion.

- 3.3.10. Where payment on completion would put an RP in severe financial difficulty, a limited facility to release payment in tranches may be available. The GLA will consider individual requests on a case by case basis.
- 3.3.11. In certain circumstances an IP may undertake a range of repair and improvement activities under a single building contract. Where the GLA considers funding on an exceptional basis they may favourably consider applications from the IP for grant for the eligible works in such combined schemes where it is practicable and cost effective for the works to be carried out at the same time.
- 3.3.12. Technical Scrutiny
The GLA will scrutinise the proposed works to ensure that they:
- Are realistic;
 - Are reasonable; and
 - Represent value for money.
 - Depending on the degree of scrutiny at offer stage the GLA may require supporting documents to be submitted.

Eligible Properties

- 3.3.13. Not all properties are eligible for Major Repairs funding. Details of eligible and ineligible properties are described below.
- 3.3.14. As many properties will be ineligible for GLA funding IPs must account for and fund their own 'major repairs' provision within their business plans.

Eligible Works

- 3.3.15. Categories of work which the GLA may consider funding in exceptional circumstances are set out below.

Non-Qualifying Costs

- 3.3.16. Not all works and costs will be eligible for grant funding, and these will be required to be funded by the IP.
- 3.3.17. The term Non-Qualifying Cost relates to any capital costs of ineligible works.

Repair - Asset Management

General

- 3.3.18. IPs should deliver effectively managed resources as expected in the [Regulator's Governance and Financial Viability Standard](#). This will involve a business plan which covers:
- 3.3.19. -The management of assets;
- Obtaining the finance required to maintain assets; and
 - An assessment of the risks to delivering the plan.
- 3.3.20. Any queries should be referred to the Social Housing Regulator.

Repair - Property Eligibility

General

3.3.21. This section sets out the categories of property which would be eligible, or not for Major Repairs funding, should the GLA consider an exceptional case exists.

Eligible Properties

3.3.22. Except for those listed in section 3.3 all rental properties would be eligible for Major Repairs funding, if they were funded under pre-1988 Housing Act procedures.

3.3.23. The above includes property funded under the pre-1988 Housing Act Supported Housing Procedures which were eligible for Special Needs Management Allowance (SNMA)/Supported Housing Management Grant (SHMG) and were funded by Housing Association Grant.

Ineligible Properties

3.3.24. The following types of properties are ineligible for Major Repairs Grant funding:

- Temporary Empty Homes/Temporary Social Housing schemes.
 - Any property transferred from a public sector body to an IP on or after 1 April 1989.
 - Any property owned by a local authority.
 - Properties produced out of the following internal IP funds:
 - Disposal Proceeds Fund.
 - Recycled Capital Grant Fund.
 - All pilot mixed funding schemes approved in 1987/88 and 1988/89 including Challenge, Job Movers and Homeless Families schemes;
 - Properties funded under the Tariff, Non-Tariff, and Cash Programme procedures (i.e. funded after April 1989), except supported housing schemes which also received an SNMA/SHMG approval under the Special Needs Funding/Supported Housing Arrangements introduced in April 1991 and 1995;
 - All grant funded Affordable Home Ownership properties; and
 - Properties developed by the IP without any form of public subsidy (such as Business Expansion Schemes (please see definition in **Glossary**), market rent schemes, privately-funded home ownership schemes) **unless** the properties are let at social rent levels.
- 3.3.25. Large Scale Voluntary Transfer (LSVT) landlords that received stock transfers prior to 31 March 1996 are not eligible in principle to receive Major Repairs funding regardless of when these properties were originally funded.

Repair - Major Repairs - Eligible Works

General

- 3.3.26. Should the GLA consider in exceptional cases that it would be appropriate to fund major repairs this section defines the types of work that would normally be acceptable.
- 3.3.27. The repaired or replaced systems and components paid for by Major Repairs funding must have a (remaining) life of at least 15 years, once works are completed.

Establishing Eligibility

- 3.3.28. It is not possible to give a definitive list of works that might qualify for funding, and IPs will be required to contact their GLA Area Manager to discuss the likelihood of whether their proposed works might be eligible for funding. The main "grey area" to be considered is whether the repairs result as a direct consequence of something else rather than from routine maintenance needs.

Categories of Work

- 3.3.29. Works essential for the property to remain habitable are as follows.
- Major works arising from structural or environmental deterioration;
 - Replacement or repairs to services or features; or
 - Works arising from legislative changes occurring after completion of the original development or rehabilitation work.
- 3.3.30. In some instances tenants will need to be temporarily re-housed to enable major repairs to be carried out. The necessity to vacate properties can indicate the urgency or priority of the works.

Standards and Types of Work

- 3.3.31. The types of Major Repair Works are:
- Structural Works
 - Secondary elements
 - Site Works
 - Service Installations
 - Investigations
 - Consequential Works
 - Emergency Repairs

Additional Major Repair Provision

- 3.3.32. Previously referred to as minor miscellaneous works, the following are also classified as major repairs where such work to IPs' properties, is required usually to meet statutory requirements and address health hazards.
- 3.3.33. The following are examples of the types of works eligible for funding.
- Asbestos removal;
 - Fire Precautions;
 - Dealing with lead in drinking water; and
 - Dealing with radon.

Asbestos Works

- 3.3.34. Funding can be paid to cover the cost of the treatment of hazards arising from asbestos in building materials.

Fire Precautions

- 3.3.35. These are works recommended by the relevant Fire Authority to upgrade existing fire precautionary measures, or install new services as defined by the Fire Authority. IPs should follow the professional advice of the Fire Authority, although they are not strictly obliged in statute to do so.

Lead in Drinking Water

- 3.3.36. Funding can be provided to cover the costs of replacing existing, or installing new pipe work due to the presence of lead in drinking water. In certain circumstances, the only solution to this problem will be to carry out replacement works of varying degrees. In many cases, attendant health risks associated with lead will be of paramount importance. Eligible works include the replacement, installation or re-routing of pipe work.
- 3.3.37. For further information please refer to the [Drinking Water Inspectorate's \(DWI's\)](#) A-Z search facility. The DWI also provides various helpful leaflets.

Ineligible Works

- 3.3.38. The following are not eligible for Major Repairs funding:
- Re-improvements;
 - Day to day maintenance;
 - Cyclical maintenance;
 - Aids and adaptations; and
 - Works required because of the IP's neglect and inefficiency