



Homes for Our Future

Greater Cambridge Housing Strategy 2024-2029

Annex 4: Affordable Rents Policy

Contents

1.	Purpose	2
2.	Introduction.....	2
3.	Policy Position – Affordable Rents	3
4.	Justification.....	4
5.	Affordability.....	5



1. Purpose

- 1.1. This policy sets out the objectives for both South Cambridgeshire District Council and Cambridge City Council with regards to how Registered Housing Providers determine new Affordable Rents for social housing in Greater Cambridge. It applies only to Affordable Rents and does not look at Social Rent levels or the wider affordability issues of other affordable housing tenures. However, in considering Affordable Private Rent as part of a Build to Rent scheme, regard should be given to this policy.
- 1.2. It should also be noted that both Cambridge City and South Cambridgeshire District are identified as high affordability pressure areas and therefore the councils encourage Registered Housing Providers to provide Social Rent homes where possible.

2. Introduction

- 2.1. This policy is set within the Greater Cambridge Housing Strategy's long-term vision and objectives, which in turn reflect the broader priorities of the two councils. In particular it will help to tackle poverty and inequality and promote health and well-being through:
 - Ensuring homes are as affordable as possible to live in
 - Promoting mixed, balanced, and inclusive communities
- 2.2. This policy was originally developed in 2021 as an additional annex to the Greater Cambridge Housing Strategy 2019 to 2023. It has since been reviewed as part of the refresh of the Housing Strategy for 2024 to 2029. It is set within the context of the government's affordable rents policy and taking into account the [Homes England Capital Funding Guide](#).
- 2.3. The government's [Policy Statement for Rent for Social Housing](#), updated 14 December 2022, states that: "the rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market rent. Housing Providers should have regard to the local market context including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located, when setting Affordable Rents."



- 2.4. Given the high costs of privately renting in Greater Cambridge, Affordable Rents at the maximum of 80% of gross market rent remain unaffordable to a high proportion of those households on the Housing Register who are on lower incomes.
- 2.5. This policy looks to achieve a balance between increasing supply of affordable homes and ensuring that rented homes are affordable. It has been developed having regard to the local market context and the affordability challenges facing the area. It builds on the current good practice and partnership approach with Registered Housing Providers, with the aim to achieve consistency and fairness across Greater Cambridge.

3. Policy Position – Affordable Rents

- 3.1. Based on affordability evidence below, the following should apply when determining Affordable Rents for Greater Cambridge:
- 3.2. Cambridge City Council and City fringe sites crossing the border with South Cambridgeshire - the rent for Affordable Rent housing (inclusive of eligible property related service charges) should not exceed 60% of gross median market rent in Cambridge City for that size of property, location type and service provision, or the current Local Housing Allowance rate (applicable for properties up to 4 bedrooms) whichever is the lower. (Although see also paragraphs 3.5 & 3.6 below)
- 3.3. South Cambridgeshire District Council (excluding City fringe sites) - the rent for Affordable Rent housing (inclusive of eligible property related service charges) should not exceed 70% of gross median market rent for that size of property, location type and service provision, or the current Local Housing Allowance rate (applicable for properties up to 4 bedrooms), whichever is the lower.
- 3.4. Gross median market rent means the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector in the relevant district. Property size, location type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.
- 3.5. Generally, Affordable Rents can be applied based on the current Local Housing Allowance Rate for properties up to 4 bedrooms without obtaining a valuation. However, Registered Housing Providers should check to ensure that the LHA rate is not higher than either 60% of gross median rent in the City and city fringes or 70% of gross median rent in South Cambridgeshire



based on similar properties in the locality. Where a valuation is required, these should be made in accordance with a method recognised by the Royal Institution of Chartered Surveyors, as set out in the Policy Statement on Rents for Social Housing.

- 3.6. For new developments, the Registered Housing Provider must inform the relevant local authority of the projected rents to be charged as part of the development monitoring process with the local authority, providing details of the valuations undertaken where applicable.
- 3.7. Where the design and quality of homes is above national or local planning standards in place at the time, for example built to Passivhaus principles or similar, to help achieve the councils' objectives in relation to zero carbon homes and tackling fuel poverty, consideration will be given for Affordable Rents to be charged at up to 80% of a median market rent. Registered Providers will need to demonstrate that the overall affordability of the home, in terms of issues such as fuel costs and repair & maintenance of heating systems will be sufficiently reduced so that it is cost neutral to tenants.
- 3.8. New homes brought forward either in addition to the 40% affordable housing requirement in the Local Plan, or in place of intermediate tenures, which are to be let through **Cambridge City Council's** Lettings Policy may, in some circumstances, be offered at up to 80% of market rent to particular groups who are more likely to be able to afford a slightly higher rent, such as local workers. This is subject to agreement with Cambridge City Council and will be considered on a case by case basis. Creating a mixed and balanced community will be a key consideration.

4. Justification

- 4.1. Since the introduction of Affordable Rents in 2011, there has been a general consensus between the sub regional local authorities and the Registered Housing Providers that Affordable Rents should be set at or below the Local Housing Allowance rate. This has also been the policy approach required since the Greater Cambridge Housing Strategy was introduced in 2019. This ensured that the Affordable Rents were kept at an affordable level to those on low incomes and that housing benefit (or the housing element of Universal Credit) would cover the costs of an Affordable Rent.
- 4.2. As at October 2023, the percentage threshold set out at paragraphs 3.1.1 and 3.1.2 is broadly in line with LHA rates. The reason the councils have set a threshold as well as the LHA rate is to ensure that Affordable Rents will



remain at an affordable level if in future there was a significant increase in the LHA.

5. Affordability

- 5.1. Affordable Rents should be targeted at those for whom housing options are limited.
- 5.2. Housing charity Shelter says that as a rough guide affordable housing should cost no more than 35% of a household income after tax and benefits. The charity acknowledges, however, that 35% of income will be more difficult for people on very low incomes to pay than for those who earn more. The [‘diamond’ affordability analysis](#) for the Cambridge Sub Region (2023) also applies 35% of household income when considering the affordability of housing.
- 5.3. Data on the [gross disposable household income](#) published by government in 2021 identifies the average income that households have available to spend after tax and receipt of benefits is £22,711 for Cambridge and £27,031 for South Cambridgeshire.

Table 1: Affordability based on 35% of Average Household Disposable Income spent on rent

Local Authority Area	Average Disposable Household Income per Annum	Average Disposable Household Income per week	35% to be spent on Rent per week
Cambridge City	£22,711	£437	£153
South Cambs	£27,031	£520	£182



Table 2: Discounts required for Affordable Rents to be affordable based on median private rents and 35% of average disposable household income

Local Authority Area by Property Size	Average Median Weekly Market Rent*	35% to be spent on Rent based on Average Disposable Household Income	% Discount to market rent required	Percentage of median rent likely to be affordable
Cambridge – 1 bedroom	£276	£153	45%	55%
Cambridge – 2 bedroom	£345	£153	56%	44%
Cambridge – 3 bedroom	£391	£153	61%	39%
South Cambs – 1 bedroom	£207	£182	12%	88%
South Cambs – 2 bedroom	£275	£182	34%	66%
South Cambs – 3 bedroom	£321	£182	43%	57%

*(Source: Hometrack March 2023 data)

5.4. Table 2 above, demonstrates that there can be a large variance in the discount to market rent required to make an Affordable Rent affordable to households on an average income, dependent on the size and location of the property. However, in all scenarios, except for one bedroom properties in South Cambridgeshire, the discount required even for those on average incomes would be more than the discount applicable to the thresholds set at paragraphs 3.1.1 and 3.1.2; and if applied, is likely to make the delivery of a scheme unviable. Therefore, it is acknowledged that for many households on lower incomes they will need to spend more than 35% of their net income on housing costs.



- 5.5. In terms of viability, based on both councils' newbuild programmes it can be demonstrated that it is viable to provide high quality homes at Affordable Rents set at the current Local Housing Allowance Rate, which is comparable with the percentage thresholds stated at paragraphs 3.1.1 and 3.1.2.
- 5.6. Therefore, whilst the discount required may vary dependent on property size and location, having Affordable Rents at 60% of a median rent in the City and City fringes and 70% of a median rent for the rest of South Cambridgeshire, is considered to be a fair and reasonable balance between affordability for those on lower household incomes and taking into account scheme viability.

Dated: May 2024