



Housing SA – Community Partnerships and Growth

Community Housing Rent Assessment Guidelines: Capping

December 2013

Purpose

To explain what capping is, and how changes in household circumstances affect community housing rents for a capped household.

What is capping?

Your rent may increase as a result of Market Rent increases or Community Housing Rent policy changes. The rent reforms implemented in October 2012 are an example of a policy change. Capping is used in these circumstances to minimise the impact on tenants by introducing increases slowly. For instance, where an increase in a tenant's assessed rent is more than \$10 per week, the actual rent increase is "capped" at \$10pw each 6 months until the appropriate rent level is reached.

Which tenants are eligible for capping?

Capping applies only to existing tenants whose rents are set to increase by more than \$10 per week as a result of policy changes, or an increase in Market Rent.

Capping does not apply to:

- new Community Housing tenancies entered into after a policy or Market Rent change
- rent decreases resulting from a policy change (these are passed on in full).

What happens if my household income changes?

If your household income changes because:

- someone else moves in or out;
- the income of any household member increases or decreases;
- or some other reason;

you must advise your Community Housing Association or Co-operative as soon as the changes occur, so that your rent can be reassessed. You will need to provide current proof of income (no older than 14 days) for all household members.

Increase in household member's income

If the rent is not currently capped and the household income increases, the rent increase will not be capped.

Where a member of a currently capped household has an increase in income (other than CPI increases), capping continues to apply for the originally capped circumstance; however the rent increase due to the increase in the household member's income is passed on in full.

New person moving into the household

Where a new person moves into a household that is not currently capped, the increase in rent (due to the new person moving into the household) is not capped.

Where a new person moves into a currently capped household, and this is the only reason for a change in household income, capping continues to apply for the existing capped household members. However the rent increase relating to the new household member is passed on in full. (Should Market Rent be reached due to the increase, capping will cease.)

What happens if a tenant with a capped rent transfers to another property?

Capping will remain when a tenant transfers to another debentured community housing property, regardless of who initiates the transfer.

Why does the rent remain the same when a capped household's income has reduced?

If a capped household's income based rent is re-assessed after a reduction in income but the new assessed rent is still greater than the amount the household is currently paying, the rent will not reduce. This is explained in the capping scenarios below.

Examples of Rent Capping Scenarios

The following scenarios provide examples of how various capping rules are applied. The examples use situations that may arise due to rent reforms introduced from October 2012.

Definitions

Review Type: There are two types of rent reviews (rent reviews are also called "rent assessments"):

- "scheduled" reviews are conducted twice a year to check the eligibility of all households for Income Based Rents, and to account for any Consumer Price Index (CPI) increases to incomes.
- There may also be "unscheduled" reviews, where a tenant is required to have their rent reviewed due to a Change of Circumstances (COC).

Assessed Rent: The amount of rent that has been calculated based on household income as outlined in the Rent Policy. The Assessed Rent is derived by using either an Income Based Rent or Market Rent method. (This will vary from household to household.)

Rent Payable: is the actual amount of rent the tenant is required to pay. Where the Rent Payable figure is different to the Assessed Rent, this indicates that the household rent has been capped and \$10 per week rent increases will be applied at each scheduled review until the Assessed Rent amount is reached. (Where the Assessed Rent equals the Rent Payable, there is no capping.)

Allowance: This is the amount of capping that has been applied to the rent, being the difference between the **Assessed Rent** and the **Rent Payable**.

Capped Household Example

Rent prior to the October 2012 “scheduled” review was \$100pw for a single household.

1. Capping established at the October 2012 scheduled review due to rent increases applied as a result of rent policy reforms.
 - Assessed Rent = **income \$500pw x 25% + Optimised CRA (\$60) = \$185 pw**
 - Rent Payable = **previous rent \$100pw + \$10pw capped increase = \$110 pw**
2. April 2013: scheduled review – scheduled capped increase, but no COC
 - Assessed Rent = **income \$500pw x 25% + Optimised CRA (\$60) = \$185 pw**
 - Rent Payable = **previous rent \$110pw + \$10pw capped increase = \$120 pw**
3. September 2013: unscheduled review - rent increase due to COC – wage increase by \$100pw.
 - Assessed Rent = **income \$600pw x 25% + Optimised CRA (\$60) = \$210 pw**
 - Rent Payable = **previous rent \$120pw + \$25pw increase due to wage increase, passed on in full = \$145 pw**
4. October 2013: scheduled review - rent decrease due to COC – wage reduced by \$100
 - Assessed Rent = **income \$500pw x 25% + Optimised CRA (\$60) = \$185 pw**
 - Rent Payable = **previous rent \$145pw, as new Assessed Rent is still higher than previous Rent Payable = \$145 pw**
5. April 2014 scheduled review– no COC and a CPI increase in income of \$20
 - Assessed Rent = **income \$520pw x 25% + Optimised CRA (\$60) = \$190 pw**
 - Rent Payable = **previous rent \$145pw + \$10pw capped increase = \$155 pw**
 - CPI increase is added to Assessed Rent but does not affect Rent Payable

Date of Assessment	Review Type	Current Rent	Assessed Rent	Allowance	Rent Payable
1. October 2012 (capping applied)	Scheduled	\$100	\$185	\$75	\$110
2. April 2013	Scheduled and no COC	\$110	\$185	\$65	\$120
3. September 2013	Unscheduled with a COC (increase)	\$120	\$210	\$65	\$145
4. October 2013	Scheduled with a COC (decrease)	\$145	\$185	\$30	\$155
5. April 2014	Scheduled with a CPI	\$155	\$190	\$25	\$165

Note: Excluding CRA, tenants pay no more than 25% of gross household income in rent.

Where can I get more information?

If you would like more information about how capping affects your rent, please contact your Housing Association or Co-operative.

Note – for further information call Housing SA, Community Partnerships and Growth on 1300 700 561 or 1800 686 366 (country callers) or see www.sa.gov.au/communityhousing