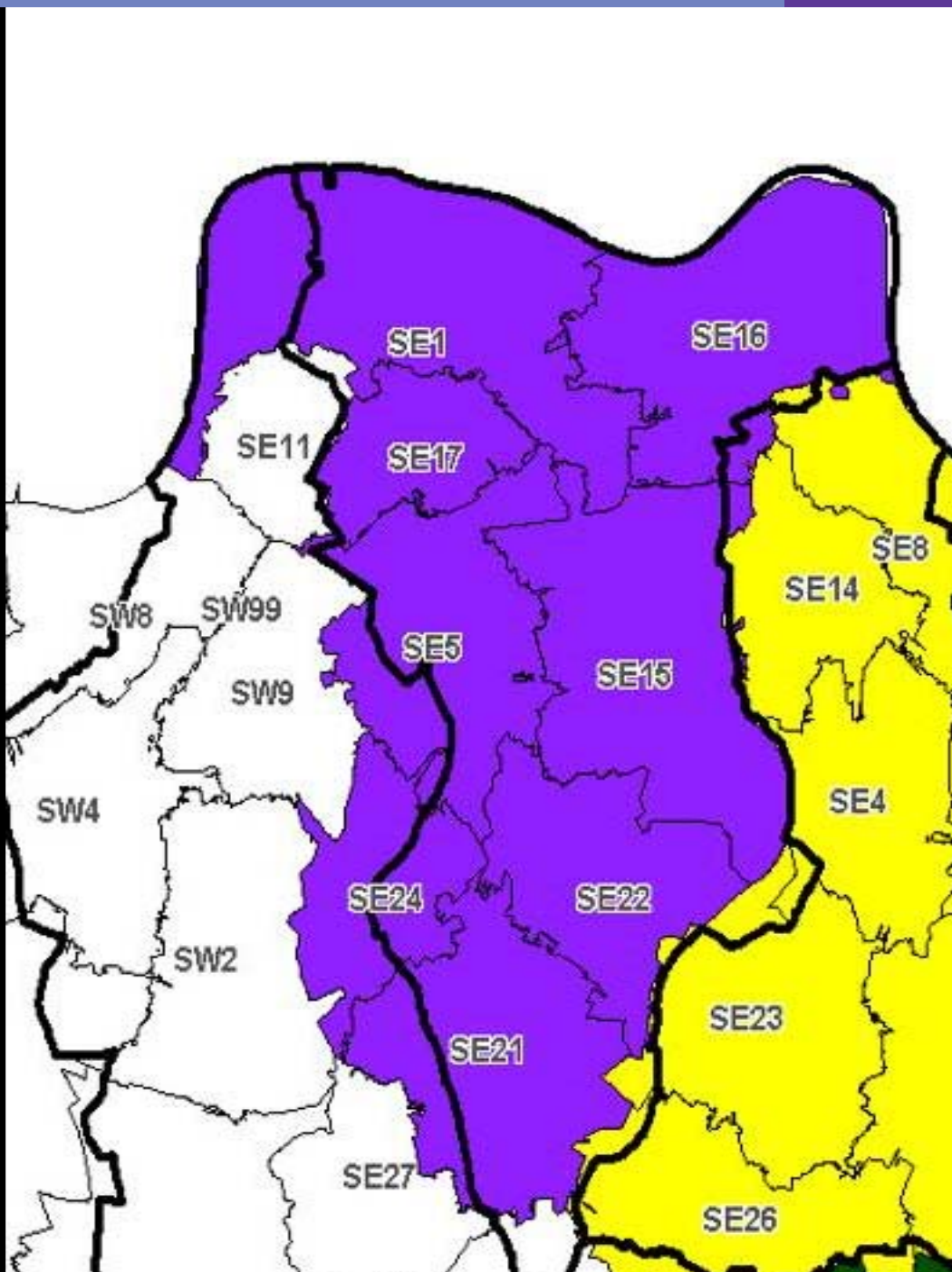


Southwark affordable rent product study December 2017

December 2017

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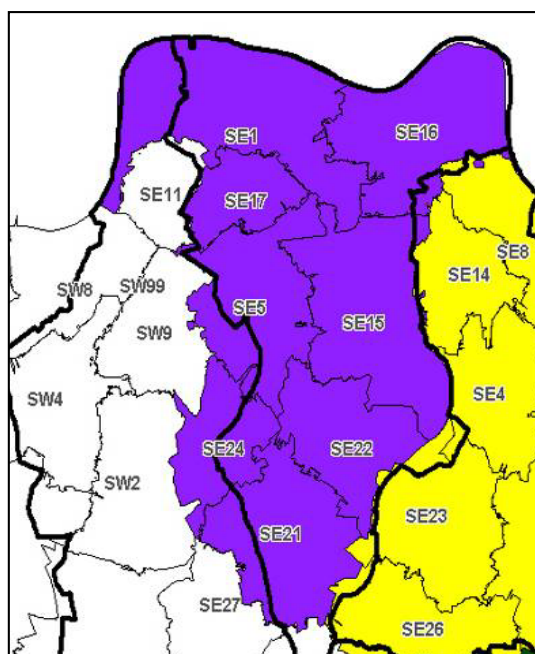
Introduction

National government introduced a new type of affordable housing through a revision to Planning Policy Statement 3 in June 2011. The new type of affordable housing is called "affordable rent". Affordable rent sits alongside social rent and intermediate housing as a third type of affordable housing. The product allows up to 80% of market rent to be charged and is allocated to housing applicants in the same way as social rented housing.

As a council we were concerned about the potential impact of the affordable rent product and felt that it was important to assess how affordable it would be in Southwark. We therefore brought together information on market rent levels, average incomes, and benefit levels into a study which looked at the affordability of the new affordable rent product. The study covered the whole borough and used postcode areas as shown on the map below. Please note that the postcode boundaries don't align exactly with the Southwark borough boundary.

The study modelled a range of scenarios from 40% to 80% of market rent, across a range of bed sizes. The data in the study has been, and continues to be, used to inform our approach to affordable rent, both in terms on new build homes and conversion of relets. Using the data on affordability within the study, council officers proposed three different scenarios for varying proportions of affordable rent for different bed sizes. These were then tested using the data. The Council clarified its approach to the new product in a planning committee report from December 2011. The report stated that we will continue to apply our existing affordable housing policy and the affordable rent product will only be accepted where financial viability can show that the policy cannot be met. In the instances where the affordable rent product is proposed it should follow one of these three options:

- **Option 1** - Developing properties at a percentage of market rent that is significantly less than 80%, by use of cross subsidy.
- **Option 2** - Providing the majority of new build (e.g. 75%) at 'affordable rent', to enable the provision of some social rented homes (e.g. 25%)
- **Option 3** - Concentrating on providing one and two bed homes at up to 80% market rent level on the basis of providing three bed plus homes at social rent.



It is important to note that this affordable rent product study does not set or vary existing planning policy and developers are advised to check current planning policy with the planning team. The Core Strategy (2011), saved Southwark Plan (2007), area actions plans, and the Affordable Housing supplementary planning documents (adopted 2008 and draft 2011) set out the council's planning policies for affordable housing. We are intending to review our planning policies in the Core Strategy and saved Southwark Plan through the preparation of a local plan called our New Southwark Plan and further details are available on our website.

www.southwark.gov.uk/newsouthwarkplan

Any developer/landlord considering developing an affordable rent product in Southwark is advised to explore the data in the appendix to consider appropriate levels of market rent. We also advise

that you contact the housing development team to discuss the levels of rent you may be proposing.

This document provides an introduction and explanation to the study as well as a summary of the main conclusions. We have used the SE1 and SE15 postcodes for the examples within the summary as these are two extremes in the Borough in terms of average property price. The full data, covering all the postcodes, is available as an appendix to this report in an excel spreadsheet.

This full data set is updated every 6 months.

Median weekly market rent November 2017				
Area	1	2	3	4+
Southwark	358.78	448.47	528.97	689.73
SE1	413.52	548.06	612.91	715.03
SE5	301.97	365.68	458.82	689.96
SE11	344.75	436.97	591.30	690.65
SE15	304.04	367.98	505.97	592.21
SE16	344.98	413.52	574.97	722.62
SE17	348.89	434.21	544.38	622.80
SE21	287.48	344.75	465.72	643.96
SE22	287.25	354.87	453.53	816.45
SE24	293.00	379.48	448.47	712.50

Overview of the three methodologies used

The study used three different methodologies to explore the impacts of the new "affordable rent" tenure.

1. The first approach was to start with **different proportions of market rents (40%-80%) and the income required to afford these, at varying proportions of use of gross household income** (as households have other living costs).
2. The second approach looked at what **proportion of affordable rent would be affordable for those affected by the benefit cap**, which began to be introduced from August 2013. The benefit cap is a limit on the total benefit payable to working age, non-working households (those not in receipt of working tax credit). Initially the benefit cap was £350 a week for single adult households and £500 for couples and lone parent families. In November 2016 the Government reduced the cap to £296.35 for singles and £442.31 for couples and families.

Initially the benefit cap is being implemented through deductions made from housing benefit. In the longer term, the cap will form part of the universal credit assessment as this is rolled out by government from October 2013. There are some exemptions from the cap, such as for those receiving disability living allowance and war widows (the full list of exemptions is included in the final tab in the excel spreadsheet). This part of the study made use of figures from a South East London Housing Partnership study. This has been updated in this document. The modelling assumes that only housing benefit is used towards rents and that other benefits are used for other costs such as food, heating, care etc. The report looked at what benefits different household groups were likely to be already receiving (child benefit, child tax credit and income support). It then looked at how much potential housing element could therefore be remaining within the benefit cap. In the private sector this housing element would be capped to Local Housing

Allowance (LHA) levels, as set by the Valuation Office Agency but for the new affordable rent tenure the housing benefit/element can exceed the LHA level, though developers are unlikely to do affordable rent at levels above LHA. This potential housing benefit/element figure can then be compared to proportions of market rents by postcode, to see the maximum proportion of market rent that each different household type (affected by the cap) could potentially afford.

3. The third approach was to look at the **proportion of market rent that different households could afford using household income data from the Housing Requirements Study 2008 (published in 2009)**. The full data set is included in the appendix in the data tabs.

Scenario testing - Using the data and findings from these methodologies, three scenarios were tested using varying proportions of market rents, LHA capped market rents and social rents:

1. Unrestricted 80% market rent for 1 and 2 bed, with social rent for 3 bed plus
2. LHA capped market rents of 80% for 1 bed, and 70% 2 bed, and social rent for 3 bed plus
3. LHA capped market rents of 80% 1 bed, 60% 2 bed, and social rent for 3 bed plus

Summary of key findings

1. Proportions of market rents and the income required to afford these

In the excel spreadsheet in the appendix, the first tab looks at varying proportions of market rents between 40% to 80% and shows where these are higher than the local housing allowance rate for the area. For rents in the private sector, households can only receive up to local housing allowance rate which was set at the 30th percentile for the broad rental market area (BMRA) and has then been updated annually by either CPI or the new 30th percentile rent (which ever is lower). The BRMA for Southwark is "Inner South East London". Rents under the affordable rent product are not officially capped at the LHA rate (this was not in RPs contracts with the HCA) but the GLA indicated they would not expect affordable rents to exceed this. The tested scenarios included some options of affordable rent capped at the LHA rate. So this sheet shows where this would be likely to apply and at what proportions of market rent.

The following extract from the spreadsheet shows that at 80% of market rent, all of Southwark's postcode areas have rents exceeding the LHA rate (the orange cells). At 60% of market rent, a larger number of postcode areas would have rents lower than the LHA rates.

80% Market Rent				
Area	1	2	3	4+
Southwark	287.02	358.78	423.17	551.78
SE1	330.81	438.45	490.33	572.02
SE5	241.58	292.54	367.06	551.97
SE11	275.80	349.58	473.04	552.52
SE15	243.23	294.38	404.78	473.77
SE16	275.98	330.81	459.97	578.09
SE17	279.11	347.37	435.50	498.24
SE21	229.99	275.80	372.58	515.17
SE22	229.80	283.90	362.83	653.16
SE24	234.40	303.58	358.78	570.00

60% Market Rent				
Area	1	2	3	4+
Southwark	215.27	269.08	317.38	413.84
SE1	248.11	328.83	367.75	429.02
SE5	181.18	219.41	275.29	413.98
SE11	206.85	262.18	354.78	414.39
SE15	182.43	220.79	303.58	355.33
SE16	206.99	248.11	344.98	433.57
SE17	209.33	260.53	326.63	373.68
SE21	172.49	206.85	279.43	386.38
SE22	172.35	212.92	272.12	489.87
SE24	175.80	227.69	269.08	427.50

The first tab then looks at what income would be required to afford varying proportions of market rent. The tab provides figures for both 25% and 30% of gross income used up as rent.¹

If a household could afford to spend 30% of their income in rent, an annual income of **£73,600** would be required to afford a 3 bed 80% market rent property in Southwark (up from £59,520 in

¹ 25% gross income is the figure suggested in the previous Governments Housing Market Assessment Guidance but it said that higher proportions may possibly be considered if people were on higher incomes or in particular local circumstances.

the April 2011 study). However it is sometimes argued that spending 25% of gross income on rent is affordable. Under this assumption an annual income of **£88,320** would be required for a three bed property (up from £71,424 in the April 2011 study). At 60% market rent, spending 30% of gross income, an annual income of **£55,200** is required (up from £44,640 in the April 2011 study). This data demonstrates how affordability issues with affordable rent at higher proportions of market rent will intensify if rents increase as they have over the past few years.

The spreadsheet can be used to check the figures for a large range of options such as different proportions of market rent and/or percentage of gross income spent on rent.

Annual Income required to afford 80% rent 30% gross income				
30%	1	2	3	4+
Southwark	49,920	62,400	73,600	95,968
SE1	57,536	76,256	85,280	99,488
SE5	42,016	50,880	63,840	96,000
SE11	47,968	60,800	82,272	96,096
SE15	42,304	51,200	70,400	82,400
SE16	48,000	57,536	80,000	100,544
SE17	48,544	60,416	75,744	86,656
SE21	40,000	47,968	64,800	89,600
SE22	39,968	49,376	63,104	113,600
SE24	40,768	52,800	62,400	99,136

Annual Income required to afford 80% rent 25% gross income				
25%	1	2	3	4+
Southwark	59,904	74,880	88,320	115,162
SE1	69,043	91,507	102,336	119,386
SE5	50,419	61,056	76,608	115,200
SE11	57,562	72,960	98,726	115,315
SE15	50,765	61,440	84,480	98,880
SE16	57,600	69,043	96,000	120,653
SE17	58,253	72,499	90,893	103,987
SE21	48,000	57,562	77,760	107,520
SE22	47,962	59,251	75,725	136,320
SE24	48,922	63,360	74,880	118,963

Annual Income required to afford 60% rent 30% gross income				
30%	1	2	3	4+
Southwark	37,440	46,800	55,200	71,976
SE1	43,152	57,192	63,960	74,616
SE5	31,512	38,160	47,880	72,000
SE11	35,976	45,600	61,704	72,072
SE15	31,728	38,400	52,800	61,800
SE16	36,000	43,152	60,000	75,408
SE17	36,408	45,312	56,808	64,992
SE21	30,000	35,976	48,600	67,200
SE22	29,976	37,032	47,328	85,200
SE24	30,576	39,600	46,800	74,352

2. Proportions of affordable rent that could be afforded by property size within the overall benefit cap

The second tab looks at the affordability of the affordable rent product for those affected by the benefit cap. The key part of the spreadsheet is the section on the right of the main table (as included on the following page). From mid August 2013, a maximum cap on the total amount of benefit which a working age non-working household can claim began to be introduced. The cap was initially £350 per week for single person households and £500 per week for all others. In November 2016 the Government reduced the cap to £296.35 for singles and £442.31 for couples and families.

The benefit cap will also apply to Universal Credit, a new single benefit for working age people which will be currently being rolled out. It replaces most means tested benefits e.g. job seeker's allowance (income-based), employment support allowance (income-related), income support, housing benefit, and child and working tax credits. The cap does not apply to households eligible for working tax credit, households in receipt of certain disability benefits and war widows. A full list of exemptions is included on the final tab of the appendix.

For the table below, we have looked at the current benefits that different sized households are likely to receive for income support, personal allowance, child tax credit and child benefit. This figure was then subtracted from the maximum benefit cap to see how much would potentially be remaining that could cover rent under housing benefit or the housing element of the universal credit. The relevant proportion of market rent for that household size was then subtracted. Where this new figure is positive it just shows the proportion of market rent that could be fully covered by the housing benefit/element. The household would not actually receive this extra figure, unless they were entitled to some other benefit element. However where figures are negative this shows where other elements would have to be used to cover rents. So the household would have less money for other living costs.

The final column gives the maximum proportion of market rent that each type of household could afford within the cap, without having to use up some of their other non-housing elements (which would currently be used for food, heating costs, clothing etc). The colour coding shows for smaller household sizes the housing element (assuming it is not capped, except by the total universal credit cap) could cover more than 80% market rent within the universal credit cap (shaded dark green). As the household gets larger the proportion reduces to somewhere between 80% and 40% (light green). They are all shaded green as it means an affordable rent at somewhere over 40% of market rent is possible, but only to the proportion stated. Once you get to larger families with 4 children plus, the household would not be able to even reach 40% market rent within the housing element of the universal credit cap and would have to use up other elements of the cap, or not be able to afford it at all.

With the total benefit cap, a working household in an affordable rent property in Southwark is still likely to be having some of their rent paid through housing benefit or the housing element of universal credit, based on the low average incomes in Southwark. This would not be capped if they were working. But if they then became unemployed, the benefit cap will apply (unless any other exemption applies). So they might struggle to pay the rent and could enter rent arrears or become homeless. DWP have indicated that people who have lost their job but were employed for 12 months or more prior to claiming, have 9 months before the benefit cap applies to them (50 out of 52 weeks).

Based on the Southwark average prices a couple with one child affected by the benefit cap could afford a rent of **54%** of the market rent. A couple with two children could afford **39%** of the market rent. A single parent with two children could have afforded an affordable rent at **48%** of market

rents. The benefit cap was already making affordable rent unaffordable to larger families affected by the benefit cap, the reductions in the benefit cap greatly exacerbated this.

Potential proportion of market rent that could be covered by housing benefit/element within the post-November 2016 benefit cap for non working households after removing estimates for elements for income support, personal allowance, child tax credit and child benefit, and the applicable proportion of Southwark market rent

* The final column is the maximum % of market rent the household could afford (assuming no cap on the housing element, except the total benefit cap), assuming only the housing benefit/element of benefits is used on rent.

	Bed rooms	Bed spaces	Max House hold benefits cap level	Total benefits claimed excluding housing benefit	Remainder of benefits available for Rent & Service Charge	After target rent plus service charge	After 40% market rent	After 50% market rent	After 60% market rent	After 70% market rent	After 80% market rent	
Single under 25	0	1	£296.35	£57.90	£238.45	£141.57	£94.93	£59.06	£23.18	-£12.70	-£48.58	66%
Single over 25	1	1	£296.35	£73.10	£223.25	£126.37	£79.73	£43.86	£7.98	-£27.90	-£63.78	62%
Couple with no dependants	1	2	£442.31	£114.85	£327.46	£230.58	£183.95	£148.07	£112.19	£76.31	£40.43	91%
Couple with 1 child	2	3	£442.31	£199.49	£242.82	£132.06	£63.43	£18.58	-£26.27	-£71.12	-£115.96	54%
Couple with 2 children	2	4	£442.31	£266.65	£175.65	£64.89	-£3.74	-£48.58	-£93.43	-£138.28	-£183.12	35%
Couple with 3 children	3	5	£442.31	£333.82	£108.49	-£15.69	-£103.10	-£155.99	-£208.89	-£261.79	-£314.68	21%
Couple with 4 children	3	6	£442.31	£400.98	£41.33	-£82.85	-£170.26	-£223.15	-£276.05	-£328.95	-£381.84	8%
Couple with 5 children	4	7	£442.31	£468.14	-£25.83	-£165.52	-£301.72	-£370.70	-£439.67	-£508.64	-£577.61	-4%
Couple with 6 children	4	8	£442.31	£535.30	-£92.99	-£232.68	-£368.88	-£437.86	-£506.83	-£575.80	-£644.78	-13%
Single parent with 1 child	2	3	£442.31	£157.74	£284.57	£173.81	£105.18	£60.33	£15.48	-£29.37	-£74.21	63%
Single parent with 2 children	2	3	£442.31	£224.90	£217.40	£106.64	£38.01	-£6.83	-£51.68	-£96.53	-£141.37	48%
Single parent with 3 children	3	4	£442.31	£292.07	£150.24	£26.06	-£61.35	-£114.24	-£167.14	-£220.04	-£272.93	28%
Single parent with 4 children	3	5	£442.31	£359.23	£83.08	-£41.10	-£128.51	-£181.40	-£234.30	-£287.20	-£340.09	16%
Single parent with 5 children	4	6	£442.31	£426.39	£15.92	-£123.77	-£259.97	-£328.95	-£397.92	-£466.89	-£535.86	2%
Single parent with 6 children	4	7	£442.31	£493.55	-£51.24	-£190.93	-£327.13	-£396.11	-£465.08	-£534.05	-£603.03	-7%
Lone parent under 18	1	2	£442.31	£57.90	£384.41	£287.53	£240.90	£205.02	£169.14	£133.26	£97.38	107%
Lone parent over 18	1	2	£442.31	£73.10	£369.21	£272.33	£225.70	£189.82	£153.94	£118.06	£82.18	103%

3. Proportions of market rent different households could afford using household income data from the Housing Requirements Study 2008 (published in 2009)

Southwark Council carried out a Housing Requirements Study in 2008, which was published in 2009. This looked at median household incomes. In the affordable rent study, the data was compared to varying proportions of market rent to see what different household types would be able to afford. The figures below assume 30% of gross household could be used to pay rent. The results are shown in tab 3 of the spreadsheet. The final column gives the maximum proportion of the market rent that the average household of that size could afford.

In Southwark an adult couple with no children can afford quite a high proportion of market rent on a one bed and a fairly high proportion on a two bed. But on average, couples with children will be able to afford a maximum of 39% market rent on a two bed. So this shows that the affordable rent product is most suitable for couples with no children.

Again, the data in the spreadsheet is interactive and you can enter different postcodes to see how affordability changes across the borough. As per the universal credit methodology (explained in 2. above), people can afford higher proportions of market rent in SE15 due to lower average property prices, in SE1 the opposite is true.

	40% Market	50% Market	60% Market	70% Market	80% Market	90% Market	100% Market	Maximum % of market rent that average could afford
Southwark								
1 bed Market Rent	143.51	179.39	215.27	251.15	287.02	322.90	358.78	
30% Single person median income	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	27%
30% Lone parent median income	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	15%
30% Adult couple median income	£264.48	£264.48	£264.48	£264.48	£264.48	£264.48	£264.48	74%
30% Median income	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	27%
2 bed Market Rent	179.39	224.24	269.08	313.93	358.78	403.63	448.47	
30% Lone parent median income	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	12%
30% Adult couple with children median income	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	38%
30% Adult couple median income	£264.48	£264.48	£264.48	£264.48	£264.48	£264.48	£264.48	59%
30% Median income	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	22%
3 bed Market Rent	211.59	264.48	317.38	370.28	423.17	476.07	528.97	
30% Lone parent median income	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	10%
30% Adult couple with children median income	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	32%
30% Median income	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	18%
4 bed+ Market Rent	275.89	344.86	413.84	482.81	551.78	620.76	689.73	
30% Lone parent median income	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	8%
30% Adult couple with children median income	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	25%
30% Median income	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	14%

4. Scenario testing

Using the data and findings from the previous three methodologies, three scenarios were tested using varying proportions of market rents, LHA capped market rents and social rents:

1. Unrestricted 80% market rent for 1 and 2 bed, with social rent for 3 bed plus
(Though this scenario should not apply as rents should not exceed the LHA rate)
2. LHA capped market rents of 80% for 1 bed, and 70% 2 bed, and social rent for 3 bed plus
3. LHA capped market rents of 80% 1 bed, 60% 2 bed, and social rent for 3 bed plus

The tables below give figures for each scenario (capped as required) for Southwark, SE1 and SE15. Please refer to the full spreadsheet for the other postcodes. The light green shading shows where the value has been capped to LHA instead of the higher market rent figure. For Southwark both 80% and 70% of market rent would be capped at LHA under option 2. For SE15 neither would be capped. The tables also explore what incomes would be required for these options using 25% and 30% of gross household income as rent.

Key to shading below

Orange= Greater than LHA rate for inner SE London

Green= Set to LHA rate

Blue= Set at target rent plus service charge

Purple= Greater than or equal to universal credit cap

Southwark data

Summary of the proposed options for				
	Southwark			
WEEKLY	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	287	359	124	140
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	204	265	124	140
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	204	265	124	140
ANNUAL	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	14976	18720	6479	7289
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	10648	13842	6479	7289
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	10648	13842	6479	7289
Annual income required at 25% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£59,904	£74,880	£25,917	£29,154
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£42,593	£55,368	£25,917	£29,154
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£42,593	£55,368	£25,917	£29,154
Annual income required at 30% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£49,920	£62,400	£21,598	£24,295
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£35,494	£46,140	£21,598	£24,295
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£35,494	£46,140	£21,598	£24,295

SE15 data

Summary of the proposed options for				
	SE15			
WEEKLY	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	243	294	124	140
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	204	258	124	140
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	204	221	124	140
ANNUAL	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	12691	15360	6479	7289
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	10648	13440	6479	7289
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	10648	11520	6479	7289
Annual income required at 25% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£50,765	£61,440	£25,917	£29,154
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£42,593	£53,760	£25,917	£29,154
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£42,593	£46,080	£25,917	£29,154
Annual income required at 30% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£42,304	£51,200	£21,598	£24,295
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£35,494	£44,800	£21,598	£24,295
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£35,494	£38,400	£21,598	£24,295

SE1 data

Summary of the proposed options for				
	SE1			
WEEKLY	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	331	438	124	140
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	204	265	124	140
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	204	265	124	140
ANNUAL	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	17261	22877	6479	7289
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	10648	13842	6479	7289
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	10648	13842	6479	7289
Annual income required at 25% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£69,043	£91,507	£25,917	£29,154
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£42,593	£55,368	£25,917	£29,154
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£42,593	£55,368	£25,917	£29,154
Annual income required at 30% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£57,536	£76,256	£21,598	£24,295
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£35,494	£46,140	£21,598	£24,295
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£35,494	£46,140	£21,598	£24,295

Conclusions

1. That as market rents are very high in Southwark, significant incomes are required to afford high proportions of market rent. But average incomes of people living in Southwark are low.
2. Therefore if the affordable rent product is trying to meet the housing need of people on the housing register, these households are extremely likely to be dependant on housing benefits to pay their rent.
3. For households using housing benefits to pay rent, the introduction of a benefits cap for non-working households means there will be very little benefits/element remaining within the cap to cover rents for larger households.
4. Therefore households who can afford affordable rent with benefits while working are likely to really struggle if they lose work and the benefit cap applies. This could lead to increased debt, rent arrears and in the longer term, homelessness. This represents a risk for the tenant as well as the landlord. Since the original affordable rent study was released, the DWP announced that that people who have lost their job but were employed for 12 months or more prior to claiming, may have 9 months before the benefit cap applies. So this risk has been slightly reduced.
5. As a result, in Southwark, the affordable rent product is not really that well suited for 3 and 4 bedroom properties (especially at higher rents close to 80% of market rent). It is only currently really affordable for some household types for 1 and 2 bedroom properties at high proportions of market rent.
6. The reduction of the benefit cap to £23,000 from £26,000 has made it even harder for families to afford the rent within the benefit cap, with that extending even further down to one child families.
7. There is an increased risk to housing associations in developing affordable rent properties due to the increased risk of rent arrears, should the working members of the household lose their job and the benefit cap come to apply.