

## **Affordability Commission**

**Cabinet – 10/05/2016**

### **Appendix 2 – Briefing Papers**

- Defining Affordability
- The legal framework and grant conditions attached to rent setting for both the Council and Registered Providers
- Local affordability – Analysis of incomes, benefit support, welfare reform, service charge costs and access to affordable homes
- Overview of current and future housing need, and current letting patterns



## **London Borough of Tower Hamlets**

### **Housing Policy and Affordability Commission**

#### **Briefing Paper 1 - Defining Affordability**

A starting point for the Commission's deliberations will be consider different definition of affordability and how they apply to different types of households.

There is no definitive way of calculating affordability but guidance has been issues in the past by government and other agencies. Set out below is a summary of how affordability has been calculated in the past.

#### **1. As a % of net/gross income**

##### **2007 SHMA Guidance (now withdrawn)**

##### **Assessing whether a household can afford market renting**

A household can be considered able to afford market house renting in cases where the rent payable was up to 25 per cent of their gross household income. The 'Rent Payable' figure is defined as the entire rent due, even if it is partially or entirely met by housing benefit. Other housing-related costs, such as council tax and utility bills should not be included. As in the case of assessing home ownership, housing market partnerships will need to consider that what is affordable may vary (e.g. a higher percentage may be affordable for someone on a higher income). Local circumstances could justify a figure other than 25 per cent of gross household income being used

##### **Assessing whether a household can afford home ownership**

A household can be considered able to afford to buy a home if it costs 3.5 times the gross household income for a single earner household or 2.9 times the gross household income for dual-income households. Housing market partnerships will need to consider that what is affordable may vary (e.g. a higher proportion may be affordable for someone on a higher income).

##### **A household can be considered able to afford intermediate affordable housing when**

Rental payments (on the landlord's share) and mortgage payments (on the part they own) constitute up to 25 per cent of gross household income. Housing market partnerships will need to consider that what is affordable may vary (e.g. a higher percentage may be affordable for someone on a higher income). Local circumstances could justify a figure other than 25 per cent of gross household income being used.

## SHMA

### 2. GLA 2013 London SHMA

The GLA London SHMA set out the following methodology for calculating affordability:

Tenure	Details of test
Owner occupation	Existing outright owner occupiers are assumed to be able to afford to continue to own. Other households can afford owner occupation if (1) the sum of (a) 3.5 times the income of single earner or 2.9 times the income of joint earners and (b) available savings plus equity exceeds the lower quartile price, and (2) savings plus equity exceeds 10% of the purchase price.
Private rent	Households can afford private rent if the lower quartile private rent does not exceed 25% of gross household income for households with incomes of less than £40,000 and 30% for households with incomes of more than £40,000.
Intermediate	Households are allocated to this category if they cannot afford owner occupation or private rent but can afford more than social rent levels, i.e. if the target rent for the size of property they require does not exceed 25% of gross household income for households with incomes of less than £40,000 and 30% for households with incomes of £40,000 or more.
Social rent / Affordable Rent	Households are allocated to this category if they are unable to afford market housing or intermediate housing.

### 3. LBTH SHMA – Affordability assumptions

The mortgage multiplier used is 3.5%, so households are able to borrow up to 3.5 times their household income.

Households can spend up to 25% of their income on rent in accordance with 2007 SHMA Practice Guidance recommendations;

### 4. As a % of market rent

## **Further Alterations to the London Plan 2015**

GLA: Affordable rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)

### **5. David Lunts, Executive Director of Housing and Land at the Greater London Authority letter to Local Authorities – 12/12/13**

'For the 2015-2018 investment round, the affordable rent product has been effectively divided into two products; a lower 'capped' rent product aimed at those most in need and a 'discounted' product which is aimed at low income working Londoners. This approach will help address concerns over the working of the product in the context of the total benefit cap.

The rents for Capped rent homes will generally be capped at 50% of market rents. Where this may produce very high Capped rent levels in exceptionally high value areas we will consider Capped rents set at around 50% of lower quartile market rents and this will be discussed and agreed as part of the framework. Discounted rents will be set at 80 per cent of market rent, or at the Local Housing Allowance where that is lower. Discounted rent properties are intended for households unaffected by the benefit cap and the Mayor would like to see working households prioritised for nominations.

We appreciate that boroughs may wish to introduce some flexibility into these rent levels so it will be possible to adjust Discounted rents downwards but only if Capped rents are correspondingly adjusted upwards. This is to ensure that across the new programme we achieve the value for money that is necessary to ensure the delivery of the programme as a whole. As in the current programme boroughs will have the ability to further subsidise rents, using their own resources if they feel this to be appropriate.'

This position extends the positions set out in the guidance within the GLA's Housing SPG (2012) which states in paragraph 4.2.16 "For investment purposes, the Mayor has agreed a strategic, London-wide average rent at 65% of market rent across the 2011-15 affordable housing investment programme, taking into account the need to provide family-sized housing at a lower proportion of market rents".

### **6. Borough Blended 'POD' rents**

#### **Borough Framework Agreement with GLA (not signed)**

**Affordable Rent levels** - the rent levels for affordable rent homes will be fixed in line with GLA guidance with discounted rents set a maximum of Local Housing Allowance levels and Capped rents at no more than 50% lower quartile market rent (inclusive of service charges). Rents can be set at a mix or blend of discounted and capped levels to meet local needs and these principles will be guided by site by site approaches

## **7. POD Report – Income based affordability definition**

In early 2011 POD was commissioned by Tower Hamlets Council to undertake research for the HCA's Affordable Rent product and to help the Council set levels of affordability. The initial research looked at online advertised rent levels for the four main postcodes that cover Tower Hamlets. For the affordability levels they looked at:

- Rent levels as a third of gross equivalised household income (CACI PayCheck)
- Rent levels in light of average earnings and universal credit
- The effect of Affordable Rent for specific case studies

The results have been updated annually. In 2015 rents were set at the following level of market rents:

- 1-beds: 65%
- 2-beds: 55%
- 3-beds: 50%
- 4-beds +: 45 to 50%

The research also generated maximum rental levels that should be charged on a weekly basis, and they suggested that a 5% variance should be allowed.

## **London Borough of Tower Hamlets**

### **Housing Policy and Affordability Commission**

#### **Briefing Paper 2**

**The legal framework and grant conditions attached to rent setting for both the Council and Registered Providers**

This paper sets out the background to current and future rent setting on both existing and future social housing covering both Council and Registered provider stock

<b>1</b>	<b>Existing position - Registered Providers – New Build</b>
<b>2</b>	<b>Setting rents locally – GLA Court challenge</b>
<b>3</b>	<b>Current LBTH position on Registered provider new build – POD rent guidance</b>
<b>4</b>	<b>Local Authority and Registered Provider - Current Rent setting regimes</b>
<b>5</b>	<b>Summer Budget 2015</b>
<b>6</b>	<b>Housing and Planning Bill 2015 – Pay to Stay for existing tenants</b>
<b>7</b>	<b>Registered Providers – Target Rents</b>

#### **1. Existing position - Registered Providers – New Build**

Current guidance for rents for new affordable homes is set out in the GLA Funding prospectus for London. This prospectus covers the GLA investment of £1.25bn to deliver affordable homes in London for the 2015-18 investment round.

The guidance states that around 40 per cent of the affordable homes delivered will be for flexible low cost home ownership, with 60 per cent of the homes for Affordable Rent. The Affordable Rent product will be split equally between Discounted rent, for households unaffected by the benefit cap, preferably targeted at working households, with rents up to 80 per cent of market rent; and Capped rent, with properties let at lower levels, to households in greatest need or for households who are affected by the benefit Cap who may wish to downsize.

Registered Providers are also expected to set a proportion of rents for relets at Discounted rents. It is estimated by the Chartered Institute of Housing that 11000 RP homes will be relet at affordable rents between 2015 and 2019.

Despite the qualification of 'up to', the reference to 80% of market rent in the definition of affordable rent has caused concern that such a rent might be applied to all units in a scheme. It is stressed that that this is a nationally set maximum figure and will not apply to all schemes which is why the affordable rent product has been effectively divided into two products

## **2. Setting rents locally – Court challenge**

In March 2014, In LB Tower Hamlets, Islington, Camden, Brent, Enfield, Greenwich, Lambeth, Southwark and Hackney challenged the Mayor of London's plan to allow 'affordable rents' in new housing to be set at up to 80% of the market rate.

The nine councils argued that they should be allowed to set lower rent limits in new affordable housing – since rents at anywhere close to 80% of market levels would be unaffordable for many local people in London.

In her judgment, the Honourable Mrs Justice Lang DBE said: "All parties agree that more affordable rented housing is needed in London, at levels below 80% of market value, but they disagree about how best to realise this aim."

She ruled that the Mayor had acted within his power, and that the Mayor's Plan leaves it open to boroughs to fight for lower rents on individual developments, particularly in developments that are not funded by the Mayor.

## **3. Current LBTH position on Registered provider new build – POD rent guidance**

Since 2011, Housing research company POD has been commissioned by LBTH to undertake research on the HCA's Affordable Rent product and to help the council identify levels of affordability in order to inform both Council and Registered Provider new build schemes. The initial research looked at online advertised rent levels for the four main postcodes that cover Tower Hamlets. For the affordability levels POD looked at:

- Rent levels as a third of gross equivalised household income (CACI PayCheck)
- Rent levels in light of average earnings and universal credit
- The effect of Affordable Rent for specific case studies

The results have been updated annually. In 2014 rents were set at the following level of market rents:

1-beds: 65%  
2-beds: 55%  
3-beds: 50%  
4-beds +: 45 to 50%



In general Registered Providers have adhered to this guidance when negotiating rent levels on new schemes.

It should also be noted that by agreement with the GLA, Registered providers can 'flip' rents from social rents to affordable rent on existing properties once they have been relet after they have become void.

There is now concern that as local market rents have risen so much over the last four years that rents set at these percentages of market rent are not affordable to local people.

The table below shows the average rent for unfurnished comparable property types advertised online at the time of data capture in early 2015 by POD. Unfortunately there were limited comparable properties available for four and five bedroom flats, and much of what is available is at the very high or low end of the scale.

	1BF	2BF	3BF	4BF	5BF
E1	£ 353	£ 427	£ 589	£ 747	£ 669
E2	£ 347	£ 473	£ 558	£ 800	£ 750
E3	£ 292	£ 358	£ 559	£ 585	£ 850
E14 - North/South	£ 327	£ 388	£ 442	£ 507	£ 550
E14 - Docklands	£ 371	£ 435	£ 592	£ 882	-
<b>Average</b>	<b>£ 338</b>	<b>£ 416</b>	<b>£ 548</b>	<b>£ 704</b>	<b>£ 705</b>

The table below shows a comparison of average 2014/15 weekly rents in across different tenures in Tower Hamlets.

	1 Bed	2 Bed	3 Bed	4 Bed	5 bed
<b>2015/16 LBTH Social Rents (assuming a 2.5% increase)</b>	£99	£112	£126	£141	£157
<b>2014/15 Social Rent Cap Levels (RPs)</b>	£138	£146	£154	£162	£170
<b>2014/15 POD Affordable rent levels</b>	£206	£244	£266	£284	£312
<b>2014/15 Local Housing Allowance</b>	£255	£299	£351	£413	£413
<b>2014/15 80% Market rents</b>	£254	£354	£425	£484	£555
<b>2014/15 Market rents</b>	£317	£442	£531	£604	£694

#### 4. Local Authority and Registered Provider - Current Rent setting regimes

Current Rent setting processes for Local Authorities and Registered providers are determined by central government for both existing social housing and new build properties.

## **Rent Restructuring – policy to 2014/15**

Rent restructuring was introduced in 2002 in order to align council rents and housing association rents, so that similar social properties in the same location, although owned by different landlords, would charge comparable rents. Local authorities increased rents annually by a maximum of RPI + 0.5% + £2 per week, and the target date for achieving rent convergence was 2015/16.

In May 2014 the government published its '*Guidance on Rents for Social Housing*' for April 2015 onwards – the updated rent policy was intended to apply for 10 years, and is summarised below:

- Rent restructuring ended in 2014/15 rather than in 2015/16
- There was an expectation that new tenancies will be let at 'formula' rent
- Future rent rises will be linked to CPI (Consumer Price Index) rather than RPI (Retail Price Index)
- The rent caps would remain, and would increase annually by CPI + 1.5%
- Social tenant households with incomes over £60,000 could be charged market rent levels (at the discretion of the Council)
- Rent rebate subsidy limitation would remain in place (until any replacement following the introduction of Universal Credit)

## **Rent Restructuring – policy from 2015/16**

The government's revised rent policy advised that from 2015/16, rents in the social sector should increase by CPI + 1%. This meant that rent convergence ended a year early, in 2014/15.

## **Impact on the HRA of ending rent convergence in 2014/15**

The Council's HRA modelling assumed that it would aim to achieve rent convergence by 2015/16. The estimated impact of ending rent convergence a year early was a loss of over £1 million of rental income, and an anticipated cumulative loss of £18m (including inflation) over the 10 year period of the policy.

## **5. Summer Budget 2015**

In July 2015, the government announced it will reduce rents in social housing in England by 1% a year for 4 years, requiring Housing Associations and Local Authorities to deliver efficiency savings. This will mean a 12% reduction nationally in average rents by 2020-21 compared to current forecasts.

The net impact of the summer budget changes is that by 2019/20 the average rent will be 12% lower than previously assumed and will equal a loss of £24 million over 4 years. If no mitigation is made then the shortfall in capital resources would be £130 million over 30 years.

## **6. Housing and Planning Bill 2015 – existing tenants**

### **Pay to Stay**

The Government's view is that tenants in social housing should not always benefit automatically from subsidised rents, identifying that there needs to be a better deal in the social housing sector with housing at subsidised rents going to those people who genuinely need it.

On that basis, the Government has decided that social housing tenants with household incomes of £40,000 and above in London, and £30,000 and above in the rest of England, will be required to pay an increased level of rent for their accommodation if their rent is currently being subsidised below market rent levels, i.e. at a social or affordable rent. It is expected that the increased level of rent would be at market or near market rent.

As set out in the consultation document 'household' means the tenant or joint tenants named on the tenancy agreement, and any tenant's spouse, civil partner or partner where they reside in the rental accommodation. Where several people live in the property the highest two incomes should be taken into account for household income. It is thought that this could require changes to the tenancy agreement to take into account high earners not named on the Tenancy Agreement

The regulations are expected to 'encourage timely declaration of income information by providing that if a tenant fails to declare income in accordance with the Regulations, the tenant's rent will be raised to maximum HIST levels'. The regulations will allow for a right to appeal. Income means taxable income in the tax year ending in the financial year prior to the financial (i.e. rent) year in question.

Money raised by local authorities through increased rents will be returned to the exchequer to contribute to the deficit reduction, whereas Housing Associations will be able to use the additional income to reinvest in new housing.

69% of tenants of Tower Hamlets Homes are in receipt of Housing Benefit so there is abroad assumption that these tenants will not be classed as HISTs. That will leave around 3600 tenants whose incomes will need to be established and rents adjusted or not according to the information received.

If the scheme is introduced it is suggested that tapers are introduced and In principle a tapering system would seem a 'fairer' approach in the implementation of this Policy; however any benefit to the introduction of a taper could be offset by an increase in the costs to administer such a system.

The scheme also suggests that the increased level of rent would be at market or near market rent. As set out in the table below increasing rents to such levels in Tower Hamlets would likely to be beyond the reach of anyone earning at least £50k per year, if not more.

An alternative method could be to suggest restricting the amount of net earnings a HIST should spend on rent. A maximum level could be suggested e.g. 33% of net income maximum contribution.

Therefore a tenant in a two bedroom flat who earns over £40k and takes home £30k could be expected to pay £10k per year in rent - £192 per week, just over 50% of a local market rent in LBTH. This would compare to an existing rent of £112 per week and a market rent of £416 per week which would represent nearly 70% of their annual income.

	1 Bed	2 Bed	3 Bed	4 Bed	5 bed
<b>2015/16 LBTH Social Rents</b>	£99	£112	£126	£141	£157
<b>Market rent</b>	£388	£416	£548	£700+	£700+

### **Rental Income**

In theory there should be no impact on HRA rental income if Local Authorities are simply to act as agents of government and pass on the difference between social rent and the market rent to the Treasury.

### **Stock Levels – Increase in RTB Applications**

If households' rents are increased to market, or near market levels there could be an increase in the number of tenants submitting Right to Buy applications, as paying a mortgage may be cheaper than paying market rent.

## **7. Registered Providers – Target Rents**

The setting of social housing rent levels is largely determined by government policy which is set out in a Direction to the Regulator and that Direction is implemented in the Homes and Community Agency Rent Standard. HCA provides guidance which gives practical details of how social rents, affordable rent and other forms of social housing rents are set. It provides details of applicability of the standard and the approach taken to various aspects of exemptions and other issues.

A rent formula was established in 2002, with actual rents moving towards a national formula rent which took account of values of properties and local earnings relative to national earnings. A 'bedroom weighting' factor was also applied to try and ensure the resulting rents better reflected the perceived value of the properties being occupied. These formula rents were increased each year by the Retail Prices Index (RPI) + 0.5%.

Over time this principle was incorporated into guidance, known as the Rent Standard and also known as 'Target Rents' requires that private registered

providers shall charge rents in accordance with the objectives and framework set out in the government's direction to the regulator. It is a regulatory requirement that private registered providers keep their annual rent increases to no more than the limit specified.

2015-16 rent increases (for both affordable and social rent) took place under the new arrangements of a guideline limit of CPI+1%. This replaced the previous limit of RPI+0.5%. The +£2 per week (upward convergence) was no longer permitted unless allowed by a waiver from the regulator and movement to formula (target) rents (or any permitted tolerance above) was only allowed upon change of tenancy at a re-let.

The summer budget 2015 announcement requiring rents in social housing in England to be introduced by 1% a year for 4 years, also applies to Housing Associations.



# **London Borough of Tower Hamlets**

## **Housing Policy and Affordability Commission**

### **Briefing Paper 3**

**Local affordability – Analysis of incomes, benefit support, welfare reform, service charge costs and access to affordable homes**

#### **Affordability in LB Tower Hamlets**

##### **1. Background**

This briefing paper sets out affordability issues related to different household types and their ability to afford the range of affordable rents now on offer across the Borough.

The 4 household types analysed are as follows:

- Married parents with 2 children of junior school age, neither of whom are working
- Married parents with 2 children of junior school age, both of whom are working earning an average household income for the borough.
- Single parent, 3 children, not working, no partner/parental support
- 2 parent, 3 children, single earner on 40 hour week, minimum wage

For the purposed of this basic exercise it assumed that nobody has a disability, any savings, a private pension or other means tested benefits and consequently are only in receipt of the following income streams:

- Taxable earned income
- Income support
- Working tax credit
- Child tax credit
- Child benefit
- Housing benefit
- Council tax support (nb – Not included in benefit cap)

##### **Methodology**

The following rents have been used in producing this analysis:

	<b>2 Bed</b>	<b>3 Bed</b>
2015/16 LBTH Social Rents	£112	£126
2014/15 Social Rent Cap Levels (RPs)	£146	£154
2014/15 POD Affordable rent levels	£244	£266

2014/15 Local Housing Allowance	£299	£354
2014/15 80% Market rents	£354	£425

The following online benefits calculator has been used in producing this analysis: <https://www.turn2us.org.uk/>

In addition, all calculations for Council Tax have assumed a band b rating at a cost of £918.18 per year.

Service charges are included in the POD rents only and would be an additional household cost for the Council and RP rented homes.

It should also be noted that tax credits and tax thresholds will reduce under the changes introduced in the July 2015 budget. The changes involve removal of the family premium, lowering the income threshold and increasing the income taper. The child element will also be limited to 2 children for new claims from April 2017. (The precise effect of the changes is difficult to model because they kick in at different times and there is an element of transitional protection for existing claims).



**Household 1: Married parents with 2 children of junior school age, neither of whom are working**

Annual Incomes at different rent levels	2 Bed	Annual Rent	Taxable earned income	Income Support	Working tax credit	Child tax credit	Child benefit	Housing benefit	Council tax Support	Weekly income	Annual Total Income
2015/16 LBTH Social Rents Council	£112	5824	0	114.85	0	117.52	34.40	112	17.66	396.	20614
2014/15 Social Rent Cap Levels Registered Provider	£146	7592	0	114.85	0	117.52	34.40	146	17.16	430	22382
2014/15 POD Affordable rent levels	£244	12688	0	114.85	0	117.52	34.40	233.23	17.16	518	26918
2014/15 Local Housing Allowance	£299	15548	0	114.85	0	117.52	34.40	233.23	17.16	518	26918
2014/15 80% Market rents	£354	18408	0	114.85	0	117.52	34.40	233.23	17.16	518	26918

Impact on affordability of each rent level	2 Bed	Annual Rent	Annual Total Income	Income after rent	Rent as % of income	Commentary – Benefit system assumes weekly income of £266pw/£13832pa is adequate to meet all costs beyond rent and council tax. A POD rent requires the family to contribute towards the rent so could be considered unaffordable . The reduction in the benefit cap will compound this situation.
2015/16 LBTH Social Rents Council	£112	5824	20614	14790	28%	Affordable
2014/15 Social Rent Cap Levels Registered Provider	£146	7592	22382	14790	34%	Affordable
2014/15 POD Affordable rent levels	£244	12688	26918	14230	47%	Borderline affordable at present, with HB top up required from other benefits. Rent will be unaffordable when benefit cap is reduced to £23k reducing HB entitlement
2014/15 Local Housing Allowance	£299	15548	26918	11344	58%	Unaffordable
2014/15 80% Market rents	£354	18408	26918	8485	68%	Unaffordable

**Household 2: Married parents with 2 children of junior school age, both of whom are working earning an average household income for the borough**

Annual Incomes at different rent levels	2 Bed	Annual Rent	Taxable earned income	Income Support	Working tax credit	Child tax credit	Child benefit	Housing benefit	Council tax Support	Weekly income	Annual Total Income
2015/16 LBTH Social Rents Council	£112	5824	26799	0	0	30.82	34.40	0	0	550	30190
2014/15 Social Rent Cap Levels Registered Provider	£146	7592	26799	0	0	30.82	34.40	0	0	550	30190
2014/15 POD Affordable rent levels	£244	12688	26799	0	0	30.82	34.40	79.56	0	660	34327
2014/15 Local Housing Allowance	£299	15548	26799	0	0	30.82	34.40	134.56	0	715	37187
2014/15 80% Market rents	£354	18408	26799	0	0	30.82	34.40	189.78	0	770	40059

Impact on affordability of each rent level	2 Bed	Annual Rent	Annual Total Income	Income after rent	Rent as % of income	Commentary – All properties affordable with this income. However, HB top up is required for POD rents and above and if employment was lost family may be in a precarious situation after Benefit Cap is reduced for these rents.
2015/16 LBTH Social Rents Council	£112	5824	30190	24366	19%	Affordable
2014/15 Social Rent Cap Levels Registered Provider	£146	7592	30190	22598	25%	Affordable
2014/15 POD Affordable rent levels	£244	12688	34327	21639	37%	Affordable
2014/15 Local Housing Allowance	£299	15548	37187	21639	42%	Affordable
2014/15 80% Market rents	£354	18408	40059	21639	46%	Affordable

### Household 3: Single parent, 3 children, not working, no partner/parental support

Annual Incomes at different rent levels	3 Bed	Annual Rent	Taxable earned income	Income Support	Working tax credit	Child tax credit	Child benefit	Housing benefit	Council tax Support	Weekly income	Annual Total Income
2015/16 LBTH Social Rents Council	£126	6552	0	73.10	0	171.02	48.10	126	14.25	432	22488
2014/15 Social Rent Cap Levels Registered Provider	£154	8008	0	73.10	0	171.02	48.10	154	14.25	460	23944
2014/15 POD Affordable rent levels	£266	13832	0	73.10	0	171.02	48.10	208	14.25	514	26741
2014/15 Local Housing Allowance	£354	18431	0	73.10	0	171.02	48.10	208	14.25	514	26741
2014/15 80% Market rents	£425	22100	0	73.10	0	171.02	48.10	208	14.25	514	26741

Impact on affordability of each rent level	3 Bed	Annual Rent	Annual Total Income	Income after rent	Rent as % of income	Commentary: – Benefit system assumes weekly income of £292pw/£15195 pa is adequate to meet all costs beyond rent and council tax. A POD rent requires the family to contribute towards the rent so could be considered unaffordable . The reduction in the benefit cap will compound this situation.					
2015/16 LBTH Social Rents Council	£126	6552	22488	15936	29%	Affordable					
2014/15 Social Rent Cap Levels Registered Provider	£154	8008	23944	15936	33%	Affordable					
2014/15 POD Affordable rent levels	£266	13832	26741	12909	52%	Unaffordable: Rent will be very unaffordable when benefit cap is reduced to £23k reducing HB entitlement					
2014/15 Local Housing Allowance	£354	18431	26741	83909	69%	Unaffordable					
2014/15 80% Market rents	£425	22100	26741	4641	82%	Unaffordable					

#### Household 4: 2 parent, 3 children, single earner on 40 hour week, minimum wage

Annual Incomes at different rent levels	3 Bed	Annual Rent	Taxable earned income	Income Support	Working tax credit	Child tax credit	Child benefit	Housing benefit	Council tax Support	W kly income	Annual Total Income
2015/16 LBTH Social Rents Council	£126	6552	12564	0	36.14	171.02	48.10	68.37	0	565	29393
2014/15 Social Rent Cap Levels Registered Provider	£154	8008	12564	0	36.14	171.02	48.10	96.37	0	593	30849
2014/15 POD Affordable rent levels	£266	13832	12564	0	36.14	171.02	48.10	208.37	0	705	36673
2014/15 Local Housing Allowance	£354	18431	12564	0	36.14	171.02	48.10	296.37	0	793	41428
2014/15 80% Market rents	£425	22100	12564	0	36.14	171.02	48.10	296.37	0	793	41428

Impact on affordability of each rent level	3 Bed	Annual Rent	Annual Total Income	Income after rent	Rent as % of income	Commentary: – Benefit system assumes weekly income of £292pw/£15195 pa is adequate to meet all costs beyond rent and council tax. HB top up is required to support all rents and as long as person remains in work they will be affordable. If the main earner was to lose his/her job then they would not be able to afford POD rents and above.
2015/16 LBTH Social Rents Council	£126	6552	29393	22841	22%	Affordable
2014/15 Social Rent Cap Levels Registered Provider	£154	8008	30849	22841	26%	Affordable
2014/15 POD Affordable rent levels	£266	13832	36673	22840	38%	Affordable
2014/15 Local Housing Allowance	£354	18431	41428	22840	45%	Affordable
2014/15 80% Market rents	£425	22100	41428	19149	54%	Affordable

## London Borough of Tower Hamlets

### Housing Policy and Affordability Commission

#### Briefing Paper 4

#### Overview of current and future housing need, and current letting patterns

#### Common Housing Register

Set out below is the current level of demand in the borough obtained from the numbers of households who have been assessed and accepted on the Common Housing Register

Band	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015
BAND 1	1,976	1,923	1,940	1,927	1,891
BAND 2	8,720	8,677	8,641	8,642	8,577
BAND 3	9,087	9,131	9,069	9,076	9,066
no banding	-	-	-	1	-
TOTAL	19,783	19,731	19,650	19,646	19,534
Rehousing List	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015
HPERM	1,741	1,755	1,746	1,728	1,713
SHR	9,615	9,585	9,526	9,539	9,518
TRANSFER	8,427	8,391	8,378	8,379	8,303
Total	19,783	19,731	19,650	19,646	19,534
Ethnicity	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015
Asian	11,200	11,194	11,158	11,148	11,096
Black	2,355	2,341	2,323	2,321	2,306
Dual	492	483	479	482	477
White	4,476	4,457	4,429	4,428	4,397
Other	1,049	1,037	1,036	1,033	1,024
No record	211	219	225	234	234
Total	19,783	19,731	19,650	19,646	19,534
Beds Req'd	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015
1bed	8,738	8,721	8,654	8,675	8,649
2bed	4,343	4,336	4,316	4,324	4,291

3bed	4,994	4,976	4,986	4,976	4,948
4bed	1,524	1,516	1,508	1,484	1,462
5bed +	184	182	186	187	184
<b>Total</b>	<b>19,783</b>	<b>19,731</b>	<b>19,650</b>	<b>19,646</b>	<b>19,534</b>

## Homelessness Statistics

	<b>Jul-15</b>	<b>Aug-15</b>	<b>Sep-15</b>	<b>Oct-1</b>
1. Approaches Options Families	102	69	94	76
2. Approaches Options Singles	194	146	184	187
3.B PRSO HM	0	0	0	0
3B. PRS Successes Families	0	0	0	0
3C. PRS Successes Singles	0	0	0	0
4. TOTAL PRS	0	0	0	0
5. Hostel placements	65	38	43	45
6. Passed to Assessments	77	63	59	69
7.Acceptances	57	49	37	46
8. Negative decisions review requests received	8	6	7	11
9. In T/A (duty owed) (Every quarter report is run)	2031	1985	1975	1939
<b>10. In T/A</b>	<b>2123</b>	<b>2073</b>	<b>2079</b>	<b>2038</b>
11. Part 6 rehousing	47	92	32	51
12. Suitability reviews received	28	23	11	18
13. Clients in BB - non family households	87	93	98	95
14. Clients in BB - families [more than 6 weeks in brackets]	184 (118)	169 (108)	154 (106)	137 (92)
15. Out of Borough (Duty owed)	938	925	913	913
15. In Borough in T/A - Out of Borough	1185	1148	1166	1125
16. Average Waiting times	11	10	10	10
17. Housing Advice Approaches	34	32	44	44
18. T/A Bookings initial	73	58	53	53
19. T/A bookings transfers	156	103	112	85
20. Sign Video Machine Stats	0	0		
21. Out of Borough Nightly lets (Annexes) & PLA's (NOV)	211	107	118	118

## Future Need

## Need and Demand

## London SHMA

The table below sets out the annual London wide housing requirements as identified by the GLA in their 2013 SHMA and published in the London Plan Draft interim housing supplementary guidance in May 2015 for the period 2016/17 to 2034/35.

	1b	2b	3b	4+b	Total	% of total
<b>Market</b>	2,798	5,791	8,545	6,083	23,217	48%
<b>Intermediate</b>	3,357	2,240	2,506	1,799	9,902	20%
<b>Social rent (including affordable rent)</b>	10,225	1,003	1,774	2,720	15,722	32%
<b>Total</b>	16,381	9,034	12,825	10,602	48,841	100%

#### London Borough of Tower Hamlets SHMA

Set out below are the headline findings from the 2014 LBTH SHMA for the period 2011 - 35

Housing Type	Number	%
<b>Market Housing</b>	19,400	32.8%
<b>Intermediate housing</b>	2,500	4.4%
<b>Social rented housing (including affordable rented housing)</b>	36,300	62.8%
	58,300	

	Market	Intermediate	Social	TOTAL	%
<b>1 Bedroom</b>	1,800	1,400	11,500	14,700	25%
<b>2 Bedrooms</b>	5,400	300	9,900	15,600	26%
<b>3 Bedrooms</b>	8,500	400	11,400	20,300	35%
<b>4 Bedrooms</b>	3,700	500	3,400	7,600	14%
<b>Total</b>	19,400	2,500	36,300	58,300	

