



Perspectives on Rents and Affordability in Scotland

A briefing paper from CIH Scotland

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The Chartered Institute of Housing

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Introduction

This briefing draws on contributions made at a recent CIH Scotland event entitled *Keeping our rents affordable*. It is not a write up of the event and does not seek to cover everything included in the programme for the day in question. Instead it seeks to highlight those points which CIH Scotland believes are most relevant to the debate on how affordable rents in Scotland are and what will affect rent levels in the future.

Whilst the primary focus is on social sector rents, a number of the contributions relate to wider affordability issues across the full range of tenures, as one of the main messages emerging from the event was the importance of looking across all tenures in any given location.

The briefing reflects the event's mix of policy-based contributions, for example on the challenges of assessing affordability, and practical presentations, such as on carrying out rent restructuring and abolishing service charges.

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Summary of key points

- Assessments of affordability are dependant on household type and the interplay with the benefits and tax credits regime. This is why it is difficult to identify a single measure of affordability which is suitable across all household types
- Income needs to be a lot higher before someone comes off tax credits compared with coming off Housing Benefit, so a greater proportion of tenants will be on Universal Credit compared with Housing Benefit. This could be significant for social landlords if, in the future, the housing costs element of Universal Credit is capped
- The Scottish Government strongly believes that rents should remain affordable to people in low paid work. This is why the working group on affordability and subsidy based its conclusions on the importance of the benchmark figure of £3,666 p.a.
- In Edinburgh, affordability is important to the Council, but this has to be considered alongside the need to invest in both existing stock and new build provision, especially as such investment means greater levels of energy efficiency
- No housing provider can, unilaterally, make rural rents affordable. Increasing energy efficiency initiatives in poorly insulated homes, state intervention in rural energy prices and a more proactive fuel subsidy system to make travel more affordable could go some way to addressing the issues
- Current evidence does not suggest that there is any appetite among local authorities for bigger rent increases. This could be down to political reluctance or just genuine concern over tenants' ability to pay their rent
- The prospective Energy Efficiency Standard for Social Housing will be reasonably manageable to deliver but will generate only small energy savings to households
- Abolishing service charges makes it easier to measure affordability in terms of the overall cost for the accommodation. Customers are generally not interested in what the split is between rent and service charges
- Renfrewshire's rent restructuring saw multi storey rents decrease and most other rents increase. Dealing with the 'losers' can be made easier with good communication with tenants and sensible transitional phasing of increases
- Affordability assessments should consider consumer preference – what would people actually be prepared to pay, in the context of the often high costs they are already paying (most notably in the PRS)? This can then be considered alongside local data on income, housing costs across all tenures and the investment needs of the business plan
- Research suggests that in a number of areas, a significant proportion of people could afford mid market rent but supply is very scarce.

1: Scottish context for rents, affordability and welfare reform

Steve Wilcox, Centre for Housing Policy, University of York

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Definitions of affordability

- Affordability is very difficult to define, and so Government departments have shied away from defining affordability. Affordability will always be different depending on household composition, income and the interplay with the benefits and tax credits regime
- The UK benefit system is unique in that it is unusual to have a system where the full amount of rent can be subsidised. In other countries, for example Canada, subsidies are based on employment insurance contributions and rents are set as a percentage of household income. This brings the related complexity over whether, in assessing the affordability of rent in the UK, you do or do not count the benefit income itself

Rent to income ratio v residual income measure

- Popular approaches to affordability include looking at rent to income ratios and at residual income – how much should be left after rent has been paid. The benchmark in terms of rent as a ratio of income has tended to be to consider it acceptable for housing costs to be 20-30% of income, based on indications of what homeowners would opt to pay in mortgage repayments
- Looking at residual income and how much ‘spare cash’ a household has after housing costs is complicated by the structure of the current benefits system, with residual income only increasing significantly when a household comes off Housing Benefit altogether. This effectively means that reducing rents would make no difference to the amount of residual income of a household reliant on benefit
- With rent to income ratios, it is inappropriate to set a single benchmark, as the ratios vary significantly for different types of household. This is not illogical given that costs of living after housing costs will inevitably be higher for families with children
- Hence the current benefits system creates work disincentives, with earnings levels required to be high in order to come off benefits and then gain from the impact of the landlord’s efforts to keep rents reasonable.

Impact of welfare reforms

- The welfare reforms will be critical to how we think about affordability in the future. The reforms to a significant degree end the era of the benefits system ‘taking the strain’. Currently if landlords increase rents, for many tenants the Housing Benefit bill takes the strain. Welfare reform will shift the emphasis on to social landlords. The benefit cap, Universal Credit and bedroom tax are now shifting the emphasis, making affordability a greater concern for landlords. The

question arises of what is a landlord's mission, if the structure of the benefits system isn't supporting this mission.

Bedroom tax

- Some redesignations need not result in a whole bedroom's worth of rent reduction, but could, for example, see a rent reduction equivalent to half a bedroom
- Bedroom tax impacts on affordability considerations in contrasting ways. Income may be lost due to non-payment, and voids may increase, putting upward pressure on rents. But rent increases will further penalise those tenants liable for the bedroom tax.

Universal Credit

- Tenants come off Housing Benefit a lot sooner than they come off tax credits, i.e. you need a much higher income (around £600 per week) to come off tax credits than to come off HB. This means that a greater proportion of tenants will be on Universal Credit than are currently on Housing Benefit. This has implications if, in the future, rent setting is compromised by UC system (for example, if the housing costs element of UC is suppressed/frozen)
- There may be further implications of an increasing proportion of tenants being caught up in the benefits system (and often for longer periods of time), for example it means more tenants receiving their housing costs support in arrears
- Income will need to be higher to escape benefits entirely, but the upside is that the system is more generous in terms of taper rates: currently, going into work would see a tenant only 5p in the pound better off, but this should be around 19p in the pound under UC
- Rent increases will not make much difference to whether a person does or does not receive Universal Credit as they will be benefit dependent for longer anyway under UC.

Future prospects for welfare reform

- Higher levels of benefit dependency bring greater risks for social landlords. UC could be restricted further. The link with CPI means that UC will not keep pace with RPI-based rent inflation, which will expose social landlords
- There is the risk that the amount a person can claim will be further capped, although this may not be a huge concern in Scotland where rent levels are relatively low in comparison to English rents.

Other factors influencing rent policies

- To what extent do local housing market circumstances – e.g. house prices and private rents – impact on rent affordability considerations? Taking East Ayrshire as an example, a mortgage for a terraced house might cost around £48 per week (interest only) or £60 (repayment): does/should this influence what a social landlord charges?
- Landlords also need to think about where their rent levels sit within the market. This is particularly important at the lower end of the market where private rents are low and the cost of owner occupation at entry level is also quite low. Social rents in these areas would need to remain competitive to avoid problems with the letability of stock
- But the notion of rents reflecting locational values isn't a popular debate in Scotland
- If you charge an energy efficiency premium, where does this fit within the rent policy? Some houses will be more energy efficient than others so such premiums should be considered on a scheme by scheme basis so as to avoid anomalies
- There is still no appetite in Scotland for Government intervention in rent setting. Social landlords will need their own welfare and rent policies that take account of local market variations
- Overall, the welfare reforms will make it even more important to keep rents low.

2: The Scottish Government's approach to affordability

Andy Park, Scottish Government

Policy context

- Historically the Scottish Government has shied away from providing a concrete definition of affordability, recognising the difficulties of applying a one size fits all approach. *Homes Fit for the 21st Century* highlighted that it was up to landlords "to strike the balance between rent levels and meeting the housing needs of the local communities"
- The recent working group on financial capacity, affordability and subsidy made recommendations that Scottish rents should not be required to rise closer to English rent levels. This was based on the principle that rents should remain affordable to tenants in low paid employment without recourse to benefits. In this context, the long-standing SCORE definition of affordability – that a rent is affordable if the household doesn't depend on Housing Benefit – has a definite logic to it

- The aforementioned working group highlighted the £3,666 per annum (around £70 per week) benchmark figure in current use, based on original recommendations in a paper written by Steve Wilcox in 1998. This figure, updated regularly since 1998, acts as the anchor for determining new build rents, with any variation upwards intended to be restricted to special cases
- Affordability is currently measured using a value for money tool that the Scottish Government developed for assessing the bids received as part of the Innovation and Investment Fund. The lower the rent levels the higher the score in terms of affordability.

Rent levels

- In relative terms, social rent levels in Scotland have remained fairly constant, although RSL rents are generally higher than local authority rents. Rents as a percentage of average earnings are still lower than in England
- SCORE data does not suggest that RSLs are charging more for new build rents. Indeed rent levels do not appear to have risen much since the start of the decade
- Regional variation in rent levels emphasises the difficulty of adopting a broad brush definition of affordability
- The impact of tax credits needs to be taken into account in assessing affordability. Post tax credit income varies widely when adjusted to look at family size. Assumptions that a given rent level might be more affordable to a single person household are not necessarily correct when looking at income after tax credits have been factored in, proving the real difficulty of assessing affordability as this really does depend on household type and individual circumstances
- The interactions with Housing Benefit make it even more difficult to assess affordability, as HB would not be taken into account in an affordability assessment because it is money provided purely to cover housing costs.

Table: How affordability can be measured in different ways

	Income after tax/NI/tax credits (Gross of £232.11) (£week)	HB payable at rent level of above: (£week)	Affordability of rent at £82 Min rent HB payable (proportion of income)	Rent at 25% of income (£week)	Equivalisation Factor	Equivalised Income (Based on 2 adult household =1)	Affordability of rent at £82 (Proportion of Income)
Gross Minimum Wage	£232.11	N/A	35%	£58.02	N/A	N/A	N/A
Pat	£254.00	£118.95	32%	£63.50	1	£381.00	21.5%
Pat and Chris	£302.00	£112.00	27%	£75.50	1.5	£302.00	27%
Pat, Chris and 1 child	£385.00	£124.00	21%	£96.25	1.8	£320.00	25.6%
Pat, Chris and 2 Children	£451.00	£83.00	18%	£112.75	2.1	£322.00	25.4%

- This table shows the different ways of looking at the affordability of a rent of £82 per week for different household types earning the minimum wage of £232 a week and with deductions of tax and NI and additions of tax credits
- It shows, for example, that on the face of it, the rent is 32% of a single person's income and only 18% of the income of a family with two children. But when income is adjusted ('equivalised') to reflect average living costs for the household size, the rent absorbs 21.5% of the single person's income and 25.4% of the family's income.

Could the Scottish Government afford Housing Benefit?

- There are some interesting figures around whether Scotland could afford its own Housing Benefit bill should it be devolved. The figures suggest that between 2000/01 and 2010/11, whilst the overall bill for Great Britain rose from £12 billion to £23 billion, Scotland's bill has increased at only half the rate of that in England, i.e. from £1.1 billion to £1.7 billion
- In inflation-adjusted terms, the increase over the decade for Great Britain has been 54%, with most of this (93%) attributable to England, and 31% to London alone
- In Scotland, in inflation-adjusted terms, the increase over the ten year period has been just 22%, and for the Scottish social rented sector the increase has been just 6%

- It is more meaningful to look at the cost of Housing Benefit as a proportion of GDP. As a percentage of GDP, total Housing Benefit for Great Britain was around 1.4% of GDP in 1996/97, but had fallen to 1.1% by 2007/8
- The ratio increased to 1.5% in 2011/12. This is still not significantly above its 1996/97 level and is largely attributable to the effects of a prolonged and severe recession, during which Housing Benefit has played an extremely valuable role in protecting those who have lost their jobs or experienced a fall in earnings
- In Scotland, the ratio of Housing Benefit expenditure to GDP was *lower* in 2011/12 than it was in 1997/98 (this is true regardless of whether the HB expenditure is measured against UK GDP or Scottish GDP)
- So, for example, total HB expenditure in Scotland as a percentage of onshore Scottish GDP (i.e. not including North Sea oil and gas) has decreased from around 1.5% in 1997/98 to 1.4% in 2011/12, while for the Scottish social rented sector it has decreased from 1.2% of GDP to 1% (and if one included offshore GDP these figures would be even smaller)
- So in the context of welfare reform, the evidence does not suggest that Housing Benefit expenditure across all sectors has been out of control in Scotland. There is even less evidence of a need for reductions in Housing Benefit expenditure in the social rented sector, where the under-occupation penalty has been introduced.

3: Impact of new build investment programme on all rents

Mairi Keddie, City of Edinburgh Council

- Rent setting needs to take account of the bigger picture – high house prices and private sector rents in Edinburgh remain unaffordable to many, which pushes up demand for social housing, so investment is a major priority
- Affordability for tenants in terms of rent is a crucial consideration, but rent levels also need to sustain the provision of good quality housing services, improvements in existing stock and the provision of new affordable homes (1,600 affordable homes need to be built each year to keep up with demand)
- If rent levels remain static or increase by inflation only then levels of investment in current and new stock will fall. New build stock is more energy efficient and cheaper to heat
- Mid market rent is currently helping to meet the needs of lower income households who cannot afford the PRS and who cannot access the social rented sector, but questions have been raised about the future sustainability of the Housing Revenue Account and whether this can be used to invest in mid market rent accommodation

- Affordability for tenants is at risk under Universal Credit because of concerns that the housing element may be capped and therefore not cover future rent increases
- There are issues around applying a premium to rents for new build (e.g. for energy efficiency improvements). it would make the rental system much more complex and less transparent
- It is about finding the right balance when looking at business plans and what tenants are prepared to or able to pay. Assessing affordability will help determine rent rises and subsequently the levels of service and investment that can be delivered. We know that if rents are unaffordable, less will be collected.

4: Keeping rural rents affordable

Alastair MacGregor, Argyll Community Housing Association

Rent restructuring

- Rent restructuring is required to address historic anomalies on how rents are set and to provide opportunities for further improvements to stock
- Restructuring rents will inevitably create winners and losers and is likely to impact on arrears, particularly among low income tenants
- The consequences of welfare reform now need to be considered in rent restructuring and how this will impact on rent arrears and bad debts.

Conflicts linked to affordability

- The expectation is on landlords to set affordable rents, but affordability is not measured by the Regulator unless the rents are deemed to be unreasonable
- It is questionable whether rents have actually ever been affordable to those who are poor unless the cost is met by the state i.e. through Housing Benefit
- Landlords have ambitions relating to improvements in stock and meeting SHQS, modern IT systems, continuous service improvements and new build. The contradiction between these ambitions and affordability has been further highlighted in a recent Audit Commission report which was critical of rents not being high enough to cover investment needs. Welfare reform, loan finance challenges and the pensions time bomb further compromise the affordability of rent
- Achieving an affordability ratio of 25% housing costs to income is the benchmark, but this can vary depending on individual circumstances and levels of poverty. Our average weekly rent across all stock is currently £68.54, which is near to the Scotland average.

Rural issues

- Keeping rents affordable in a rural area needs to take account of the higher costs of living in rural areas. This includes choice and cost of household goods, food and clothing. As the recent study on minimum income standards showed, supermarkets in remote Scotland are likely to be 20% more expensive than those in remote England, and this can rise to 50% for the Scottish islands as supermarkets don't as such exist there
- Transport costs for working households are also higher, with costs typically £30-£40 per week higher than rural England. Limited access to affordable heating is a problem in remote rural Scotland where there is a reliance on oil or electric heating: fuel bills are double that of an English town
- The minimum cost of living in remote rural Scotland can be 10-40% more than the equivalent in urban Britain. This makes it very difficult to keep rents affordable and meet housing requirements. Addressing rural affordability needs political buy in and a recognition of the differences in living costs between urban and rural areas
- The recent increase in grant rates may make a landlord decide to start building again, and gives schemes a better chance of stacking up, but will make little or no difference to affordability for existing tenants
- No housing provider can, unilaterally, make rural rents affordable. Increasing energy efficiency initiatives in poorly insulated homes, state intervention in rural energy prices and a more proactive fuel subsidy system to make travel more affordable could go some way to addressing the issues. A real look at the devolution of some intervention powers to local authority level to assist fragile communities would help, along with a definition of rural affordability.

5: Rents, politics and the Housing Revenue Account

Jim Hayton, ALACHO

- It is widely recognised that some local authority rents are considered too low and in many cases not reflective of maintenance and management costs. There are price anomalies in terms of location and quality and the range of different rents for broadly similar property types, and in many cases the rent level is not indicative of the cost of running and managing the accommodation. This is likely to be at least partly due to the history of political influence over rents
- Scottish local authority rents are on average lower than RSL rents and considerably lower than average social rents in England. If local authorities were to increase rents closer to RSL levels this could raise additional money for investment

- But current evidence does not suggest that there is any appetite for bigger rent increases. In 14 years to 2012/13, rents rose at around 1% p.a. in real terms. This could be down to political reluctance or just genuine concern over tenants' ability to pay their rent

- **Table: Where does HRA money go?**

Repairs and maintenance	£347m	33%
Supervision and management	£249m	24%
Loan charges	£249m	24%
Other expenditure	£60m	6%
Surplus CFCR (Capital From Current Revenue)	£136m	13%

- Although local authorities can agree their rent increases with tenants, it is the politicians who have the final say. If the politicians agree a rent increase less than the level needed to meet service requirements then decisions have to be made regarding cuts to service and levels of investment: councils should be developing rent setting strategies based on the needs of their stock and service requirements
- Audit Scotland recommended a national rent setting policy, but especially in the context of the concordat, this seems unlikely to be instigated by the Scottish Government in the foreseeable future. If, at any point, it was signalled that rents were on a significant upward trend, then a national affordability study would be required on where the impact of increased rents would fall.

6: The price of energy efficiency

Keith Anderson, Port of Leith HA

Can we afford the new EESSH?

- Our main conclusion is that the Energy Efficiency Standard for Social Housing (EESSH) will be reasonably manageable for our Association to deliver but will generate only small energy savings to households
- The draft Energy Efficiency Standard for Social Housing requires D rated properties to be raised to a C. Stock condition surveys and obtaining EPCs for all stock are helpful in highlighting those properties which fail to meet the current or updated standards
- PoLHA intends to carry out a customer census and opinion survey to try and gain some evidence of the prevalence of fuel poverty among our tenants and therefore where investment in energy efficiency measures should be targeted.

Initial indications on the cost of retrofit

- From a 2012 JRF-funded Changeworks study, we estimate that retrofitting pre-1919 stock can achieve a 30% reduction in annual fuel costs and a 70-75% reduction in CO₂, at a cost of £12 to £20 per flat per week. This does not meet the Green Deal Golden Rule as the cost of repaying for the work is greater than the annual fuel savings. This would therefore need either ECO subsidy or the housing association to meet the bulk of the up front costs
- From a 10% sample of EPCs analysed to date, 65% of pre-1919 stock fails the draft EESSH and 21% fails the Environmental Emissions target. In comparison, 56% of post-1980s new build fails EESSH and 14% fails the EE target
- On pre-1919 tenements, delivering EESSH will cost an average of £6,600 per unit but will save the household only £55 p.a.; on post-1980s new build, the average investment will be £1,400 per unit and will save the household £12 p.a.

Paying for EESSH doesn't justify a rent premium

- Port of Leith estimates that the current EESSH standards are achievable without too much additional investment in stock. However the annual cost savings generated for households will be minimal so there would be little or no scope to raise rents
- The 2050 carbon reduction targets are a more ambitious 'passive house retrofit' standard, involving taking houses to A and B standards, so might offer more scope to apply a rent rise for investment in energy efficiency, but this would need to be considered alongside the overall annual rent rise
- There is a long history of social landlords putting a premium on the annual rent increase to pay for new heating systems, and there is some evidence that tenants would be happy to pay a higher rent in return for larger savings in energy bills, but the EESSH alone does not justify adding an energy efficiency premium to the rent.

7: Why we have abolished service charges

Sandy Welsh, Castlerock Edinvar HA

- Customers are generally not interested in what the split is between rent and service charges. They prefer to know what their overall charge is. Abolishing service charges makes it easier to measure affordability in terms of looking at the overall cost for the accommodation. Also, many of the service charges such as stair cleaning and grounds maintenance are not optional so in reality they are part of the rent

- Our mid market and market rent provision has a single charge and features no service charges at all.

Knowing service costs is still crucial

- Service charges that are not eligible for Housing Benefit are kept out of the rent. This includes sheltered housing site staff costs, some support charges and individual heating charges. For housing benefit purposes, there is a need to keep ineligible service charges out of the rent. This will be imperative under Universal credit
- It is still important to know the breakdown of the cost of each service across the developments as these costs must be justified to owners. The rent also needs to be adjusted where there is any high variation in service charges.

Getting the process right

- A rent point system is used based on the size, type and level of amenities for each property and the price per point is set annually as part of the budget process. New rent points are created to take account of the different services provided
- Consultation with tenants is important as there are winners and losers when incorporating service charges into rent. Limits also need to be set on the total rent increase in the first year, and we've had very few enquiries from customers
- Rent levels for new build developments often do not meet the benchmark £3,666 p.a. with the service charges included. This can cause problems for benchmarking particularly as no other landlords have gone down this route.

8: Biting the bullet – making rent restructuring work

John McIntyre, Renfrewshire Council

Why did we bother?

- The decision to restructure rents was based on feedback from customers that the rent setting system was too complicated (involving 264 rental combinations) and that there was significant variation in the weekly rents charged for similar properties in different locations, which was difficult to justify
- Extensive consultation found that tenants favoured ignoring geographical location and having the same rent for similar properties across the whole council area. Tenants also felt that there should be a reduction in rent for less efficient heating, a smaller gap between the lowest and highest rents, and that service charges should be paid only by tenants who benefit from the service

- Tenants' views were translated into a new rent structure based on bedroom numbers, five different dwelling types and a deduction for less efficient heating systems. The new rent charging structure has fewer rent charges and less differential between rents.

Winners and losers – managing the transition

- Managing the transition is particularly important. Under transitional arrangements, current tenants paying less than the target rent under the new structure have their increase spread over a few years until the target rent is reached. For those paying more than the new target rent, the rent is frozen until agreed rent increases allow the new rent to catch up with their current rent. This helps the Council balance the books and increases transparency
- 59% of tenants faced an upward rent adjustment and 41% a downward adjustment; three quarters of homes required an adjustment of no more than £5, and no home required an adjustment of more than £10. Rents for multi storey flats generally went down whilst most other rents went up
- Extensive communication with tenants meant that complaints on the new rent structure were kept to a minimum. Obviously those tenants not in receipt of housing benefit will feel the increase more
- Under the rent restructure, service charges are billed separately from rents and the costs are based on the actual costs to the council of providing the services and not linked to rent. Separating service charges from the rent account may cause problems in pursuing arrears. There will be a need to develop a system for monitoring service charge debt
- Tenants' expectations need to be managed during the transitional period where some tenants will inevitably be paying more than others for a certain period of time. A plain English communications campaign for both tenants and staff on the new scheme and transitional arrangements is extremely important.

9: Simplifying affordability – who can afford what tenures?

Donna Milton, Arneil Johnston

Assessing affordability

- Assessing affordability and knowing your customers is a key component of local authority investment plans. For a housing system to operate effectively, it is important to understand consumer preference and ability to meet housing costs
- A housing affordability assessment needs evidence on housing costs, household incomes and consumer preferences – what can people afford and what are they willing to pay?

- Viability of investment is also an important consideration – landlords need a certain level of income for management and maintenance of stock
- A housing affordability model which looks at income profiles and housing costs and rent levels in an area can be used to determine the percentage of people who can afford each of the housing tenures
- This type of research can be invaluable when benchmarking rents and ensuring that they remain competitive across all tenures in the local area. This includes market entry housing.

Who can afford what tenure?

- Rents have traditionally been considered affordable if a household pays no more than 25% of their income on housing costs. But our research for four local authorities, covering all tenures, suggests most people are willing to pay between 20% to 40% of their income on housing costs
- The reality is that 50% are actually spending between 40%-50% of their income on rental costs alone – most of these people are in the private rented sector. This is unsustainable and therefore means affordability assumptions should be at least partly based on what people are willing to pay, informed by what they already pay
- Our research looked at median incomes, LA/RSL rents, PRS rents and market entry house prices, and assessed rent levels against LHA rates. This told us, for example, that in one area, RSL rents were up to 75% lower than commercial rents and 55% below LHA rates, suggesting significant scope for providing housing at rents somewhere in between RSL and market rents
- The research also looked at the percentage of people across the four local authority areas who could afford different tenures. On average 78% could afford social housing, 65% could afford an MMR product and 47% could afford market sale. Although no information is available on the current size of the intermediate market, the figures suggest a significant imbalance between what people can afford and the supply (not least of mid market rent) to meet need
- From a strategic perspective this raises questions about where we should be targeting housing development and the importance of understanding the consumers' ability to pay.

Rent affordability and business management

- Affordability cannot be looked at in isolation from the RSL or HRA business plan. The biggest risk for the long term business plan is not to increase rents in line with costs. When considered alongside other factors affecting the business plan including SHQS, welfare reform and an increase in pension costs, freezing rents (even for a year) would have the greatest negative impact on the long term financial position

- It is therefore important to look at balancing affordability and limiting risk. This comes down to knowing your customers and knowing your business. It is important to know what level of rent increase is required to maintain a stable business plan. This can then be compared to affordability levels and if there is a gap then increasing the rent can be weighed against reducing costs
- Balance is the key: decisions on affordability cannot be made in a vacuum and Investment and rent strategies are informed heavily by cost issues but should be informed by evidence of income profiles, housing costs and consumer choice across the area in question. Customer engagement and informed dialogue on priorities is essential.