

Appendix 2

Defining 'affordable housing' - frequently asked questions

What is meant by the term 'affordable housing'?

Unfortunately there are a number of definitions, and the term 'affordable' in a housing context has been undermined by the introduction by the government of products such as 'Affordable Rent', which can be set at up to 80 percent of local market rents. In Hackney, where private rent levels are very high, rents set at or near 80% would not be affordable to many local residents.

This is why the Council prefers to use the alternative term 'genuinely affordable housing' to refer to homes which would be affordable to Hackney residents on low and medium incomes.

What is meant by 'genuinely affordable housing'?

Affordable homes may be offered for rent or sale. One way of defining genuine affordability is in terms of the percentage of gross or net income spent on housing costs. A common measure used is that, to be affordable, a household should not spend more than one third of their gross income on housing costs. The London Mayor has formally adopted this approach in calculating the rent levels he expects to see set for new 'London Living Rent' homes.

Is private housing in Hackney affordable?

Much private housing in Hackney, both for rent and sale, is unaffordable to residents on low to medium incomes. House prices in Hackney are amongst the highest in the country, while private rents are also very high. The average price of a home is £587,300 and the average private rent for a two-bedroom home is £1,820 per month, beyond the financial means of most households on low to medium incomes in the borough. Average prices paid for homes are around 17 times average annual household incomes.

This means that one of the few housing options available to many residents on low and medium incomes, if they wish to stay in the borough, is to live in shared housing in the private rented sector. 36% of households renting privately in Hackney pay rent for a room in a shared house, rising to 49% in Shoreditch.

What about affordability for households in receipt of benefits?

The government's welfare reforms have had a serious impact on the ability of many households in receipt of benefits to afford housing costs in the borough. The benefit paid to private tenants – the Local Housing Allowance (LHA) – has been capped and frozen. Less than 3 in 100 lettings in Hackney are now available at LHA rates. The situation for younger people under-35 without dependents is even more severe, as they are only eligible for the lower Shared Accommodation Rate. The recent reduction in the cap on overall household benefit has also affected over 1,000 households in Hackney, including some in social housing.

Who decides what types of 'affordable housing' is provided?

The government sets the broad framework for affordable housing, through its planning, regulatory and housing investment powers. Within this framework the Mayor of London, local authorities and housing associations have some limited discretion over rent setting.

By law, the Council's planning policies for new housing developments have to comply with national and London-wide planning guidance. The definition of affordable housing is incorporated in national planning guidance, and includes social housing let at up to 80% of

local market rent (Affordable Rent) and an unspecified range of intermediate housing for sale and rent, as long as they are below market levels.

As affordable housing providers, the Council and housing associations have their own rent setting policies for both new and existing homes, though these must be set within the rules laid down by government and its social housing regulator (the Homes and Communities Agency).

What types of housing are genuinely affordable?

Affordable housing is often divided into social housing and 'intermediate' housing.

Social housing:

- homes let at 'Social Rent' or the London Mayor's new 'London Affordable Rent' are usually genuinely affordable to those on low incomes, though the benefit cap has begun to affect housing affordability for some larger households in Hackney
- homes let at 'Affordable Rent' are unlikely to be genuinely affordable to those on low incomes in Hackney, if rents are set at or near 80% of local market rents.

Intermediate housing (for sale or rent):

- shared ownership has enabled many people on medium incomes to take a first step on the housing ladder. The share of the home purchased can be as little as 25%, though a subsidised rent must be paid on the remaining share. Ensuring the affordability of shared ownership is becoming more challenging in areas of the borough with especially high house prices.
- there are a range of other housing products that are intended to make house purchase cheaper, such as Equity Share, Equity Loans, and Starter Homes. However, because of very high house prices, in many cases these would still not reduce the price enough to be genuinely affordable in Hackney.
- New 'London Living Rents' are set at one third of average local incomes, so should be genuinely affordable to many Hackney households on medium incomes.
- Loosely defined 'sub-market rents' can be set at any level between social rent and market rent though, in practice, they are usually closer to market rent.

What is the council doing to ensure more genuinely affordable housing?

As a housing provider, the Council continues to let all of its existing and new rented homes at genuinely affordable social rent levels.

The Council has one of the most ambitious local authority housebuilding programmes in the country, the majority of which is genuinely affordable (with a proportion of outright sale homes built to help pay for the affordable housing). We have already delivered more than 500 new Council homes, with another 700 under construction and a further pipeline of 2,200 that will start on site within the next five years - all in the absence of any government grant or support.

As a planning authority, the Council promotes genuinely affordable housing through its housing policies, guidance and practices as far as possible. However, as mentioned above there are limitations, and the council's planning policies must comply with national and London-wide planning policy.

The Council is currently consulting on a new Local Plan up to 2033, and is seeking to promote the provision of new genuinely affordable housing as part of this.