

Affordable Rent

Development Management Background
Paper (April 2012)

Table of Contents

1	GLOSSARY OF KEY TERMS	2
2	BACKGROUND	3
3	CONTEXT	4
3.1	National Government Reforms	4
3.2	National Planning Policy	6
3.3	London Plan	7
4	DEVELOPING AFFORDABLE HOUSING POLICIES FOR THE DEVELOPMENT MANAGEMENT DOCUMENT (DMD)	8
4.1	The adopted Core Strategy and Housing Evidence Base	8
4.2	Considerations which influence the implementation of ART	10
4.3	Proposed approach in draft Development Management Document	14
5	REFERENCES	16
6	APPENDIX ONE	17

1 GLOSSARY OF KEY TERMS

Term	Description
<i>Affordability</i>	A measure of whether housing can be afforded by certain groups of households.
<i>Affordable housing</i>	Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision. Affordable housing is divided into social rent and affordable rent, and intermediate housing.
<i>Affordable Rent</i>	Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. 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).
<i>Intermediate housing</i>	Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.
<i>National Planning Policy Framework (NPPF)</i>	The NPPF is a single planning policy document that has replaced all of the existing Planning Policy Statements (PPS), Planning Policy Guidance (PPG), circulars and guidance notes. The National Planning Policy Framework must be taken into account in the preparation of local and neighbourhood plans, and is a material consideration in planning decisions.
<i>Social Rent</i>	Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

2 Background

- 1.1 This paper is intended to provide contextual information and evidence to support the development of a revised planning policy on affordable housing, taking into account the Government reform, within the draft Development Management Document (DMD). The DMD is a planning document within Enfield's Local Plan, which will provide more detailed policy guidance on the implementation and means to achieve the strategic objectives set out in the Core Strategy through the consideration and determination of planning applications, including the delivery of affordable housing.
- 1.2 Following a consideration of the context, this paper sets out the reasoned justification for any revised policy position – section 3 of the paper.
- 1.3 Enfield Council adopted its Core Strategy in November 2010. The Core Strategy is the leading document in the borough's new Local Plan which will replace some of the extant sections of the Unitary Development Plan (UDP). The Core Strategy sets out the strategic policies covering a period up to 2026, and includes boroughwide targets for:
 - affordable housing which is set at 40% of all new residential and mixed use residential development providing 10 or more units. For developments of less than 10 units, a financial contribution to deliver off site affordable housing based on a boroughwide target of 20% is required; and
 - tenure which is 70% and 30% of all affordable housing to be social rented and intermediate respectively; and
 - the mix of housing sizes required to meet the needs of those who require social rented and market housing.
- 1.4 Since the adoption of the Core Strategy, the Government have instigated changes to national planning policy guidance through the publication of the National Planning Framework (NPPF); the way affordable housing is defined, funded and delivered; and wider social welfare reforms which could have an impact on those who use benefits to pay their housing costs.

3 Context

3.1 National Government Reforms

3.1.1 Social Housing Reform

3.1.2 In November 2010 the Rt. Hon. Grant Shapps MP, Minister for Housing and Local Government, published a consultation paper titled, Local decisions: a fairer future for social housing, on plans for a radical reform of the social housing system. The paper included the following key change¹:

- Affordable Rents - a new 'Affordable Rent' tenancy (ART) offered by housing associations to some new tenants of social housing from April 2011. Affordable Rent properties offer fixed term tenancies at a rent higher than social rent - with landlords able to set rents at up to 80 per cent of local gross market rents (inclusive of service charges). The proposed changes do not affect the rights or rents of existing social tenants.

3.1.3 The new funding model for affordable housing is a fundamental shift from the previous system, which offered up front grants to pay for social housing. These grants are now replaced with ongoing revenue funding from the increased rental income associated with the new higher rents.

3.1.4 The reform may have an impact on the viability of the delivering affordable housing, if the rental income cannot support the delivery of units; and the affordability of affordable housing for those households in need if the rents set are too high.

3.1.5 The Government are working with partners, such as the Homes and Communities Agency (HCA), to deliver a programme of affordable housing and the detail of these changes have been elaborated on in the HCA Affordable Homes Programme for 2011-2015.

3.1.6 Homes and Communities Agency Affordable Housing Framework 2011-2015

3.1.7 The Homes and Communities Agency² Affordable Homes Programme for 2011-15 is a bidding framework for housing providers and outlines the funding arrangements for affordable housing over a defined programme period. It elaborates on the workings of the ART model and explains the following:

- The principal element of this programme is an Affordable Rent product to be offered by housing associations and other providers.
- The new funding model is based on 4 broad funding streams which contribute to delivering new supply:
 - the additional borrowing capacity on the increased rental income that can be generated from new Affordable Rent

¹ <http://www.communities.gov.uk/news/newsroom/1775594>

² The HCA are a national housing and regeneration agency for England, with a capital investment budget of nearly £7bn. They provide investment for new affordable housing and to improve existing social housing, as well as for regenerating land

homes and the conversion of social rent properties to Affordable Rent (or other tenures) when they are re-let. To maximise this capacity, the HCA expect providers to utilise the flexibility to charge up to 80% although they may consider a lower % in exceptional circumstances;

- existing sources of cross subsidy, including registered providers own resources (such as the development and sale of new open market homes) and s106 monies;
- other sources of funding or means of reducing costs such as free or discounted public land, including local authority land, and local authority contributions for example from the New Homes Bonus; and
- HCA 'gap' funding where required for development to be viable, although:
 - due to the limited amount of funding available this needs to be as small as possible, and offer Value For Money; and
 - It is only paid on completion of the development.

3.1.8 Funding for social rented may only be supported in limited circumstances (for example in regeneration schemes where decanting is necessary). Instead the provision of social rent may be supported through the application of Council resources (funding or land).

3.1.9 Where a section 106 is entered into for the provision of affordable housing, then the affordable housing should be delivered without the need for grant or 'gap' funding from the HCA. In these circumstances, registered providers are required to use their own resources and cross subsidies such as s106 contributions to fund developments. As this is the case, registered providers need to have sufficient resources (rental income) to support supply on schemes not eligible for grant.

3.1.10 The document is clear that any agreed housing programme must meet local priorities, such as particular sites which are a priority for development and the identification of the range of needs groups which new supply is intended to assist (for example, the provision of larger homes, supported housing projects).

3.1.11 Welfare Reform

3.1.12 The implications of the affordable rent product referred to above need to be considered in conjunction with the other relevant proposals for reform, such as the Welfare Reform Act. The Welfare Reform Act recently received Royal Assent on 8th March 2012 and is discussed in detail below because the potential impacts on household incomes and the ability to pay housing costs were noted and debated throughout its development. The Act therefore provides a particularly useful example of potential cumulative impacts. However, it is acknowledged that other proposals may come forward in future which may also need to be considered.

3.1.13 The Government published a White Paper on welfare reform in November 2010. The White Paper set out the Government's proposals for welfare reform, which aim to improve work incentives, simplify the benefits system and make it less costly to administer. Not all the measures in the White Paper require primary legislation, but the Welfare Reform Act gives effect to those proposals that do.

- 3.1.14 The Welfare Reform Act introduces an integrated working-age benefit to be called universal credit, which, depending on the claimant's circumstances, will include a standard allowance (to cover basic living costs) along with additional elements for those responsible for children or young persons, housing costs and other particular needs. Universal Credit would replace the different types of benefits currently available (working tax credit, child tax credit, housing benefit, income support, income-based Job Seekers Allowance and income-related Employment and Support Allowance).
- 3.1.15 The Act also contains provisions and allows for regulations to apply a cap to the amount of welfare benefits a claimant or a couple receives by reference to the average earnings of working households in Great Britain. Where total entitlement is higher than the level of the cap, entitlement to benefits may be reduced to the capped amount. If the Bill is passed the 'Universal Credit' will be introduced from 2013.
- 3.1.16 Besides introducing Universal Credit and benefit cap measures, the Bill makes other significant changes to the benefits system:
- restricts Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need
 - up-rates Local Housing Allowance rates by the Consumer Price Index
- 3.1.17 A cap applied to Universal Credit benefits could affect the total income/budget, including money available to pay housing costs, available to low income households. The introduction of ART allows for potentially higher rent levels for affordable housing which should be available and affordable to people who cannot afford market housing. Therefore, the combination of potentially less money to pay housing costs with higher rent could have an adverse impact on low income households. The right balance needs to be struck between ensuring affordable housing is financially viable and delivering housing which remains affordable to local people.

3.2 National Planning Policy

- 3.2.1 When the National Planning Policy Framework (NPPF) was published in March 2012 it replaced the suite of Planning Policy Guidance/Statements (PPG/PPS), including PPS3 on housing. The NPPF places the following requirements on local planning authorities:
- use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period;
 - plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
 - identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and
 - where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a

financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.

- 3.2.2 When adopted, the Core Strategy met national policy objectives at the time, however, PPS3 was revised and then subsequently replaced by the NPPF. The Core Strategy was based on the definitions for affordable housing in PPS3 before it was revised to include the affordable rent tenure. Through the development of a Development Management Document there is the opportunity to consider a revised policy position which can reflect the subsequent changes to national planning policy. If we do not adopt a revised position there may be a risk that the policy basis in the Core Strategy is challenged because it has not taken changes such as affordable rent into account.

3.3 London Plan

- 3.3.1 Changes to the London Plan were issued and examined prior to Government announcements on affordable housing, the newly published version (2011) does not have a policy position on the affordable rent tenure.
- 3.3.2 The Mayor has published Minor Early Alterations to the London Plan and draft Affordable Housing SPG for consultation (December 2011). With regards to the affordable rent product and the 80% rent level, the Minor Early Alterations states that: 'In considering this issue, local planning authorities should take account of the London Plan's emphasis on maximising affordable housing delivery' (para 4.2.16). The document goes on to acknowledge an issue with the affordability of family sized homes and sets a pan-London average investment monitoring benchmark for affordable rents at 65% of market rent across the programme as a whole to take this into account. However, it is confirmed that local planning authorities should avoid trying to set rent levels for this product through the planning system, and that doing so would raise questions of conformity both with national policy and with the London Plan.

4 Developing Affordable Housing Policies for the Development Management Document (DMD)

4.1 The adopted Core Strategy and Housing Evidence Base

4.1.1 Enfield Council adopted its Core Strategy in November 2010. Based on evidence in Housing Market Assessment (HMA) and Affordable Housing Economic Viability Study (AHEVS), the Core Strategy includes boroughwide targets for:

- affordable housing to be provided on site based on a target of 40% for ten or more units, and for less than ten dwellings, the Council will seek to achieve a financial contribution to deliver off-site affordable housing based on a borough-wide target of 20% affordable housing; and
- tenure which for 70% and 30% of all affordable housing to be social rented and intermediate respectively; and
- the following mix of housing types:

Market housing – 20% 1 and 2 bed flats (1-3 persons), 15% 2 bed houses (4 persons), 45% 3 bed houses, (5-6 persons), 20% 4+ bed houses (6+ persons).

Social rented housing - 20% 1 bed and 2 bed units (1-3 persons), 20% 2 bed units (4 persons) 30% 3 bed units (5-6 persons), 30% 4+ bed units (6+ persons).

4.1.2 The Core Strategy and supporting housing evidence base preceded changes to the definition of affordable housing and therefore do not include references to affordable rent as a form of affordable housing. However, the housing evidence is useful in understanding the local implications of charging different rent levels via ART.

4.1.3 Affordable Housing Economic Viability Study

4.1.4 The Affordable Housing Economic Viability Study (AHEVS) provides an assessment of the economic viability of affordable housing provided as part of market led schemes in the borough. It assessed the impact on economic viability of a range of options for affordable housing policy including combinations of thresholds, % quotas, tenure mixes and grant assumptions.

4.1.5 A series of financial appraisals were run based a core set of assumptions (base appraisals) and additional sets of appraisals tested the impacts of other variables. The Study looked at the range of value points across the borough, based on a property survey, and looked at how viability could vary geographically.

- 4.1.6 The base appraisals assume a tenure mix of 70% affordable rent and 30% intermediate, nil grant, Code for Sustainable Homes Level 3 attainment plus an additional cost allowance for achieving 10% CO2 on-site renewable energy generation over that Code assumption, with 15% developer's profit.
- 4.1.7 Importantly, the base appraisals and recommendations have taken into account a nil grant scenario, so changes to the funding model which limits the amount of grant and removes it completely in some cases, may not adversely affect the viability of the delivering the targets set in the adopted Core Strategy. However, with regards to the influence of grant or financial support for schemes, the AHEVS noted that the Council's starting point may well be to consider what affordable housing can be achieved without grant, however viability, and therefore financial support may be more important on lower value schemes, particularly if there is particular bias towards delivering affordable housing, in lower value areas (VP1 and VP2) where there are competing land values. The latter finding means that some flexibility may be required in lower value areas where the viability of affordable housing is more finely balanced.
- 4.1.8 Housing Market Assessment
- 4.1.9 To establish those in need of affordable housing, the HMA applied the following affordability threshold:
- Households with children could afford to spend 30% of their gross income on housing costs
 - Households without children could afford to spend 35% of their gross income on housing costs
- 4.1.10 The above have been used as a basis for defining minimum threshold income levels necessary to be able to afford and access market housing, income levels below this minimum would require some form of affordable housing. When considering thresholds for affordable rent, this local evidence is useful for developing a local understanding of what is affordable.
- 4.1.11 The Housing Market Assessment (HMA) identifies a clear need for more affordable homes. It calculates that there is an annual unmet need for 2,100 affordable homes (made up of meeting the backlog of need, newly arising need minus the total annual supply) and recommended a tenure split of 80% social rented and 20% intermediate.
- 4.1.12 Taking into account the recommendations on need in the HMA and evidence on viability in the Affordable Housing Economic Viability Study, the policy position in the Core Strategy is a 70% target for social rent and 30% for intermediate.
- 4.1.13 The HMA also establishes what sizes of housing are required to accommodate households who cannot afford market housing (in terms of bedroom requirements). These results are still considered relevant when considering the need for different sizes of affordable rent housing, as ART is a form of affordable housing and if developed to an affordable rent level can still meet these identified housing needs. Therefore ART could be incorporated within the social rent targets set in the adopted Core Strategy (CP 5).

4.2 Considerations which influence the implementation of ART

4.2.1 Can local affordable housing needs be met by ART?

4.2.2 Further analysis of the HMA was undertaken to consider whether an evidence-based split between social rent and affordable can be made on the basis of the survey data collected for the HMA (see appendix 1 for the detailed methodology).

4.2.3 The analysis identified the numbers of households (by size, type and income) that could afford the minimum market rental stated in the HMA. Through this assessment the number of households that could not afford the minimum market rental have been aggregated.

4.2.4 The next step aimed to understand the proportions of identified households who could afford social rent (at approximately 50% of market rental level) and affordable rent (at intervals of 50-60%, 60-70% and 70-80% of the market entry level)

4.2.5 These calculations show that there is still a significant need for social housing:

	Social Rent	Affordable Rent
% of market entry level	50%	50-80%
Total of % of households in need who can afford different rent levels	83%	17%

4.2.6 Affordability by household size

4.2.7 The HMA affordability criteria clearly differentiate between households with children and without children. The lower threshold for households with children is reflective of the financial implications of a higher number of dependents. The Council have undertaken scenario testing to better understand the ability of ART to address the needs of different size households, taking into account the HMA criteria.

4.2.8 The Council reviewed rent charged by different providers (see table 1) and calculated what would be affordable to households with and without children by applying the HMA criteria (see below).

Rents in Enfield (per week)	1 bed	2 bed	3 bed
Rents charged for market housing ¹	£173	£225	£288
Rents charged for Local Authority housing	£69.70	£82.44	£94.45
Expressed as a % of market rent	40%	37%	33%
Rents charged on re-lets of Register Provider housing	£77.02	£94.58	£116.66
Expressed as a % of market rent	45%	42%	41%

Rents charged on new lets of Register Provider housing	£100.11	£119.38	£121.37
Expressed as a % of market rent	58%	53%	42%
All social rents ²	£74.01	£93.27	£102.78
Expressed as a % of market rent	43%	41%	36%
Maximum level of affordable rents (at 80% of market rents)	£138.40	£180	£230.40

Figure 1: Rent levels in Enfield 1. source: GLA rent data, 2. source: CORE Annual Report, Enfield Area, April 2009-Mar 2010

4.2.9 This shows that at the moment, looking at all social rents, people are paying between 36-41% of market levels depending on the size of the accommodation. This is significantly below the potential maximum of 80% set by PPS3. It also gives an indication of how increase in the rents charged could disproportionately impact on family households, which currently are the lowest % rent (at 36%).

4.2.10 If the maximum level of affordable rent applied, and the HMA affordability criteria were used, this would mean that households requiring a 3 bed house need a gross income of £768 per week or £39,936 a year. A one person household requiring a 1 bed homes would need a gross income of £395.43 per week or £20,562.36 per year. The following statistics shows how this compares with data for Enfield from the HMA and other sources.

Figure 2:

EXAMPLE SCENARIO

Considering the following:

- If universal credit capping benefits payments at £500 per week for couples/households with children or £350 for single person households; and
- applying the measure of what is affordable in terms of housing costs in the HMA, which assumes:
 - Households with children could afford to spend 30% of their gross income on housing costs
 - Households without children could afford to spend 35% of their gross income on housing costs

This could mean that non working households with children and in need of a 3 bedroom home, could receive £500 per week (or £26,000 per year) and if they lived in a ART 3 bedroom home charging 80% of market rent (£230.40 per week or £11,980.80 per year) would spend 46% of their income on housing costs. This figure is above the assumptions used to determine affordability in the HMA.

Using current rates of market rent, households with children would be able to afford £150 per week, and for the larger 3 bed home, could only afford to pay 52% of market rent, which is below the maximum of 80% which could be applied under the ART model. Single person households could afford £122.50 per week, which means that they may be able to afford to pay a higher proportion (70%) of market rent.

- 4.2.10 The Council's Health, Housing and Adult Social Care Department have modelled how the introduction of the affordable rent tenure coupled with a potential £350/500 benefit cap could affect the affordability and therefore access to affordable housing. Working through this scenario provides a good illustration of potential impacts of benefit entitlement caps (see Figure 2).
- 4.2.11 Initial engagement with Affordable Housing Delivery Partners
- 4.2.12 The Planning Policy team presented an item on the emerging DMD at the Housing Strategic Partnership Thematic Action Group (HSP TAG) meeting on 9th February 2012. The role of the HSP TAG is to address strategic issues that affect the people of Enfield. The remit is improving housing and delivering the housing element of the Place Shaping agenda, aiming to deliver sustainable housing growth, improve housing and prevent homelessness. Members include the HCA, Registered Providers (RPs) and developers. The key discussion points were:
- All new tenancies provided by RPs are called Affordable Rent but some rent levels may be near social rent levels. There is a balance between what you can build and what you can charge.
 - If there is a compromise on rents for larger properties this makes large properties more difficult to build.
 - Linking rents to market rent is dangerous as markets change frequently
 - Questions around how you could define what rent level is affordable and how this would be reviewed.
 - Need to demonstrate conformity with the London Plan, which is against boroughs setting rent caps.
 - Negotiations could be dealt with on a site by site basis, policy in the DMD could be kept to a minimum.
 - Need to consider priorities when balancing of supply and affordability.
- 4.2.13 One of the actions from this meeting was to set up a further meeting with members of HSP group specifically to discuss the DMD in greater detail. A meeting for sub group of the HSP TAG took place on 13th March 2012. The discussion raised a number of issues, including the following:
- **Clarity of terms was noted as a key issue and relevance of the social rent tenure to RPs in light of HCA funding requirements.** It was agreed that it would be useful to clearly distinguish between affordable housing as an overarching definition and Affordable Rent as a specific product
 - **Defining affordability:** It was agreed that Affordable Rent units should meet the needs of the core client group and therefore be accessible to those on low incomes. Definition of affordability, that no more than 30 or 35% gross income should be used for housing costs, was considered an appropriate way of defining affordability.
 - **Recognised affordability issues with different size properties.** It was agreed that there should be a distinction between different sized properties, but applying different % rent cap can result in anomalous figures, where larger units are cheaper than smaller ones. This does not encourage mobility and downsizing within the sector.
 - **Flexibility:** It was concluded that the DMD should stick to key principles rather than being prescriptive about the approach; this allows for flexibility. A separate note should be provided to set out the

Council's preferred rent levels based on numerical values (% can then be applied to determine rent levels for the purposes of the s106 agreement). This note should be prepared jointly between housing and planning policy with input from RPs.

- 4.2.14 One of the actions from this meeting was for the planning policy team to consider amendments to the draft DMD policy in light on the discussion and the points raised.

4.3 Proposed approach in draft Development Management Document

- 4.3.1 The draft Development Management Document (DMD) adopts a flexible target approach and confirms in the policy on housing types that affordable rent and social rent will both count towards meeting the 70% target for social housing i.e. substitute the 70% social rented for 70% for both social rented and affordable rented.
- 4.3.2 The 70% target position is a balance between evidence on housing need in the HMA and viability in the AHEVS, and therefore can continue to be justified to use as a baseline of need for social housing. This approach is also in line with draft Early Alterations to the London Plan.
- 4.3.3 The housing mix targets associated with the social housing tenure could also be applied to both affordable rent and social rent, based on the assumption that the need for different sizes of social housing would remain the same, irrespective of what social housing tenure (affordable rent or social rent) they would require a certain size home to meet the needs of their household. The draft Development Management Document therefore updates the social housing mix target to include both affordable rent and social rent.
- 4.3.4 To support this approach and ensure that negotiations on individual sites are informed by evidence of housing need, we have undertaken further analysis of our housing evidence. The analysis reviews household incomes to assess what is affordable to various household types and sizes who may require affordable housing, and what proportions can afford different percentages of market rent.
- 4.3.5 The results indicate that there is still a need for social rented housing, and that within the original 70% for social rented accommodation, potentially the vast majority, 83% of households, still require social rented housing, whilst a more limited number (17%) may be able to afford to pay a higher rent. Applying these percentages to the existing targets would result in the following provision: 58% social rented, 12% affordable rented and 30% intermediate housing. There are also indications that affordability is more significant for groups, particularly family households.
- 4.3.6 As acknowledged in the section above, the affordability of different sized homes is an issue. Larger affordable rented homes (3 bed +) which charge rents at the 80% level are likely to be unaffordable to people on lower incomes, particularly non working households in receipt of benefit (under the Universal Credit rules). However it may also be possible for smaller households occupying 1 and 2 bed accommodation to pay more than current average social rents. As this is the case, it needs to be made clear that the affordable rent tenure will only be considered acceptable where the mix of homes being provided are at appropriate rent levels which reflects local issues of affordability between different household types.
- 4.3.7 Profiling housing need in this way helps provide supplementary information to support/justify a negotiating position and clarification on what is affordable to local residents. As this does not form part of policy, this supplementary information can be reviewed and updated as necessary in the future.

- 4.3.8 The draft DMD makes clear that, in every case, the developer will have to demonstrate to the Council's satisfaction that the affordable housing product is affordable to local residents having regard to local evidence of need and affordability.
- 4.3.9 The Council will consider how best to update our position on affordability to inform ongoing and future negotiations on the affordable rent product proposed through development.

5 References

Affordable Housing Economic Viability Study (2009)

Planning Policy Statement 3: Housing (2011)

Enfield Housing Market Assessment (2010)

<http://www.publications.parliament.uk/pa/bills/lbill/2010-2012/0075/en/12075en.ht>, accessed 26/10/11

<http://www.communities.gov.uk/news/newsroom/1775594>, accessed 26/10/11

<http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-bill-2011/index.shtml> , accessed 26/10/11

<http://www.communities.gov.uk/housing/socialhousing/affordablerent/>, accessed 26/10/11

<http://www.homesandcommunities.co.uk/sites/default/files/our-work/affordable-homes-framework.pdf>, accessed 26/10/11

London Plan (2011)

National Planning Policy Framework (2012)

6 APPENDIX ONE

Review of Housing Market Assessment data: Note on Methodology

Introduction

The LDF Core Strategy sets out the overall strategic approach towards managing the provision of housing. The Development Management Document (DMD) will provide further policy detail on affordable housing.

Affordable housing policies require all residential developments in the borough to provide a contribution towards affordable housing with regard to the borough-wide target of 40% for sites capable of providing over units. The affordable housing mix then has a further split out as follows:

Social rent and affordable rent : Intermediate housing
70% : 30%,

The Core Strategy also sets out a percentage split in terms of the number of bedrooms.

Purpose

The purpose of this note is to establish a split between social rent and affordable rent (i.e. a further split down of the 70% shown above) based on the survey data that underlies the 2010 HMA (Housing Market Assessment). The HMA, prepared by Ecotec, is based on survey data gathered by questionnaire directly from Enfield households.

Through calculating the number and proportion of households in Enfield that are in need of housing and apportioning the need in terms of social rent and affordable rent, a further percentage breakdown of affordable housing to be included when setting policy and priorities in the DMD.

Methodology

Data Source

For Enfield's HMA, Ecotec has previously carried out a questionnaire survey of Enfield residents on their housing circumstances, with 43,500 households invited to take part in the survey. Some 3,077 responses were received. The data was then weighted by area and age up to the total number of households in the borough to ensure the survey results were representative of the entire population of the borough.

Calculating the social rent and affordable rent percentage split based on the same data set as the SHMA provides an evidence base derived directly from Enfield's households while maintaining consistency with the SHMA which formed part of the Core Strategy evidence base.

Data was extracted from the SPSS database by the Chief Executives Unit. The data categories extracted are household size, household type and monthly income and

from the questionnaire these categories are based on survey questions G1, G13 and G22 respectively.

Calculation

To assess the cost of housing, market entry monthly private rent levels were taken from the HMA table 5.4. The figures represent the market entry level for private rental homes in the borough and were chosen over the market entry mortgage levels as they are the lower cost option. Rental costs are then converted into gross household income levels: the assumption is that households with children have a threshold of 30% of gross income that can be spent on housing, and 35% of gross income for households without children.

To simplify the calculations, households over more than 7 persons in size were excluded, with households of 1-7 persons making up 99% of the total households.

Owner-occupiers were excluded from the calculations on the basis that households able to afford their own home are unlikely to be in housing need. While this might not be the case in all instances, it was considered this is likely to be true in the great majority of cases.

The room requirement for each household was then estimated, and is considered to be the minimum possible: couples sharing a room, children sharing a room where possible, and no spare room.

The survey income categories were then converted to per annum figures, and the income ranges used to assess the affordability of the various household types and sizes.

An assessment was carried out on the basis of households' size, type and income that could afford the minimum market rental. Through this assessment the number of households that could not afford the minimum market rental could be aggregated.

Further analysis was then carried out to understand the proportion of social rent and affordable rent as follows:

- Social rent affordability at 50% of the entry level cost of private rental housing; and
- Affordable rent affordability at intervals of 50%, 60%, 70% and 80% of the entry level.

This work was carried out to provide a high level analysis for the purposes of understanding the strategic need for affordable rent relative to social rented accommodation. It should be noted that the detailed calculations undertaken as part of the HMA process were not replicated for the purposes of this work.

Outcomes

The calculations suggest that the total number of households in need is 24,888 (21%) out of a total 116,086 households.

The split by housing need as follows:

% of market entry level	Rental as percentage of market entry level				
	40%	40-50%	50-60%	60-70%	70-80%
Total of all housing	73%	10%	7%	6%	4%

types					
--------------	--	--	--	--	--

This would mean a social rent (at up to 50% level) to affordable rent ratio of:

Social Rent : Affordable Rent
83% : 17%

Breakdown of total housing need (social and affordable rent) by household type:

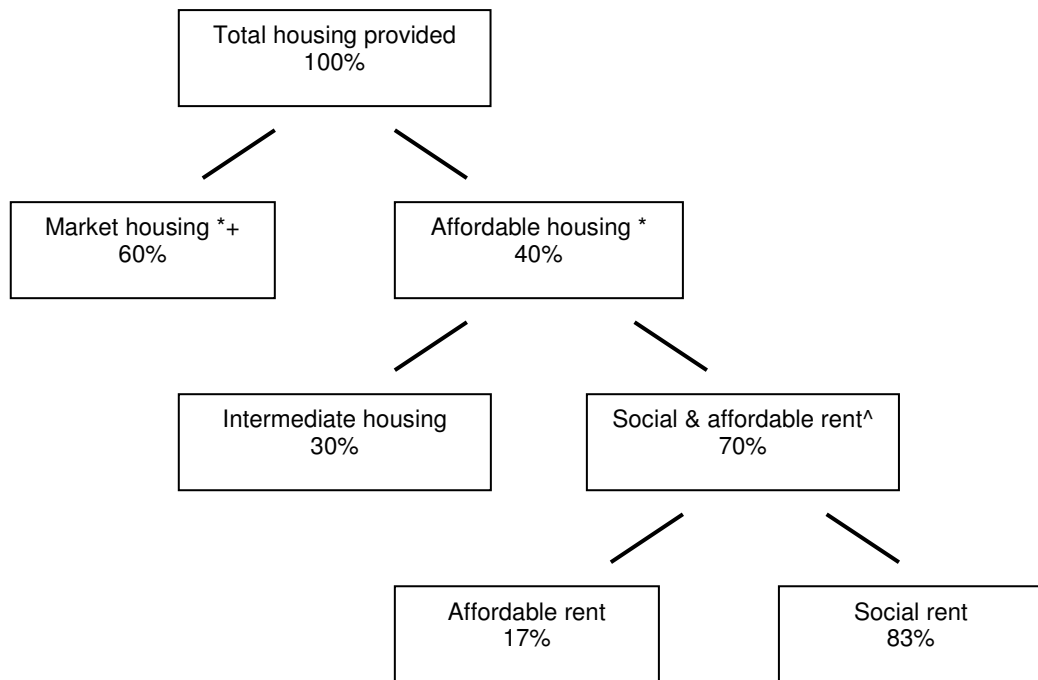
Household Type	Proportion of total in housing need
Single person	33%
Single parent	36%
Married/cohabiting with partner & children living at home	18%
Married/cohabiting with partner, no children living at home	8%
Other	5%
Total	100%

Need by household type as a percentage of the total numbers of each household type:

Household Type	Social rent (up to 50% of market entry rent level)	Affordable rent	Combined Social and Affordable rent
Single person	20%	4%	24%
Single parent	57%	4%	61%
Married/cohabiting with partner & children living at home	10%	4%	14%
Married/cohabiting with partner, no children living at home	4%	3%	7%
Other	30%	6%	36%

Conclusions

- The calculation method and approach outlined in this briefing note provides a proportional split between social rent and affordable rent.
- The outcomes show the high level of importance of social housing to single parent households, with 57% requiring social housing (up to the 50% of market rent level) and a further 4% requiring affordable rent.
- The overall affordable housing provision proportions would then be as follows:



Notes:

* The ratio is 60:40 for developments of over 10 units, and 80:20 for developments of less than 10 units.

+ The mix of bedroom requirements for market housing is: 35% 1 and 2 bed homes, 45% 3 bed homes, 20% 4 bed homes

^ The mix of bedroom requirements for social rented housing is: 40% 1 and 2 bed homes, 30% 3 bed homes, 30% 4 bed homes.

