

What is 'affordable housing'? - Frequently asked questions

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What is meant by the term 'affordable housing'?

The term 'affordable housing' has a number of definitions, and has been confused by the government's introduction of 'Affordable Rent' homes which can be set at up to 80% of local market rents.

In Hackney, where private rent levels are very high, rents at or near 80% are not affordable to many local residents.

This is why the Council prefers to use the alternative term 'genuinely affordable housing' to refer to homes which are affordable to Hackney residents on low and medium incomes, whether for rent or sale.

What is meant by 'genuinely affordable housing'?

One way of defining genuinely affordable is based on the proportion of income spent on housing costs. A common measure is that a household should not spend more than one third of their 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.

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

Social housing:

- homes let at 'Social Rent' or the Mayor of London'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)
- 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%, with a subsidised rent paid on the remaining share. This is often an affordable option for those not prioritised for social housing but unable to afford to buy outright, though 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?

The Council lets all of its existing and new rented homes at genuinely affordable social rent levels.

We have one of the most ambitious Council housebuilding programmes in the country, the majority of which is genuinely affordable (with a proportion of outright sale homes built to help pay for this). 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, 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.

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, councils and housing associations have some limited control over rent setting.

By law, the Council's planning policies for new housing 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 a range of below market level 'intermediate' housing for sale and rent.

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 the social housing regulator (the Homes and Communities Agency).

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, and 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, which is too expensive for 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 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 those receiving benefits?

The government's welfare reforms have had a serious impact on the ability of many households receiving 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 privately rented homes in Hackney are now available within housing benefit levels, and the situation for people under-35 without dependents is even more severe, as they are only eligible for a lower housing benefit rate for shared accommodation.

The recent reduction in the cap on overall household benefit has also affected over 1,000 households in Hackney, including some in social housing.