

## “Affordable rent” in England

So-called “affordable rent” (AR) was introduced by the coalition government as a means of funding house building by councils and housing associations when it cut grant for 'social housing' by 60%. AR could be up to 80% of market rents. In applying for government grant from the Homes & Communities Agency councils had to agree that homes they built would charge AR rather than 'social rent' (SR). In addition they would have to convert some existing homes from SR to AR, when they became vacant. The extra rent would contribute to funding the building as the government cut its contribution.

To take the example of Swindon a building programme of 100 units involved the loss of 33 properties which charged SR (which were demolished) and the conversion of 142 properties from SR to AR. So 67 net additional homes and 100 new AR properties came at the cost of the loss of 175 SR homes.

The use of Right to Buy receipts for new build or buying on the market has also involved new homes charging AR. Councils are commonly buying back ex-council homes from private owners and charging AR. The government has used the threat of taking back right to buy receipts if they are not used within three years as a stick to beat councils with.

How extensive is AR? We have analysed the annual returns that councils send in at the end of the financial year to the government. At the end of 2016-17 there were 12,297 AR properties which charged AR out of 1.6 million<sup>1</sup>. This is less than 1% of the stock in England. Whilst this might appear to be negligible, there are a number of authorities that have taken to introducing AR with greater enthusiasm than most.

Of 166 local authorities that run a Housing Revenue Account<sup>2</sup> only 28 have more than 100 properties which charge AR (see Appendix 1). These authorities account for 80% of all AR properties in the council sector. Hartlepool has 100% AR properties, though it only has 243. The authority transferred its housing stock many years ago and has only recently set up an HRA again and obviously decided to charge AR for all its properties. The next highest proportion of AR is in Waveney which has 20% of its homes charging AR. Apart from these two only five others have in excess of 5%, three Tory and two Labour.

AR rents in England are on average 24.7% higher than SR: £111.06 per week as compared to £87.18. However, there are considerable variations. Leaving aside the London councils which we will look at separately, there is no big gulf between Labour and Tory authorities. The difference between SR and AR tends to be lower for Labour authorities, but there are exceptions. Leicester's AR is 43% higher than SR, whilst Newcastle upon Tyne's is 56.7% higher. Although Waveney has the highest percentage of AR stock the rent is only 12.1% higher than SR. On the other hand Tory Bournemouth's AR is 72.4% higher than SR and Ashford's is 52.10% higher.

In London, where AR rents are likely to be higher because of the much higher market rents, only 0.5% of the council stock charges AR (see Appendix 2). There are less than

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1 AR was first introduced in 2012-13.

2 A council which owns more than 200 homes has to operate a HRA.

2,000 AR properties in the whole of London. Remarkably two Labour authorities, Barking & Dagenham, and Newham, share 68.8% all London AR stock between them. The rents in both are more than 50% higher than SR. Worst of the London authorities is Tower Hamlets, one of the poorest boroughs in the country, where AR rents are *more than double* SR (albeit with a small number of them).

There is clearly a lot of opposition to AR, both in London and nationally. Out of 29 authorities with housing stock in London, 19 have no properties charging AR. Nationally 68 have none and another 28 have less than 20 AR properties.

AR has been taken up with varying degrees of reluctance because higher rents hold the threat of increased rent arrears, especially in the light of the introduction of Universal Credit. The infamous six week wait means that the amount of arrears will be higher for tenants paying AR.

Where AR has been introduced local authorities have been careful to keep the higher rents within the bounds of the local housing allowance so it does not risk driving up rent arrears. We could not find any exception to this. So tenants on 100% Housing Benefit will have their full rent covered by it. However, it's another matter for tenants who do not qualify for HB or only receive it for part of their rent. They may well struggle to pay the higher rents, especially as tenants will tend to be on lower wages. Swindon Council, for instance, stops households going onto the housing waiting list if they are deemed to earn enough to buy/part-buy a property or afford private rents(though they don't publish how much this is). Other councils have introduced similar policies with a more definite threshold of earnings.

In 12 of the 28 local authorities with more than 100 AR properties, tenants paying AR have to pay more than £30 a week above SR, not a small sum when you are on low wages. In London, as we have seen, the difference is much higher. In the case of Swindon AR rents are up to £70 a week higher.<sup>3</sup>

AR was part of the coalition government's 'austerity' agenda which sought to pass on the cost of building new homes to local authorities and the tenants through higher rents. AR adds to the Housing Benefit bill, of course. It is counter-productive. We need more 'social rent' homes rather than less. While the numbers of properties currently charging AR are very small, the numbers can increase very steeply as the case of Swindon shows. In 2014/15 there were only 12 AR properties, increasing over the next two years to 190. The latest figure, before the end of this financial year, is 283.

AR should be ended. All council housing stock should be 'social rent'. It makes no sense to drive up the HB bill in this way. One of STCG's points in our submission to the Labour Party's 'social housing review' was for Labour to make a commitment to end AR.

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<sup>3</sup> See <http://keepyourcouncilhomes.wordpress.com/2018/02/11/affordable-rent-on-average-31-9-higher-than-social-rent/#more-1223>

## **Appendix 1**

Councils with more the 100 “Affordable Rent” properties.

	AR	SR	Total	% AR	Av SR rent	Av AR rent	% Higher	1 Bed	2 Bed	3 Bed	4 Bed
<b>Blackpool</b>	395	4,356	4,751	8.30%	68.71	88.61	28.96%	53.55 SR 78.27 AR	£71.10 SR £96.60 AR	77.96 SR 109.85 AR	90.09 SR 114.84 AR
<b>Bournemouth</b>	139	4,996	5,135	2.70%	£83.34	£143.69	72.4%	£76.44 SR £110.91 AR	£85.89 SR £139.42 AR	£99.62 SR £163.11 AR	£104.68 SR £216.60 AR
<b>Darlington</b>	499	4,791	5,290	9.40%	71.64	81.14	13.30%	£64.18 SR £75.01 AR	£72.04 SR £84.91 AR	£80.37 SR £91.00 AR	£87.14 SR No AR
<b>Derby</b>	118	13,004	13,122	0.90%	£78.24	£93.20	19.1%	£70.73 SR £77.82 AR	£77.09 SR £95.57 AR	£83.86 SR £100.11 AR	£92.55 SR £117.17 AR
<b>East Riding of Yorkshire</b>	1,113	10,232	11,345	9.80%	80.6	91.12	13.05%	£71.99 SR £80.77 AR	£81.30 SR £89.54 AR	£88.35 SR £99.69 AR	£96.00 SR £110.47 AR
Hartlepool	243	0	243	100.00%				£55 AR	82.62 AR	97.38 AR	112.34 AR
<b>Leicester</b>	239	20,943	21,182	1.13%	71.18	102.2	43.60%	£63.51 SR £80.22 AR	£74.52 SR £98.11 AR	£82.46 SR £112.12 AR	£94.13 SR £128.16 AR
<b>Shropshire</b>	308	3,804	4,112	7.50%	82.57	100.79	22.10%	£70.86 SR £80.67 AR	£81.22 SR £95.83 AR	£89.21 SR £105.15 AR	£96.49 SR £118.56 AR
<b>Swindon</b>	190	10,087	10,277	1.80%	81.13	107.02	31.90%	£73.90 SR £89.05 AR	£81.28 SR £110.10 AR	£87.45 SR £135.89 AR	£100.07 SR £171.70 AR
<b>Barking and Dagenham</b>	556	17,366	17,922	3.10%	97.05	146.56	51.00%	£83.11 SR £126.98 AR	£97.63 SR £156.69 AR	£107.88 SR £145.41 AR	£113.13 SR £170.86 AR
<b>Havering</b>	108	9,504	9,612	1.12%	£97.29	£180.96 AR	94.20%	£84.36 SR £169.12 AR	£95.66 SR £198.47 AR	£113.28 SR £245.11 AR	£131.84 SR No AR
<b>Newham</b>	778	15,613	16,391	4.75%	£100.56	£160.10	59.20%	£89.25 SR £146.06 SR	£101.87 SR £174.36 AR	£119.24 SR £159.53 AR	£137.85 SR £171.07 AR
<b>Tower Hamlets</b>	112	11,610	11,722	0.95%	110.41	233.22	111.20%	£98.38 SR £207.93 AR	£111.16 SR £221.25 AR	£124.88 SR £244.30 AR	£139.88 SR £279.26 AR
<b>Wandsworth</b>	146	16,750	16,896	0.86%	127.52	209.93	64.60%	£93.61 SR £186.49 AR	£123.50 SR £205.12 AR	£163.93 SR £215.97 AR	£192.17 SR £224.97 AR
Stockport	237	11,049	11,286	2.10%	74.82	111.91	49.60%	£67.09 SR £92.74 AR	£75.47 SR £100.51 AR	£84.31 SR £122.23 AR	£91.46 SR £163.66 AR
<b>Wigan</b>	456	21,605	22,061	2.10%	76.79	97.75	29.90%	£67.19 SR £81.00 AR	£75.80 SR £92.02 AR	£82.98 SR £102.13 AR	£90.00 SR No AR
<b>Doncaster</b>	229	20,109	20,338	1.30%	70.1	91.05	29.90%	£62.95 SR £80.85 AR	£69.38 SR £89.45 AR	£74.26 SR £94.72 AR	£81.68 SR £117.13 AR
<b>Sheffield</b>	226	39,704	39,930	0.60%	72.72	95.83	31.80%	£64.55 SR £79.49 AR	£73.44 SR £91.21 AR	£81.76 SR £96.35 AR	£88.44 SR £120.30 AR
<b>Newcastle upon Tyne</b>	103	25,694	25,797	0.40%	76.63	111.6	56.70%	£65.68 SR £110.82 AR	£74.90 SR £112.01 AR	£83.63 SR £110.77 AR	£90.19 SR No AR
<b>Birmingham</b>	1,688	60,464	62,152	2.70%	80.76	100.4	24.30%	£69.62 SR £79.78 AR	£78.32 SR £91.92 AR	£91.53 SR £102.57 AR	£101.31 SR £121.47 AR
<b>Cambridge</b>	179	6,917	7,096	2.50%	100.42	135.06	34.50%	£85.35 SR £125.30 AR	£100.49 SR £132.48 AR	£114.41 SR £157.73 AR	£130.31 SR £213.43 AR
Stroud	112	5,051	5,163	2.17%	82.38	117.14	42.20%	£72.77 SR £89.49 AR	£83.33 SR £121.88 AR	£91.76 SR £139.06 AR	£101.01 SR £173.63 AR
<b>Fareham</b>	115	2,311	2,426	4.75%	91.48	115.59	26.40%	£80.97 SR £107.28 AR	£90.44 SR £128.89 AR	£109.12 SR £115.06 AR	£118.44 SR No AR
<b>Ashford</b>	259	4,691	4,950	5.20%	90.57	137.77	52.10%	£79.05 SR £109.93 AR	£90.06 SR £126.18 AR	£99.91 SR £153.15 AR	£101.51 SR £152.97 AR
<b>North Kesteven</b>	127	3,742	3,869	3.20%	76.62	87.42	14.10%	£64.98 SR £76.46 AR	£74.76 SR £91.76 AR	£82.10 SR £99.84 AR	£90.71 SR No AR
<b>Corby</b>	157	4,523	4,680	3.35%	76.56	94.45	23.40%	£67.56 SR £77.02 AR	£75.40 SR £92.08 AR	£81.34 SR £104.40 AR	£86.54 SR £115.74 AR
Mansfield	119	6,427	6,546	1.80%	73.9	92.72	25.50%	£567.37 SR £83.06 AR	£74.75 SR £94.52 AR	£80.78 SR £109.00 AR	£86.28 SR No AR
<b>Waveney</b>	896	3,571	4,467	20.05%	£76.74	£86.05	12.1%	£69.93 SR £84.65 AR	£80.23 SR £91.91 AR	£85.70 SR £104.11 AR	£94.87 SR £122.48 AR

## **Appendix 2**

### **London**

<b>London</b>	<b>SR</b>	<b>AR</b>	<b>Total</b>
Barking and Dagenham	17,366	556	17,922
Barnet	9,753	56	9,803
Bexley	0	0	0
Brent	7,889	14	7,889
Bromley	0	0	0
Camden	23,075	0	22,481
City of London	1,951	0	1,951
Croydon	13,564	96	13,564
Ealing	11,913	0	11,840
Enfield	10,343	0	10,343
Greenwich	21,338	0	21,337
Hackney	21,943	0	21,935
Hammersmith and Fulham	12,201	0	12,187
Haringey	15,421	6	15,422
Harrow	4,838	0	4,838
Havering	9,504	108	9,547
Hillingdon	9,937	0	9,937
Hounslow	12,921	0	12,883
Islington	25,413	0	20,826
Kensington and Chelsea	6,829	0	6,829
Kingston upon Thames	4,685	0	4,636
Lambeth	23,715	0	23,341
Lewisham	14,417	0	13,137
Merton	0	0	0
Newham	15,613	778	14,640
Redbridge	4,396	65	4,461
Richmond upon Thames	0	0	0
Southwark	37,524	0	37,519
Sutton	5,893	0	5,886
Tower Hamlets	11,610	112	11,690
Waltham Forest	10,011	0	10,011
Wandsworth	16,750	146	16,896
Westminster	11,887	0	11,887
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