

## **Appendix 1 – Consultation Summary**

### **The Future of Social Housing**

- The reforms raise significant questions about the role of social housing, which will remain highly rationed.
- The waiting list should be limited to those with realistic prospects, with wider housing options developed for others.
- Shorter tenancies would increase the supply of affordable housing.
- Use of the private rented sector to discharge homelessness duties is supported, but not for households with significant support needs, or where the individual is unable to manage a tenancy.
- The quality of management and lack of support in the private rented sector is a concern and there may be a role for Registered Providers in addressing this.
- Existing priority groups should be maintained such as the elderly, those with disabilities and care-leavers, but increased access for those in low-wage employment or making an important contribution to the community should be sought.
- The social housing sector will not be transformed in five years - most existing tenants will still remain. But the introduction of Affordable Rent and fixed-term tenancies will shift social housing closer to the private rented sector.

### **Fixed-term and Flexible Tenancies**

- A move to fixed-term tenancies could mark a significant change in the role of social housing.
- Fixed-term tenancies will increase supply and could widen access to social housing.
- Under-occupation can be addressed, and tenancy breaches including illegal sub-letting would be more easily remedied.
- Renewal assessment will provide for periodic engagement with tenants and an opportunity to identify support needs and other housing options.

- The assessment process will have significant resource implications and the capacity of providers to provide advice and assistance on housing options will need to be increased.
- New approaches to resident engagement will be required and if there is a high-level of turnover, community stability may be undermined.
- Fixed-term tenancies are likely to be widely used, but are not appropriate for those with disabilities or the elderly, and the potential insecurity for families with children needs to be considered.
- It is essential that there are clear, objective criteria for renewal and that these are clear at the start of the tenancy, and guidance from the council would be helpful.
- Providers generally felt that renewal should be the norm, but others felt that social housing should be temporary to motivate tenants, e.g. in relation to employment.
- Employment should weigh in favour of renewal, with the exception of those in high wages.
- A 5-year fixed term should be the norm but both shorter terms, for example where there are management challenges, and longer-term tenancies for some should be considered.
- A strong level of consistency of approach across RPs in Brent would promote equity.
- The council should introduce Flexible Tenancies in its own stock on a similar basis.

### **Affordable Rents**

- There are few perceived advantages but, in the current funding context, little alternative and Affordable Rent will support a higher level of new development than otherwise.
- Mobility for existing tenants will be reduced
- Affordable Rent properties could be targeted more widely than social rented homes, in particular at those in low-wage employment.

- AR properties, early indications suggest, may prove difficult to let, when seen as an alternative to a social rented property. Additional promotion through LOCATA may be needed, as may direct lettings.
- A level of conversions of existing stock to Affordable Rent on re-let is needed to cross-fund the programme (together with disposal receipts, etc).
- Affordability is the central concern. RPs are currently developing a range of approaches to rent-setting, including reference to LHA rates, local incomes as well as a percentage of market rents.
- Universal Credit will strictly limit what rent some households, in particular families and larger families, can afford and lower rents for 3-bed and larger properties are being widely considered.
- Adjusting rents to reflect initial and changing household circumstances may be important to assure affordability, but will be complex to administer.
- Affordable Rents need to be adequate to enable new development to come forward in the borough, and there is a need for flexibility on particular schemes.
- RPs work across many local authorities and it will be difficult for them to comply with specific rent levels in Brent while maintaining consistency across their operations.
- The council should provide guidance on Affordable Rent levels but this should set out principles in relation to affordability, not prescribe specific rent amounts.

## Appendix 2: Affordability

### Introduction

The new Affordable Rent tenure is primarily distinguished from a Secure or Assured social rent property by the basis for setting rents. Social rents are subject to target rents (and rent limits/caps) whereas rents for Affordable Rent properties (AR) are set relative to the estimated market rent for the property in question, with a limitation that they should not exceed 80% of that market rent.

The central question that therefore arises is what other considerations and potential limitations should be taken into account to ensure that Affordable Rents are actually affordable in Brent.

### Affordability Considerations

The government defines affordable housing as that which meets the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.

There is no single agreed measure of housing affordability, with a range of different approaches used in various contexts, and by different bodies.

One widely accepted threshold for housing unaffordability, and one advocated by Shelter<sup>1</sup> is 35% or more of local median take home pay. Rents are considered:

- Fairly unaffordable where rent is 35-39% of take-home pay
- Very unaffordable where rent is 40-49% of take-home pay
- Extremely unaffordable where rent is 50% or more of take-home pay

Other approaches, including analysis of the London Living Wage, have converged on an affordability criterion of between 35% and 40% of net income. An upper threshold of 40% has been used in this assessment.

### Living Cost Benefits

A further criteria is what is termed here as 'strict affordability'. This takes as a starting point the premise that a household needs as a minimum to subsist to have a residual income after housing costs that is at least equal to the welfare benefits for living expenses that they are entitled to.

The Local Housing Allowance (LHA), or Housing Benefit in the private rented sector, is capped for different-sized properties (from £250 for a 1-bed to £400 for a 4 bed) and is also limited to the 30<sup>th</sup> percentile of private sector rents in the area. These limits may impact on working households and mean they need to find a higher proportion of their income to meet their rent, but it would be exceptional for this to reduce their residual income below the basic living cost benefit level.

For workless households in the private rented sector the LHA limits have a more acute impact. By definition over two-thirds of private rented sector properties do not meet the criteria of strict affordability, as the LHA is insufficient to meet the rent, and would leave a shortfall in their living cost benefits. The LHA limits do not apply to Affordable Rent properties, but Registered Providers are expected to have regard to them when setting rent levels.

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<sup>1</sup> Shelter, Private Rent Watch Report 1, 2011

From 2013 the government is introducing the Universal Credit (UC). This will integrate and simplify benefit entitlements. It will also introduce a cap on the total benefits a workless household may receive. This includes jobseekers allowance, income support, child tax credit/allowance and Child Benefit. It is expected that in 2013 the cap will be set at £350 per week for a single person household and £500 for all other households (but these caps do not apply to pensioner households or those in receipt of certain disability benefits). For workless households, strict affordability will depend on their rent being less than the difference between the UC cap and the living cost benefits the household needs.

18% of Brent residents, over 31,000, are in receipt of out-of-work benefits, compared to a London average of 14.6%. Brent has over 35,000 housing benefit claimants, amongst the highest in London. Separate analysis<sup>2</sup> has shown that the LHA and UC caps will impact on affordability on the private rented sector more than in almost any other London borough with almost a quarter of current claimant households potentially facing a shortfall.

In London 68% of heads of household in 2010 were in employment. In contrast, for new housing association tenants only 34% were in employment. 18% of households in London were in receipt of Housing Benefit but for new housing association tenants 65% were reliant on Housing Benefit.

### **Rents and Incomes**

Housing affordability is fundamentally driven by the relationship between local rents and incomes.

**Incomes:** In Brent the median **gross** household income is £30,352 per annum, or £584 per week<sup>3</sup>. This compares with a London median of £34,233 or £658 per week. Incomes in Brent are much closer to the UK average of £28,989 than to the London median. Lower quartile gross income in Brent is £17,948 or £345 per week, and in London £19,650 or £377 per week. These figures are for the population as a whole and contrast with the average income of new Housing Association Tenants in London which in the first half of 2010/11 was only £222.54.

Household incomes vary to a significant extent across the borough. In Stonebridge ward the median gross household income is £22,534 and in Harlesden ward £26,317. In Queens Park and Northwick Park wards the median income is a third higher at £37,659 and £37,599 respectively.

Median earnings in Brent are relatively low. For Brent residents in full-time work gross median earnings<sup>4</sup> are £493.60. This is lower than the UK median of £503.10 and is only 80% of the London median of £610.20.

**Rents:** Private sector market rents in Brent are relatively high compared with the London average. In 2010/11 the mean average rent in Brent was £1,344 per month<sup>5</sup>. This was the tenth highest rent in London and in England. Compared with local earnings rents in Brent are particularly high. In 2010/11 in Brent the median private rent for a two-bedroom property as a proportion of local earnings was 74%, the 5<sup>th</sup> highest in London and in England.

Median rents<sup>6</sup> vary significantly across the borough. To illustrate:

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<sup>2</sup> Does the Cap Fit?, London Councils, 2011

<sup>3</sup> Paycheck / CACI dataset, 2011

<sup>4</sup> NOMIS, ONS ASHE Survey, 2011

<sup>5</sup> Shelter: Private Rent Watch Report 1, 2011

<sup>6</sup> GLA London Rents Map, VOA, 03/12

| Comparison                   | 1 bed | 2 bed | 3 bed | 4 bed |
|------------------------------|-------|-------|-------|-------|
| Median Rent – lowest (ward)  | 174   | 231   | 312   | 315   |
| Median rent – highest (ward) | 295   | 385   | 573   | 750   |
| Brent (Borough)              | 196   | 254   | 324   | 438   |

The table below compares average Brent Council and housing association net rents<sup>7</sup> in the borough with market rents:

| Bed-size | RP rents | % of median market rents | Brent (BHP) rents | % of median market rents |
|----------|----------|--------------------------|-------------------|--------------------------|
| 1        | 91.73    | 47                       | 89.33             | 46                       |
| 2        | 105.26   | 41                       | 97.60             | 38                       |
| 3        | 120.58   | 37                       | 107.75            | 33                       |
| 4        | 133.27   | 30                       | 127.30            | 29                       |

Registered Provider rents range from 30% of the market median for a 4 bed up to 47% for a 1 bed property.

## Affordability Assessment

### Universal Credit Cap

To assess what rents are affordable for a workless household under Universal Credit (UC) the position of a wide range of household types has been considered. These range from a single adult and couple without children to lone and two-parent families with a number of dependants, up to a household with five children.

Different households will require different sized accommodation and these are broadly based on Brent's current allocations policy and also implicitly cover certain overcrowding situations that may arise.

The 'living cost benefits' each household is entitled has been assessed<sup>8</sup>. From this the amount the remaining (housing) benefits they potentially have available to meet their rent is calculated. If the rent is higher than this the property is not regarded as affordable. The results are set out in the table below.

<sup>7</sup> TSA Regulatory and Statistical Return 2011, uplifted by RPI of 5.6%

<sup>8</sup> 2012/13 Benefit Rates have been used and the proposed UC Cap regressed to 2012

| Household Types               | 1a            | 1b            | 2a            | 2b            | 2c            | 2d            | 3a            | 3b            | 3c            | 3d            | 4a            | 4b            | 4c            |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Number of adults              | 1             | 2             | 1             | 2             | 1             | 2             | 2             | 1             | 2             | 2             | 1             | 2             | 1             |
| Number of children            | 0             | 0             | 1             | 1             | 2             | 2             | 2             | 3             | 3             | 4             | 4             | 4             | 5             |
| Number of bedrooms            | 1             | 1             | 2             | 2             | 2             | 2             | 3             | 3             | 3             | 3             | 4             | 4             | 4             |
| Indicative Property Type      | 1b2p          | 1b2p          | 2b3p          | 2b3p          | 2b4p          | 2b4p          | 3b4p          | 3b4p          | 3b5p          | 3b6p          | 4b6p          | 4b6p          | 4b6p          |
| <b>Living Cost Benefits</b>   |               |               |               |               |               |               |               |               |               |               |               |               |               |
| Jobseekers Allowance          | 71.00         | 111.45        | 71.00         | 111.45        | 71.00         | 111.45        | 111.45        | 71.00         | 111.45        | 111.45        | 71.00         | 111.45        | 71.00         |
| Child Tax Credit - Base       | 0.00          | 0.00          | 10.48         | 10.48         | 10.48         | 10.48         | 10.48         | 10.48         | 10.48         | 10.48         | 10.48         | 10.48         | 10.48         |
| Child Tax Credit - Per Child  | 0.00          | 0.00          | 51.73         | 51.73         | 103.46        | 103.46        | 103.46        | 155.19        | 155.19        | 206.92        | 206.92        | 206.92        | 258.65        |
| Child Benefit - First child   | 0.00          | 0.00          | 20.30         | 20.30         | 20.30         | 20.30         | 20.30         | 20.30         | 20.30         | 20.30         | 20.30         | 20.30         | 20.30         |
| Child Benefit - Other child   | 0.00          | 0.00          | 0.00          | 0.00          | 13.40         | 13.40         | 13.40         | 26.80         | 26.80         | 40.20         | 40.20         | 40.20         | 53.60         |
| <b>Total</b>                  | <b>71.00</b>  | <b>111.45</b> | <b>153.51</b> | <b>193.96</b> | <b>218.64</b> | <b>259.09</b> | <b>259.09</b> | <b>283.77</b> | <b>324.22</b> | <b>389.35</b> | <b>348.90</b> | <b>389.35</b> | <b>414.03</b> |
| <b>Universal Credit Cap</b>   | 342.13        | 488.76        | 488.76        | 488.76        | 488.76        | 488.76        | 488.76        | 488.76        | 488.76        | 488.76        | 488.76        | 488.76        | 488.76        |
| <b>Available to meet rent</b> | <b>271.13</b> | <b>377.31</b> | <b>335.25</b> | <b>294.80</b> | <b>270.12</b> | <b>229.67</b> | <b>229.67</b> | <b>204.99</b> | <b>164.54</b> | <b>99.41</b>  | <b>139.85</b> | <b>99.40</b>  | <b>74.72</b>  |

The UC cap is a flat rate (except for a separate single person household rate) and does not take account of household size. Consequently, the amount of benefits a household has available to meet their rent drops sharply as the household size increases while the size and potential cost of accommodation they require rises. A workless couple with no children potentially have £377 per week to meet their rent. A lone parent with two children has £270 available to meet their rent and a couple with three children has only £165 available.

### Local Housing Allowance Rates

Registered Providers are expected to have regard to Local Housing Allowance (LHA) rates when setting Affordable Rents. It is important to note, however, that currently the LHA rates do not apply to affordable housing including Affordable Rented properties. They are, however, an indicator of relative affordability as rents above these levels are, by definition more expensive than the 30% percentile of private rented sector, and are above the amount of housing benefit (LHA) that a private rented sector tenant would be entitled to. It follows, that rents above such levels are less affordable than the accommodation available to workless households in the private rent sector.

The LHA rates in Brent are based on prevailing market rents in two main Broad Rental Market Areas (BRMAs)<sup>9</sup> which encompass parts of neighbouring boroughs. In the South of the borough the Inner North London (INL) rate applies and this is limited not by the 30<sup>th</sup> percentile but by the fixed LHA caps for different property sizes.

The table below shows whether different household types if not working, could afford rents set at the LHA rates under the UC Cap.

<sup>9</sup> Part of Stonebridge ward in Brent falls in the Inner West London BRMA – rates are comparable for those in the Inner North London BRMA

| Household Types            | 1a     | 1b     | 2a     | 2b     | 2c     | 2d     | 3a      | 3b      | 3c      | 3d      | 4a      | 4b      | 4c      |
|----------------------------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
| LHA Rates (100%)           |        |        |        |        |        |        |         |         |         |         |         |         |         |
| North-West London (NWL)    | 173.08 | 173.08 | 219.23 | 219.23 | 219.23 | 219.23 | 288.46  | 288.46  | 288.46  | 288.46  | 346.15  | 346.15  | 346.15  |
| Spare / shortfall          | 98.05  | 204.23 | 116.02 | 75.57  | 50.89  | 10.44  | -58.79  | -83.47  | -123.92 | -189.05 | -206.30 | -246.75 | -271.43 |
| LHA % that can be afforded | 100    | 100    | 100    | 100    | 100    | 100    | 80      | 71      | 57      | 34      | 40      | 29      | 22      |
| Inner North London (INL)   | 250.00 | 250.00 | 290.00 | 290.00 | 290.00 | 290.00 | 340.00  | 340.00  | 340.00  | 340.00  | 400.00  | 400.00  | 400.00  |
| Spare / Shortfall          | 21.13  | 127.31 | 45.25  | 4.80   | -19.88 | -60.33 | -110.33 | -135.01 | -175.46 | -240.59 | -260.15 | -300.60 | -325.28 |
| LHA % that can be afforded | 100    | 100    | 100    | 100    | 93     | 79     | 68      | 60      | 48      | 29      | 35      | 25      | 19      |

In the North of the borough the LHA rates are affordable for households requiring 1 and 2-bed properties. 3-bed and 4-bed properties at the LHA rates would not be affordable.

In the South of the borough the LHA rates are affordable for 1-bed households. For some 2-bed households the LHA rates are unaffordable and for 3-bed and 4-bed households markedly so.

### Market Rents

Affordable rents are set as a percentage of the rent the property would command if let on the open market, up to a limit of 80%. Affordable rent properties will arise in two ways:

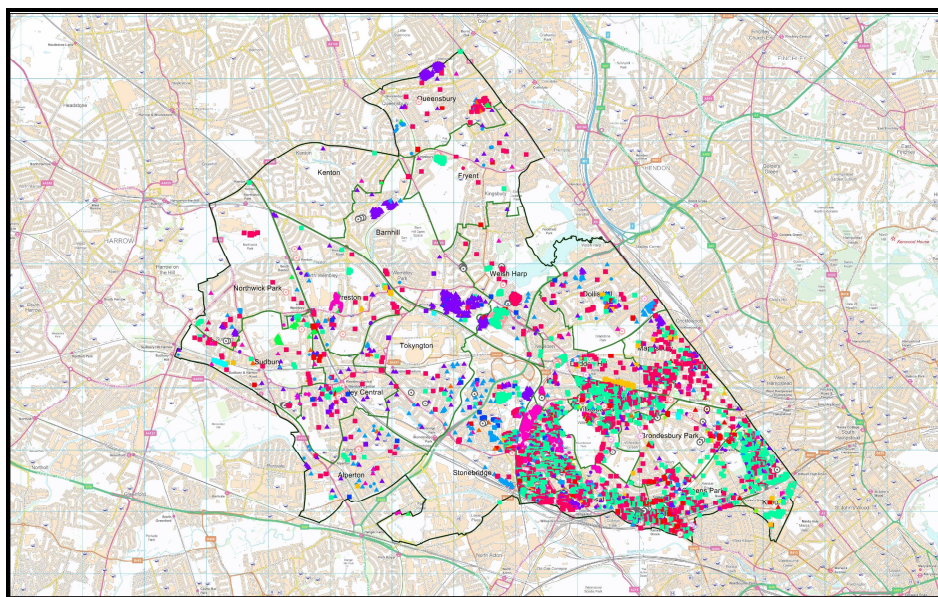
- New-build properties: Under the HCA 2011-15 New Homes programme almost all new-build provision will be for Affordable Rent (AR)
- Conversions to AR: Registered Providers will re-let a proportion of existing social rented dwellings at Affordable Rent to provide cross-funding to their new-build development programme.

It is likely that new-build properties will be assessed at a higher market rent than existing properties re-let as AR. Only a small number of AR properties have been let in Brent to date and there is therefore limited evidence of how the market rents of new-build or converted AR properties compare to the median market rents in the borough but initial indications are that they are fairly comparable (reflecting relatively good space standards and upkeep).

Market rents within Brent have been researched across all the wards in the borough<sup>10</sup>. Most new development will arise in identified growth areas in the borough but the conversion of social rented properties to Affordable Rent will primarily be where social housing is located and the map below shows where Registered Providers' stock is concentrated.

<sup>10</sup> GLA Rents Map Database, April12





The table below sets out the median market rents for different-sized properties in each ward.

| Median Rents (£/week) |     |     |     |     |
|-----------------------|-----|-----|-----|-----|
| Bedrooms              | 1   | 2   | 3   | 4   |
| Ward                  |     |     |     |     |
| Queensbury            | 174 | 231 | 312 | 375 |
| Kenton                | 175 | 230 | 300 | 381 |
| Fryent                | 174 | 231 | 312 | 375 |
| Northwick Park        | 185 | 231 | 312 | 358 |
| Preston               | 188 | 242 | 300 | 404 |
| Barnhill              | 188 | 242 | 300 | 404 |
| Welsh Harp            | 207 | 288 | 369 | 423 |
| Sudbury               | 185 | 231 | 312 | 358 |
| Wembley Central       | 185 | 231 | 312 | 358 |
| Tokyngton             | 188 | 242 | 300 | 404 |
| Alperton              | 185 | 231 | 312 | 358 |
| Stonebridge           | 207 | 288 | 369 | 423 |
| Dollis Hill           | 231 | 300 | 415 | 550 |
| Mapesbury             | 231 | 300 | 415 | 550 |
| Dudden Hill           | 207 | 288 | 369 | 423 |
| Willesden Green       | 207 | 288 | 369 | 423 |
| Harlesden             | 207 | 288 | 369 | 423 |
| Kensal Green          | 207 | 288 | 369 | 423 |
| Brondesbury Park      | 295 | 385 | 573 | 750 |
| Queens Park           | 295 | 385 | 573 | 750 |
| Kilburn               | 295 | 385 | 573 | 750 |
| Brent                 | 196 | 254 | 324 | 438 |
| London                | 215 | 270 | 312 | 462 |

### Strict Affordability

The table below shows the percentage of median market rent in each of Brent's wards that can be afforded under the UC Cap without households suffering a shortfall in their living cost benefits.

| Household Types   | 1a  | 1b  | 2a  | 2b  | 2c  | 2d  | 3a | 3b | 3c | 3d | 4a | 4b | 4c |
|---|-----|-----|-----|-----|-----|-----|----|----|----|----|----|----|----|
| Market rent % that can be afforded under UC Cap<br>(Below 80% in red) |     |     |     |     |     |     |    |    |    |    |    |    |    |
| Queensbury  | 156 | 217 | 145 | 128 | 117 | 99  | 74 | 66 | 53 | 32 | 37 | 27 | 20 |
| Kenton  | 155 | 216 | 146 | 128 | 117 | 100 | 77 | 68 | 55 | 33 | 37 | 26 | 20 |
| Fryent  | 156 | 217 | 145 | 128 | 117 | 99  | 74 | 66 | 53 | 32 | 37 | 27 | 20 |
| Northwick Park  | 147 | 204 | 145 | 128 | 117 | 99  | 74 | 66 | 53 | 32 | 39 | 28 | 21 |
| Preston   | 144 | 201 | 139 | 122 | 112 | 95  | 77 | 68 | 55 | 33 | 35 | 25 | 18 |
| Barnhill  | 144 | 201 | 139 | 122 | 112 | 95  | 77 | 68 | 55 | 33 | 35 | 25 | 18 |
| Welsh Harp  | 131 | 182 | 116 | 102 | 94  | 80  | 62 | 56 | 45 | 27 | 33 | 23 | 18 |
| Sudbury   | 147 | 204 | 145 | 128 | 117 | 99  | 74 | 66 | 53 | 32 | 39 | 28 | 21 |
| Wembley Central   | 147 | 204 | 145 | 128 | 117 | 99  | 74 | 66 | 53 | 32 | 39 | 28 | 21 |
| Tokington   | 144 | 201 | 139 | 122 | 112 | 95  | 77 | 68 | 55 | 33 | 35 | 25 | 18 |
| Alperton  | 147 | 204 | 145 | 128 | 117 | 99  | 74 | 66 | 53 | 32 | 39 | 28 | 21 |
| Stonebridge   | 131 | 182 | 116 | 102 | 94  | 80  | 62 | 56 | 45 | 27 | 33 | 23 | 18 |
| Dollis Hill   | 117 | 163 | 112 | 98  | 90  | 77  | 55 | 49 | 40 | 24 | 25 | 18 | 14 |
| Mapesbury   | 117 | 163 | 112 | 98  | 90  | 77  | 55 | 49 | 40 | 24 | 25 | 18 | 14 |
| Dudden Hill   | 131 | 182 | 116 | 102 | 94  | 80  | 62 | 56 | 45 | 27 | 33 | 23 | 18 |
| Willesden Green   | 131 | 182 | 116 | 102 | 94  | 80  | 62 | 56 | 45 | 27 | 33 | 23 | 18 |
| Harlesden   | 131 | 182 | 116 | 102 | 94  | 80  | 62 | 56 | 45 | 27 | 33 | 23 | 18 |
| Kensal Green  | 131 | 182 | 116 | 102 | 94  | 80  | 62 | 56 | 45 | 27 | 33 | 23 | 18 |
| Brondesbury Park  | 92  | 128 | 87  | 77  | 70  | 60  | 40 | 36 | 29 | 17 | 19 | 13 | 10 |
| Queens Park   | 92  | 128 | 87  | 77  | 70  | 60  | 40 | 36 | 29 | 17 | 19 | 13 | 10 |
| Kilburn   | 92  | 128 | 87  | 77  | 70  | 60  | 40 | 36 | 29 | 17 | 19 | 13 | 10 |
|   |     |     |     |     |     |     |    |    |    |    |    |    |    |
| Brent   | 138 | 193 | 132 | 116 | 106 | 90  | 71 | 63 | 51 | 31 | 32 | 23 | 17 |
| London  | 126 | 175 | 124 | 109 | 100 | 85  | 74 | 66 | 53 | 32 | 30 | 22 | 16 |

- 1-bed properties in all the selected wards are affordable at (or above) the limit of 80% of market rent.
- 2-bed properties where the household comprises one or two adults and one child dependent, or a lone parent and two children, are generally affordable at 80% of market rent, except for in a few wards, where between 70 and 77% of the market rent is all that can be afforded.
- 2-bed properties housing a couple and two children (either at first let or subsequently through family growth) – type 2d - are not affordable at 80% of market rent in a quarter of the wards and only just affordable at that level in a further quarter of wards. A rent pegged at 70% would assure affordability in all bar three wards.
- For 3-bed properties affordability is much more constrained. Across Brent as a whole the average percentage of rent that can be afforded is 74% for a 2 adult 2 child household, but in half the wards rents would need to be around 60% or less to be affordable.
- For a 3-bed household comprising a couple and three children (type 3c) this falls to 53% of market rent and significantly less in some wards. A couple with 4 children in a 3 bedroom property (type 3d) would only be able to afford a rent at target social rented levels.
- For 4-bed households only social rent levels are affordable, and for some household types even these may be unaffordable under the UC Cap.

## Local Incomes

Data in relation to net household income for Brent and for London is not published by Government. Data in relation to gross household income (including benefits) and in relation to full-time wage levels is, however, available.

In a recent research study<sup>11</sup> on rental affordability Shelter have estimated the net median London household income from the gross household income. On this basis the London median gross household income of £34,233 equates to a net income (after tax and NI deductions) of £31,300. It is important to note that this estimate relies on a number of underlying assumptions and provides an indicative position only.<sup>12</sup> Extrapolating from this approach for Brent, the median gross household income of £30,052 equates to a net income of £28,340.

This estimate of median net income is then used to calculate the proportion of net household income that would be required to be spent on rent depending on the percentage of market rent used for Affordable Rent properties. The results are shown in the table on the next page.

Where the rent equates to more than 40% of the median net household income the figures are shown in red. Shelter in its analysis uses a stricter test of affordability at 35% and the implications of this can also be deduced from the table.

- For 1-bed properties if rents are set at 80% of market rent, the rent is generally affordable for households but slightly unaffordable in three wards.
- For 2-bed properties at 80%, only half the wards are affordable but at 70% of market rent all bar three wards are affordable.
- For 3-bed properties 60% of market rent is affordable in half the wards and nearly so in a number of others. At 50% of market rent all bar three wards are affordable.
- For 4-bed properties almost no wards are affordable at 60% of market rent, and even at 50% nine wards remain unaffordable.

It should also be borne in mind that the net income of households normally prioritised for affordable housing will typically have incomes below the borough median. No data is available on household incomes for those on the waiting list.

The table after assesses the level of net household income that would be required for rent to be affordable, in that it represents no more than 40% of income. Where the required income is higher than the estimated net household income in Brent the figures are shown in red.

- For households in a 1-bed property on a median income all wards bar three are affordable at 80% of market rent.
- For 2 bed households their net income would need to be close to or above £30,000 pa in over half the wards if rents were set at 80%.
- For 3 bed households the net household income would need to be on average 20% above the borough median for 80% of market rent to be affordable.
- For 4 bed households the income required necessarily rises further and only becomes generally affordable at 50% of market rent.

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<sup>11</sup> London Rent Watch, Shelter, March 2012

<sup>12</sup> A household of two equal earners is assumed, with an estimated 68% of gross income arising from earnings.

## Assessment of Affordability relative to Net Income at different percentages of Market Rent

(rents above 40% of income are shown in red)

| Rent as % of median net income: | at 100% of market rent |    |     |     | at 80% of market rent |    |    |     | at 70% of market rent |    |    |    | at 60% of market rent |    |    |    | at 50% of market rent |    |    |    |
|---------------------------------|------------------------|----|-----|-----|-----------------------|----|----|-----|-----------------------|----|----|----|-----------------------|----|----|----|-----------------------|----|----|----|
|                                 | 1                      | 2  | 3   | 4   | 1                     | 2  | 3  | 4   | 1                     | 2  | 3  | 4  | 1                     | 2  | 3  | 4  | 1                     | 2  | 3  | 4  |
| Queensbury                      | 32                     | 42 | 57  | 69  | 26                    | 34 | 46 | 55  | 22                    | 30 | 40 | 48 | 19                    | 25 | 34 | 41 | 16                    | 21 | 29 | 34 |
| Kenton                          | 32                     | 42 | 55  | 70  | 26                    | 34 | 44 | 56  | 22                    | 30 | 39 | 49 | 19                    | 25 | 33 | 42 | 16                    | 21 | 28 | 35 |
| Fryent                          | 32                     | 42 | 57  | 69  | 26                    | 34 | 46 | 55  | 22                    | 30 | 40 | 48 | 19                    | 25 | 34 | 41 | 16                    | 21 | 29 | 34 |
| Northwick Park                  | 34                     | 42 | 57  | 66  | 27                    | 34 | 46 | 53  | 24                    | 30 | 40 | 46 | 20                    | 25 | 34 | 39 | 17                    | 21 | 29 | 33 |
| Preston                         | 34                     | 44 | 55  | 74  | 28                    | 36 | 44 | 59  | 24                    | 31 | 39 | 52 | 21                    | 27 | 33 | 44 | 17                    | 22 | 28 | 37 |
| Barnhill                        | 34                     | 44 | 55  | 74  | 28                    | 36 | 44 | 59  | 24                    | 31 | 39 | 52 | 21                    | 27 | 33 | 44 | 17                    | 22 | 28 | 37 |
| Welsh Harp                      | 38                     | 53 | 68  | 78  | 30                    | 42 | 54 | 62  | 27                    | 37 | 47 | 54 | 23                    | 32 | 41 | 47 | 19                    | 26 | 34 | 39 |
| Sudbury                         | 34                     | 42 | 57  | 66  | 27                    | 34 | 46 | 53  | 24                    | 30 | 40 | 46 | 20                    | 25 | 34 | 39 | 17                    | 21 | 29 | 33 |
| Wembley Central                 | 34                     | 42 | 57  | 66  | 27                    | 34 | 46 | 53  | 24                    | 30 | 40 | 46 | 20                    | 25 | 34 | 39 | 17                    | 21 | 29 | 33 |
| Tokington                       | 34                     | 44 | 55  | 74  | 28                    | 36 | 44 | 59  | 24                    | 31 | 39 | 52 | 21                    | 27 | 33 | 44 | 17                    | 22 | 28 | 37 |
| Alperton                        | 34                     | 42 | 57  | 66  | 27                    | 34 | 46 | 53  | 24                    | 30 | 40 | 46 | 20                    | 25 | 34 | 39 | 17                    | 21 | 29 | 33 |
| Stonebridge                     | 38                     | 53 | 68  | 78  | 30                    | 42 | 54 | 62  | 27                    | 37 | 47 | 54 | 23                    | 32 | 41 | 47 | 19                    | 26 | 34 | 39 |
| Dollis Hill                     | 42                     | 55 | 76  | 101 | 34                    | 44 | 61 | 81  | 30                    | 39 | 53 | 71 | 25                    | 33 | 46 | 61 | 21                    | 28 | 38 | 50 |
| Mapesbury                       | 42                     | 55 | 76  | 101 | 34                    | 44 | 61 | 81  | 30                    | 39 | 53 | 71 | 25                    | 33 | 46 | 61 | 21                    | 28 | 38 | 50 |
| Dudden Hill                     | 38                     | 53 | 68  | 78  | 30                    | 42 | 54 | 62  | 27                    | 37 | 47 | 54 | 23                    | 32 | 41 | 47 | 19                    | 26 | 34 | 39 |
| Willesden Green                 | 38                     | 53 | 68  | 78  | 30                    | 42 | 54 | 62  | 27                    | 37 | 47 | 54 | 23                    | 32 | 41 | 47 | 19                    | 26 | 34 | 39 |
| Harlesden                       | 38                     | 53 | 68  | 78  | 30                    | 42 | 54 | 62  | 27                    | 37 | 47 | 54 | 23                    | 32 | 41 | 47 | 19                    | 26 | 34 | 39 |
| Kensal Green                    | 38                     | 53 | 68  | 78  | 30                    | 42 | 54 | 62  | 27                    | 37 | 47 | 54 | 23                    | 32 | 41 | 47 | 19                    | 26 | 34 | 39 |
| Brondesbury Park                | 54                     | 71 | 105 | 138 | 43                    | 57 | 84 | 110 | 38                    | 49 | 74 | 96 | 32                    | 42 | 63 | 83 | 27                    | 35 | 53 | 69 |
| Queens Park                     | 54                     | 71 | 105 | 138 | 43                    | 57 | 84 | 110 | 38                    | 49 | 74 | 96 | 32                    | 42 | 63 | 83 | 27                    | 35 | 53 | 69 |
| Kilburn                         | 54                     | 71 | 105 | 138 | 43                    | 57 | 84 | 110 | 38                    | 49 | 74 | 96 | 32                    | 42 | 63 | 83 | 27                    | 35 | 53 | 69 |
|                                 |                        |    |     |     |                       |    |    |     |                       |    |    |    |                       |    |    |    |                       |    |    |    |
| Brent                           | 36                     | 47 | 59  | 80  | 29                    | 37 | 48 | 64  | 25                    | 33 | 42 | 56 | 22                    | 28 | 36 | 48 | 18                    | 23 | 30 | 40 |

## Assessment of Net Income required for Rent to be Affordable at different percentages of Market Rent

(Required net incomes above borough median are shown in **red**)

| Net Income required for rent to be affordable (< 40% of income) |                        |       |       |       |                       |       |       |       |                       |       |       |       |                       |       |       |       |                       |       |       |
|---|------------------------|-------|-------|-------|-----------------------|-------|-------|-------|-----------------------|-------|-------|-------|-----------------------|-------|-------|-------|-----------------------|-------|-------|
|   | at 100% of market rent |       |       |       | at 80% of market rent |       |       |       | at 70% of market rent |       |       |       | at 60% of market rent |       |       |       | at 50% of market rent |       |       |
| Bedrooms  | 1                      | 2     | 3     | 4     | 1                     | 2     | 3     | 4     | 1                     | 2     | 3     | 4     | 1                     | 2     | 3     | 4     | 1                     | 2     | 3     |
| Queensbury  | 22620                  | 30030 | 40560 | 48750 | 18096                 | 24024 | 32448 | 39000 | 15834                 | 21021 | 28392 | 34125 | 13572                 | 18018 | 24336 | 29250 | 11310                 | 15015 | 20280 |
| Kenton  | 22750                  | 29900 | 39000 | 49530 | 18200                 | 23920 | 31200 | 39624 | 15925                 | 20930 | 27300 | 34671 | 13650                 | 17940 | 23400 | 29718 | 11375                 | 14950 | 19500 |
| Fryent  | 22620                  | 30030 | 40560 | 48750 | 18096                 | 24024 | 32448 | 39000 | 15834                 | 21021 | 28392 | 34125 | 13572                 | 18018 | 24336 | 29250 | 11310                 | 15015 | 20280 |
| Northwick Park  | 24050                  | 30030 | 40560 | 46540 | 19240                 | 24024 | 32448 | 37232 | 16835                 | 21021 | 28392 | 32578 | 14430                 | 18018 | 24336 | 27924 | 12025                 | 15015 | 20280 |
| Preston   | 24440                  | 31460 | 39000 | 52520 | 19552                 | 25168 | 31200 | 42016 | 17108                 | 22022 | 27300 | 36764 | 14664                 | 18876 | 23400 | 31512 | 12220                 | 15730 | 19500 |
| Barnhill  | 24440                  | 31460 | 39000 | 52520 | 19552                 | 25168 | 31200 | 42016 | 17108                 | 22022 | 27300 | 36764 | 14664                 | 18876 | 23400 | 31512 | 12220                 | 15730 | 19500 |
| Welsh Harp  | 26910                  | 37440 | 47970 | 54990 | 21528                 | 29952 | 38376 | 43992 | 18837                 | 26208 | 33579 | 38493 | 16146                 | 22464 | 28782 | 32994 | 13455                 | 18720 | 23985 |
| Sudbury   | 24050                  | 30030 | 40560 | 46540 | 19240                 | 24024 | 32448 | 37232 | 16835                 | 21021 | 28392 | 32578 | 14430                 | 18018 | 24336 | 27924 | 12025                 | 15015 | 20280 |
| Wembley Central   | 24050                  | 30030 | 40560 | 46540 | 19240                 | 24024 | 32448 | 37232 | 16835                 | 21021 | 28392 | 32578 | 14430                 | 18018 | 24336 | 27924 | 12025                 | 15015 | 20280 |
| Tokyington  | 24440                  | 31460 | 39000 | 52520 | 19552                 | 25168 | 31200 | 42016 | 17108                 | 22022 | 27300 | 36764 | 14664                 | 18876 | 23400 | 31512 | 12220                 | 15730 | 19500 |
| Alperton  | 24050                  | 30030 | 40560 | 46540 | 19240                 | 24024 | 32448 | 37232 | 16835                 | 21021 | 28392 | 32578 | 14430                 | 18018 | 24336 | 27924 | 12025                 | 15015 | 20280 |
| Stonebridge   | 26910                  | 37440 | 47970 | 54990 | 21528                 | 29952 | 38376 | 43992 | 18837                 | 26208 | 33579 | 38493 | 16146                 | 22464 | 28782 | 32994 | 13455                 | 18720 | 23985 |
| Dollis Hill   | 30030                  | 39000 | 53950 | 71500 | 24024                 | 31200 | 43160 | 57200 | 21021                 | 27300 | 37765 | 50050 | 18018                 | 23400 | 32370 | 42900 | 15015                 | 19500 | 26975 |
| Mapesbury   | 30030                  | 39000 | 53950 | 71500 | 24024                 | 31200 | 43160 | 57200 | 21021                 | 27300 | 37765 | 50050 | 18018                 | 23400 | 32370 | 42900 | 15015                 | 19500 | 26975 |
| Dudden Hill   | 26910                  | 37440 | 47970 | 54990 | 21528                 | 29952 | 38376 | 43992 | 18837                 | 26208 | 33579 | 38493 | 16146                 | 22464 | 28782 | 32994 | 13455                 | 18720 | 23985 |
| Willesden Green   | 26910                  | 37440 | 47970 | 54990 | 21528                 | 29952 | 38376 | 43992 | 18837                 | 26208 | 33579 | 38493 | 16146                 | 22464 | 28782 | 32994 | 13455                 | 18720 | 23985 |
| Harlesden   | 26910                  | 37440 | 47970 | 54990 | 21528                 | 29952 | 38376 | 43992 | 18837                 | 26208 | 33579 | 38493 | 16146                 | 22464 | 28782 | 32994 | 13455                 | 18720 | 23985 |
| Kensal Green  | 26910                  | 37440 | 47970 | 54990 | 21528                 | 29952 | 38376 | 43992 | 18837                 | 26208 | 33579 | 38493 | 16146                 | 22464 | 28782 | 32994 | 13455                 | 18720 | 23985 |
| Brondesbury Park  | 38350                  | 50050 | 74490 | 97500 | 30680                 | 40040 | 59592 | 78000 | 26845                 | 35035 | 52143 | 68250 | 23010                 | 30030 | 44694 | 58500 | 19175                 | 25025 | 37245 |
| Queens Park   | 38350                  | 50050 | 74490 | 97500 | 30680                 | 40040 | 59592 | 78000 | 26845                 | 35035 | 52143 | 68250 | 23010                 | 30030 | 44694 | 58500 | 19175                 | 25025 | 37245 |
| Kilburn   | 38350                  | 50050 | 74490 | 97500 | 30680                 | 40040 | 59592 | 78000 | 26845                 | 35035 | 52143 | 68250 | 23010                 | 30030 | 44694 | 58500 | 19175                 | 25025 | 37245 |
|   |                        |       |       |       |                       |       |       |       |                       |       |       |       |                       |       |       |       |                       |       |       |
| Brent   | 25480                  | 33020 | 42120 | 56940 | 20384                 | 26416 | 33696 | 45552 | 17836                 | 23114 | 29484 | 39858 | 15288                 | 19812 | 25272 | 34164 | 12740                 | 16510 | 21060 |

## Conclusions

Brent has relatively high rents and relatively low incomes compared with London as a whole. There are also higher levels of worklessness and benefit dependency. Together these factors impose significant constraints on rent affordability.

The table below sets out the percentage of market rent at which Affordable Rents should be set:

- to ensure strict affordability for most household types
- to ensure strict affordability for all household types
- to ensure affordability relative to median net household income

### Maximum Affordable percentage of Market Rent (to max of 80%)

| Affordability<br>Thresholds | Strict Affordability (UC Cap)<br>Some household types |    |    |    | Strict Affordability (UC Cap)<br>All household types |    |    |    | Income Affordability<br>Max 40% of net income |    |    |    |    |
|-----------------------------|---|----|----|----|--|----|----|----|---|----|----|----|----|
|                             | Bedrooms  | 1  | 2  | 3  | 4  | 1  | 2  | 3  | 4   | 1  | 2  | 3  | 4  |
| Queensbury                  |   | 80 | 80 | 66 | 27   | 80 | 80 | 32 | 20  | 80 | 80 | 70 | 58 |
| Kenton                      |   | 80 | 80 | 68 | 26   | 80 | 80 | 33 | 20  | 80 | 80 | 73 | 57 |
| Fryent                      |   | 80 | 80 | 66 | 27   | 80 | 80 | 32 | 20  | 80 | 80 | 70 | 58 |
| Northwick Park              |   | 80 | 80 | 66 | 28   | 80 | 80 | 32 | 21  | 80 | 80 | 70 | 61 |
| Preston                     |   | 80 | 80 | 68 | 25   | 80 | 80 | 33 | 18  | 80 | 80 | 73 | 54 |
| Barnhill                    |   | 80 | 80 | 68 | 25   | 80 | 80 | 33 | 18  | 80 | 80 | 73 | 54 |
| Welsh Harp                  |   | 80 | 80 | 56 | 23   | 80 | 80 | 27 | 18  | 80 | 80 | 59 | 52 |
| Sudbury                     |   | 80 | 80 | 66 | 28   | 80 | 80 | 32 | 21  | 80 | 80 | 70 | 61 |
| Wembley Central             |   | 80 | 80 | 66 | 28   | 80 | 80 | 32 | 21  | 80 | 80 | 70 | 61 |
| Tokyington                  |   | 80 | 80 | 68 | 25   | 80 | 80 | 33 | 18  | 80 | 80 | 73 | 54 |
| Alperton                    |   | 80 | 80 | 66 | 28   | 80 | 80 | 32 | 21  | 80 | 80 | 70 | 61 |
| Stonebridge                 |   | 80 | 80 | 56 | 23   | 80 | 80 | 27 | 18  | 80 | 76 | 59 | 52 |
| Dollis Hill                 |   | 80 | 80 | 49 | 18   | 80 | 77 | 24 | 14  | 80 | 73 | 53 | 40 |
| Mapesbury                   |   | 80 | 80 | 49 | 18   | 80 | 77 | 24 | 14  | 80 | 73 | 53 | 40 |
| Dudden Hill                 |   | 80 | 80 | 56 | 23   | 80 | 80 | 27 | 18  | 80 | 76 | 59 | 52 |
| Willesden Green             |   | 80 | 80 | 56 | 23   | 80 | 80 | 27 | 18  | 80 | 76 | 59 | 52 |
| Harlesden                   |   | 80 | 80 | 56 | 23   | 80 | 80 | 27 | 18  | 80 | 76 | 59 | 52 |
| Kensal Green                |   | 80 | 80 | 56 | 23   | 80 | 80 | 27 | 18  | 80 | 76 | 59 | 52 |
| Brondesbury Park            |   | 80 | 77 | 36 | 13   | 80 | 60 | 17 | 10  | 74 | 57 | 38 | 29 |
| Queens Park                 |   | 80 | 77 | 36 | 13   | 80 | 60 | 17 | 10  | 74 | 57 | 38 | 29 |
| Kilburn                     |   | 80 | 77 | 36 | 13   | 80 | 60 | 17 | 10  | 74 | 57 | 38 | 29 |
|                             |   |    |    |    |  |    |    |    |   |    |    |    |    |
| Brent                       |   | 80 | 80 | 63 | 23   | 80 | 80 | 31 | 17  | 80 | 80 | 67 | 50 |

To ensure that Affordable Rent properties are genuinely affordable requires careful consideration of a number of factors, and a differentiated approach by property-size and potentially by household type are required.

#### As standard principles:

- **Affordable Rents should be strictly affordable for the range of households who might reasonably occupy them, after taking account of the UC Cap.**
- **Affordable Rents should not exceed 40% of median net income in Brent.**

**For 1 bed properties**

Rents may be set at 80% of market rent, but should be moderated slightly in high rent areas or where there is a high market rental valuation of the property concerned.

**For 2 bed properties**

At 80% of market rent these will not be affordable to many working households in large areas of the borough. 70% would be affordable in most wards.

For workless households this level will only be affordable to households with one dependant or a lone parent with two children. For a couple with two children a rent at this level will be unaffordable in a quarter of the wards in the borough, and at the limit of affordability in a further quarter of the borough. For 2 bed, 4 person properties to assure affordability at first let and in the event of loss of employment rents should be set below 80% and preferably close to 70% of market levels in large areas of the borough. Even then careful assessment of market valuation and affordability will be required in particular wards where high market rents obtain before converting existing properties or undertaking new development of AR properties.

**For 3 bed properties**

At 60% of market rents, 3 bed properties will be affordable generally to those in employment but may need to be moderated further in some wards.

For those not working, some households – a lone parent with 3 children or a couple with 2 children could afford a rent at 50% of market levels in most of the borough. For other non-working households with a 3-bed need, such as a couple with 3 or 4 children rents at this level would be simply unaffordable. To assure affordability rents for 3-bed, 5 or 6 person properties should be set close to target social rents. Conversion of existing 3 bed properties to Affordable Rent should generally be avoided.

**For 4 bed (or larger) properties**

Affordability is further constrained. If rents are set above social rented levels they will be generally unaffordable both for those who are, or become, workless. Conversion of existing 4 bed properties to Affordable Rent should be avoided.