

Appendix B – London Affordable Rent Evidence Base

1. The Council now supports a move to London Affordable Rent (LAR), which is set by the GLA annually. This aligns the Council’s strategy with actual practices in the Borough by registered providers.
2. In a Borough where the private rental market is often too expensive for the lowest earning households, it is important to ensure that the Council supports rent levels in social housing which are genuinely affordable.
3. The Council considers the LAR levels to be genuinely affordable due to the fact that in the Borough of Richmond upon Thames, the Local Housing Allowance (LHA) rate is higher than the LAR regardless of bedroom size or region.
4. Where, for example, a tenant is solely reliant on welfare benefits (and not subject to the benefit cap) they would be entitled to the maximum LHA rate for their bedroom size and region. Therefore, Graph 1 shows that if registered providers were to charge rent levels at LAR rates in the Borough, even the lowest earning social housing tenants living in the most expensive areas would be able to afford the LAR.

Graph 1: London Affordable Rents – LAR compared to Local Housing Allowance (LHA) entitlement by bedroom size and region



5. To give an indication of how affordable the LAR levels would be if implemented in the Borough, it is useful to look at the percentage difference between the LAR and the LHA entitlement in the Borough.
6. The least affordable combination of region and bedroom size for tenants, is for a 1 bedroom property in the outer west region (Hanworth, Hounslow and Whitton). In this instance, the LAR (£155.13) is 14.3% below the LHA rate (£181.01). Therefore, the rent at this property, if set to the LAR level, would still

be affordable for tenants regardless of income. This example is the closest the LAR levels get to LHA rates in the Borough of Richmond upon Thames, with the next closest example being for a 1 bedroom property in the outer south west region (Richmond, Kew, Ham, Twickenham, St. Margaret's, Hampton, Hampton Hill, Hampton Wick and Teddington) where the LAR (£155.13) is 28.2% below the LHA rate (£216.06) for this area.

7. The percentage difference between the LHA and the LAR also increases with each bedroom size. In a four bedroom property in the Inner South West region, for example, the LHA rate (£429.53) is 57.5% higher than the LAR (£253.82).
8. It is important to note, however, that service charges are not included in the LAR rates provided above. There are two main reasons why it is difficult to consider service charges when assessing the affordability of LAR in the Borough. Firstly, a number of variables are used by registered providers to calculate service charges, therefore, it is hard to establish the 'average service charge' in the Borough. Secondly, the LHA does not cover expenses such as heating, hot water or lighting; therefore, depending on the housing scheme, service charges may not be covered by the LHA.
9. For local context, RHP have advised that for new builds, the assumed service charge is £19.98 p/w. This either increases or decreases depending on the level of services which come with the units and is reconciled at the end of each year to make sure residents have not been undercharged/overcharged.

Table 1: Income required to rent at London Affordable Rent levels

Property Size	Monthly LAR benchmark	Gross/ Net	35% household income to rent at LAR	50% household income to rent at LAR
1 bedroom	£672.23	Gross	£29,056.00	£18,821.00
		Net	£23,047.89	£16,133.52
2 bedroom	£711.71	Gross	£30,995.00	£20,231.00
		Net	£24,401.40	£17,080.96
3 bedroom	£751.30	Gross	£33,114.00	£21,644.00
		Net	£25,757.80	£18,030.00
4 bedroom	£790.80	Gross	£35,056.00	£23,056.00
		Net	£27,112.80	£18,979.00

10. Table 1 indicates that to afford a property with rent set to the LAR, without relying on welfare (LHA), a household's income in a 1 bedroom property would need to be in the region of £18,821 to £29,056. In a 4 bedroom property, the household income would need to be between £23,056 and £35,056.

11. In comparison with the rest of London Boroughs, in 2015/16 Richmond had the lowest proportion of low-paid residents at 12%¹. Furthermore, Richmond is one of seven London Boroughs which contain no areas where more than 10% of the working age population are claiming out of work benefits². Out of all London Boroughs, Richmond had the third highest median gross annual household earnings - £40,787 (behind Kensington and Chelsea and Westminster)³.
12. This suggests that the Borough's residents are better placed to afford the LAR than residents in most other London Boroughs. In addition, the data in Graph 1 suggests that low income households/ households solely reliant on welfare (LHA) would be able to afford rents set at LAR level as well.
13. Lastly, the Council acknowledges that even properties let below the LHA rate may not be affordable for households who are affected by the benefit cap. In these instances, the Council would actively encourage affected households to contact the Housing Information and Advice Team (0208 891 7409) and apply for Discretionary Housing Payments (DHP) to cover this shortfall until such a time that their benefit cap issues are resolved.

¹ P95 - London's Poverty Profile 2017 – Trust for London - file:///ssa.root.lan/Dfs/Users/m.shearon-weller/Downloads/LPP_2017_full_report.pdf

² London's Poverty Profile 2017 – Trust for London

³ Office for National Statistic – Ratio of house price to residence-based earnings (lower quartile and median), 2002 to 2017:

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoresidencebasedearningslowerquartileandmedian>