

# **Living Rents:**

a new framework for delivering affordable  
rents in social housing

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**NATIONAL  
HOUSING  
FEDERATION RESEARCH**

- representative body for the housing association sector;
- represent over 1000 housing associations who manage 2.5 million homes that house over 5 million people;
- ambition by 2033 to:
  - own / manage 6 million homes housing 12 million people;
  - develop up to 120,000 homes per year (60k for ownership and 60k for rent)

[www.housing.org.uk](http://www.housing.org.uk)

- purpose / background to research;
- why affordability matters;
- (brief) history to social rent setting;
- the case for Living Rents;
- Living Rents (LRs) – an explanation;
- LRs - examples
- LRs – impact on business plans;
- conclusion

# purpose / background

- commissioned by NHF and JRF, carried out by Savills - Mark Lupton and Helen Collins

[Link to report](#)

- aim:
  - Build more homes that are genuinely affordable and;
  - Re-establish link between housing and labour markets and ability of people on low incomes to afford them



# why affordability matters

- key benefit of social housing – secure tenancy and sub market rents can act as a platform for low income households;
- high / low rents can increase / reduce rates of poverty;
- high / low rents can reduce / improve work incentives;

# (brief) history to social rent setting

- 2001: “formula rent” with aim for similar rents for similar social rents properties in the same local area;
- based on ratio property values (30%) and local earnings (70%) – restructured / converge over 10 year period;
- 2011: “affordable rents” based on % of market rents (up to 80%) on new development and conversions;
- 2013: 10 year rent settlement CPI + 1%;
- 2015: 4 year rent reduction of 1%, end to rent convergence;
- a mandatory Pay to Stay: “market or near market” rents for higher income social tenants (above £40k)

# the case for Living Rents

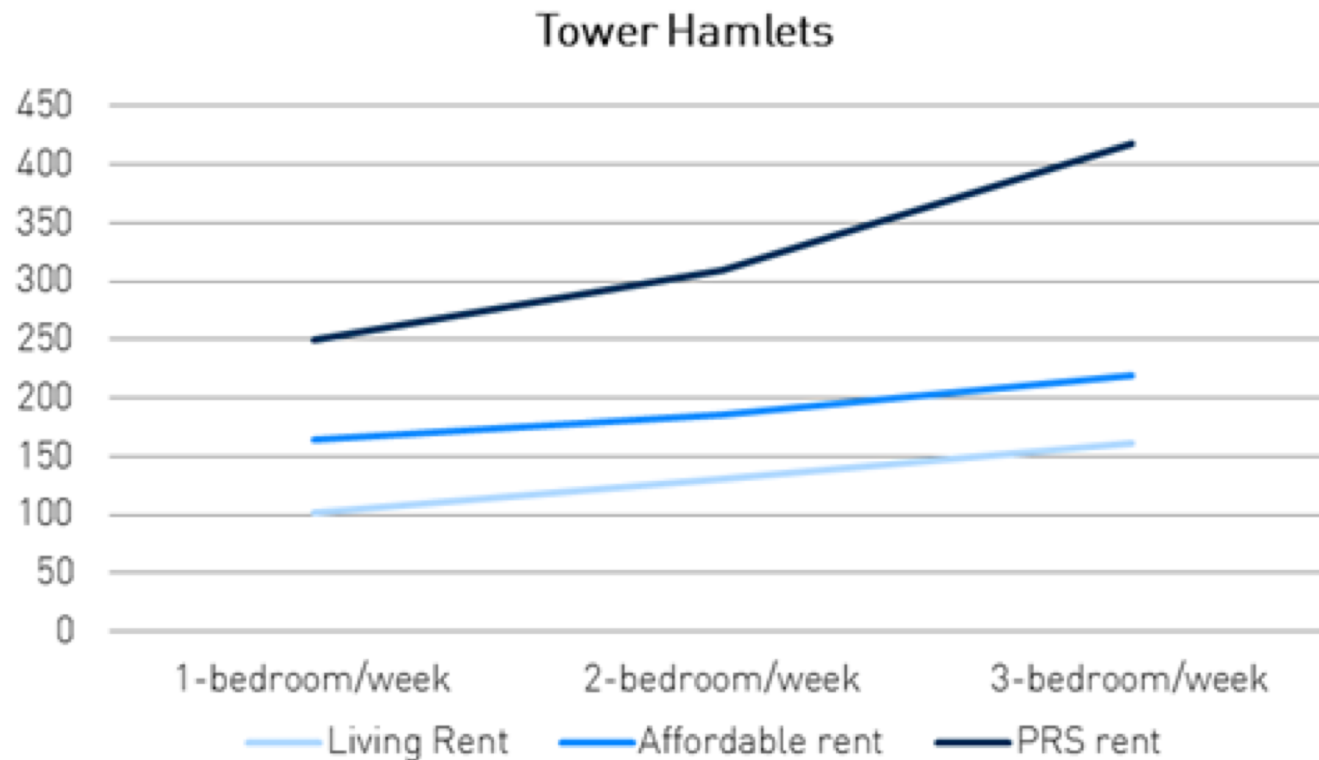
- social rents have outstripped earnings growth over last decade – 46% Vs 28%;
- affordable rents not affordable for many in low pay in certain areas or for benefit regime;
- affordable rents increasing the HB bill;
- potential for LRs to ensure affordability for different households over time whilst keeping HB bill down;

# Living Rents – an explanation

- based on lower quartile earnings from the Annual survey of Hours and Earnings (ASHE);
- adjusted for size of property;
- starting rent at 28% net local earnings (33% gross);
- rents based on local authority areas;
- updated by CPI annually and rebased to earnings 5 yearly



# Living Rents – examples (I)



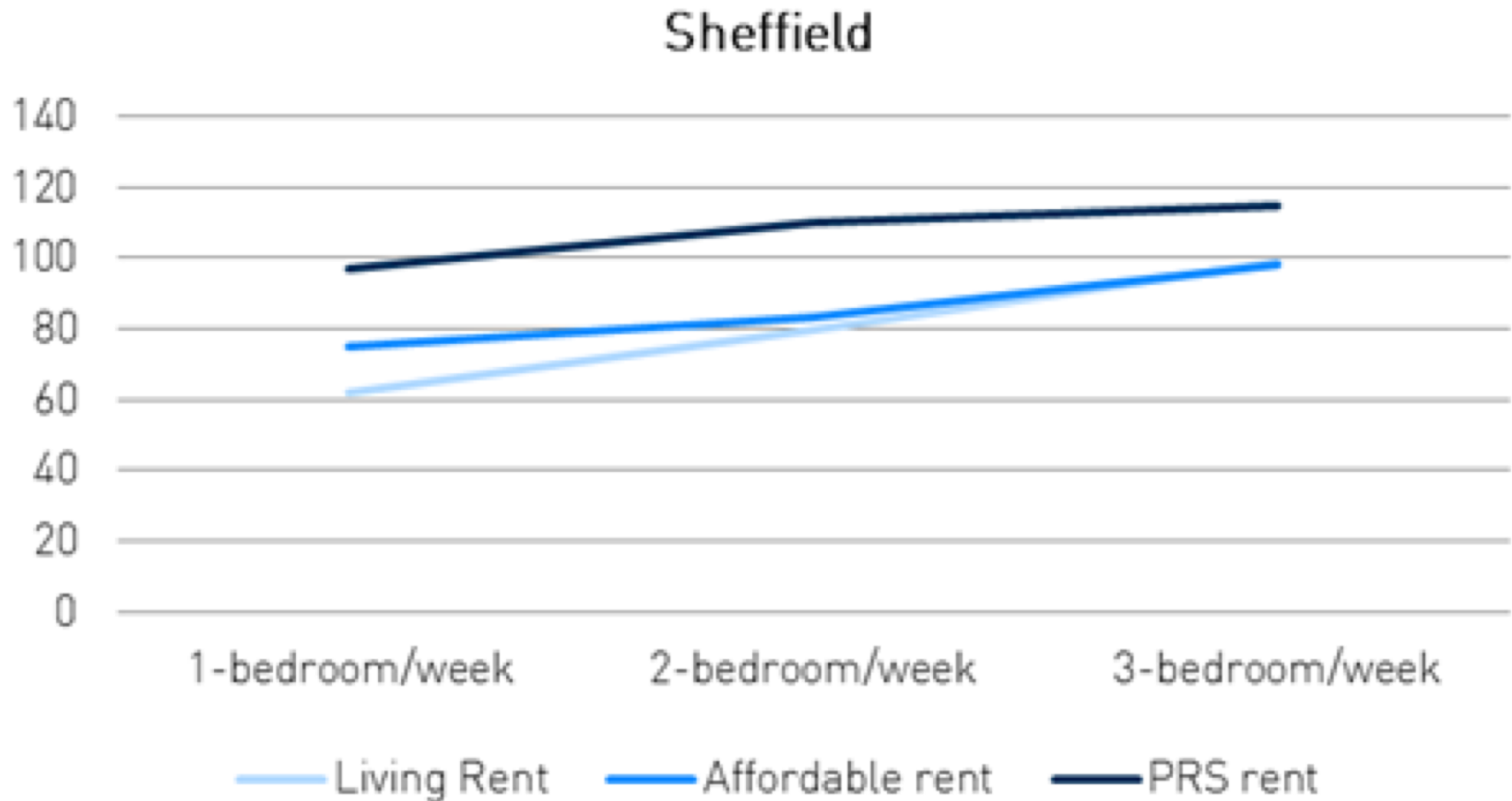
Source: Living Rents Report, 2015

# Living Rents – examples (II)



*Source: Living Rents Report, 2015*

# Living Rents – examples (III)



Source: *Living Rents Report, 2015*

# Living Rents – impact on business plans

- key challenge LRs = lower rents = lower HA income = less new affordable homes;
- 7 case study HAs;
- application to relets and new lets was achievable but challenging;
- three things required:
  - (i) landlords ability to mix relets between Living Rents and intermediate rents;
  - (ii) use LRs mix within wider rent / benefit “envelope”;
  - (iii) higher levels of capital grant to maintain development

- current rent setting problematic;
- LRs re-establish link between housing / labour markets & ability to pay;
- potential LRs to achieve and maintain affordability over time and reduce HB costs;
- challenge for HA business plans but flexible implementation could minimise this though...
- still need for higher grant to compensate for lower rent revenues