Social and Affordable Rent Affordability Assessment

Hart District Council

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AECOM

Quality information

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List of acronyms used in the text:

AR	Affordable Rent
BRMA	Broad Rental Market Area
HDC	Hart District Council
HR	Housing Register
LHA	Local Housing Allowance
LPA	Local Planning Authority
LQ	Lower Quartile
MHCLG	Ministry of Housing, Communities, and Local Government
NPPF	National Planning Policy Framework
ONS	Office for National Statistics
PPG	Planning Practice Guidance
PRS	Private Rented Sector
RP	Registered Provider
SPD	Supplementary Planning Document
SR	Social Rent

1. Executive Summary

1.1.1. Hart District Council (HDC) intends to increase the supply of social rented homes and is producing guidance on the appropriate mix of affordable housing through a new Supplementary Planning Document (SPD). The purpose of this study is to develop evidence and advice to inform this emerging SPD and aid the implementation of existing Affordable Housing policy. Policy H2 in the Local Plan 2032 requires 40% Affordable Housing on major sites, with 65% delivered as affordable housing for rent and 35% affordable home ownership (unless superseded by the most up to date evidence concerning local housing need).

1.1.2. With regards to affordable housing for rent, HDC's preference is for the delivery of Social Rent over Affordable Rent, but further evidence is required to justify that position, and any specific tenure split that may be sought. The two key elements of this study are:

- Evidence of need: focusing on affordability through analysis of local rental costs and the incomes and benefit levels of potentially eligible households; and
- Implications for policy / guidance: reflecting on the implications of affordability evidence as well as other factors that may influence the content of the SPD.

1.2. Objectives and Context

1.2.1. Overall, Local Plan Policy H2 has been effective in securing Affordable Housing but there have been challenges in securing Social Rented properties within the mix. Without a specific requirement for this tenure, developers have preferred to bring forward Affordable Rented homes to comply with Policy H2.

1.2.2. Proposed reforms to the National Planning Policy Framework (NPPF) were published on 30th July 2024. Consultation on the proposed changes is currently underway and runs until 24th September 2024. Although not yet confirmed, the proposed changes are important to consider. The key areas relevant to the aims of the SPD and the scope of this study include:

- A focus on the delivery of Social Rent within Affordable Housing;
- The requirement that planning policies should specify the minimum proportion of Social Rented homes required.

1.3. House Prices and Rental Costs

1.3.1. Although this study focusses on the need for Social Rent and Affordable Rent in Hart, it is important to understand the wider context of the housing market. The current (2023) median house price in Hart is £450,000, having increased by 34% since 2014. The median house price peaked in 2022 at £470,000. Similar growth over the last decade is observed in the lower quartile house price, again peaking in 2022 (£336,000), with a 2023 lower quartile house price of £335,000.

1.3.2. In the private rented sector (PRS) median monthly rents range from £875 (excluding studios) to £2,000, with an overall average of £1,103 per calendar month (pcm). On an annual basis, it would cost £13,236 to rent an average priced property in the PRS. Lower quartile rents range from £825 to £1,670, with an overall average of £950 pcm, equating to an annual cost of £11,400 for lower quartile priced property in the PRS.

1.3.3. The annual cost of Social Rented properties in Hart ranges from £4,342 (studio) to £7,425 (4-bedroom), with an overall average of £6,130. Affordable Rent levels are around 40-60% higher, ranging from an annual cost of £6,116 (studio) to £12,130 (4-bedroom).

1.4. Incomes, Earnings, and Benefits

1.4.1. The annual survey of hours and earnings by ONS records gross annual lower quartile earning in Hart in 2023 as £26,500. This represents individual earnings rather than household earnings.

1.4.2. CACI Paycheck data for Hart shows that in 2021 the median gross household income was £47,226, with a lower quartile gross household income of £28,144. This data is more representative of the financial resources of households than individual earnings but relates to *all* households in Hart and is not focused on those who need or are eligible for Affordable Housing.

1.4.3. In July 2024, there were 1,393 active Housing Register applications in Hart. The average household monthly income of applicants was £1,768, equating to £21,216 each year. Just over half of applicant households are in receipt of housing related benefits, which are included in their overall household income. There are limitations with this data but, in AECOM's experience, the incomes reported by households on Hart's Housing Register appear reasonable and are consistent with both lower quartile earnings and lower quartile incomes modelled by CACI. They are therefore likely to be representative of these lower income households.

1.5. Affordability

1.5.1. Local Housing Allowance (LHA) is the maximum level of housing benefit that households can claim within the district if they are eligible. LHA rates in the main Broad Rental Market Areas (BRMAs) that cover Hart (Basingstoke and Blackwater Valley) are sufficient to cover Social Rent and Affordable Rent, in theory. However, LHA rates do not cover the rent for the corresponding number of bedrooms in the PRS. Further, households affected by the overall benefit cap do not receive their full LHA entitlement which means their benefits do not always cover their rental costs.

1.5.2. This report assesses whether households can afford the size of home they need in the Social and Affordable Rented sector based on their incomes. Affordability calculations are based on households spending 30%, 35% and 40% of income spent on rent.

1.5.3. Over half of households on the Housing Register (51-57%) **cannot** afford Affordable Rent for the dwelling size they need when spending up to 40% of their income on rent. By implication, these households would need Social rather than Affordable Rent on the basis of their incomes.

1.5.4. By the same token, almost half of households on the Housing Register (43%-49%) **can** afford Affordable Rent for the dwelling size they need when spending up to 40% of their income on rent. This is considered a reasonable threshold and within the accepted range, albeit it does not consider whether the household would have sufficient disposable income after paying their rent to cover other essential living expenses.

1.5.5. Whilst most working age households on the housing register are in work and earning, housing benefit (or Universal Credit for more recent claims) plays a key part in supplementing incomes to ensure households can afford housing costs and other basic essentials. It has been important, therefore, to understand how housing benefit and earnings interact and whether, under different rented tenures, they are sufficient for households to cover their rent.

1.5.6. AECOM has developed a number of scenarios based on typical household types to understand in more detail how earnings interact with benefits and how the affordability of different rented tenures varies for different types of households. These scenarios are based on the current benefit system (as at August 2024). If reforms are made to benefit entitlements, particularly the overall benefit cap, this would affect the affordability results.

1.5.7. A key finding of this research is that the benefit cap(s) (see Table 5.1 for definition) determine whether many households are better off in Social Rented housing compared to Affordable Rented housing.

1.5.8. Assuming benefit caps remain in place, Social Rented housing is more affordable to households reliant on benefits, as they spend a lower proportion of their income on rent and have more disposable income after paying their rent. In some of the scenarios explored, Affordable Rent leaves limited disposable income – with households likely to have insufficient funds for essential living costs, including in some cases energy and food bills. The effect is more noticeable for larger households (e.g. families with children) because they need larger homes yet are subject to the benefit cap which reduces what they can claim to cover their rent.

1.5.9. It is important to note, however, that households in the private rented sector who are reliant on benefits and are subject to benefit caps have the greatest affordability problems. They spend the highest proportion of their income on rent and have the lowest disposable income after rent is paid. They also experience insecurity of tenure when compared to tenants in the Social and Affordable Rented sectors.

1.5.10. If benefit caps were removed, there would be no difference between the disposable incomes of households in Social and Affordable Rented housing where they are wholly or partially reliant on benefits. This is despite the fact that households in the Affordable Rented sector would appear to spend a higher proportion of their income on rent compared to the Social Rented sector. This is because such households would be entitled to a higher level of benefit to cover the higher rental cost of Affordable Rent (providing the rent level is within the LHA rate). However, the rent would be paid out to the landlord (registered provider) and therefore have no meaningful effect on disposable income.

1.5.11. Households who are not dependent on benefits because they have sufficient earnings/incomes *would* benefit from Social Rent compared to Affordable Rented housing because the difference in rental costs would boost their disposable income. However, these households are likely to be able to afford market housing without subsidy and are less likely to experience acute affordability pressures, albeit some may still be stretched financially.

1.5.12. It is also important to acknowledge that, over time, lower income households who are reliant on benefits may improve their earnings/ incomes. Whilst Social Rent may make no difference to their disposable income initially (they would just be entitled to lower benefit levels), if their earned income increased over time, they would benefit from the lower rent.

1.6. Implications for Policy and Guidance

1.6.1. Focusing on the implications of the study findings for the mix of Social and Affordable Rent to be provided through new development, there are three broad options:

- ***Option 1: Consider requiring that all affordable housing for rent is provided as Social Rent.*** This is likely to be the best way to ensure those that need Social Rent are able to access it and would increase the stock of Social Rented housing over time, allowing more households to benefit in the long run. It would also provide clarity to developers and Registered Providers so that they can factor this into their business models. However, such an approach would need to consider the impact on development viability.
- ***Option 2: Consider requiring that 50% of affordable housing for rent is provided as Social Rent, with 50% provided as Affordable Rent.*** This option is supported by the evidence of need and may be appropriate in circumstances where viability evidence demonstrates that 100% Social Rented housing cannot be delivered. As with Option 1, it is important to consider the impact on development viability and whether there is a knock on impact on the quantity of affordable housing for rent that can be delivered overall.
- ***Option 3: Consider requiring a smaller proportion of Social Rent (i.e. around 25%, with the specific percentage determined by viability modelling and housing policy) and focused on the provision of family sized accommodation (2 bed minimum but 3-4 bed focus).*** This approach might be required if it is found that larger proportions of Social Rent have a significant impact on overall development viability and put at risk the delivery of Affordable Housing overall. This approach would be supported by the analysis of

affordability, as with Option 2, but it is targeted to the households with the greatest affordability pressures in the event that Social Rented homes cannot be delivered in the greater numbers.

1.6.2. This study has also highlighted implications for housing policy and guidance within Hart District Council and, indeed, other Councils considering bringing forward more Social Rented Housing.

1.6.3. First, there is a risk that increasing the proportion of Social Rented housing on S106 sites could impact on the overall quantity of affordable rented housing (or all Affordable Housing) delivered. All other things being equal, Social Rented housing requires a higher level of subsidy than Affordable Rent in order to build it. This subsidy needs to be provided either by the developer/landowner, by the purchasing Registered Provider, or by Government in the form of grant. It is outside the scope of this study to examine the impact of Social Rented housing delivery on development viability but it is important to note that this is a risk.

1.6.4. Hart District Council may need to consider whether it is preferable to deliver a smaller number of Social Rented homes in order to meet the most acute needs, or whether a larger number of Affordable Rented homes allows the Council to address wider needs, particularly given the affordability pressures evident in the PRS.

1.6.5. Second, unless new affordable rented housing can be provided exclusively as Social Rent, there is a risk that this more affordable tenure will not be taken up by those who need it most. As this study has shown, families which are affected by the benefit cap(s) benefit most from Social Rented housing as it would increase their disposable income.

1.6.6. However, Social/Affordable Rented housing is allocated to households on the waiting list on the basis of HDC's allocation policy. At present, there is no existing mechanism for targeting Social Rented housing, as and when it becomes available, to households on the Housing Register who need it most.

1.6.7. It is possible that some form of targeting could be introduced over time, particularly as new Social Rented housing is unlikely to come forward in the short term and until the SPD is in place. However, this would imply the need to amend the allocation policy and to give greater priority within the existing banding system to households on the lowest incomes and/or affected by the benefit cap. This could raise issues of fairness as housing would be allocated on the basis of a household's income and benefit status at a single point in time, which may change in the future.

1.6.8. Third, this study has highlighted that families affected by the benefit cap(s) would benefit from Social Rented housing compared to Affordable Rented. Whilst the affordability of older persons specialist accommodation such as sheltered, extra care etc has not been explored in this study, the analysis appears to show that older households may be better able to afford general needs Affordable Rented housing because they are not affected by benefit caps. There may be some exceptions, but the analysis indicates that the focus on Social Rented delivery should be in general needs accommodation because of the affordability pressures on households affected by benefit caps in particular.

1.6.9. This study has highlighted issues which have implications for Government policy and are outside the remit of local authorities. The Government is currently consulting on a revised National Planning Policy Framework (NPPF) which includes a requirement for local authorities to identify the need for Social Rented housing. The key points which have wider national policy relevance are:

- It is in the PRS where affordability is worse for low income households. The level of housing benefit (LHA rate) does not cover private rents in Hart. This affordability problem is exacerbated by the benefit cap which affects larger households in particular. Households in the PRS and wholly or partially reliant on housing benefit are likely to be spending more than 40% of their income on rent and many will have insufficient disposable income after rental costs to afford basic essentials.
- The operation of benefit cap(s) makes Affordable Rented housing unaffordable to some households who are reliant on benefits. This is particularly the case for families with children who need larger properties. Benefit caps are creating distortions in this market. If the caps were removed, Affordable Rent would be no less affordable than Social Rent (as long as rents remain within the LHA rate) in the sense that households would have same disposable income left after paying their rent. The ‘saving’ in the difference between Social and Affordable Rents would fall to HM Treasury and not the household itself as households in Social Rented housing claim lower levels of housing benefit. It is assumed that the benefit caps will remain in place and given that they form part of Government policy they are beyond the Council’s control.
- Social Rented housing makes a positive difference to the incomes of households who are earning or have incomes sufficient that they are not reliant on benefits because they are paying lower rent than in Affordable Rented or Private Rented housing and are able to retain the saving in rent.

2. Context

2.1. Introduction

2.1.1. Hart District Council's (HDC's) Local Plan 2032 (adopted in 2020) includes Policy H2 on the topic of Affordable Housing. This requires the provision of 40% Affordable Housing on qualifying sites (those with an area of 0.5 hectares or more, or that will provide 10 or more homes).

2.1.2. Within the Affordable Housing delivered (at 40% of all homes), the expected tenure split is 65% affordable rented tenures and 35% affordable home ownership. The policy does not specify a further breakdown between the different forms of affordable rented housing (falling within the 65%). In Hart, these typically include Affordable Rent and Social Rent.

2.1.3. Overall, HDC consider the Policy H2 to have been effective in securing Affordable Housing. However, there have been challenges in securing Social Rented properties within the mix. Without a specific requirement for this tenure product, developers have preferred to bring forward Affordable Rented homes to comply with Policy H2. The reasons for this are complex but, in simple terms, Affordable Rented housing requires less subsidy than Social Rented housing to deliver. Consequently, the higher knock-on cost to the developer acts as a disincentive to the provision of Social Rented housing.

2.1.4. Table 2-1 shows the breakdown in the delivery of Social Rent and Affordable Rent in Hart between April 2019 and March 2024. Over the last 5 years, 918 Affordable Homes were delivered in Hart, of which 570 Rented and 348 Shared Ownership. 570 social/affordable rented homes equates to 62% of all Affordable Housing completions. The vast majority were delivered as Affordable Rent (92%) with a small number (44) and proportion (8%) delivered as Social Rent, all of which were completed in the most recent year. The delivery of Social Rented dwellings was primarily a result of the development of a scheme of 1-bedroom older persons properties.

Table 2-1: Completions of Social and Affordable Rent, April 2019-March 2024, Hart

Tenure	1-bedroom	2-bedroom	3-bedroom	4-bedroom	Total
Social Rent	34	5	5	0	44
	77.3%	11.4%	11.4%	0.0%	7.7%
Affordable Rent	111	280	126	9	526
	21.1%	53.2%	24.0%	1.7%	92.3%

Source: Hart District Council

2.1.5. The existing evidence base (including the SHMA 2016), which underpins Policy H2, does not explicitly distinguish between the need for Social and Affordable Rented housing. A gap therefore exists in both the evidence base and the policy requirement, in relation to the separate need for Social Rented and Affordable Rented homes.

2.1.6. In contrast, distinctions between the affordability of different affordable home ownership products were examined in the Hart First Homes 2022 study to enable the

Council to develop policy on the discounts required to ensure products are affordable to relevant target groups, including first time buyers.

2.2. Objectives

2.2.1. Hart District Council intends to produce guidance on the appropriate mix of affordable rented housing by producing a new Supplementary Planning Document (SPD). The purpose of this study is to develop evidence and advice to inform this emerging SPD and aid the implementation of Policy H2.

2.2.2. The intention for this commission is set out in a Technical Advice Note on Affordable Homes with New Development, published in June 2024. This Note states HDC's clear preference for the delivery of Social Rent over Affordable Rent, but acknowledges the need for further evidence to justify that position and any specific tenure split that may be sought.

2.2.3. The balance of need for the two different rented tenures – which is primarily a matter of affordability – is not the only consideration in setting any new policy requirement. It is, however, likely to be the foundation for policy development, with other important factors such as viability and the availability of Government grant funding layered on top.

2.2.4. Note that matters such as viability are outside of the scope of this research, though commentary is provided on the factors which may impact on the Council's decision making and which may require further research. In addition, other aspects of Policy H2, such as the overall need for Affordable Housing, the quota of Affordable Housing required from new qualifying developments (40%), or the overarching tenure split between affordable rented housing (65%) and affordable home ownership (35%) are beyond the scope of the study.

2.2.5. The two key elements of this study are:

- **Evidence of need:** focusing on affordability through analysis of local rental costs and the incomes and benefit levels of potentially eligible households; and
- **Policy implications:** reflecting on the implications of evidence of affordability as well as other factors that may influence the content of the SPD. A proposed split between Social and Affordable Rented Housing within the existing 65% requirement is put forward.

2.3. NPPF 2024 Consultation

2.3.1. At the time the SHMA (2016) was developed, Government policy and funding was primarily aimed at promoting Affordable Rented housing as the means to deliver more rented housing with lower levels of subsidy. There has been a shift in focus in more recent years towards the need to deliver more Social Rented housing, linked to affordability concerns and wider cost of living pressures. This is further enshrined in recent proposed national policy changes.

2.3.2. Proposed reforms to the National Planning Policy Framework (NPPF) were published on 30th July 2024. Consultation on the proposed changes is currently underway and runs until 24th September 2024. Although not yet confirmed, the proposed changes are important to consider. The key areas relevant to the aims of the SPD and the scope of this study include:

- A focus on the delivery of Social Rent within Affordable Housing;
- The requirement that planning policies should specify the minimum proportion of Social Rent homes required;
- The removal of the requirement that 10% of all housing on major sites should be delivered as affordable home ownership tenures; and
- The removal of the requirement that a minimum of 25% of affordable housing units secured through developer contributions should be First Homes.

3. House Prices and Rental Costs

3.1.1. This section sets out current house prices and rents within Hart, distinguishing between private rents and Social and Affordable Rents.

3.2. House Prices

3.2.1. Although this study focusses on the need for Social Rent and Affordable Rent in Hart, it is important to understand the wider context of the housing market. Table 3-1 shows the evolution of house prices across the district between 2014 and 2023, with the current (2023) median house price of £450,000 having increased by 34% since 2014. The median house price peaked in 2022 at £470,000. Similar growth over the decade is observed in the lower quartile house price, again peaking in 2022 (£336,000), with a 2023 lower quartile house price of £335,000.

Table 3-1: Average House Prices, Hart, 2014-2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Growth
Mean	£396,752	£428,765	£453,032	£470,354	£458,693	£473,694	£530,974	£516,597	£591,544	£532,725	+34%
Median	£335,000	£370,000	£385,000	£390,000	£395,000	£395,000	£420,000	£425,000	£470,000	£450,000	+34%
LQ	£249,950	£279,463	£290,000	£300,000	£292,500	£300,000	£320,000	£317,000	£336,000	£335,000	+34%

Source: Land Registry, AECOM Calculations

3.2.2. Table 3-2 shows the breakdown in house prices by type in Hart. The greatest price growth between 2014 and 2023 was seen in terraced housing (+47%), followed by detached (+41%) and semi-detached (+40%) typologies.

3.2.3. Detached prices consistently remain the highest of all types, though to varying degrees: 2023 detached house prices were 55% greater than semi-detached prices, 89% greater than terraced prices, and 202% greater than flat prices. The pattern of affordability in Hart is influenced, in part, by the type of dwellings available in the stock. In 2021, 42% of dwellings in Hart were detached, compared to 23% in England as a whole. Semi detached properties make up 26% of the stock, with 18% terraces and 14% flats. In each case, the proportion of non detached properties is lower than in England because of the dominance of detached dwellings in Hart's stock.

Table 3-2: Median House Price by Type, Hart, 2014-2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Growth
Detached	£493,250	£525,000	£550,000	£581,250	£580,000	£579,250	£615,000	£640,000	£700,000	£695,000	+41%
Semi-Detached	£320,000	£350,000	£384,950	£385,000	£385,000	£380,000	£395,000	£415,000	£470,000	£447,000	+40%
Terraced	£250,000	£299,950	£327,000	£321,000	£325,000	£320,000	£330,000	£345,000	£380,000	£367,000	+47%
Flats	£186,500	£211,250	£243,000	£250,000	£237,250	£235,000	£220,000	£235,000	£237,500	£230,500	+24%
Overall	£335,000	£370,000	£385,000	£390,000	£395,000	£395,000	£420,000	£425,000	£470,000	£450,000	+34%

Source: Land Registry, AECOM Calculations

3.3. Private Rented Sector

3.3.1. It is also important to consider market rents within the private rented sector. Table 3-3 shows both median and lower quartile rents across the district. Median monthly rents range from £875 (excluding studios) to £2,000, with an overall average of £1,103, while lower quartile rents range from £825 to £1,670, with an overall average of £950.

Table 3-3: Private Market Rents 01/10/2022-30/09/2023, Hart

	Studio	1-bedroom	2-bedroom	3-bedroom	4+ bedroom	Overall
Median (monthly)	£700	£875	£1,100	£1,418	£2,000	£1,103
Median (annual)	£8,400	£10,500	£13,200	£17,016	£24,000	£13,236
LQ (monthly)	-	£825	£1,025	£1,250	£1,670	£950
LQ (annual)	-	£9,900	£12,300	£15,000	£20,040	£11,400

Source: ONS Private Rental Market Statistics

3.3.2. Table 3-4 shows median and lower quartile rents, where available, within the sub areas (broad postcode areas) of Hart identified in the 2022 First Homes Study. Data is not available for every dwelling size category in all of these areas, but the available data shows the greatest median 1-bedroom and 2-bedroom rents are found in postcode area GU10/RG9, the greatest median 3-bedroom rent in postcode area GU14/GU51, and the greatest 4-bedroom rent in postcode area GU10/RG29. Postcode area GU52 had the lowest median 1-bedroom and 4-bedroom rents, whilst postcode area GU17 had the lowest 2-bedroom rents, and postcode area RG27/RG7 had the lowest 3-bedroom median rents. Note that as the data is based on postcode areas it includes some rental properties that are outside of Hart District.

Table 3-4: Private Market Rents, 2024, Hart Sub-Areas (Postcode Areas)

Number of Bedrooms	Median (monthly)	Median (annual)	LQ (monthly)	LQ (annual)
		GU10/RG29		
1-bedroom	£1,168	£14,010	-	-
2-bedroom	£1,823	£21,870	£1,445	£17,340
3-bedroom	£1,850	£22,200	£1,573	£18,870
4-bedroom	£3,350	£40,200	£2,750	£33,000
		GU14/GU51		
1-bedroom	£1,100	£13,200	£1,025	£12,300
2-bedroom	£1,400	£16,800	£1,350	£16,200
3-bedroom	£1,995	£23,940	£1,775	£21,300
4-bedroom	£2,675	£32,100	£2,225	£26,700
		GU17		
1-bedroom	£1,150	£13,800	-	-
2-bedroom	£1,225	£14,700	-	-
3-bedroom	-	-	-	-
4-bedroom	£2,850	£34,200	-	-
		GU46		
1-bedroom	£1,075	£12,900	-	-
2-bedroom	-	-	-	-
3-bedroom	-	-	-	-
4-bedroom	-	-	-	-
		GU52		
1-bedroom	£1,063	£12,750	-	-
2-bedroom	-	-	-	-
3-bedroom	£1,875	£22,500	-	-
4-bedroom	£2,675	£32,100	-	-
		RG27/RG7		
1-bedroom	£1,075	£12,900	£950	£11,400
2-bedroom	£1,373	£16,470	£1,250	£15,000
3-bedroom	£1,798	£21,570	£1,720	£20,640
4-bedroom	£2,750	£33,000	£2,500	£30,000

Source: AECOM Calculations, Rightmove.co.uk

3.4. Social and Affordable Rents

3.4.1. In order to understand the affordability of Social and Affordable Rents to households who need subsidised rented housing it is first necessary to consider the cost of Social Rent and Affordable Rent in Hart.

3.4.2. Table 3-5 shows gross annual Social Rent levels ranging by property size from £4,342 (studio) to £7,425 (4-bedroom), with an overall average of £6,130. Affordable Rent levels are around 40-60% greater, ranging from £6,116 (studio) to £12,130 (4-bedroom). Generally speaking, the proportional difference in rental costs between the two tenure categories is higher for larger properties. The overall Affordable Rented average of £9,039 is 47.5% greater than the overall Social Rented average.

3.4.3. In turn, the overall average Social Rent level is approximately 53.7% below Hart's median market rent and 46.2% below the lower quartile market rent. The overall average Affordable Rent level is 31.7% lower than the private rented sector median and 20.7% lower than the lower quartile.

3.4.4. The affordability of these affordable rented tenures is discussed in greater detail in Section 4.

Table 3-5: Affordable and Social Rent, Hart, 2021

		Studio	1-bedroom	2-bedroom	3-bedroom	4-bedroom	Overall
Social Rent	Average Gross Rent (weekly)	£83.50	£95.67	£115.13	£130.21	£142.78	£117.88
	Annual	£4,342.00	£4,974.84	£5,986.76	£6,770.92	£7,424.56	£6,129.76
Affordable Rent	Average Gross Rent (weekly)	£117.60	£138.00	£174.09	£208.31	£233.26	£173.83
	Annual	£6,116.24	£7,176.00	£9,052.68	£10,832.12	£12,129.52	£9,039.16

Source: https://www.gov.uk/government/statistics/registered-provider-social-housing-stock-and-rents-in-england-2020-to-2021. Note that these rents relate to the whole stock rather than new Social or Affordable Rented homes, AECOM Calculations

4. Incomes, Earnings, and Benefits

4.1.1. Alongside house prices and rental costs, incomes, earnings and benefits are essential to understand the affordability of different tenures to households in Hart. Whilst the focus is on the incomes of households most likely to be eligible for Social or Affordable Rented housing, it is also useful to consider incomes and earnings across Hart.

4.2. Incomes and Earnings in Hart

4.2.1. The gross annual lower quartile earnings figure in Hart in 2023 was £26,500. It should be noted that this represents individual earnings rather than household earnings. If a household had two lower quartile earners, it could be assumed that their gross income would be around £53,000.

4.2.2. CACI Paycheck data for Hart shows that in 2021 the median gross household income was £47,226, with a lower quartile gross household income of £28,144. Because CACI data represents households rather than individuals, this data is more representative of the financial resources of households. Note that this data relates to all households in Hart and is not focused on those who need or are eligible for Affordable Housing. However, it is useful cross check to other income data and in the affordability calculations for other tenures including home ownership.

4.3. Incomes of Households on the Housing Register

4.3.1. As of July 2024, there were 1,393 active Housing Register applications in Hart. Of these, 48.2% are in need of a 1-bedroom dwelling, 27.0% a 2-bedroom dwelling, 18.7% a 3-bedroom dwelling, 5.9% a 4-bedroom dwelling, and 0.1% a 5-bedroom dwelling. Although the greatest need appears to be for 1-bedroom dwellings, this is not necessarily the case in practice as a focus on those with most acute needs (i.e. those in Bands A and B on the Housing Register) shows that a higher proportion of these households need larger dwellings. Furthermore, a substantial proportion of households registered for 1-bedroom dwellings are older people, some of whom are registered in anticipation of future rather than immediate needs. This also does not take account of lettings within the existing stock, which are dominated by smaller dwellings. As the SHMA (2016) noted, the pressure on larger dwellings is higher because of limited supply, despite lower absolute numbers of households needing the largest dwellings. Households needing larger homes therefore have to wait longer for a property to meet their needs.

4.3.2. Table 4-1 shows the employment status of the main Housing Register applicant. As it only relates to the main applicant, and not all adult members of the household, it may not be wholly reflective but does provide an indication of employment status. It shows that 54.7% of main applicants are in employment, with a third working 30 hours a week or more. 11.6% of applicants are not working due to long term sickness and may be receiving health or disability related benefits. The proportion of older retired applicants on the Housing Register is 10.6%. Only 8.2% of applicants are registered as unemployed, with 7.4% not seeking work due to factors such as looking after family (eg stay at home parent, carer).

Table 4-1: Employment Status of Housing Register Applicants

Main Housing Register Applicant Employment Status	%
Working – 30 hours a week or more	33.5%
Working – less than 30 hours a week	21.2%
Not working due to long term sickness	11.6%
Retired	10.6%
Registered unemployed	8.2%
At home / not seeking work (including looking after home / family)	7.4%
Other	4.1%
Not registered unemployed but seeking work	1.6%
Full time student	1.0%
Training scheme / apprenticeship	0.7%

Source: AECOM Calculations, Hart District Council

4.3.3. The average household monthly income of applicants was £1,768. There are limitations to this data. Usable income data was only available for 1,363 applicant households out of 1,393 active applications. Due to the self-reporting nature of the application, some households provided annual incomes as opposed to monthly. Where this is clear, AECOM has divided the value by 12. Where values were unclear (eg not representative of realistic Housing Register incomes, such as seven-figure values) they were excluded from the average. It is also not clear whether all households included or excluded benefits or other factors, such as child maintenance, from their monthly income. Some applicants also noted that their monthly income varies.

4.3.4. However, in AECOM's experience, the incomes reported by households on Hart's Housing Register appear reasonable and are consistent with both lower quartile earnings and lower quartile incomes modelled by CACI. They are therefore likely to be representative of these lower income households.

4.3.5. Approximately 35.3% of applicant households are in receipt of housing related benefits via Universal Credit, with a further 15.3% of households in receipt of Housing Benefit. 49.4% of applicant households received no form of housing benefits.

4.3.6. It is also useful to note the average savings of households, with the 320 applicant households that provided savings data having an average of £11,518.

4.4. Income of Households on the Help to Buy Register

4.4.1. Help to Buy Agents, on behalf of Homes England, formerly aided households looking to purchase a home through shared ownership and the Help to Buy Equity Loan, holding a register of these households and relevant details (e.g. income, type of dwelling the applicant is interested in, location). Whilst the Help to Buy scheme has now been closed, data is still available from the Help to Buy Register up to March 2023.

4.4.2. The Help to Buy Register for Hart also provides data on applicant household incomes. As of March 2023, there were 632 applicant households, with average household earnings of £41,244. 216 households (34.2%) were in receipt of benefits, at an average of £2,110 in benefit derived income per annum (likely to reflect child benefit which is available to most households). This is assumed to be annual, although it was not possible to determine whether all households provided annual data from the information provided. Applicant households had average savings of £23,365.

4.5. Local Housing Allowance & Benefits

Local Housing Allowance

4.5.1. Local Housing Allowance rates are used to determine the amount of Housing Benefit/Universal Credit housing entitlement households living in the private rented sector are eligible for. Households entitled to this will receive either their actual rent or the Local Housing Allowance rate they are eligible for, whichever is lower. Local Housing Allowance varies nationally and is calculated across Broad Rental Market Areas (BRMAs), with parts of Hart falling within the Basingstoke BRMA and Blackwater Valley BRMA. There is also very limited overlap between Reading BRMA and the north west of Hart district but the area included in the Reading BRMA is small and sparsely populated. It is likely that very few households living in Hart are entitled to the Reading BRMA LHA rate. As such, the analysis in this Section focuses on Basingstoke and Blackwater Valley BRMAs.

4.5.2. Table 4-2 shows whether key settlements in Hart fall within the Basingstoke BRMA or Blackwater Valley BRMA, and which postcode sub-areas these relate to.

Table 4-2: Broad Rental Market Areas, Hart

Broad Rental Market Area (BRMA)	Settlement	Sub Area (Postcode Area)
Basingstoke	Long Sutton	GU10/RG29
	Odiham	GU10/RG29
	North Warnborough	GU10/RG29
	South Warnborough	GU10/RG29
	Elvetham	GU14/GU51
	Crookham Village	GU52
	Hook	RG27/RG7
Blackwater Valley	Crondall	GU10/RG29
	Ewshot	GU10/RG29
	Fleet	GU14/GU51
	Heath	GU14/GU51
	Blackwater	GU17
	Hawley	GU17
	Minley	GU17
	Darby Green	GU17
	Frogmore	GU17
	Blackbushe	GU17
	Yateley	GU46
	Church Crookham	GU52

Source: Hart District Council. Note that postcode areas used so some properties in the data are outside of Hart District

4.5.3. Table 4-3 shows Local Housing Allowance rates in the Basingstoke and Blackwater Valley BRMAs, with rates ranging depending upon the number of bedrooms a household is eligible for. It is important to note that single person households under the age of 35 are only entitled to the shared accommodation rate. In family households, 2 children under the age of 10 (regardless of sex) are expected to share a bedroom, with the age threshold increasing to 16 years for 2 children of the same sex.

4.5.4. It should be noted that although a household may be eligible for a certain level of Local Housing Allowance, the benefit cap may limit the total amount of benefit a household can receive. In this sense, the LHA rate is a theoretical entitlement that not all households will actually receive in practice. This is considered further in Section 5.

Table 4-3: Local Housing Allowance Rates, Hart

Number of Bedrooms	Basingstoke BRMA (LHA, weekly)	Basingstoke BRMA (LHA, annual)	Blackwater Valley BRMA (LHA, weekly)	Blackwater Valley BRMA (LHA, annual)
Studio/Shared Accommodation	£93.51	£4,863	£110.00	£5,720
1-bedroom	£179.51	£9,335	£184.11	£9,574
2-bedroom	£218.63	£11,369	£230.14	£11,967
3-bedroom	£264.66	£13,762	£298.03	£15,498
4-bedroom	£322.19	£16,754	£391.23	£20,344

Source: Hart District Council, AECOM Calculations

5. Affordability of Renting in Hart

5.1.1. This section considers the affordability of different rented tenures, focusing on Social and Affordable Rents in Hart. There are a number of elements to this analysis, allowing the cross checking of different data sources to build a more complete assessment of affordability.

5.1.2. First, this section considers the Local Housing Allowance (LHA) rates which apply to Hart. This is the maximum level of housing benefit that households can claim within the district. As a starting point, it is important to examine whether LHA rates cover Social and Affordable Rents in the district as well as lower quartile rents in the Private Rented Sector.

5.1.3. Second, this section considers the incomes of households on Hart's Housing Register and what they can afford. These households have applied for Social/Affordable Rented housing through the Council and have identified needs based on a range of variously acute situations such as homelessness, living in temporary accommodation, overcrowding, and living in homes otherwise unsuitable to their needs. They are unable to afford to rent or buy within the market and need some form of subsidised rented accommodation.

5.1.4. Thirdly, this section considers a variety of different household scenarios, and how different benefits interact to form a household's income, including benefit caps. This illustrates the impact of tenure on the proportion of income spent on rent, and the disposable income remaining after rent is paid.

5.1.5. Finally, although this study focusses on Social and Affordable Rent, it also considers the affordability of affordable home ownership products, and the potential overlap between the Help to Buy Register and Housing Register.

5.2. Local Housing Allowance

5.2.1. As a starting point, it is important to examine the relationship between LHA rates and rents in Hart (Table 5-2). LHA rates in both Basingstoke and Blackwater Valley BRMAs are sufficient to cover Social Rent and Affordable Rent, except for Affordable Rented shared accommodation. Note that the average rents for Social and Affordable Rented properties in Table 5-2 include both re-lets of existing properties and new lettings.

5.2.2. As LHA also applies to the housing benefit that households living in the private rented sector can claim, it is important to consider whether local LHA rates cover private market rents in Hart. Table 5-2 shows that weekly LHA rates do not cover the rent for the corresponding number of bedrooms in the private rented sector, when considering median or lower quartile market rents. The only exception is the Blackwater Valley BRMA 4-bedroom LHA rate, which appears to cover lower quartile 4+ bedroom rents in Hart. As LHA rates are supposed to be set in line with market rents, in general this suggests that market rents in Hart district as a whole are higher than the wider Basingstoke BRMA and Blackwater Valley BRMA averages.

5.2.3. This means that households in the private rented sector in Hart will generally have to supplement their rent, either through earnings or other benefits to which they may be entitled but that were not intended to cover rents. However, for households receiving a number of benefits, the overall benefit cap can mean that households do not receive their full LHA entitlement.

Table 5-1: Benefit Cap

The benefit cap is a limit on the total amount of benefit anyone can receive. It applies to most people aged 16 or over who have not reached State Pension age.
Outside Greater London (including Hart) the overall benefit cap is:
Couple (with or without children): £423.46 per week, equating to £22,019.92 per annum
Single parent (including children): £423.46 per week, equating to £22,019.92 per annum
Single adult (no children): £283.72 per week, equating to £14,753.44 per annum
Households who are reliant on benefits and have no other income or earnings need to cover all of their living costs within these amounts. As shown in Table 5-2 below, depending on the size of property the household needs, some will be spending a large proportion of their income on rent: over 50% in the private rented sector and over 40% in the Affordable Rented sector for any property with 2 or more bedrooms.
Note that there is also a separate limit on the amount of child benefit that a household can claim, regardless of whether their overall benefits are capped. Households are limited to claims for two children (excluding those children born before 2017).

Source: gov.uk/benefit-cap/benefit-cap-amounts

5.2.4. Where households in the private rented sector are unable to cover the cost of renting a property of the size they need, they may be forced to rent a dwelling with fewer bedrooms than they are entitled to, leading to overcrowding. 2021 Census data shows that 1.4% of households in Hart live in a dwelling with at least 1 bedroom too few based on their household size[1]. This increases to 3.2% in the private rented sector, and 6.0% for households in Social Rented housing. The latter figure may indicate the lack of availability of larger Social/Affordable Rented dwellings, with relatively long waits for households on the Housing Register who need larger properties confirmed through discussion with HDC officers.

[1] Census occupancy levels are calculated based on the Bedroom Standard

Table 5-2: Affordability of Different Rental Tenures with Local Housing Allowance Rates, Hart

Number of Bedrooms by Tenure	Rent (weekly)	Basingstoke BRMA (LHA, weekly)	Blackwater Valley BRMA (LHA, weekly)
Social Rent			
Studio/Shared Accommodation	£83.50	£93.51	£110.00
1-bedroom	£95.67	£179.51	£184.11
2-bedroom	£115.13	£218.63	£230.14
3-bedroom	£130.21	£264.66	£298.03
4-bedroom	£142.78	£322.19	£391.23
Affordable Rent			
Studio/Shared Accommodation	£117.62	£93.51	£110.00
1-bedroom	£138.00	£179.51	£184.11
2-bedroom	£174.09	£218.63	£230.14
3-bedroom	£208.31	£264.66	£298.03
4-bedroom	£233.26	£322.19	£391.23
Market Rent (median)			
Studio/Shared Accommodation	£161.54	£93.51	£110.00
1-bedroom	£201.92	£179.51	£184.11
2-bedroom	£253.85	£218.63	£230.14
3-bedroom	£327.23	£264.66	£298.03
4+ bedroom	£461.54	£322.19	£391.23
Market Rent (lower quartile)			
Studio/Shared Accommodation	-	No rental data	No rental data
1-bedroom	£190.38	£179.51	£184.11
2-bedroom	£236.54	£218.63	£230.14
3-bedroom	£288.46	£264.66	£298.03
4+ bedroom	£385.38	£322.19	£391.23

Source: AECOM Calculations, Homes England, Local Housing Allowance Rates, Hart District Council, ONS Private Rental Market Statistics. Note that reference to Studio/Shared Accommodation is consistent with LHA data tables however, there is no shared accommodation allocated within Hart so the figures related to studio accommodation.

5.2.5. As a comparison to Table 5-2 above, Table 5-3 sets the same rental tenures against the income required to afford each bedroom size. Households on lower quartile incomes in Hart are generally able to afford all Social Rents, but only Affordable Rents for shared accommodation or 1-bedroom dwellings. They are also only able to afford shared accommodation in the private rented sector.

5.2.6. The average Housing Register income is approximately £7,000 below lower quartile incomes, which impacts quite significantly on affordability. Households are generally able to afford Social Rents, except dwellings with 4-bedrooms, but only able to afford shared accommodation when it comes to Affordable Rents. Households on average Housing Register incomes cannot afford any market rents. Further analysis of affordability for Housing Register applicants by the size of dwelling required is discussed in section 5.3 below.

Table 5-3: Affordability of Different Rental Tenures to Lower Income Households and Households on the Housing Register, Hart (assumes max 30% of gross income spent on rent)

Number of Bedrooms by Tenure	Income Required	CACI LQ Income	Average Housing Register Income
		£28,144	£21,222
Social Rent			
Studio/Shared Accommodation	£14,473	Yes	Yes
1-bedroom	£16,583	Yes	Yes
2-bedroom	£19,956	Yes	Yes
3-bedroom	£22,570	Yes	Marginal
4-bedroom	£24,749	Yes	No
Affordable Rent			
Studio/Shared Accommodation	£20,387	Yes	Yes
1-bedroom	£23,920	Yes	No
2-bedroom	£30,176	No	No
3-bedroom	£36,107	No	No
4-bedroom	£40,432	No	No
Market Rent (median)			
Studio/Shared Accommodation	£28,000	Yes	No
1-bedroom	£35,000	No	No
2-bedroom	£44,000	No	No
3-bedroom	£56,720	No	No
4+ bedroom	£80,000	No	No
Market Rent (lower quartile)			
Studio/Shared Accommodation	-	No rental data	No rental data
1-bedroom	£33,000	No	No
2-bedroom	£41,000	No	No
3-bedroom	£50,000	No	No
4+ bedroom	£66,800	No	No

Source: AECOM Calculations, Homes England, CACI, Hart District Council, ONS Private Rental Market Statistics

5.3. Affordability for Housing Register Applicants

5.3.1. Whilst Table 5-3 above considers the affordability of rental tenures based on *average* Housing Register incomes, Tables 5-4 to 5-6 below examine this in greater detail, comparing the average Housing Register income by bedroom size eligibility to Social Rent and Affordable Rent levels by bedroom size in Hart.

5.3.2. Affordability calculations are initially based on households spending 30% of their income on rent. The incomes of households on the Housing Register are treated as gross incomes but half of applicants receive benefits which are untaxed and should, ideally, be treated as net incomes. As such, a threshold based on gross income may not be appropriate for households whose incomes are wholly or partially reliant on benefits. In absolute terms, 30% of gross income is equivalent to a higher proportion of net income and as such, AECOM has also tested other scenarios including 35% and 40% of income spent on rent.

5.3.3. Hart District Council are aware that Registered Providers (RPs) in the district work on the basis that households are spending 35-40% of their income on rent and this is likely to be for the same reason – i.e. recognising that households who are wholly or partially reliant on benefits spend a higher proportion of their income on rent because their incomes function more like net incomes. Discussion of the most appropriate affordability threshold was included in the Hart SHMA 2016 (see Appendix B). It is important to note that this was focused on households as a whole in Hart and not those on the Housing Register or with incomes supported by benefits. However, this broadly supports the range of income thresholds used in this study.

5.3.4. Table 5-4 shows that when basing affordability on households spending 30% of their income on rent, regardless of the number of bedrooms households are entitled to, they are likely to be able to afford the appropriate size of Social Rented dwelling.

5.3.5. There is a clear shift when examining the affordability of Affordable Rents for the same households. The average household income by dwelling size is insufficient to afford Affordable Rents based on spending no more than 30% of their income on rent. On average, households are only able to afford an Affordable Rented dwelling with 2 bedrooms too few (e.g. those eligible for a 3-bedroom dwelling can afford a 1-bedroom dwelling, and those eligible for a 4-bedroom dwelling can afford a 2-bedroom dwelling).

5.3.6. It should be noted that there is no rental data for 5-bedroom dwellings, and so affordability for households eligible for a 5-bedroom dwelling (2 households on Hart Housing Register) is based on the income required to afford a 4-bedroom dwelling.[2]

[2] HDC have advised that the actual number of households whose needs would be met in a 5-bedroom home will be higher than 2 households because of the way that households' bedroom need is recorded. Because the number of 5-bedroom homes is so severely limited, households are generally registered as 4-bedroom need but the number of household members often exceeds the maximum occupancy for many of the 4-bedroom homes within Hart's stock (which is mostly 6 person occupancy).

Table 5-4: Affordability of Hart Social and Affordable Rent, Housing Register income if 30% of income is spent on rent

Tenure	Income Required	Housing Register Average Income					
		1-bedroom need	2-bedroom need	3-bedroom need	4-bedroom need	5-bedroom need	Overall
		£17,700	£22,502	£26,415	£31,448	£25,974	£21,222
Social Rent							
Studio/Shared Accommodation	£14,473	Yes	Yes	Yes	Yes	Yes	Yes
1-bedroom	£16,583	Yes	Yes	Yes	Yes	Yes	Yes
2-bedroom	£19,956		Yes	Yes	Yes	Yes	Yes
3-bedroom	£22,570			Yes	Yes	Yes	Marginal
4-bedroom	£24,749				Yes	Yes	No
Affordable Rent							
Studio/Shared Accommodation	£20,387	No	Yes	Yes	Yes	Yes	Yes
1-bedroom	£23,920	No	Marginal	Yes	Yes	Yes	No
2-bedroom	£30,176		No	No	Yes	No	No
3-bedroom	£36,107			No	No	No	No
4-bedroom	£40,432				No	No	No

Source: AECOM Calculations, Homes England, Hart District Council

5.3.7. Table 5-5 assesses affordability in the same way as above, but with the assumption that households are spending no more than 35% of their income on rent. As, on average, households are able to afford Social Rent based when spending 30% of their income, they do not need to spend higher proportions (i.e. 35%-40%) of their income. However, this is not the case for Affordable Rent.

5.3.8. Table 5-5 shows that, when it comes to Affordable Rents, on average, households are still not able to afford the dwelling sizes they are eligible for when spending 35% of their income on rent. However, the gap is reduced compared to Social Rents (Table 5-4), with households generally able to afford a dwelling with 1 less bedroom than they are eligible for (e.g. those eligible for a 2-bedroom dwelling can afford a 1-bedroom dwelling and those eligible for a 3-bedroom dwelling can afford a 2-bedroom dwelling).

Table 5-5: Affordability of Hart Social and Affordable Rent, Housing Register income if 35% of income is spent on rent

Tenure	Income Required	Housing Register Average Income					
		1-bedroom need	2-bedroom need	3-bedroom need	4-bedroom need	5-bedroom need	Overall
		£17,700	£22,502	£26,415	£31,448	£25,974	£21,222
Social Rent							
Studio/Shared Accommodation	£12,406	Yes	Yes	Yes	Yes	Yes	Yes
1-bedroom	£14,214	Yes	Yes	Yes	Yes	Yes	Yes
2-bedroom	£17,105		Yes	Yes	Yes	Yes	Yes
3-bedroom	£19,345			Yes	Yes	Yes	Yes
4-bedroom	£21,213				Yes	Yes	Yes
Affordable Rent							
Studio/Shared Accommodation	£17,475	Yes	Yes	Yes	Yes	Yes	Yes
1-bedroom	£20,503	No	Yes	Yes	Yes	Yes	Yes
2-bedroom	£25,865		No	Yes	Yes	Yes	No
3-bedroom	£30,949			No	Yes	No	No
4-bedroom	£34,656				No	No	No

Source: AECOM Calculations, Homes England, Hart District Council

5.3.9. Lastly, Table 5-6 examines affordability when households spend up to 40% of their income on rent. As expected, this has the greatest positive impact on housing affordability (although it has knock-on impacts on the remaining disposable income for other household costs). Increasing the proportion of their income that Housing Register applicants spend on rent to 40% means that, on average, households are just about able to afford their required dwelling size when considering district Affordable Rent levels. There are too few households identified as needing 5-bedroom properties to draw conclusions on their incomes and affordability, though HDC have advised that the need is likely to be higher as some households who need 5-bedroom homes are registered as 4-bedroom need.

5.3.10. It is important to note that the analysis in Tables 5-4 to 5-6 is based on the average income for households needing each property size. As some households will have lower incomes than the average the broad conclusions from this analysis do not apply to every household.

Table 5-6: Affordability of Hart Social and Affordable Rent, Housing Register income if 40% of income is spent on rent

Tenure	Income Required	Housing Register Average Income 1-bedroom need £17,700	2-bedroom need £22,502	3-bedroom need £26,415	4-bedroom need £31,448	5-bedroom need £25,974	Overall £21,222
Social Rent							
Studio/Shared Accommodation	£10,855	Yes	Yes	Yes	Yes	Yes	Yes
1-bedroom	£12,437	Yes	Yes	Yes	Yes	Yes	Yes
2-bedroom	£14,967		Yes	Yes	Yes	Yes	Yes
3-bedroom	£16,927			Yes	Yes	Yes	Yes
4-bedroom	£18,561				Yes	Yes	Yes
Affordable Rent							
Studio/Shared Accommodation	£15,291	Yes	Yes	Yes	Yes	Yes	Yes
1-bedroom	£17,940	Marginal	Yes	Yes	Yes	Yes	Yes
2-bedroom	£22,632		Marginal	Yes	Yes	Yes	Marginal
3-bedroom	£27,080			Marginal	Yes	No	No
4-bedroom	£30,324				Yes	No	No

Source: AECOM Calculations, Homes England, Hart District Council

5.3.11. Whilst Tables 5-4 to 5-6 examine affordability on the basis of average household incomes by bedroom size, Table 5-7 considers the proportion of households on the Housing Register, by bedroom eligibility, that can afford the corresponding sized Social Rent or Affordable Rent dwelling, depending on whether they spend 30%, 35%, or 40% of their income on rent.

5.3.12. Unsurprisingly, the proportion of households that can afford all sizes and tenures increases as the percentage of income spent on rent increases. Key findings are summarised as follows:

- Over half of households on the Housing Register (51-57%) **cannot** afford Affordable Rent for the dwelling size they need when spending up to 40% of their income on rent. By implication, these households would need Social rather than Affordable Rent on the basis of their incomes.
- By the same token, almost half of households on the Housing Register (43%-49%) **can** afford Affordable Rent for the dwelling size they need when spending up to 40% of their income on rent. This is considered a reasonable threshold and within the accepted range, albeit it does not consider whether the household would have sufficient disposable income after paying their rent to cover other essential living expenses. This is considered in more detail at section 5.4 below.

- The vast majority of households on the Housing Register can afford Social Rent for the dwelling size that they need when spending up to 40% of their income on rent. The majority can also afford when spending 30% of their income on rent, but a higher proportion can afford when spending more (i.e. 40%) of their income on rent.
- Affordability of Social or Affordable Rent never reaches 100% of households on the basis of these affordability thresholds. This is perhaps surprising given the low rents in the Social Rented sector. However, this is likely to be due to some households not yet claiming or receiving the benefits to which they are entitled and some single households only receiving the shared room rate (not enough for a 1 bed property). It may also reflect the quality of the income data, with some households not reporting accurately.
- When households spend 30% of their income on rent, of the categories of dwellings tested, 3-bedroom Social Rent appears most affordable to those that need it (64% can afford) and 3-bedroom Affordable Rent dwellings are least affordable (only 17% can afford). Increasing the proportion of income spent on rent to 40% means that 83% of households can afford 3-bedroom Social Rent, and 46% 3-bedroom Affordable Rent. That 3-bedroom properties exhibit the greatest variation in affordability when Social and Affordable Rents are compared may be related to the operation of benefit caps which affect larger families in particular. However, it is not possible to verify this hypothesis as the Housing Register income data is not broken down by earnings and benefits.

Table 5-7: Proportion of Households on Hart Housing Register able to afford Social Rent and Affordable Rent

Bedroom Size	Tenure	Affordable to % of applicant households (30% of income on rent)	Affordable to % of applicant households (35% of income on rent)	Affordable to % of applicant households (40% of income on rent)
1-bedroom	Social Rent	49%	61%	68%
	Affordable Rent	23%	31%	43%
2-bedrooms	Social Rent	58%	69%	76%
	Affordable Rent	22%	35%	49%
3-bedrooms	Social Rent	64%	75%	83%
	Affordable Rent	17%	34%	46%
4-bedrooms	Social Rent	61%	81%	85%
	Affordable Rent	18%	43%	49%

Source: AECOM Calculations, Hart District Council, Homes England

5.3.13. Figure 5-1 and Figure 5-2 illustrate Table 5-7 above as graphs, showing the proportion of households able to afford Social Rent and Affordable Rent based on dwelling size and the proportion of income they are able or willing to spend on rent.

Figure 5-1: Proportion of households on Hart Housing Register able to afford Social Rent

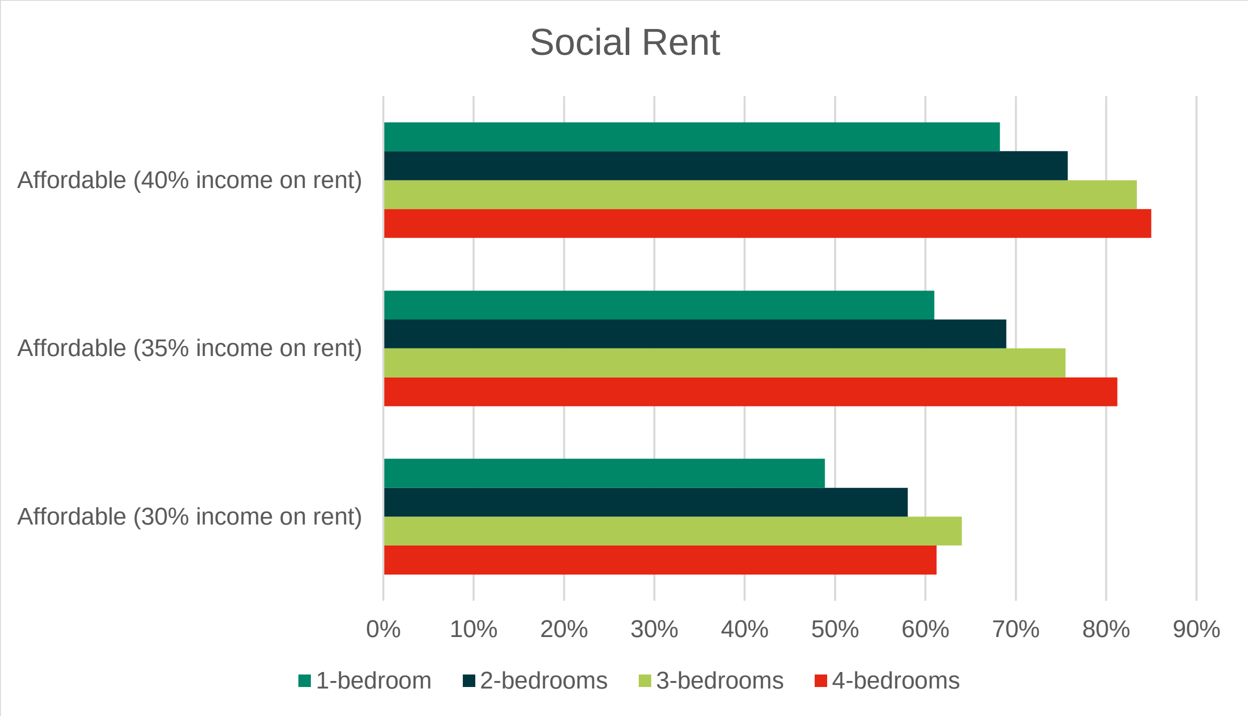
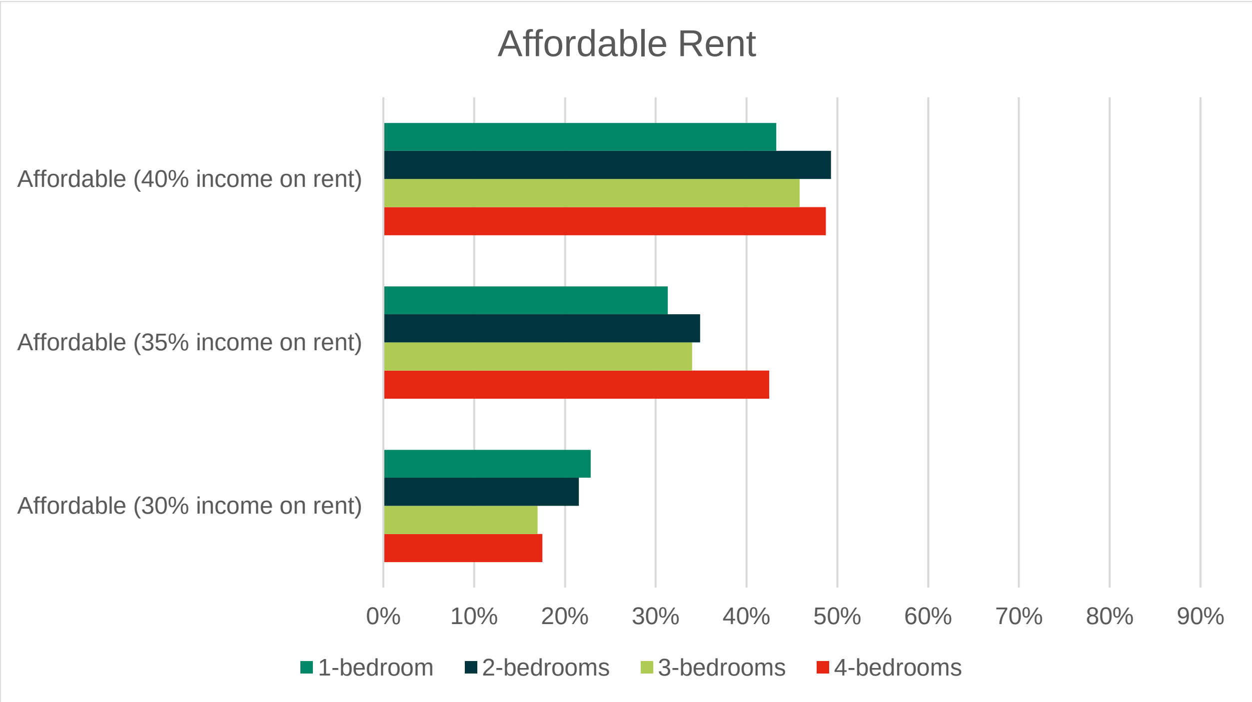


Figure 5-2: Proportion of households on Hart Housing Register able to afford Affordable Rent



5.4. Scenarios to Illustrate the Interaction of Earnings, Benefits and Welfare Caps

5.4.1. The Housing Register income analysis provides a broad indication of affordability based on the gross incomes of households who have reported them. It does not break down elements of income in detail (e.g. earnings, benefits, pensions) and, whilst giving a reasonable indication of the proportion of income households need to spend on rent, it does not reveal whether the income that remains would be sufficient to meet their basic living costs. This is also important in considering whether any particular tenure is affordable to the household.

5.4.2. AECOM has developed a number of scenarios based on typical household types to understand in more detail how earnings interact with benefits and how the affordability of different rented tenures varies for different types of households. These scenarios are based on the current benefit system (as at August 2024). If reforms are made to benefit entitlements, particularly the overall benefit cap, this would affect the affordability results.

5.4.3. This analysis is not exhaustive as household circumstances are varied. It is a simple set of scenarios including families with children, single people and older couples. In each scenario the rented tenure is compared to examine affordability under the same earnings/ benefits entitlement. Under each household scenario, the impact of earnings in addition to benefits is considered to examine the impact on affordability.

5.4.4. Table 5-8 provides the results for one household type: a single parent household with two children. Two sub-scenarios are presented. One where the parent is not working and has no other earnings or income. The second scenario presents the same household but where the parent is earning lower quartile wages. In Hart in 2023 LQ earnings were £26,500 annually, £2,208 pcm or £510 per week. The weekly net figure (after tax) is £433. The net figure is used as it is comparable to the benefit income received, which is untaxed.

5.4.5. Under each sub-scenario Table 5-8 sets out the impact of different rental tenures – Social Rent, Affordable Rent and Private Rent – on the proportion of the household's income spent on rent and their disposable income after rent. Scenarios for other household types are included in Appendix A. A number of assumptions are made:

- It is assumed that individuals in each household are not disabled or caring for others (thereby entitled to other benefits). This is in order to keep the number of variables limited and reduce complexity for the purposes of this illustration. In practice, some households will have more complex needs and their benefit entitlements may increase as a result, particularly because some disability benefits are not subject to the benefit cap. Nevertheless, this would not necessarily mean that these households would be better off as there are additional costs associated with disabilities.
- The overall *net* income (earnings after tax plus benefits) is used here rather than gross as benefit income is a net figure. This enables us to add together comparable figures.
- As discussed in Section 4, whilst the Hart SHMA used an affordability threshold of 30% *gross* income, it is more realistic to use 40% when considering net incomes and this is consistent with the affordability tests used by RPs in Hart. The red cells denote scenarios where households are spending more than 40% of their net income on rent.

- This study has not carried out a thorough analysis of the disposable income required to afford basic essentials. However, average spend on food and energy for the relevant household size is used to give an indication of the likely amount needed to cover these two basic essential costs. For the family in illustrative scenario 1a and 1b, it is expected that energy bills would be £32 per week and food bills would be £129 per week, equating to £172 per week for food and energy. These figures are based on average energy bills in the UK from the Confused.com website and the ONS family spending survey for food bills[3] The red cells denote where disposable income after rent may not be sufficient to cover food and energy costs alone. There are other essential costs which have not been factored in (e.g. transport, clothing, broadband etc) but we have only cross-checked disposable income with energy and food costs.

Table 5-8: Illustrative Scenario 1: Impact of Tenure on Proportion of Income Spent on Rent and Disposable Income Remaining

	Scenario 1a: Single parent, 2 children, no earnings			Scenario 1b: Single parent, 2 children, LQ earnings		
	Social Rented	Affordable Rented	Private Rented	Social Rented	Affordable Rented	Private Rented
Bedroom entitlement	2	2	2	2	2	2
Earnings (gross)	0	0	0	£510	£510	£510
Earnings (net)	0	0	0	£433	£433	£433
LHA rate (Blackwater BRMA)	£231	£231	£231	£231	£231	£231
Actual Rent (GU10 postcode)	£115	£174	£236	£115	£174	£236
Total benefit income, of which:	£402	£448	£453	£204	£263	£325
- Universal Credit*	*£339*	*£381*	*£381*	*£162*	*£221*	*£283*
- Child benefit	*£43*	*£43*	*£43*	*£43*	*£43*	*£43*
- Council Tax Support	*£21*	*£24*	*£30*	*0*	*0*	*0*
Total net income (earnings and benefits excl CTS*)	£382	£424	£424	£638	£697	£759
% net income spent on rent	30%	41%	56%	18%	25%	31%
Disposable income after rent (weekly)	£267	£250	£188	£480	£480	£480

*Source: Entitled to benefits calculator for benefit entitlement, LHA rates from gov.uk, Social and Affordable Rents from Homes England, AECOM calculations *Council Tax Support amount is excluded from the net income + benefit amount as it is assumed this would be spent directly on Council Tax and would not be available for other living expenses. **Universal Credit is used in these scenarios as they are assumed to be new claims. Many households in Hart will be claiming legacy benefits and will not yet have moved on to UC, though the amount claimed should be the same overall.*

[3] Average energy bills in the UK in 2024 - Confused.com and ONS Family Spending Survey used for approximate estimates for different household sizes

5.4.6. The key observations from this analysis of the interaction of earnings, benefits and household types are as follows:

- In Scenario 1a (where the household is reliant on benefits), in both Affordable Rented and Private Rented housing the household is spending more than 40% of their income on rent. This is deemed unaffordable on the basis of the 40% threshold assumed here. The same family in Social Rented housing is spending 30% of their income on rent.
- In both Affordable and Private Rented housing, the family has a lower disposable income after rent is paid. In the PRS, the family would have just £188 to spend on all other living costs. This is only marginally higher than the assumed cost of covering energy and food bills (£172 per week). In the Affordable Rent scenario, the same family would have £250 per week. This appears to be sufficient to cover energy and food bills but may not be sufficient to cover other basic living expenses.
- In Social Rented housing, the family has £267 per week after rental costs. This is £17 per week more than in Affordable Rented housing and £79 per week more than in the PRS.
- In the Affordable Rent and Private Rented tenure scenarios under Scenario 1a the family is subject to benefit caps. In other words, they are entitled to higher benefits but these are not received because of the overall benefit cap in operation. If the cap was **not** in place, the family in Affordable Rented housing would be able to claim an additional £17 per week, meaning that their disposable income after rent would be the same as the family in Social Rented housing (£267 per week). In the PRS, the same family would be able to claim an additional £74 taking their income to £262 per week. This is marginally lower than both the Social and Affordable Rented scenarios and reflects the fact that the LHA rate is slightly lower than the actual rent for a 2-bedroom home in the PRS in this area. But, in essence, the rented tenure would make no difference to the family's disposable income if the benefit cap was removed.
- The same family scenario is repeated in Scenario 1b but with the parent now earning lower quartile wages. This has the effect of reducing the overall benefit entitlement through Universal Credit. In this case, across all three tenure scenarios, the family would be spending less than 40% of their net income on rent. Although the proportion of income spent on rent varies across the tenures, with Social Rent the lowest and Private Rent the highest, this makes no difference to their disposable income. This is because their benefit entitlement is flexing according to the rent level.
- In all of the 1b scenarios, the disposable income after rent is £480 per week, which appears sufficient to cover energy and food costs with £200 per week left for other essentials.

5.4.7. Appendix A presents the results of other household type scenarios, with some additional observations as follows:

- Scenario 2a: Larger families (couple, 3 children) who are reliant on benefits (i.e. have no earnings) are worse off in private rented housing (spending 68% of their income on rent), followed by Affordable Rented (49% of their income on rent). Social Rented housing allows them to spend a more reasonable 31% of their income on rent. As with Scenario 1a above, their disposable income is highest in Social Rented housing (£294 per week) with £216 per week in Affordable Rented housing and just £138 per week in the PRS. The latter is substantially less than the assumed spend on energy and fuel (£200 per week for this household). The disposable income for the family in Affordable Rented housing is only marginally more than the assumed spend on energy and fuel, meaning that additional living expenses are likely to be unaffordable to them.
- Again, under this scenario, all tenure variations are subject to the benefit cap. In this case, the child benefit cap (limited to 2 children) kicks in as well as the overall benefit cap. Whilst the family would fare better financially in Social Rented housing they would also be subject to the cap. If the caps were removed, all of the households (regardless of the tenure of their rented home) would have £352 per week disposable income after rent.
- Scenario 2b adds lower quartile earnings to the same family and as a result, in all tenure scenarios, the family spends less than 40% of their income on rent and disposable income after rent is substantially higher than the family which is reliant on benefits alone. This family would have a higher disposable income in Social Rented housing.
- Scenario 3b: Single person with lower quartile earnings. This household would not be entitled to benefits under Universal Credit. In this scenario, the rental cost under different tenure variations has a direct impact on their disposable income. As under previous scenarios, the household in the PRS would spend the greatest proportion of their income on rent (44%), followed by Affordable Rented (32%) and Social Rented (22%). Their disposable income in the PRS after rent would be £243 per week, compared to £295 per week in Affordable Rented housing and £397 per week in Social Rented housing. Disposable income in all three scenarios appears sufficient to cover basic essentials of energy and food bills (assumed to be £58 per week for a single person household).
- Similarly, other household types with two lower quartile earners would not receive Universal Credit, albeit they may be able to claim child benefit if they have children. Overall, households who have sufficient earnings not to claim universal credit would benefit from lower rents in the Social Rented sector if they are living in Affordable Rented housing, or either Social or Affordable Rented housing if they are living in the PRS.
- Scenario 4: Older couple with state pension only (no other earnings/income). This household would be entitled to Universal Credit under all three tenure variations. However, the amount they are entitled to flexes according to the rent and so their disposable income is no different in Social and Affordable Rented housing (both £364 per week).

5.5. Market Purchase and Affordable Home Ownership Affordability

5.5.1. Although this study focuses on the affordability of Social Rent and Affordable Rent, there may be some overlap in terms of affordability with affordable home ownership tenures. Table 5-9 shows the deposit (at 10%) and income required for households to afford both market housing and affordable home ownership tenures. This shows that households on lower quartile incomes in Hart and households on the Housing Register would not be able to afford any ownership tenures. However, households on the Help to Buy Register are able to afford shared ownership at 10% equity, both in terms of income and deposit, provided they hold the average savings level of £23,365.

Table 5-9: Market Purchase and Affordable Home Ownership Affordability (10% deposit)

Tenure	Deposit (10%)	Mortgage Value	Rent	Income Required	Hart CACI LQ Income £28,144	Average Housing Register Income £21,222	Average Help to Buy Earnings £41,244
Market							
Median House Price (2023)	£45,000	£405,000	-	£115,714	No	No	No
LQ House Price (2023)	£33,483	£301,343	-	£86,098	No	No	No
New Build LQ House Price (2023)	£33,866	£304,796	-	£87,085	No	No	No
Affordable Home Ownership							
First Homes (-30% discount)	£23,706	£213,357	-	£60,959	No	No	No
First Homes (-40% discount)	£20,320	£182,878	-	£52,251	No	No	No
First Homes (-50% discount)	£16,933	£152,398	-	£43,542	No	No	No
Shared Ownership (50% equity)	£16,933	£152,398	£4,233	£57,653	No	No	No
Shared Ownership (25% equity)	£8,467	£76,199	£6,350	£42,938	No	No	No
Shared Ownership (10% equity)	£3,387	£30,480	£7,620	£34,108	No	No	Yes

5.5.2. Because the average savings on the Help to Buy Register for Hart are significantly above the deposit required for most affordable home ownership options, Table 5-10 considers affordability based on a 15% deposit. This would mean that average earning households on the Help to Buy Register would be able to access shared ownership at both 25% and 10% equity. Whilst the income would be sufficient to afford First Homes at a 50% discount, the average household savings would not be great enough for a 15% deposit on this tenure.

5.5.3. Open market purchase is out of reach to households on the average Housing Register income, although a minority of household applicants (320) have modest savings (around £11,500 on average). These households may be able to afford the deposit for shared ownership at 10% equity (either based on 10% or 15% deposit).

Table 5-10: Market Purchase and Affordable Home Ownership Affordability

Tenure	Deposit (15%)	Mortgage Value	Rent	Income Required	Hart CACI LQ Income £28,144	Average Housing Register Income £21,222	Average Help to Buy Earnings £41,244
Market							
Median House Price (2023)	£67,500	£382,500	-	£109,286	No	No	No
LQ House Price (2023)	£50,224	£284,601	-	£81,315	No	No	No
New Build LQ House Price (2023)	£50,799	£287,863	-	£82,247	No	No	No
Affordable Home Ownership							
First Homes (-30% discount)	£35,560	£201,504	-	£57,573	No	No	No
First Homes (-40% discount)	£30,480	£172,718	-	£49,348	No	No	No
First Homes (-50% discount)	£25,400	£143,932	-	£41,123	No	No	Yes
Shared Ownership (50% equity)	£25,400	£143,932	£4,233	£55,234	No	No	No
Shared Ownership (25% equity)	£12,700	£71,966	£6,350	£41,728	No	No	Marginal
Shared Ownership (10% equity)	£5,080	£28,786	£7,620	£33,624	No	No	Yes

6. Implications for Policy and Guidance

6.1. Key findings

6.1.1. This study has considered the affordability of Social, Affordable and Private Rents to different households within Hart. It has focused on households in housing need on Hart's Housing Register, as these households are most likely to access Social or Affordable Rented homes, as well as a wider group who are supported in the PRS through housing benefit.

6.1.2. Whilst most working age households who need affordable housing are in work and earning, housing benefit (or Universal Credit for more recent claims) plays a key part in supplementing incomes to ensure households can afford housing costs and other basic essentials. It has been important, therefore, to understand how housing benefit and earnings interact and whether, under different rented tenures, they are sufficient for households to cover their rent.

6.1.3. Affordability of renting is examined on four different measures:

- Whether the Local Housing Allowance (housing benefit rate) is sufficient to cover the rent.
- Whether the rent (Social, Affordable or Private) is affordable as a proportion of gross income. We have tested 30%, 35% and 40% proportions of gross income to be spent on rent.
- Whether the rent is affordable as a proportion of net income (40% max) to take account of benefit income, which is untaxed.
- Whether disposable income after rent is paid is likely to be sufficient to afford other basic living costs.

6.1.4. For Social and Affordable Rents, the LHA rates that apply to Hart appear sufficient to cover the rent. However, it is important to note that some households will not receive the full LHA amount because of benefit caps. LHA rates give a misleading picture of affordability on its own. The rates which apply within Hart are insufficient to cover private rents at either average (median) or lower quartile levels for all property sizes. This means that, even if households are able to claim the full LHA rate (ie they are not subject to the benefit cap), this would be insufficient to cover their private rent.

6.1.5. Analysis of household incomes of those on Hart's Housing Register suggests that around half of these households cannot afford Affordable Rents based on the size of property they need. This assumes they spend up to 40% of their gross income on rent. On this measure, there is not a significant difference between affordability across dwelling sizes (1-4 beds).

6.1.6. When household circumstances are considered in more detail, the affordability pattern is more complex. This is because of the way the benefit system operates, including its interaction with earnings and caps that are applied to households which limit what they can claim.

6.1.7. A key finding of this research is that the benefit cap(s) determine whether many households are better off in Social Rented housing compared to Affordable Rented housing.

6.1.8. Assuming benefit caps remain in place, Social Rented housing is more affordable to households reliant on benefits, as they spend a lower proportion of their income on rent and have more disposable income after paying their rent. In some scenarios explored, Affordable Rent leaves limited disposable income – with households likely to have insufficient funds for essential living costs including in some cases energy and food bills. The effect is more noticeable for larger households (eg families with children) because they need larger homes yet are subject to the benefit cap which reduces what they can claim to cover their rent.

6.1.9. It is important to note however that households in the private rented sector who are reliant on benefits and are subject to benefit caps have the greatest affordability problems. They spend the highest proportion of their income on rent and have the lowest disposable income after rent is paid. They also experience insecurity of tenure when compared to tenants in the Social and Affordable Rented sectors.

6.1.10. If benefit caps were removed, there would be no difference between the disposable incomes of households in Social and Affordable Rented housing where they are wholly or partially reliant on benefits. This is despite the fact that households in the Affordable Rented sector would appear to spend a higher proportion of their income on rent compared to the Social Rented sector. This is because the household would be entitled to a higher level of benefit to cover the higher rental cost of Affordable Rent (providing the rent level is within the LHA rate). However, the rent would be paid out to the landlord (registered provider) and therefore have no meaningful effect on the household's disposable income.

6.1.11. Households that are not dependent on benefits because they have sufficient earnings/incomes would benefit from Social Rent compared to Affordable Rented housing because the difference in rental costs would boost their disposable income. However, these households are likely to be able to afford market housing without subsidy and are less likely to experience acute affordability pressures, albeit some may still be stretched financially.

6.1.12. It is also important to acknowledge that, over time, lower income households who are reliant on benefits may improve their earnings/ incomes. Whilst the Social Rent may make no difference to their disposable income initially (they would just be entitled to lower benefit levels), they could benefit from the lower rent as their earned income increases over time.

6.1.13. Households made up of two older people who are entitled to the state pension appear to be able to afford all rented tenures (spending substantially less than 40% of their income on rent) and have sufficient disposable incomes after rental costs. Affordability issues appear less acute for these households. However, this study has not tested more complex situations, e.g. where older people are living in specialist accommodation such as extra care housing which may include higher service charges (as well as additional care costs), where pensioner couples need 2 bedroom homes because of mobility/health conditions, or where these older couples continue to live in larger homes with higher costs.

6.2. Planning implications

6.2.1. This study has established clear problems with the affordability of Affordable Rented housing compared to Social Rent linked to the way the benefit system operates. Furthermore, where households are not entitled to housing benefit but subsist on relatively low incomes, Social Rents would improve their financial position by increasing their disposable income.

6.2.2. It is important to note that private rents are less affordable to households, whether reliant on housing benefit or not, and the most acute affordability problems lie in this sector. However, this is largely outside of the realm of planning policy, in particular the Affordable Housing SPD.

6.2.3. Focusing on the implications of the study findings for the mix of Social and Affordable Rent provided through new development, there are three broad options:

6.2.4. ***Option 1: Consider requiring that all affordable housing for rent is provided as Social Rent.*** There are a number of key benefits with this approach:

- It is likely to be the best way to ensure those that need Social Rent are able to access it.
- It would increase the stock of Social Rented housing over time, allowing more households to benefit in the long run.
- It would provide clarity in planning policy to developers and Registered Providers so that they can factor this into their business models.

6.2.5. However, such an approach would need to consider:

- The impact on development viability. All other things being equal, Social Rent requires a greater level of subsidy to build. This would need to be provided by the developer/landowner through the land value, or by Government through grant. At present, there is no Government grant available for Affordable Housing on S106 sites so it is assumed that the extra cost would need to be borne by the developer/landowner or purchasing Registered Provider.
- If this option was found to impact development viability it may result in an outcome where less Affordable Housing in the form of Social Rent is delivered overall than if it was provided as Affordable Rented housing. Depending on the scale of any impact, HDC would need to consider whether this was acceptable in order to deliver more Social Rented housing.
- Not all households would see any positive impact on their disposable income as a result of accessing Social Rented housing because of the way benefits flex according to rents. At present, those who would benefit most are households subject to the benefit cap and households who have earnings or incomes such that they are not in receipt of benefits and who would therefore be able to keep the difference in rental costs.

- The need for larger sized properties within the Social Rented component because of the impact of the benefit cap on larger households. There would seem little advantage to simply increasing the supply of 1-2 bed Social Rented homes as it is larger households affected by the benefit cap who appear to benefit most from Social Rent and their needs are less likely to be met by smaller properties.
- There may be challenges to such a policy from developers as the affordability evidence suggests that not all households who need subsided rents need Social Rents and indeed these lower rents would not make a difference to the financial position of some households.

6.2.6. ***Option 2: Consider requiring that 50% of affordable housing for rent is provided as Social Rent, with 50% provided as Affordable Rent.*** This option may be appropriate in circumstances where viability evidence demonstrates that 100% Social Rented housing cannot be delivered.

- These proportions are evidenced in the analysis of affordability based on households on the Housing Register and through testing of different household scenarios through the benefit calculator.
- Just over 50% of households cannot afford Affordable Rents and therefore need Social Rent. This proportion is broadly consistent across all of the dwelling sizes tested on the Housing Register (1-4 bedrooms), but the most serious affordability problems are evident amongst households requiring larger properties who are affected by benefit caps.

6.2.7. However, HDC would need to consider:

- As with Option 1, the impact on development viability and whether there is a knock on impact on the quantity of affordable housing for rent which can be delivered.
- Whether new Social Rented homes can be targeted to those who most need them. This is discussed under implications for housing policy.
- There is a risk with a tenure split such as this (or any variation below 100%) that developers will propose schemes that provide the Social Rented component as smaller properties and the Affordable Rented component as larger properties. In fact, the analysis in this study suggests that the Social Rented component is most needed to address affordability problems for larger households who are affected by benefit caps. It is essential that within the 50% Social Rented component that larger properties (3+ bedrooms) are provided as a priority.

6.2.8. ***Option 3: Consider requiring a smaller proportion of Social Rent (e.g. around 25% with the specific percentage determined by viability modelling and housing policy) and focused on provision of family sized accommodation (2 bed minimum but 3-4 bed focus).*** This approach might be required if it is found that larger proportions of Social Rent have a significant impact on overall development viability and put at risk the delivery of Affordable Housing overall.

6.2.9. This approach would be supported by the analysis of affordability, as with Option 2, but it is targeted to the households with the greatest affordability pressures in the event that Social Rented homes cannot be delivered in the greater numbers.

6.2.10. However, HDC would need to consider:

- As with Option 1 and 2, the impact on development viability particularly given the focus on larger properties.
- Whether new larger Social Rented homes could be targeted to households who most need them, guided by Housing Policy.
- It may need to be accompanied by clearer guidance to deliver a specific proportion of larger properties within the mix of Affordable Housing. The current HDC waiting list suggests that 25% of households need 3 bedrooms or more. This is likely to be the minimum proportion of these larger properties required but the specific proportion may need to vary on a site by site basis.

6.2.11. There are some common challenges for all three of the options set out here:

- Existing site allocations and planning permissions have tenure mix already factored in. All other things being equal, Social Rent would increase the cost of delivering the Affordable Housing and impact on viability assumptions. Sites already in the pipeline may be unlikely to deliver more Social Rent if a new policy is introduced.
- Discussions with HDC indicate that there is already a challenge for Registered Providers in delivering affordable housing for rent (whether Social or Affordable Rent) particularly on smaller schemes. Examination of these issues is beyond the scope of this study but it is relevant to note that challenges exist within the RP business model.
- There is some uncertainty about extent and level of grant available from Homes England to fund Social Rented housing. Whilst recent Government proposals are supportive of delivering more Affordable Housing it is unclear whether there will be Government support through grant. At present it is assumed that any extra cost would need to be borne by the land value but the addition of grant could enable greater provision of Social Rent.
- The Government’s Affordable Homes Development Programme ends in 2026 so there is uncertainty about the level of funding for different forms of Affordable Housing beyond 2026.

6.3. Housing implications

6.3.1. This study has also highlighted implications for housing policy within Hart District Council and, indeed, other Councils considering bringing forward more Social Rented Housing.

6.3.2. First, there is a risk in increasing the proportion of Social Rented housing delivered on S106 sites that this could impact on the overall quantity of Affordable Housing delivered including affordable rented housing. All other things being equal, Social Rented housing requires a higher level of subsidy than Affordable Rent in order to build it. This subsidy needs to be provided either by the developer/landowner, by the purchasing Registered Provider, or by Government in the form of grant. It is outside the scope of this study to examine the impact of Social Rented housing delivery on development viability but it is important to note that this is a risk.

6.3.3. Hart District Council may need to consider whether it is preferable to deliver a smaller number of Social Rented homes in order to meet the most acute needs, or whether a larger number of Affordable Rented homes allows the Council to address wider needs, particularly given the affordability pressures evident in the PRS.

6.3.4. Second, unless new Affordable Housing for rent can be provided exclusively as Social Rent, there is a risk that this more affordable tenure will not be taken up by those who need it most. As this study has shown, families which are affected by the benefit cap(s) benefit most from Social Rented housing as it would increase their disposable income.

6.3.5. However, Social/Affordable Rented housing is allocated to households on the waiting list on the basis of HDC's allocation policy. At present, there is no existing mechanism for targeting Social Rented housing, as and when it becomes available, to households on the Housing Register who need it most based on affordability.

6.3.6. In the long term, if there is a shift towards the provision of Social Rent rather than Affordable Rent (both nationally as well as in Hart District), the challenge of targeting Social Rented homes to households facing most acute affordability problems would be less of an issue as increasingly the stock would be made up of Social Rented homes and hence greater availability of these home for those who need them.

6.3.7. In the short term, if Social Rented homes are in short supply, targeting to those who would benefit from them most would raise new challenges. Whilst it is possible that some form of targeting could be introduced over time, this would entail substantial resources as it could imply the need to amend the allocation policy and software to give greater priority within the existing banding system to households on the lowest incomes and/or affected by the benefit cap. This could also raise issues of fairness as housing would be allocated on the basis of a household's income and benefit status at a single point in time, which may change in the future.

6.3.8. Third, this study has highlighted that families affected by the benefit cap(s) would benefit from Social Rented housing compared to Affordable Rented. Whilst the affordability of older persons specialist accommodation such as sheltered, extra care etc has not been explored in this study, the analysis appears to show that older households may be better able to afford general needs Affordable Rented housing because they are not affected by benefit caps. There may be some exceptions, but the analysis indicates that the focus on Social Rented delivery should be in general needs accommodation because of the affordability pressures on households affected by benefit caps in particular.

6.4. Wider implications

6.4.1. This study has highlighted issues which have implications for Government policy and are outside the remit of local authorities. The Government is currently consulting on a revised National Planning Policy Framework which includes a requirement for local authorities to identify the need for Social Rented housing. The key points which have wider national policy relevance are:

- It is the private rented sector where affordability is worse for low income households. The level of housing benefit (LHA rate) does not cover private rents in Hart. This affordability problem is exacerbated by the benefit cap which affects larger households in particular. Households in the PRS and wholly or partially reliant on housing benefit are likely to be spending more than 40% of their income on rent and many will have insufficient disposable income after rental costs to afford basic essentials.
- The operation of benefit cap(s) makes Affordable Rented housing unaffordable to some households who are reliant on benefits. This is particularly the case for families with children who need larger properties. Benefits caps are creating distortions in this market. If the caps were removed, Affordable Rent would be no less affordable than Social Rent (as long as rents remain within the LHA rate) in the sense that households would have same disposable income left after paying their rent. The ‘saving’ in the difference between Social and Affordable Rents would fall to HM Treasury and not the household itself as households in Social Rented housing claim lower levels of housing benefit. It is assumed that the benefit caps will remain in place.
- Social Rented housing makes a difference to the incomes of households who are earning or have incomes sufficient that they are not reliant on benefits because they are paying lower rent than in Affordable or Private Rented housing and are able to retain the saving in rent.

Appendix A : Benefit Entitlement Scenarios

Table A-1: Illustrative Scenario 1: Single Parent Family, Two Children

	Scenario 1a: Single parent, 2 children, no earnings			Scenario 1b: Single parent, 2 children, LQ earnings		
	Social Rented	Affordable Rented	Private Rented	Social Rented	Affordable Rented	Private Rented
Bedroom entitlement	2	2	2	2	2	2
Earnings (gross)	0	0	0	£510	£510	£510
Earnings (net)	0	0	0	£433	£433	£433
LHA rate (Blackwater BRMA)	£231	£231	£231	£231	£231	£231
Actual Rent (GU10 postcode)	£115	£174	£236	£115	£174	£236
Total benefit income, of which:	£402	£448	£453	£204	£263	£325
- Universal Credit*	*£339*	*£381*	*£381*	*£162*	*£221*	*£283*
- Child benefit	*£43*	*£43*	*£43*	*£43*	*£43*	*£43*
- Council Tax Support	*£21*	*£24*	*£30*	*0*	*0*	*0*
Total net income (earnings and benefits excl CTS*)	£382	£424	£424	£638	£697	£759
% net income spent on rent	30%	41%	56%	18%	25%	31%
Disposable income after rent (weekly)	£267	£250	£188	£480	£480	£480

*Source: Entitled to benefits calculator for benefit entitlement, LHA rates from gov.uk, Social and Affordable Rents from Homes England, AECOM calculations *Council Tax Support amount is excluded from the net income + benefit amount as it is assumed this would be spent directly on Council Tax and would not be available for other living expenses. **Universal Credit is used in these scenarios as they are assumed to be new claims. Many households in Hart will be claiming legacy benefits and will not yet have moved on to UC, though the amount claimed should be the same overall.*

Table A-2: Illustrative Scenario 2: Family with two adults and three children

	Scenario 2a: Couple, 3 children, no earnings			Scenario 2b: Couple, 3 children, 1 x LQ earnings		
	Social Rented	Affordable Rented	Private Rented	Social Rented	Affordable Rented	Private Rented
Bedroom entitlement	3	3	3	3	3	3
Earnings (gross)	0	0	0	£510	£510	£510
Earnings (net)	0	0	0	£433	£433	£433
LHA (Blackwater BRMA)	£299	£299	£299	£299	£299	£299
Actual Rent (GU10 postcode)	£130	£208	£288	£130	£208	£288
Total benefit income, of which:	£450	£453	£453	£356	£356	£436
- Universal Credit	*£273*	*£273*	*£273*	*£206*	*£206*	*£286*
- Job Seekers Allowance/ ESA	*£91*	*£91*	*£91*	*£91*	*£91*	*£91*
- Child benefit	*£60*	*£60*	*£60*	*£60*	*£60*	*£60*
- Council Tax Support	*£26*	*£30*	*£30*	*0*	*0*	*0*
Total net income (earnings and benefits excl CTS)	£424	£424	£424	£790	£790	£870
% net income spent on rent	31%	49%	68%	16%	26%	33%
Disposable income after rent (weekly)	£294	£216	£136	£660	£582	£582

*Source: Entitled to benefits calculator for benefit entitlement, LHA rates from gov.uk, Social and Affordable Rents from Homes England, AECOM calculations *Council Tax Support amount is excluded from the net income + benefit amount as it is assumed this would be spent directly on Council Tax and would not be available for other living expenses. **Universal Credit is used in these scenarios as they are assumed to be new claims. Many households in Hart will be claiming legacy benefits and will not yet have moved on to UC, though the amount claimed should be the same overall.*

Table A-2: Illustrative Scenario 3: Single Person (aged 30)

	Scenario 3a: Single person (aged 30), no earnings			Scenario 3a: Single person (aged 30), LQ earnings		
	Social Rented	Affordable Rented	Private Rented	Social Rented	Affordable Rented	Private Rented
Bedroom entitlement	1	1	1	1	1	1
Earnings (gross)	0	0	0	£510	£510	£510
Earnings (net)	0	0	0	£433	£433	£433
LHA (Blackwater BRMA)	£110	£110	£110	£110	£110	£110
Actual Rent (GU10 postcode)	£138	£96	£190	£138	£96	£190
Total benefit income, of which:	£258	£216	£231	0	0	0
- Universal Credit	£229	£187	£201	0	0	0
- Child benefit	0	0	0	0	0	0
- Council Tax Support	£30	£30	£30	0	0	0
Total net income (earnings and benefits excl CTS)	£229	£187	£201	£433	£433	£433
% net income spent on rent	60%	51%	95%	32%	22%	44%
Disposable income after rent (weekly)	£91	£91	£11	295	337	243

*Source: Entitled to benefits calculator for benefit entitlement, LHA rates from gov.uk, Social and Affordable Rents from Homes England, AECOM calculations *Council Tax Support amount is excluded from the net income + benefit amount as it is assumed this would be spent directly on Council Tax and would not be available for other living expenses. **Universal Credit is used in these scenarios as they are assumed to be new claims. Many households in Hart will be claiming legacy benefits and will not yet have moved on to UC, though the amount claimed should be the same overall.*

Table A-4: Illustrative Scenario 4: Older Couple with State Pension Only

	Couple (age 65+), 2 x state pension only		
	Social Rented	Affordable Rented	Private Rented
Bedroom entitlement	1	1	1
State Pension Income	£442	£442	£442
LHA (Blackwater BRMA)	£185	£185	£185
Actual Rent (GU10 postcode)	£96	£138	£190
Total benefit income, of which:	£47	£89	£136
- Universal Credit	£18	£60	£106
- Council Tax Support	£30	£30	£30
Total net income (earnings and benefits excl CTS)	£460	£502	£548
% net income spent on rent	21%	27%	35%
Disposable income after rent (weekly)	£364	£364	£358

*Source: Entitled to benefits calculator for benefit entitlement, LHA rates from gov.uk, Social and Affordable Rents from Homes England, AECOM calculations *Council Tax Support amount is excluded from the net income + benefit amount as it is assumed this would be spent directly on Council Tax and would not be available for other living expenses. **Universal Credit is used in these scenarios as they are assumed to be new claims. Many households in Hart will be claiming legacy benefits and will not yet have moved on to UC, though the amount claimed should be the same overall.*

Appendix B : Affordability Thresholds

B.1 The following discussion of affordability thresholds was included as Figure 9.9 in the Hart SHMA 2016.

Hart SHMA Figure 9.9: Affordability Threshold

There is no guidance in the NPPG on what percentage of income spent on rent is regarded as affordable. For the 2014 HRSH SHMA Wessex Economics used 35% of gross household incomes as the threshold for establishing whether households could afford private rented accommodation. This reflected common practice amongst consultants and researchers of using around one third of gross household incomes. 35% rather than 33% was chosen for consistency with the HCA's affordability calculator for shared ownership properties[4].

The affordability threshold has been the subject of debate at Local Planning Inquiries. In many Local Plans, Inspectors have accepted levels between 30-40% of gross household incomes. But at the Eastleigh Local Plan Inquiry, the Inspector found the Local Plan unsound on the basis that affordable housing needs were not being addressed and insufficient overall housing was planned. The Inspector criticised the use of a 30% affordability threshold in Eastleigh and considered this to be the upper limit of affordability in the Borough.

However, evidence available from the English Housing Survey (2013/14) suggests households spend 31% of gross incomes on rent in the social rented sector and 43% in private rented sector in England as a whole. In practice therefore, households living in rented accommodation spend more than 30% of their gross incomes on rent.

A recent study by the JRF and NHF[5] considered the affordability threshold in detail in order to establish rent levels linked to household incomes – so called Living Rents. The study uses one third of gross incomes (33%) as the starting point for affordability but discounted this 28% to reflect the income and NI tax take from low income households.

It is important to stress that households accessing lower quartile private rented properties in the three authorities and solely reliant on benefits will need to spend more than 30% of their income on rent, given the benefit cap of £20,000 announced in the Autumn Statement 2015. To afford a lower quartile rent in the housing market area, households solely reliant on benefits are estimated to spend the following proportion of their incomes on their rent under the benefit cap:

Hart (48%)

Rushmoor (31%)

Surrey Heath (55%)

Although Wessex Economics take the view that it might be desirable for households to spend less than 30% of their incomes on housing costs, given the market context and government policy, this is not a realistic option. The evidence strongly suggests that, at present, households in the rented sector spend more than 30% of their incomes on rent.

To adopt an affordability threshold that is lower than 30% would fail to recognise that on average households in the social rented sector spend more than 30% of their gross income on rent. Government regards this as an affordable tenure. Government policy also regards it as acceptable that households reliant on benefits have to spend more than 30% of their gross income to rent a property in private rented sector suitable to their needs.

In conclusion, Wessex Economics has recommended to the HRSH authorities that the SHMA adopts an affordability threshold of 30% of gross incomes. This takes a more cautious approach to affordability than in the 2014 SHMA and broadly reflects the reality of renting in the social rented sector based on the available evidence.

4 HCA 2011 Target Incomes Calculator
5 JRF, NHF & Savills 2015 Living Rents – a new development framework for affordable housing

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