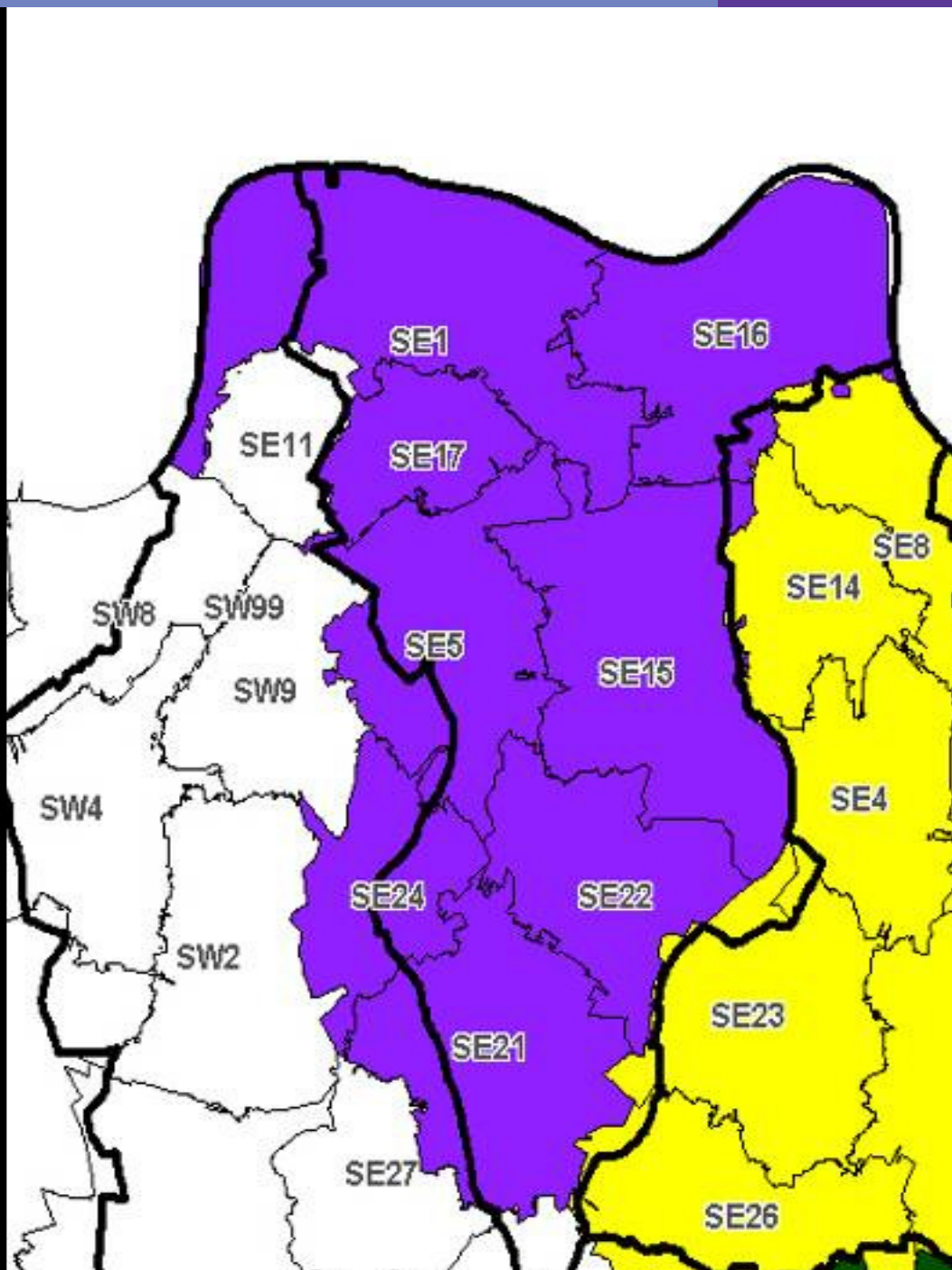


Southwark affordable rent product study April 2013

June 2013

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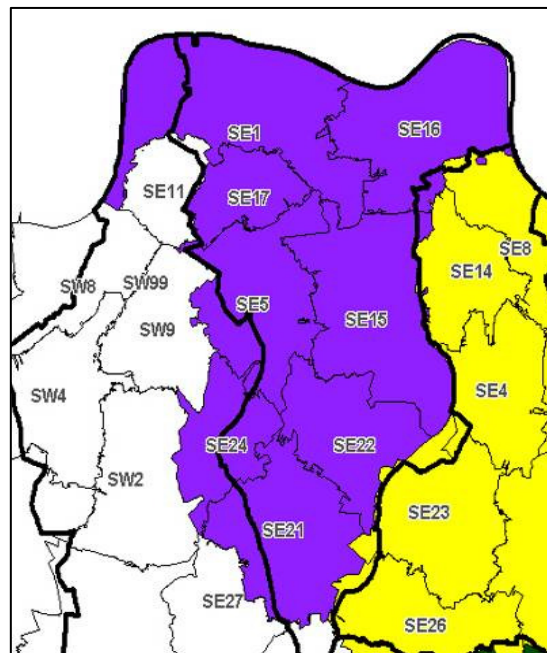


Introduction

National government introduced a new type of affordable housing through a revision to Planning Policy Statement 3 in June 2011. The new type of affordable housing is called "affordable rent". Affordable rent sits alongside social rent and intermediate housing as a third type of affordable housing. The product allows up to 80% of market rent to be charged and is allocated to housing applicants in the same way as social rented housing.

As a council we were concerned about the potential impact of the affordable rent product and felt that it was important to assess how affordable it would be in Southwark. We therefore brought together information on market rent levels, average incomes, and benefit levels into a study which looked at the affordability of the new affordable rent product. The study covered the whole borough and used postcode areas as shown on the map below. Please note that the postcode boundaries don't align exactly with the Southwark borough boundary.

The study modelled a range of scenarios from 40% to 80% of market rent, across a range of bed sizes. The data in the study has been, and continues to be, used to inform our approach to affordable rent, both in terms on new build homes and conversion of relets. Using the data on affordability within the study, council officers proposed three the different scenarios for varying proportions of affordable rent for different bed sizes. These were then tested using the data. The Council clarified its approach to the new product in a planning committee report from December 2011. The report stated that we will continue to apply our existing affordable housing policy and the affordable rent product will only be accepted where financial viability can show that the policy cannot be met. In the instances where the affordable rent product is proposed it should follow one of these three options:



- **Option 1** - Developing properties at a percentage of market rent that is significantly less than 80%, by use of cross subsidy.
- **Option 2** - Providing the majority of new build (e.g. 75%) at 'affordable rent', to enable the provision of some social rented homes (e.g. 25%)
- **Option 3** - Concentrating on providing one and two bed homes at up to 80% market rent level on the basis of providing three bed plus homes at social rent.

It is important to note that this affordable rent product study does not set or vary existing planning policy and developers are advised to check current planning policy with the planning team. The Core Strategy (2011), saved Southwark Plan (2007, area actions plans, and the Affordable Housing supplementary planning documents (adopted 2008 and draft 2011) set out the council's planning policies for affordable housing.

Any developer/landlord considering developing an affordable rent product in Southwark is advised to explore the data in the appendix to consider appropriate levels of market rent. We also advise that you contact the housing development team to discuss the levels of rent you may be proposing.

This document provides an introduction and explanation to the study as well as a summary of the main conclusions. We have used the SE1 and SE15 postcodes for the examples within the summary as these are two extremes in the Borough in terms of average property price. The full data, covering all the postcodes, is available as an appendix to this report in an excel spreadsheet.

This full data set is updated annually.

Median weekly market rent April 2013				
Area	1	2	3	4+
Southwark	333.14	423.63	488.26	643.96
SE1	383.62	497.23	647.87	647.87
SE5	250.92	318.99	408.69	568.53
SE11	338.77	393.74	478.60	572.90
SE15	241.49	298.98	390.75	583.94
SE16	318.99	373.73	498.38	607.16
SE17	253.22	356.25	448.47	640.05
SE21	214.58	310.94	396.73	646.72
SE22	241.26	310.25	448.47	689.96
SE24	251.84	310.02	459.97	505.28

Overview of the three methodologies used

The study used three different methodologies to explore the impacts of the new "affordable rent" tenure.

1. The first approach was to start with **different proportions of market rents (40%-80%) and the income required to afford these, at varying proportions of use of gross household income** (as households have other living costs).
2. The second approach looked at what **proportion of affordable rent would be affordable for those affected by the benefits cap** (proposed to be introduced from in 2013). The universal credit cap will set a total benefit caps for non-working households (those not in receipt of working tax credit) of £350 a week for single adult households and £500 for couples and lone parent families, but there are some exceptions such as those receiving disability living allowance recipients and war widows (the full list of exemptions is included in the final tab in the excel spreadsheet). This part of the study made use of figures from a South East London Housing Partnership study. This has been updated in this document. The modelling assumes that only housing benefit is used towards rents and that other benefits are used for other costs such as food, heating, care etc. The report looked at what benefits different household groups were likely to be already receiving (child benefit, child tax credit and income support). It then looked at how much potential housing element could therefore be remaining within the universal credit cap. In the private sector this housing element would be capped to Local Housing Allowance (LHA) levels, as set by the Valuation Office Agency but for the new affordable rent tenure the housing benefit/element can exceed the LHA level, though developers are unlikely to do affordable rent at levels above LHA. This potential housing

benefit/element figure can then be compared to proportions of market rents by postcode, to see the maximum proportion of market rent that each different household type (affected by the cap) could potentially afford.

3. The third approach was to look at the **proportion of market rent that different households could afford using household income data from the Housing Requirements Study 2008 (published in 2009)**. The full data set is included in the appendix in the data tabs.

Scenario testing - Using the data and findings from these methodologies, three scenarios were tested using varying proportions of market rents, LHA capped market rents and social rents:

1. Unrestricted 80% market rent for 1 and 2 bed, with social rent for 3 bed plus
2. LHA capped market rents of 80% for 1 bed, and 70% 2 bed, and social rent for 3 bed plus
3. LHA capped market rents of 80% 1 bed, 60% 2 bed, and social rent for 3 bed plus

Summary of key findings

1. Proportions of market rents and the income required to afford these

In the excel spreadsheet in the appendix, the first tab looks at varying proportions of market rents between 40% to 80% and shows where these are higher than the local housing allowance rate for the area. For rents in the private sector, households can only receive up to local housing allowance rate which was set at the 30th percentile for the broad rental market area (BMRA) and has then been updated annually by either CPI or the new 30th percentile rent (which ever is lower). The BRMA for Southwark is "Inner South East London". Rents under the affordable rent product are not officially capped at the LHA rate (this was not in RPs contracts with the HCA) but the GLA indicated they would not expect affordable rents to exceed this. The tested scenarios included some options of affordable rent capped at the LHA rate. So this sheet shows where this would be likely to apply and at what proportions of market rent.

The following extract from the spreadsheet shows that at 80% of market rent, most of Southwark's postcode areas have rents exceeding the LHA rate (the orange cells). At 60% of market rent (the second table), a larger number of postcode areas would have rents lower than the LHA rates.

80% Market Rent				
Area	1	2	3	4+
Southwark	266.51	338.91	390.61	515.17
SE1	306.89	397.78	518.30	518.30
SE5	200.73	255.19	326.95	454.82
SE11	271.02	314.99	382.88	458.32
SE15	193.19	239.19	312.60	467.15
SE16	255.19	298.98	398.70	485.73
SE17	202.57	285.00	358.78	512.04
SE21	171.66	248.75	317.38	517.38
SE22	193.00	248.20	358.78	551.97
SE24	201.47	248.02	367.98	404.22

60% Market Rent				
Area	1	2	3	4+
Southwark	199.88	254.18	292.96	386.38
SE1	230.17	298.34	388.72	388.72
SE5	150.55	191.39	245.21	341.12
SE11	203.26	236.24	287.16	343.74
SE15	144.89	179.39	234.45	350.36
SE16	191.39	224.24	299.03	364.30
SE17	151.93	213.75	269.08	384.03
SE21	128.75	186.56	238.04	388.03
SE22	144.75	186.15	269.08	413.98
SE24	151.10	186.01	275.98	303.17

The first tab then looks at what income would be required to afford varying proportions of market rent. The tab provides figures for both 25% and 30% of gross income used up as rent.¹

If a household could afford to spend 30% of their income in rent, an annual income of **£67,936** would be required to afford a 3 bed 80% market rent property in Southwark (up from £59,520 in the April 2011 study). However it is sometimes argued that spending 25% of gross income on rent is affordable. Under this assumption an annual income of **£81,523** would be required for a three bed property (up from £71,424 in the April 2011 study). At 60% market rent, spending 30% of gross income, an annual income of **£50,952** is required (up from £44,640 in the April 2011 study).

The spreadsheet can be used to check the figures for a large range of options such as different proportions of market rent and/or percentage of gross income spent on rent.

Annual Income required to afford rent 30% gross income				
30%	1	2	3	4+
Southwark	46,352	58,944	67,936	89,600
SE1	53,376	69,184	90,144	90,144
SE5	34,912	44,384	56,864	79,104
SE11	47,136	54,784	66,592	79,712
SE15	33,600	41,600	54,368	81,248
SE16	44,384	52,000	69,344	84,480
SE17	35,232	49,568	62,400	89,056
SE21	29,856	43,264	55,200	89,984
SE22	33,568	43,168	62,400	96,000
SE24	35,040	43,136	64,000	70,304

Annual Income required to afford rent 25% gross income				
25%	1	2	3	4+
Southwark	55,622	70,733	81,523	107,520
SE1	64,051	83,021	108,173	108,173
SE5	41,894	53,261	68,237	94,925
SE11	56,563	65,741	79,910	95,654
SE15	40,320	49,920	65,242	97,498
SE16	53,261	62,400	83,213	101,376
SE17	42,278	59,482	74,880	106,867
SE21	35,827	51,917	66,240	107,981
SE22	40,282	51,802	74,880	115,200
SE24	42,048	51,763	76,800	84,365

¹ 25% gross income is the figure suggested in the previous Governments Housing Market Assessment Guidance but it said that higher proportions may possibly be considered if people were on higher incomes or in particular local circumstances.

Annual Income required to afford rent 30% gross income				
30%	1	2	3	4+
Southwark	34,764	44,208	50,952	67,200
SE1	40,032	51,888	67,608	67,608
SE5	26,184	33,288	42,648	59,328
SE11	35,352	41,088	49,944	59,784
SE15	25,200	31,200	40,776	60,936
SE16	33,288	39,000	52,008	63,360
SE17	26,424	37,176	46,800	66,792
SE21	22,392	32,448	41,400	67,488
SE22	25,176	32,376	46,800	72,000
SE24	26,280	32,352	48,000	52,728

2. Proportions of affordable rent that could be afforded by property size within the universal credit cap

The second tab looks at the affordability of the affordable rent product for a non-working household once the benefit cap is introduced. It made use of a South East London Housing Partnership study, this has since been updated. The key part of the spreadsheet is the section on the right of the main table (as included on the following page).

In 2013 a maximum cap on the total amount of benefit which a working age non-working household can claim will be introduced. The cap is currently expected to be £350 per week for single person households and £500 per week for all others. The cap will also apply to Universal Credit, a new single benefit for working age people which will be introduced from October 2013 to 2017. It will replace most means tested benefits e.g. job seeker's allowance (income-based), employment support allowance (income-related), income support, housing benefit, and child and working tax credits.

The cap will not apply to some working households such those receiving working tax credits, households in receipt of certain disability benefits and war widows, a full list of exemptions is included on the final tab of the appendix. We are particularly concerned about the impact of this change for some families in Southwark, especially larger families. Universal credit will be made up of various elements similar to the current arrangements.

For the table below, we have looked at the current benefits that different sized households are likely to receive for income support, personal allowance, child tax credit and child benefit. This figure was then subtracted from the maximum universal credit cap to see how much would potentially be remaining that could cover rent under the housing element of the universal credit. The relevant proportion of market rent for that household size was then subtracted. Where this new figure is positive it just shows the proportion of market rent that could be fully covered by the housing element. The household would not actually receive this extra figure, unless they were entitled to some other benefit element. However where figures are negative this shows where other elements would have to be used to cover rents. So the household would have less money for other living costs.

The final column gives the maximum proportion of market rent that each type of household could afford within the cap, without having to use up some of their other non-housing elements (which would currently be used for food, heating costs, clothing etc). The colour coding shows for smaller household sizes the housing element (assuming it is not capped, except by the total universal credit cap) could cover more than 80% market rent within the universal credit cap (shaded dark green). As the household gets larger the proportion reduces to somewhere between 80% and 40% (light green). They are all shaded green as it means an affordable rent at somewhere over 40% of market rent is possible, but only to the proportion stated. Once you get to larger families with 4 children plus, the household would not be able to even reach 40% market rent within the housing element of the universal credit cap and would have to use up other elements of the cap, or not be able to afford it at all.

In a scenario in the future, where universal credit is already introduced, a working household in an affordable rent property in Southwark is still likely to be having some of their rent paid through the housing element of universal credit, based on the low average incomes in Southwark. This would not be capped if they were working. But if they then became unemployed, even through no fault of their own, the universal credit cap would apply (unless any other exemption applied). So they might struggle to pay the rent and

could enter rent arrears or become homeless. DWP have indicated that people who have lost their job but were employed for 12 months or more prior to claiming, may have 9 months before the benefit cap applies to them (50 out of 52 weeks).

Potential proportion of market rent that could be covered by the housing element within the universal credit cap for non working households after removing estimates for elements for income support, personal allowance, child tax credit and child benefit, and the applicable proportion of Southwark market rent

* The final column is the maximum % of market rent the household could afford (assuming no cap on the housing element, except the total universal credit cap), assuming only the housing element of benefits is used on rent.

Southwark	Bed rooms	Maximum benefits remaining within Cap						* Max proportion of market rent
		After target rent plus service charge	After 40% market rent	After 50% market rent	After 60% market rent	After 70% market rent	After 80% market rent	
Single under 25	0	£196.87	£160.50	£127.18	£93.87	£60.56	£27.24	88%
Single over 25	1	£182.12	£145.75	£112.43	£79.12	£45.81	£12.49	84%
Couple with no dependants	1	£291.67	£255.30	£221.98	£188.67	£155.36	£122.04	117%
Couple with 1 child	2	£195.28	£136.59	£94.22	£51.86	£9.50	£-32.87	72%
Couple with 2 children	2	£130.15	£71.46	£29.09	£-13.27	£-55.63	£-98.00	57%
Couple with 3 children	3	£51.60	£-19.52	£-68.35	£-117.18	£-166.00	£-214.83	36%
Couple with 4 children	3	£-13.53	£-84.65	£-133.48	£-182.31	£-231.13	£-279.96	23%
Couple with 5 children	4	£-94.17	£-212.06	£-276.46	£-340.86	£-405.25	£-469.65	7%
Couple with 6 children	4	£-159.31	£-277.20	£-341.60	£-406.00	£-470.39	£-534.79	-3%
Single parent with 1 child	2	£235.73	£177.04	£134.67	£92.31	£49.95	£7.58	82%
Single parent with 2 children	2	£170.60	£111.91	£69.54	£27.18	£-15.18	£-57.55	66%
Single parent with 3 children	3	£92.05	£20.93	£-27.90	£-76.73	£-125.55	£-174.38	44%
Single parent with 4 children	3	£26.92	£-44.20	£-93.03	£-141.86	£-190.68	£-239.51	31%
Single parent with 5 children	4	£-53.72	£-171.61	£-236.01	£-300.41	£-364.80	£-429.20	13%
Single parent with 6 children	4	£-118.86	£-236.75	£-301.15	£-365.55	£-429.94	£-494.34	3%
Lone parent under 18	1	£346.87	£310.50	£277.18	£243.87	£210.56	£177.24	133%
Lone parent over 18	1	£332.12	£295.75	£262.43	£229.12	£195.81	£162.49	129%

The data in the second tab is interactive so you can change the postcode and see how affordability changes for particular areas. There is a yellow shaded drop down box where you can enter your chosen postcode. For example in SE15 households can afford a higher proportion of market rent as the market rents are lower. In SE1 the opposite is true.

3. Proportions of market rent different households could afford using household income data from the Housing Requirements Study 2008 (published in 2009)

Southwark Council carried out a Housing Requirements Study in 2008, which was published in 2009. This looked at median household incomes. In the affordable rent study, the data was compared to varying proportions of market rent to see what different household types would be able to afford. The figures below assume 30% of gross household could be used to pay rent. The results are shown in tab 3 of the spreadsheet. The final column in the extract below gives the maximum proportion of the market rent that the average household of that size could afford.

In Southwark an adult couple with no children can afford quite a high proportion of market rent on a one bed and a fairly high proportion on a two bed. But on average, couples with children will be able to afford a maximum of 40% market rent a two bed. So this shows that the affordable rent product is most suitable for couples with no children.

Again, the data in the spreadsheet is interactive and you can enter different postcodes to see how affordability changes across the borough. As per the universal credit methodology (explained in 2. above), people can afford higher proportions of market rent in SE15 due to lower average property prices, and again in SE1 the opposite is true.

Southwark	40% Market	50% Market	60% Market	70% Market	80% Market	90% Market	100% Market	Maximum % of market rent that average could afford
1 bed Market Rent	133.25	166.57	199.88	233.19	266.51	299.82	333.14	
30% Single person median income	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	29%
30% Lone parent median income	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	16%
30% Adult couple median income	£264.48	£264.48	£264.48	£264.48	£264.48	£264.48	£264.48	79%
30% Median income	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	29%
2 bed Market Rent	169.45	211.82	254.18	296.54	338.91	381.27	423.63	
30% Lone parent median income	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	12%
30% Adult couple with children median income	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	40%
30% Adult couple median income	£264.48	£264.48	£264.48	£264.48	£264.48	£264.48	£264.48	62%
30% Median income	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	23%
3 bed Market Rent	195.30	244.13	292.96	341.78	390.61	439.44	488.26	
30% Lone parent median income	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	11%
30% Adult couple with children median income	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	35%
30% Median income	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	20%
4 bed+ Market Rent	257.58	321.98	386.38	450.77	515.17	579.57	643.96	
30% Lone parent median income	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	£52.32	8%
30% Adult couple with children median income	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	£169.04	26%
30% Median income	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	£96.59	15%

4. Scenario testing

Using the data and findings from the previous three methodologies, three scenarios were tested using varying proportions of market rents, LHA capped market rents and social rents:

1. Unrestricted 80% market rent for 1 and 2 bed, with social rent for 3 bed plus
(Though this scenario should not apply as rents should not exceed the LHA rate)
2. LHA capped market rents of 80% for 1 bed, and 70% 2 bed, and social rent for 3 bed plus
3. LHA capped market rents of 80% 1 bed, 60% 2 bed, and social rent for 3 bed plus

The tables below give figures for each scenario (capped as required) for Southwark, SE1 and SE15. Please refer to the full spreadsheet for the other postcodes. The light green shading shows where the value has been capped to LHA instead of the higher market rent figure. For Southwark both 80% and 70% of market rent would be capped at LHA under option 2. For SE15 neither would be capped. The tables also explore what incomes would be required for these options using 25% and 30% of gross household income as rent.

Key to shading below

Orange= Greater than LHA rate for inner SE London

Green= Set to LHA rate

Blue= Set at target rent plus service charge

Purple= Greater than or equal to universal credit cap

Southwark data

Summary of the proposed options for	Southwark			
WEEKLY	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	267	339	124	140
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	189	245	124	140
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	189	245	124	140
ANNUAL	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	13906	17683	6479	7289
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	9845	12798	6479	7289
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	9845	12798	6479	7289
Annual income required at 25% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£55,622	£70,733	£25,917	£29,154
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£39,379	£51,192	£25,917	£29,154
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£39,379	£51,192	£25,917	£29,154
Annual income required at 30% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£46,352	£58,944	£21,598	£24,295
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£32,816	£42,660	£21,598	£24,295
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£32,816	£42,660	£21,598	£24,295

SE15 data

Summary of the proposed options for	SE15			
WEEKLY	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	193	239	124	140
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	189	209	124	140
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	189	179	124	140
ANNUAL	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	10080	12480	6479	7289
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	9845	10920	6479	7289
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	9845	9360	6479	7289
Annual income required at 25% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£40,320	£49,920	£25,917	£29,154
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£39,379	£43,680	£25,917	£29,154
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£39,379	£37,440	£25,917	£29,154
Annual income required at 30% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£33,600	£41,600	£21,598	£24,295
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£32,816	£36,400	£21,598	£24,295
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£32,816	£31,200	£21,598	£24,295

SE1 data

Summary of the proposed options for				
	SE1			
WEEKLY	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	307	398	124	140
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	189	245	124	140
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	189	245	124	140
ANNUAL	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	16013	20755	6479	7289
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	9845	12798	6479	7289
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	9845	12798	6479	7289
Annual income required at 25% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£64,051	£83,021	£25,917	£29,154
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£39,379	£51,192	£25,917	£29,154
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£39,379	£51,192	£25,917	£29,154
Annual income required at 30% of gross income	1 bed	2 bed	3 bed	4 bed plus
Option 1- Unrestricted 80% market rent for 1 and 2 bed, social rent 3 bed plus	£53,376	£69,184	£21,598	£24,295
Option 2- LHA capped 80% 1 bed, 70% 2 bed, social rent 3 bed plus	£32,816	£42,660	£21,598	£24,295
Option 3- LHA capped 80% 1 bed, 60% 2 bed, social rent 3 bed plus	£32,816	£42,660	£21,598	£24,295

Conclusions

The key conclusions of this 2013 annual update to are the same:

1. That as market rents are very high in Southwark, significant incomes are required to afford high proportions of market rent. But average incomes of people living in Southwark are low.
2. Therefore if the affordable rent product is trying to meet the housing need of people on the housing register, the households are extremely likely to be dependant on housing benefits to pay their rent.
3. For households using housing benefits to pay rent, the introduction of a benefits cap for non-working households means there will be very little benefits/element remaining within the cap to cover rents for larger households.
4. Therefore households who can afford affordable rent with benefits while working are likely to really struggle if they lose work and a universal credit cap applies. This could lead to increased debt, rent arrears and in the longer term, homelessness. This represents a risk for the tenant as well as the landlord. Since the original affordable rent study was released, the DWP have indicated that people who have lost their job but were employed for 12 months or more prior to claiming, may have 9 months before the benefit cap applies. So this risk has been slightly reduced.
5. As a result, in Southwark, the affordable rent product is not really that well suited for 3 and 4 bedroom properties (especially at higher rents close to 80% of market rent). It is only really affordable for some household types for 1 and 2 bedroom properties at high proportions of market rent.

These conclusions are consistent with similar studies that have been conducted recently within London.