



# **How affordable are Affordable Homes in Spelthorne?**

**June 2021**

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## **I. Introduction**

- 1.1 Affordable rent is a form of social housing, which was introduced in 2011 as the main type of affordable housing supply. Affordable rented homes are let by local authorities or registered providers, to households who are eligible for social housing. Affordable rent is subject to rent controls that require rent to be set at up to 80% of the local market rent (including service charges, where applicable).
- 1.2 In general terms, residents are eligible for affordable housing if they cannot afford to rent or buy housing supplied by the private sector. The provision of affordable housing is a key element of the Government's plan to end the housing crisis, tackle homelessness and provide aspiring homeowners with a step onto the housing ladder.
- 1.3 Spelthorne Borough Council transferred all its housing stock to A2Dominion Housing Group in 1996. This means that there is no 'Council housing' in Spelthorne. Affordable housing in Spelthorne is provided by housing associations - A2Dominion, Metropolitan Thames Valley Housing, Paragon Housing, Notting Hill Genesis, London & Quadrant, and by the Council owned housing company, Knowle Green Estates (KGE).
- 1.4 Affordable Housing can only be accessed by registering on the Council's Housing Register. There are a range of affordable housing for rent options, including: Social Rent, Affordable Rent, Key Worker housing, Sheltered Housing and Extra Care Housing.
- 1.5 Applications on the Housing Register are assessed and prioritised in accordance with the Housing Allocations Policy. The Council has rights to 'nominate' applicants for affordable housing vacancies with housing associations. However, at present the demand for affordable housing

significantly outstrips supply, so many applicants will not receive an offer of affordable housing.

1.6 The Applicants can also express interest in available properties through a 'bidding' process. This is known as 'choice-based lettings'. The Council has a choice-based lettings system called SEARCH Moves.

## **II. Affordable Housing Options in Spelthorne**

2.1 Affordable Housing is defined as housing for sale or rent, for those whose needs are not met by the market. At Spelthorne the offer of affordable housing falls within the following definitions:

- (a) Affordable housing for rent meets all of the following conditions:
  - (i) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable);
  - (ii) the landlord is a registered provider or voluntary affordable housing provider and;
  - (iii) it includes provisions to remain at an affordable price for future eligible households.
- (b) Affordable routes to home ownership: housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low-cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent).

2.3 This report focuses on affordable rent only.

## **III. Regional and national statistics.**

3.1 In the 2011 census, Spelthorne's population was 95,598 and is made up of approximately 51% females and 49% males. The average age of

people in Spelthorne is 40. Census 2021 data is not yet available, the initial findings will be published in March 2022 and final data release is planned for March 2023.

3.2 Almost half of Surrey's 20 most deprived super output areas are in Spelthorne. Three are in the ward of Stanwell North, two in Ashford North and Stanwell South and one in each of Ashford East and Sunbury Common. Spelthorne has the highest number of lone parent families and the highest level of child poverty in Surrey; it also has the highest under-18 conception rate in the county. That said, residents are largely healthy, with life expectancy for both males and females slightly above the national average.

3.3 Spelthorne's rate of unemployment is at 3.7% of those economically active aged 16 to 64, compared to the UK (4.5%). Significantly, 21.5% of those in employment in Stanwell North are in low level employment compared to an average of 11.6% in Surrey. Average wages are slightly above regional averages at £630 per week for full-time employees. Heathrow Airport is a significant local employer, with 8.3% of Spelthorne's working population employed there. Due to the impact of COVID-19, passenger numbers at Heathrow Airport were reduced by 82% in October 2020 compared to the previous year. Consequently, companies operating at Heathrow Airport have furloughed a significant number of staff for 1 month each, between 1 December 2020 and 31 March 2021. This decision is likely to pave the way for more permanent job losses, as it is very unlikely that the 2019 level of demand for air travel will return for several years, if ever.

3.4 Whilst house prices remain well above the national average, most residents are owner-occupiers (73%), followed by private rented (13%) and social rented (12%).

3.5 The average household income in Spelthorne, is £55,752 - which is in the lower end when compared to other boroughs in Surrey. But this is offset by the comparatively low average price for a similar size property in comparison to other areas of Surrey.

### 3.6 Surrey average salary:

The average salary ranges between £30.8k in Epsom and Ewell to £52.7k in Reigate and Banstead. In 2020, the UK average salary was £38.6k.

Area	Average salary in 2020 <sup>1 2</sup>
Epsom and Ewell	£30.8k
Waverley	£34.3k
Spelthorne	£37.3k
Tandridge	£38.0k
Guildford	£42.5k
Mole Valley	£43.1k
Elmbridge	£45.5k
Runnymede	£47.9k
Surrey Heath	£48.3
Woking	£51.6k
Reigate and Banstead	£52.7k
<b>United Kingdom</b>	<b>£38.6k</b>

### 3.7 Surrey unemployment comparison:

The unemployment rate ranges between 2.5% in Runnymede to 3.7% in Spelthorne. The UK unemployment rate is 4.5%

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<sup>1</sup> Gross average salary is calculated for full-time employees. Employee has to be in the same job for over 12 months. The data collected is Tax Year Ending and was published in November 2020.

<sup>2</sup> Source: <https://www.plumplot.co.uk/Surrey-salary-and-unemployment.html>

<b>Area</b>	<b>Unemployment rate in 2020<sup>3</sup></b>
<b>United Kingdom</b>	<b>4.5%</b>
Spelthorne	3.7%
Woking	3.5%
Elmbridge	3.4%
Reigate and Banstead	3.4%
Surrey Heath	3.3%
Tandridge	3.1%
Waverley	3%
Guildford	3%
Mole Valley	3%
Epsom and Ewell	2.9%
Runnymede	2.5%

### 3.8 Spelthorne Education Statistics

These statistics are for the highest-level education obtained by the residents of Spelthorne and are from the UK Census of 2011.

<b>QUALIFICATION</b>	<b>SPELTHORNE</b>	<b>SURREY</b>	<b>ENGLAND</b>
No Qualifications	20.4%	15.9%	22.5%
GSCE	16.1%	12.2%	13.3%
A level	16.1%	15.3%	15.2%
Apprenticeship	3.9%	2.9%	3.6%
Undergraduate Degree	11.4%	12.3%	12.4%
Postgraduate Degree and above	25.9%	36.2%	27.4%
Other <sup>4</sup>	6.2%	5.1%	5.7%

<sup>3</sup> Source: <https://www.plumplot.co.uk/Surrey-salary-and-unemployment.html>

Whilst unemployment levels are very low in regional terms and there are high levels of economic activity in the local labour market, the skill levels and consequently incomes are well below average for the wider area.

### 3.9 Spelthorne Property Ownership & Rental Statistics

Spelthorne has a higher rate of home ownership, either outright or via a mortgage than the national average, which suggests that Spelthorne is a relatively affluent area<sup>5</sup>.

TENURE	SPELTHORNE	SURREY	ENGLAND
Owned	33.9%	34.8%	30.6%
Mortgage	38.6%	38.1%	32.8%
Shared Accommodation	1.4%	1%	0.8%
Social Rented (Council)	1.6% <sup>6</sup>	4.9%	9.4%
Social Rented (Housing Assoc)	10.8%	6.5%	8.3%
Private Rented	11.7%	12.2%	15.4%
Other	0.9%	1.3%	1.4%
Rent Free	1%	1.2%	1.3%

### 3.10 Spelthorne Benefits and Unemployment Statistics

After the introduction of Universal Credit, the government no longer publishes unemployment figures as a percentage of the working population and has no

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<sup>4</sup> includes vocational or work-related qualifications, and for foreign qualifications where an equivalent qualification was not indicated

<sup>5</sup> Source: UK Census of 2011

<sup>6</sup> Spelthorne Borough Council (SBC) has a low percentage of Council-owned socially rented housing in comparison to regional/national levels because SBC transferred its stock to A2 Dominion Group, which also explains the increase in social rented (housing assoc.) compared to regional/national levels. 1.6% of Social Rented (Council) is still a high percentage for a non-stock holding authority, but this may be explained by some confusion of the residents responding to the Census questions.

further plans to do so. The Government does publish the number of Universal Credit claimants in every local district council.

Universal Credit Statistics for Surrey as of February 2018 <sup>7</sup>

Area	Claimant count
Reigate and Banstead	785
Guildford	590
Spelthorne	590
Tandridge	555
Elmbridge	530
Runnymede	410
Epsom and Ewell	375
Surrey Heath	375
Mole Valley	305

#### **IV. Local Housing Allowance and the Private Sector**

4.1 Currently, 1.4 million private renting households in the UK claim housing benefit on its own, or as part of the Universal Credit housing element. The LHA ‘rate’ is the maximum amount of housing benefit that a private renter can claim to help pay their rent. In theory, LHA is designed so that a person can get enough housing benefit to cover the cost of renting a typical home in their area, that is large enough for their needs.

4.2 LHA was introduced in 2008 to bring the amount being spent on housing benefit for those renting privately in line with the benefit for those renting social housing. The Department for Work and Pensions (DWP) use Local Housing Allowance (LHA) rates to calculate Housing Benefit and Universal Credit for tenants renting from private landlords.

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<sup>7</sup> Published by Office of National Statistics

4.3 The Valuation Office Agency (VOA) Rent Officers collect rental information from letting agents, landlords, tenants and other sources. LHA rates are based on private market rents being paid in the Broad Rental Market Areas (BRMA) which can differ from advertised rents. The LHA comprises a set of rates for several categories - Categories A to E which are: shared accommodation, 1-bedroom dwelling, 2-bedroom dwelling, 3-bedroom dwelling, 4-bedroom dwelling

4.4 The rules have been further tightened from 2011, single private renters aged 35 or under are only entitled to housing benefit for a shared room rate, thus they are capped at the LHA shared accommodation rate<sup>8</sup>. Larger families that previously qualified for the five-bedroom rate are now entitled to less housing benefit, capped at four-bedroom rate.

4.5 Research<sup>9</sup> conducted by Shelter (a registered charity that campaigns to end homelessness and bad housing in England and Scotland), found that with rents rising as much as 8% per year in some areas, the gap between local housing allowance rates and actual market rents is considerable. The rates of local housing allowance have also been frozen for four years, from April 2016 to April 2020: but the rents have continued to raise. Spelthorne is mentioned specifically in research published by Shelter in 2017, as at that time it was an authority with one of the top ten biggest shortfalls between LHA and market rents for both families needing two bedrooms, and single people or couples needing just one bedroom. The enduring gap between LHA levels and market rents mean that access to affordable private rented accommodation to prevent or relieve homelessness is a significant challenge.

4.6 For tenants hit by rent shortfalls, the only way to avoid falling into arrears is to either relocate to areas where the rent levels are lower, apply

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<sup>8</sup> There are exceptions to the rule - care leavers can claim the higher one-bedroom rate for longer, as the maximum age limit has been raised to 25, from 22. Also, anyone who has lived in a homeless hostel for 3 months or more, regardless of age, will now be able to claim the higher rate, as the age limit has been removed.

<sup>9</sup> [https://assets.ctfassets.net/6sxvmndnpn0s/5OqhDJZkdKV7tHun755QvB/5c02a9431dddfcad91fad4dccb76e127/Final\\_LHA\\_analysis.pdf](https://assets.ctfassets.net/6sxvmndnpn0s/5OqhDJZkdKV7tHun755QvB/5c02a9431dddfcad91fad4dccb76e127/Final_LHA_analysis.pdf)

for discretionary housing payments (DHP), a payment from the local authority for people who need extra help with housing costs, or to pay the extra rent from other earnings or benefits. For many, this is difficult: some areas are unaffordable under LHA, and discretionary housing payments are only a short-term solution that is never guaranteed. Many people hit by the bedroom tax, benefit cap and LHA shortfall rely on DHP payments.

- 4.7 Spelthorne Borough Council issued 451 DHP's in 2020/21. The annual budget for DHP is £400,000. There is no set limit on the amount of DHP a person can claim as it depends on individual circumstances, however restrictions must be exercised due to the demand for the payments, to ensure that the money goes to those who need it most.
- 4.8 On 20 March 2020, the Chancellor announced an increase to LHA rates to match 'the 30<sup>th</sup> percentile' of rents in each local area as an emergency response to the pandemic. Although LHA rates increased, the benefit cap rate was not increased which means a lot of people were further forced into the benefit cap with large shortfalls in rent. The government decided that rates will be frozen in cash terms from 2021-22 onwards. This means that LHA rates will fall back below the 30th percentile of local rents over time. Thus, LHA rates announced in 2021 and are the same as those that came into force on 1st April 2020.

4.9 LHA rates in Spelthorne for 2021-22 are as follows:

<b>From April 2021- March 2022</b>	<b>Week</b>	<b>Month</b>
Shared accommodation rate e.g., single person	£ 109.71	£ 476.72

under 35		
One-bedroom rate	£ 195.62	£ 850.02
Two-bedroom rate	£ 253.15	£1100.00
Three-bedroom rate	£ 310.68	£1349.98
Four-bedroom rate	£ 407.34	£1769.99

4.10 The Valuation Office Agency set an LHA rate for different sized accommodation. Housing Benefit and Universal Credit are then calculated using the rate for an appropriately sized property and (unless there is a change in family size), that rate continues to be used for the whole financial year (April to March).

In Spelthorne, each rate is capped to a weekly maximum of:

Accommodation size	Rate cap
1 bedroom	£250
2 bedrooms	£290
3 bedrooms	£340
4 bedrooms	£400

Although the LHA rate itself may be lower than these. Housing Benefit and Universal Credit is then calculated from the lowest of the rent amount, the actual LHA rate or the capped LHA rate.

The maximum LHA rate is limited to that of four-bedroom accommodation and the four-bedroom rate will be capped at a maximum of £400 per week. Therefore, Housing Benefit and Universal Credit is based upon the lowest of

the rent, the actual four-bedroom LHA rate or £400 per week - even if the household size requires more than four bedrooms.

## **V. Housing Association Homes**

5.1 Housing Association landlords can charge affordable rent of up to 80% of market rents as set out in Spelthorne Borough Council's Tenancy Strategy.

5.2 Tenants can usually claim one of the following benefits to help with rent payments if they are on low income: universal credit or housing benefit. Benefits may not cover the full rent and the tenant must pay any rent shortfall which is not covered by these benefits from other income.

5.3 The amount of housing benefit or Universal Credit housing element that is paid covers the eligible rent. It is the actual rent plus any service charges (such as for lift maintenance or a communal laundry) but not utility costs such as heating or water charges.

5.4 Housing benefit or Universal Credit housing element could cover the affordable rent in full if the tenant receives any of the following benefits:

- employment and support allowance (income-related)
- jobseeker's allowance (income-based)
- income support
- pension credit guarantee

5.5 However, the tenant will not receive the full housing benefit or Universal Credit housing element if they are affected by the benefit cap. In such case, the housing benefit is reduced to the level that falls within the cap. Benefit cap can apply when the tenant is of a working age and has an income from benefits which is above the cap.

At present the benefit cap amount look as follows:

	<b>Monthly amount</b>	<b>Weekly amount</b>
Families with children and couples - in London	£1,916.67	£442.31
Families with children and couples - outside London	£1,666.67	£384.62
Single people - in London	£1,284.17	£296.35
Single people - outside London	£1,116.67	£257.69

5.6 Housing Benefit or Universal Credit awards can also be reduced if the tenant has a spare bedroom in their home. The reduction looks as follows:

- 14% of the 'eligible rent' for 1 spare bedroom
- 25% of the 'eligible rent' for 2 or more spare bedrooms

## **VI. Executive Summary – how affordable is affordable rent?**

6.1 Historically, councils and housing associations used to build social housing – often called 'Council housing', where rents were based on a formula that combined local wages and local property values so that, for much of southern England, rents would be set at around 50% of local market rents – even lower in very expensive areas. Social housing rents allowed people to work without being dependent upon housing benefit.

6.2 Social rented housing has now been largely replaced by affordable housing. In practice it means that affordable rent is higher than before, set at up to 80% of the local market rent. Unfortunately, it means that for

a lot of people on low incomes in southern England, affordable rented properties, are not affordable.

## VII. Conclusion

- 7.1 Data on average market rents is collected by the Valuation Office Agency (recorded between 1 October 2019 to 30 September 2020) shows that if councils and housing associations were to charge 80% of market rates for a two-bedroom property in London, tenants would have to pay on average £1,160 a month. The highest London rents are in Kensington and Chelsea at 80% of market value on average for a two-bedroom property £2,224 a month and lowest in Newham for the same size accommodation at 80% of market value rent at £1,071.20 a month.
- 7.2 In Spelthorne, the average rent for a two-bedroom property at 80% of market value comes to £956 per month. To be ‘affordable’, it would require an income in the region of £38,000<sup>10</sup>. The property can be largely affordable for those who earn the average salary in Spelthorne (£37.3k), as outlined earlier, but for those on low-income, affordable rent is not affordable.
- 7.3 Families on a minimum or very low wage cannot afford to pay rents at 80% of market value, without relying on housing benefit or Universal Credit.
- 7.5 Consequently, housing benefit and Universal Credit takes the strain, thousands of families are benefit-dependent tenants, and the number of claimants continues to increase. In addition, where the rent cannot be fully covered by benefits, families rely on Discretionary Housing Payment, which creates another issue as those payments are not designed to provide a long-term solution.

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<sup>10</sup> Calculated at 40% of income. English Housing Survey states that spending more than 30% of household income on housing is thought to lead to housing stress, because if households pay much more than this for housing, they could struggle to pay for other bills and necessities. However private renters in receipt of HB spent 40% on rent so for the purposes of this report affordability is calculated at 40%

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/898397/2018-19\\_EHS\\_Housing\\_costs\\_and\\_affordability.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/898397/2018-19_EHS_Housing_costs_and_affordability.pdf)

7.6 The way to break the cycle, would be to set localised affordable rents level in Spelthorne at the level they were in the past – 50-60% of market value. This would enable low-income families to work, and cover rent from their earnings.