

BBC Radio [More or Less](#) programme 2.12.11
on Affordable Housing statistics - transcript

'Affordable Homes: they're rather mysteriously defined, they might actually not be new homes, and they may very well not be affordable.'

Following a Today Programme interview with Grant Shapps on the number of affordable homes that have been and will be built, Tom Harford and Fiona Wood discuss what is an affordable home

Fiona Woods – What is Affordable Housing?

The definition of Affordable Housing is housing provided to specified eligible households whose needs are not met by the market.

...There are several categories. The first is **old-fashioned social rents** – that's what most people would call **council housing**. These are determined by a set formula that does take local incomes into account. But this type of housing has fallen out of favour.

The main type of new housing supply is called **Affordable Rent**

TH: what does 'Affordable' mean in this context?

FW: It usually means that the rent does not exceed 80% of the market rate.

However the Department say that on rare occasions it could be more, and sometimes it will be less

TH: Ok so it could be more or less than 80%, but even if it is 80%, surely 80% of the market rate in a really expensive area would still be, well, pretty expensive?

FW: Right. In fact Hackney Council told us it's considering not introducing the system at all for exactly that reason.

There is another category called **Intermediate Housing**.

TH And Intermediate Housing is affordable because...?

FW: It's below market rates. This includes things like **Shared Ownership**, also known as part buy, part rent.

TH: So these houses are cheaper than if you were going to buy them on the open market.

FW: Well the properties themselves aren't necessarily cheaper.

TH: I thought you said it was below market rates?

FW: You might reasonably assume 'cheaper than the market rate' would mean a house that would, say usually cost £220,000 would be say £200,000

TH: That's seems like a reasonable assumption

FW: Well that's not the case. Shared Ownership properties are valued at the going market rate. What makes them affordable is the way you pay for them. Rather than taking out a mortgage on the whole thing, you buy a bit at a time and pay rent on the remainder. Because the rent part is subsidised the idea is that your monthly payment will still be cheaper than if you take out a regular mortgage.

TH In the end when you have bought all of the house you will have paid the market price for the house?

FW: Yes, and these properties aren't necessarily at the cheaper end of the market. In fact we looked at one Shared Ownership scheme in Hackney, in London, where one-bed flats are valued at between £200 - £250,000. When I asked a local estate agent what the average price of a one-bed in this particular part of the borough is, they put it at a lot less than that, more like £170- £200,000.

TH: What's the justification for the Affordable Housing going on the market at a higher price?

FW: Well that particular Housing Association said it's a fair price for a house of that standard; that it was independently valued and is comparable with similar properties.

TH: So let me get this right. This Affordable Housing we're talking about could be among the most expensive properties in the area?

FW: Yes. And one more interesting fact we stumbled across has to do with how Affordable Housing units are counted

If you dig down into the statistics you find a bit of a quirk. When an additional Affordable Home appears in the Government statistics it doesn't necessarily mean an additional house or living space has been provided.

So for example an existing social tenant who buys their home through 'Right to Acquire' is counted as an increase in Affordable Housing, despite no housing being created.

TH: I'm confused now. The Government is allowed to say an extra unit of Affordable Housing has been created, despite the fact that there aren't any more people having somewhere to live?

FW: yes. The Government's justification for counting these purchases in the figures is that these tenants will be assisted by a grant from the Government when they buy their home. Now when that house is sold, that Government grant will be spent on additional Affordable Housing.

TH: That's interesting. Didn't George Osborne, the chancellor, announce this week that the Govt is going to make it much easier for social tenants to buy their homes?

FW: Yes he did, it was in the Autumn Statement.

TH: And presumably when these purchases are made, they too will be counted as an increase in the stock of Affordable Housing?

FW: Yes. One thing that's interesting though is that the UK Statistics Authority has told us it's writing to Department of Community and Local Government Ministers, asking for their statistics to be formally accessed against the Code of Practice.

Though they won't tell us on what basis.

TH: So Affordable Homes: they're rather mysteriously defined, they might actually not be new homes, and they may very well not be affordable. Thank you.