



# Affordability Policy





## 1. This policy will apply to the following entities:

Legal & General Affordable Homes Limited  
 Legal & General Affordable Homes (AR) LLP  
 Legal & General Affordable Homes (SO) LLP  
 Legal & General Affordable Homes (Capital) Limited  
 Legal & General Affordable Homes (Development 3) Limited  
 Legal & General Affordable Homes (Investment 1) Limited  
 Legal & General Affordable Homes (Investment 2) Limited  
 Legal & General Affordable Homes (Investment 3) Limited  
 Legal & General Affordable Homes (Development 4) Limited

For the purposes of this policy, any reference to L&G shall be relevant for all the businesses listed above and administrated, if applicable, by its Management Providers.

## 2. Purpose

Legal & General Affordable Homes (L&G) aims to tackle the critical shortfall of affordable housing in England and in doing so ensuring that customers have a sustainable future based on a home that is affordable for them. L&G is committed to ensuring that its customers have an affordable place to live and avoid the difficulties of financial hardship brought on by the experience of unaffordable housing costs. Our mission is to ensure our customers are comfortable in their homes.

This policy sets out our approach to determining whether prospective customers can afford and sustain the property of interest, taking account of all the income and expenditure of that household.

## 3. Objectives

The objectives of this policy are to:

- Ensure customers can afford the home being offered
- Minimise financial risk to customers through an inability to meet direct housing costs and associated household expenditure
- Define L&G's affordability thresholds
- Provide clarity for L&G's management providers on financial thresholds when delivering its onboarding process
- Provide Local Authorities with evidenced based data should any nominations be refused based on affordability.

This policy applies to all rental products offered by L&G. This policy will be administered by L&G's network of housing management providers who will be assessing individual customers financial circumstances to achieve L&G's aim to ensure all offers of accommodation are affordable for customers.

## 4. Responsibilities

The Head of Contract Management is responsible for:

- The successful implementation of this Policy
- Ensuring L&G's Management Providers follow the Policy in full
- Liaising with the Head of Customer Experience to ensure the policy is understood by local authority partners



- Maintaining records for appeals and determinations where decisions have been reversed and the learning from those decisions
- Sharing good practice with Management Providers

## 5. Definitions

- Social Rent - rent charged using a nationally set formula which is based on the relative value of the property, relative local income levels, and the size of the property.
- Affordable Rent - rent charged up to a maximum of 80% of the market rent, typically including service charge with the exception of London Affordable Rent. L&G assesses a number of factors when setting Affordable Rent including local market conditions, property size and location, average income levels and Local Housing Allowance rates.
- Household Income – the amount of money, either through salaries and wages, retirement income and/or benefits, which a household receives on a weekly or monthly basis which is used to pay for bills and other items
- Household expenditure – a weekly or monthly cost incurred by a household which meet their everyday needs, such as food, clothing, housing costs and energy.
- Gross Income – the sum of all wages, salaries, benefits and other forms of earnings before any deductions or taxes are made.
- Net Income – the amount of money remaining once tax, national insurance and pension contributions have been deducted from a household’s wage or salary.
- Debt – an amount which is owed or due, usually to another party. For the context of this policy, this will be assessed against a household’s total expenditure as part of an affordability review.
- Rent – an amount charged by a landlord, usually weekly or monthly, for the sole use and occupation of the property and can include the cost of delivering key services, such as repairs. The tenant has no legal ownership in the property and is rented using a periodic or fixed-term tenancy (either on a secure, assured or non-assured tenancy).
- Service charge - charge paid to landlords or, in the case of leaseholders to the owner of the freehold, in exchange for maintaining communal areas of a development.
- Homes England – an executive non-departmental public body, sponsored by the Department for Levelling Up, Housing and Communities, it aims to help increase the number of new homes that are built in England. It provides grant funding to Housing Providers to help stimulate housing growth.
- Regulator of Social Housing (RSH) – regulates Registered Providers of social housing to promote a viable, efficient and well government sector to help deliver homes that meets a range of needs. It is also sponsored by the Department for Levelling Up, Housing and Communities.
- National Housing Federation (NHF) – a national membership organisation which provides an arena for Registered Providers to help shape the sector and lobby government-wide policy in the affordable housing sector.
- Department for Levelling Up, Housing and Communities –is a ministerial department with key responsibilities to drive housing supply, boost local growth through delegation of powers to local government departments and building strong communities supported through delivering public services.



- **Office for National Statistics (ONS)** - the UK's largest independent producer of official **statistics** and the recognised **national** statistical institute of the UK. It is responsible for collecting and publishing statistics related to the economy, population and society at national, regional and local levels. It plays a leading role in national and international good practice in the production of official statistics.

## 6. Affordability Framework

There are three key elements which L&G has considered in forming a framework for assessing affordability. Whilst L&G's customer base is expected to have marginally different socio-economic demographic from the existing household base of the affordable housing sector, drawing analysis from the current circumstances provides some useful benchmarks.

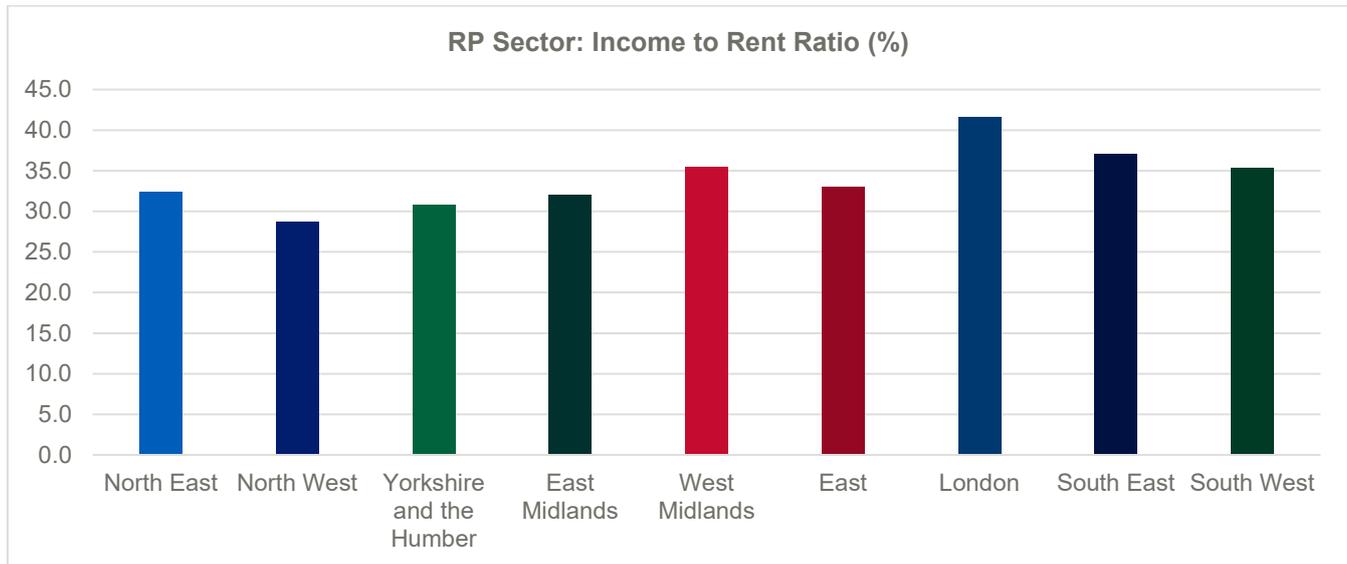
- **Household expenditure** - The office of national statistics (ONS) estimate that for households renting from a registered provider, average total weekly expenditure was [£364.80](#) in the financial year ending 2022. This varies between regions with London and South East spending more compared to households in the North East where expenditure was approximately £200 less.
- **Household income** - Gross household income levels for registered provider customers for the same period was [£555.25](#) per week which illustrates a 34.3% residual income once all expenditure has been considered.
- **Rent charges compared to household income** – when breaking down total weekly rent charges, the sector average across England for [2022/23](#) was £143.80. This equates to 26% of total income being spent on housing costs on average. Again, this varies across regions, where housing costs in comparison to income levels are higher in the South of England compared to that in the North (see graph below).

**Affordable Rent general needs gross rent by region (£/ week)**



(Source: [RSH Private registered provider rent profile](#) 2023)

This variance has an impact on overall affordability, with London seeing an increased stretch between income and rent costs, compared to the Northwest.



(Source: ONS weekly household expenditure compared to RSH rent profile)

Supported by the Joseph Rowntree Foundation, Housing Cost to Income Ratio (HCIR); which considers a ratio of 1:3 as a suitable measure, evidence above, and other research conducted by MHCLG and the National Housing Federation; L&G has determined the following thresholds for affordability:

- **Social and Affordable Rent: Total gross housing costs (rent and associated service charges) not exceeding 35% of gross income**

*(household defined as the main tenant, any joint tenants and their spouses, partners or civil partners)*

There may be some exceptional circumstances where a household’s housing costs are likely to exceed the 35% threshold, especially across London schemes where the comparative rent levels to income is high. In these circumstances L&G will consider local income percentiles and will conduct further discussions with the Local Authority to determine a level of affordability which continues to meet its policy objectives.

## 7. Income and Expenditure

In seeking to ensure customers can pay their housing costs, carrying out affordability assessments is essential to mitigate the risk of material hardship or financial stress. Reviewing overall income and expenditure is a key action before offering a new home to a customer - either at new build stage, re-let/resale or renewing a fixed term tenancy.

Analysing data from the annual English Housing Survey on letting of new homes, L&G expects that its customer base will be more likely to be younger, working and leading active lifestyles. In addition, income levels will typically range from £16k-35k per annum with regional variances following the general pattern of income distribution and wealth nationally.

This will mean that when assessing affordability, it will be important to review both the current state of household income and expenditure, and the sustainability of income in the medium to long term. This will take account of:

- Lead household members with multiple jobs and/or employed on a temporary, fixed term or zero hour employment contract
- Universal credit contributions and the impact on future claims based on fluctuations in income streams

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- Outstanding debt through bank loan, hire purchase, credit card or other personal financial products. Review of the overall amount outstanding and repayment terms
- Short-term impact of moving into a new home – rent in advance, removals, purchasing new goods and set-up costs for new services.
- Credit and fraud checks to confirm accuracy of information provided. This will provide further details of any material affordability concerns, history of making payments to creditors and ensure applicant details are accurate and the customer is eligible for affordable housing.

In addition to the above it is important to review general expenditure of a household. L&G's network of management providers will require details of household expenditure as part of L&G's onboarding process. This will include but is not limited to weekly spending on:

- Food and drink
- Clothing and footwear
- Utility bills including Council Tax
- Household goods and services
- Health
- Transport
- Communication
- Entertainment
- Childcare and education costs
- Any other expenses

Where housing costs to income levels meet L&G's threshold of 35% but the level of other household expenditure is high, resulting in concerns over affordability, a determination will be made on the suitability of the property being offered.

## 8. Appeals on Affordability

Where a customer or Local Authority seeks to challenge an allocation decision based on affordability, this must be submitted to the relevant management provider within 3 working days of receiving the allocation outcome decision. The appeal will be reviewed by the relevant manager for the allocation team. The relevant service manager will review all documentation in relation to the decision made and the basis of the appeal made by the relevant party.

A determination will be made within 2 working days of receiving the appeal, taking into consideration the need to make a prompt decision to avoid any delays in letting a vacant property. Any information provided by the customer or Local Authority should be supported by evidence if the management provider is required to reassess affordability.

Should a further appeal be made, this will be treated as a complaint and will follow L&G's Complaint Policy which will be reviewed by a senior manager.

## 9. Legal Framework and External References

- Office of National Statistics – [Family Spending to March 2021](#)
- Office of National Statistics – [Income and Wealth May 2021](#)
- Department for Levelling Up, Housing and Communities – [English Housing Survey](#)
- Department for Levelling Up, Housing and Communities – [Live tables on rent, lettings and tenancies](#)
- Department for Levelling Up, Housing and Communities – [Allocation of Accommodation](#)
- [Regulator of Social Housing – PRP housing stock – rents profile](#)

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- Institute for Social Policy, Housing and Equalities Research - [Housing Supply requirements across Great Britain for low-income households and homeless people](#)
- [Affordable Housing Commission – Defining and measuring housing affordability](#)

10. Policy Review

Accountable Director	Director of Customer, Property and Platform
Approval Date	July 2024
Review Date	(or more frequently subject to any changes in regulatory, legislative and/or areas of best practice where a review is required sooner than the planned review date)