

Briefing Paper - Supported Housing Capital Threshold - Part 2

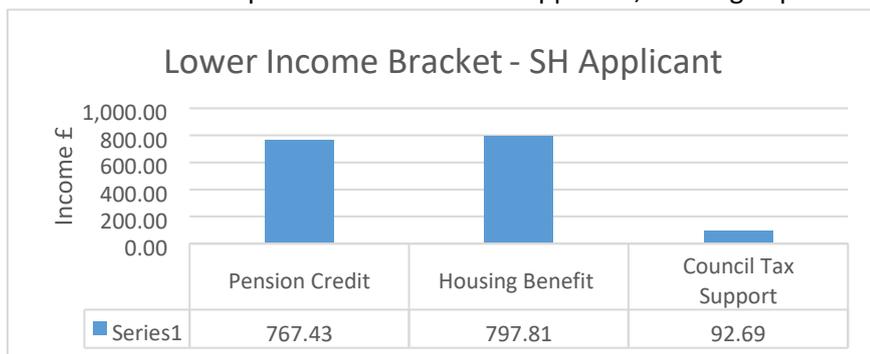
Following the presentation of ‘Briefing Paper - Supported Housing Capital Threshold’ (Please refer to Appendix 1) at the HSMT meeting on the 7<sup>th</sup> of February 2022, this paper explores further evidence based information in relation to the recommendations set out to HSMT.

Supported Housing Applicant Income

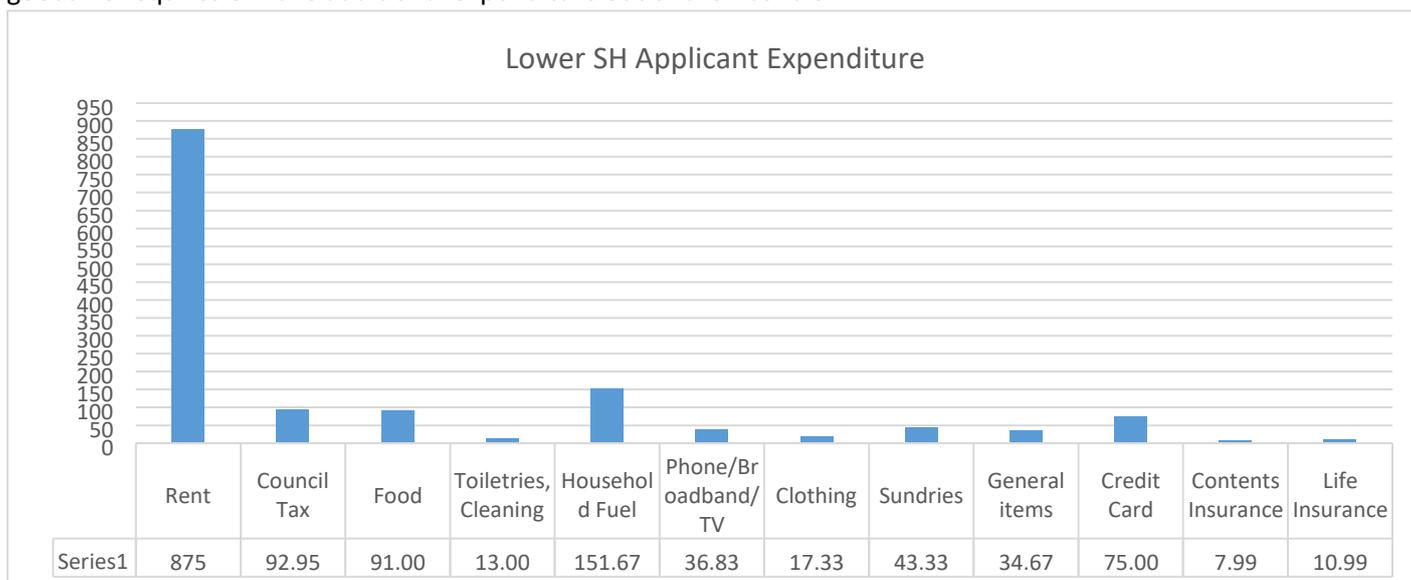
In order to further consider the recommended capital threshold amount of £400,000 (which is proposed to be reviewed annually) - supported housing applicant’s income has been explored. In doing so consideration has been given as to the differing income and lifestyles of applicants approaching the council for assistance.

Scenario 1 - Lower Income Bracket

The details below represents a low income applicant, residing in privately rented general needs accommodation.

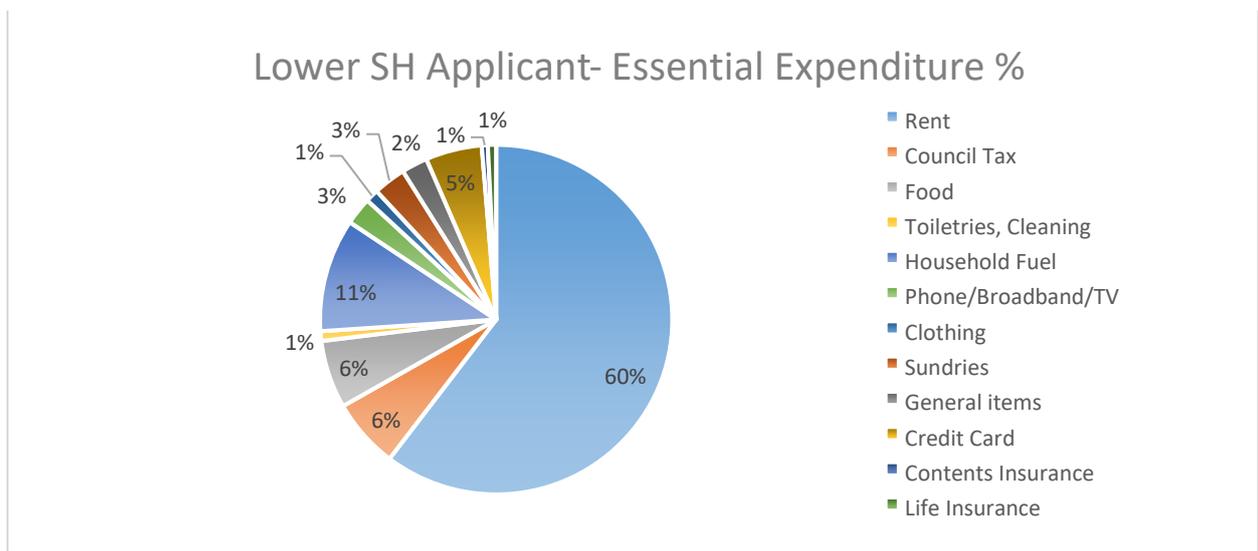
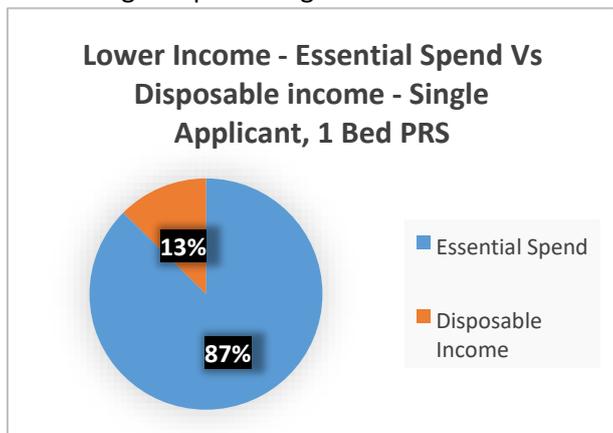


An applicant on a low income is likely to be solely reliant on benefits. In this scenario, the applicant has no savings, and has credit card debt. The applicant has no access to their own vehicle, and is reliant on public transport. There is no particular flexibility in the expenditure. Expenditure is based on actual figures and affordability guidance figures from AHAS.<sup>1</sup> The applicant is limited to a pay as you go phone or a mobile contract. The applicant is unable to afford a TV package and makes use of Freeview. The applicant is frugal, and puts the heating on less due to the rising costs of utilities. In this scenario the applicant may struggle to make financial commitments, should he have to replace any goods he requires or have additional expenditure out of their control.



<sup>1</sup>AHAS Guidance as of Dec 2021 Outdated due to inflation rates and dramatic rise in the cost of living

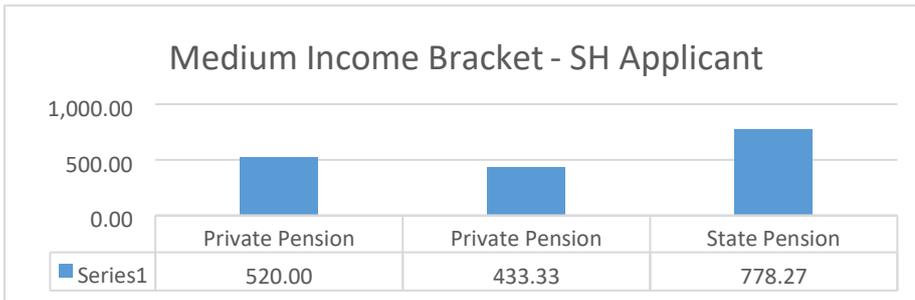
In this scenario, a total of 87% of the applicant’s income will be spent on essential expenditure. 60% of the applicant’s expenditure is spent on rent, a further 6% on council tax, 6% food. Credit Card repayments are a total of 5%. It is worth highlighting that household fuel costs make up 11% of total essential expenditure spend. This is the second highest percentage after rent.



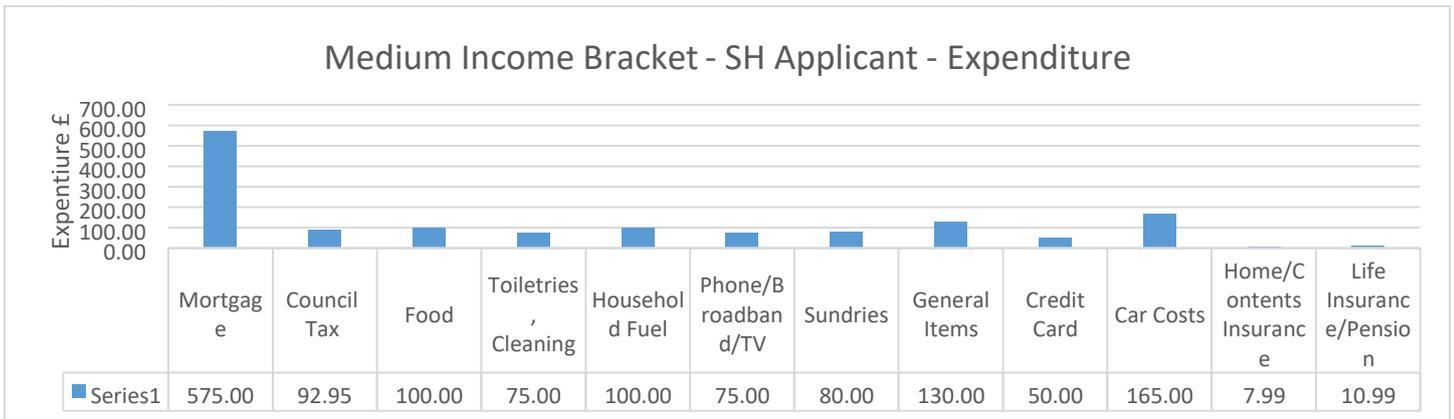
Essential expenditure in this case is the minimum that can be spent on reasonable living costs. However, what is clear is that the applicant would be very much living a modest lifestyle. The applicant would be identified as potentially at risk of falling into unavoidable poverty, due to inflation rises affecting essential expenditure and fuel costs.

Scenario 2 - Medium Income Bracket

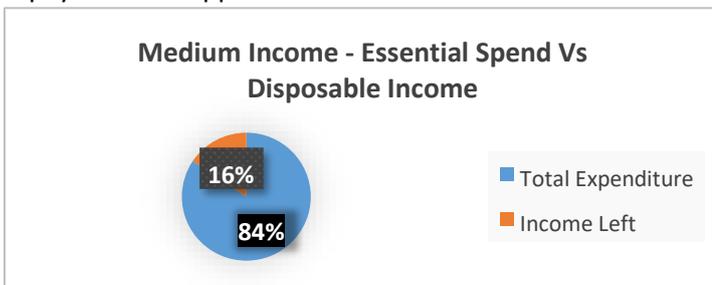
The data and information represents an applicant residing in privately owned accommodation. The property was last valued at £275,000 and mortgage repayments are £575 per month. Equity within the house is approximately £175,000. The applicant is receiving income in the form of private and state pension payments. The applicant in this case is ineligible for benefits for help towards the cost of living and housing.



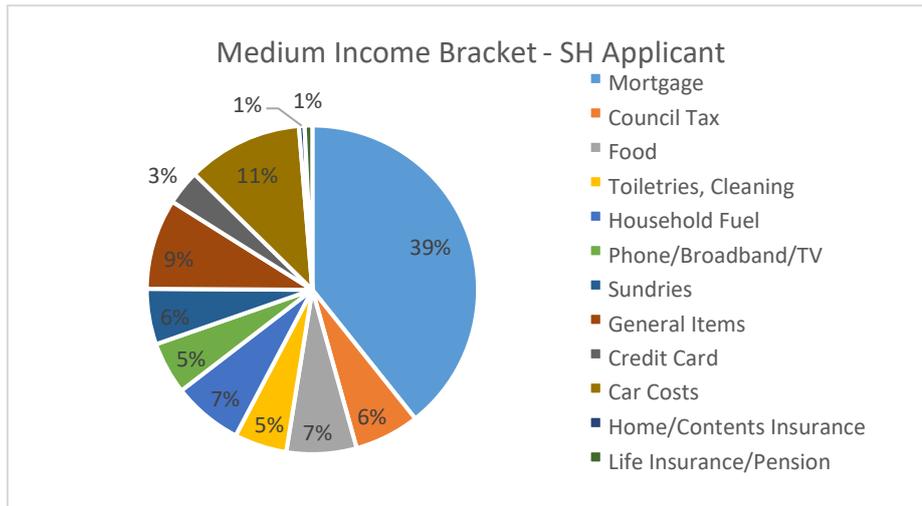
In this scenario the applicants expenditure is still considered 'essential' however, this is relative to the income received by the applicant. The applicant has the ability to be flexible in their essential costs, and are not requiring themselves to live by 'reasonable living costs' as they are not in a financial position that requires them to limit their everyday spending.



The applicant has their own vehicle, by default giving them more freedom than that of someone limited to public transport. The applicant is able to make minimum credit payments with ease, and could increase their amount repayable. The applicant has the freedom to select a more expensive television and Wi-Fi package.

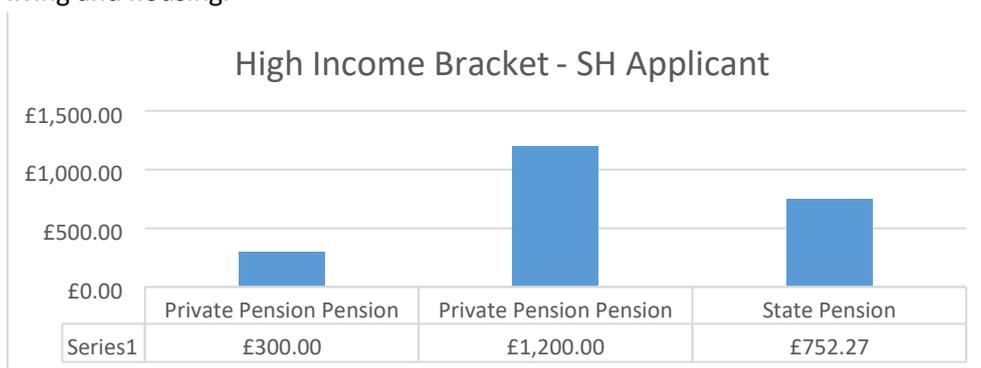


The applicant in this case has 84% essential spend, however this is comprised of vehicle repayments and where possible essential spend could be reduced. There is flexibility within essential expenditure. The applicant would be able to afford an increase in fuel costs, with available disposable income in the instance of inflationary rises. The flexibility of spend is highlighted as below.

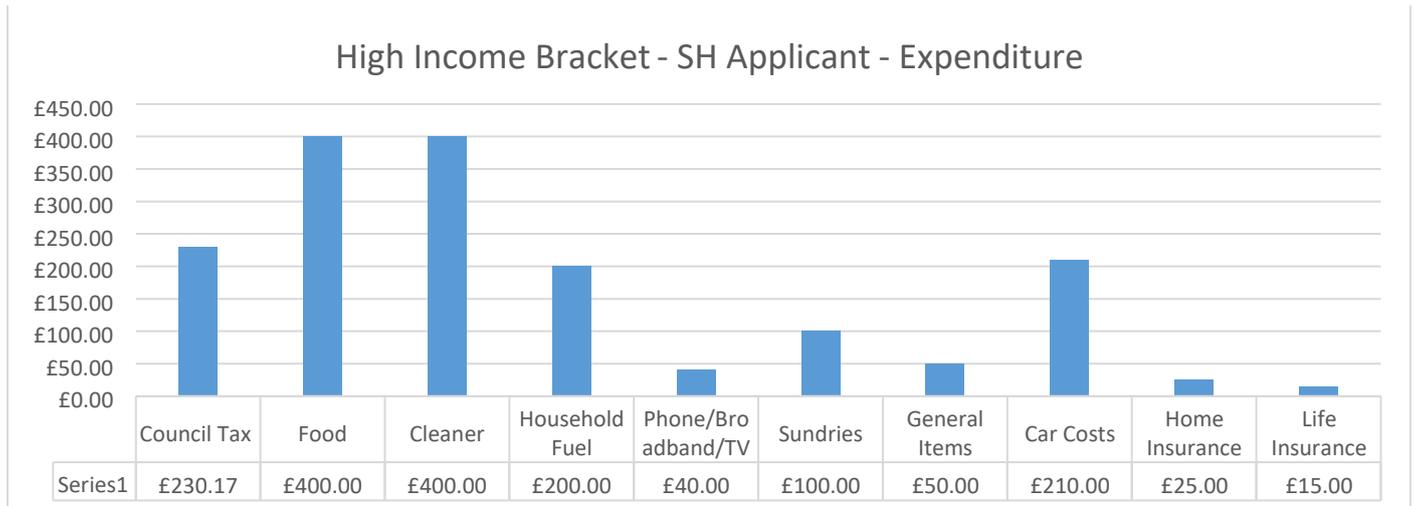


**Scenario 3 - High Income Bracket**

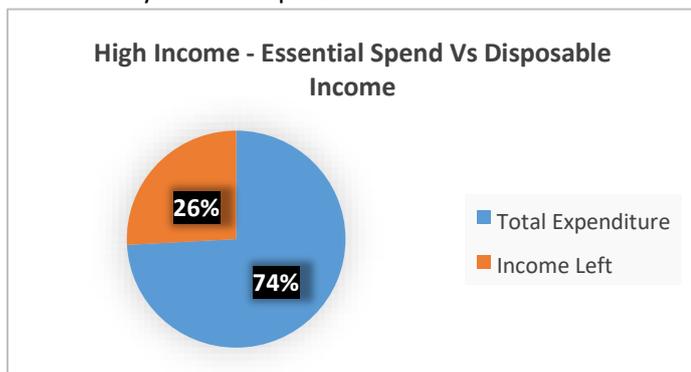
The data and information represents an applicant residing in privately owned accommodation. The property was last valued at £400,000. The property is 3 bedrooms and owned outright. The applicant is receiving income in the form of private and state pension payments. The applicant in this case is ineligible for benefits for help towards the cost of living and housing.



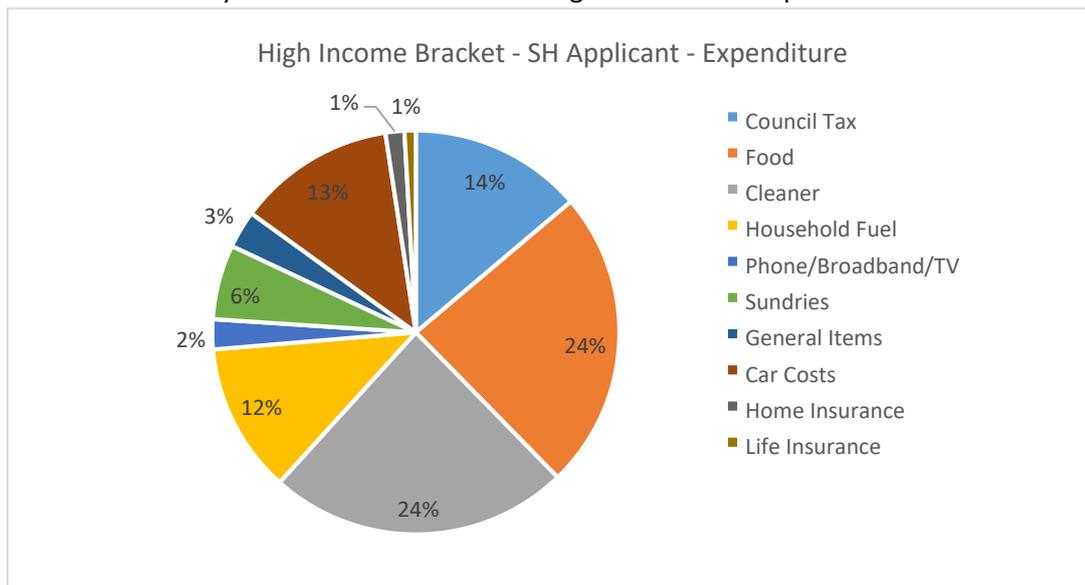
In this scenario the applicants expenditure is still considered 'essential' however, this is relative to the income received by the applicant. The applicant has the ability to be flexible in their essential costs, and are not requiring themselves to live by 'reasonable living costs' as they are not in a financial position that requires them to limit their everyday spending.



In this scenario the applicant’s essential expenditure is 74% of their income. A disposable income of 26% indicates a stronger financial position in terms of being able to be flexible in their spending, and that essentials can be reduced dramatically where required.



The applicant would be more able to afford an increase in fuel costs, with available disposable income in the instance of inflationary rises. The Flexibility of spend is highlighted as below. Using the Altair Housing Model, the household would be able to afford to buy a property to resolve their housing needs that is affordable, in line with open market rates. The scenario here highlights how the applicant is less likely to rely on the council for rehousing as they have the financial ability to resolve their own housing situation in comparison to the other scenarios.



### Consumer Inflation and fuel poverty

When considering the income brackets of supported housing applicant(s) it is important that we consider the overall impact of the cost of housing versus the cost of living. Due regard for consumer price inflation must be taken into consideration, when considering affordability. Inflation will have a large impact on supported housing applicants, especially those within the lower to medium income brackets who will be effected the most. The largest upward contributions to the change in the Consumer Price Index with Housing Costs 12-month inflation rate between November and December 2021 came from food and non-alcoholic beverages, restaurants and hotels, furniture and household goods, and clothing and footwear.<sup>2</sup>

Inflation rates will likely impact affordability of supported housing applicants who access the councils Housing Register. Poverty in the UK pre-pandemic statistics highlight the number of state pension age individuals experiencing relative and absolute poverty.<sup>3</sup>

	Poverty - pensioners 2019/2020			
	Relative poverty		Absolute poverty	
	number (millions)	%	number (millions)	%
Before housing costs	2.2	19%	1.7	15%
After housing costs	2.1	18%	1.5	13%

To note that 'Energy bills are predicted to rise by 50% from April, costing millions of UK households as much as £1,200 extra a year.'<sup>4</sup> Age UK have reported that In a best-case scenario, where an older person gets access to both the Council Tax and energy bill rebate, they will receive £350 this year. But with bills increasing by an average of £693, that still leaves them with a £343 gap in their finances and that's before accounting for how much bills may rise again in October.<sup>5</sup>

It is therefore likely that those supported housing applicants on the lower income bracket will experience fuel poverty, and in turn see their disposable income diminish rapidly, essential expenditure is very likely to rise. This is notwithstanding the increase of the cost of food, household goods and clothing. It is therefore important that those on the lower income bracket, with no savings/capital continue to access supported housing with affordable rents and also those who are within the medium-high income bracket.

### Service Charges – Private versus Social

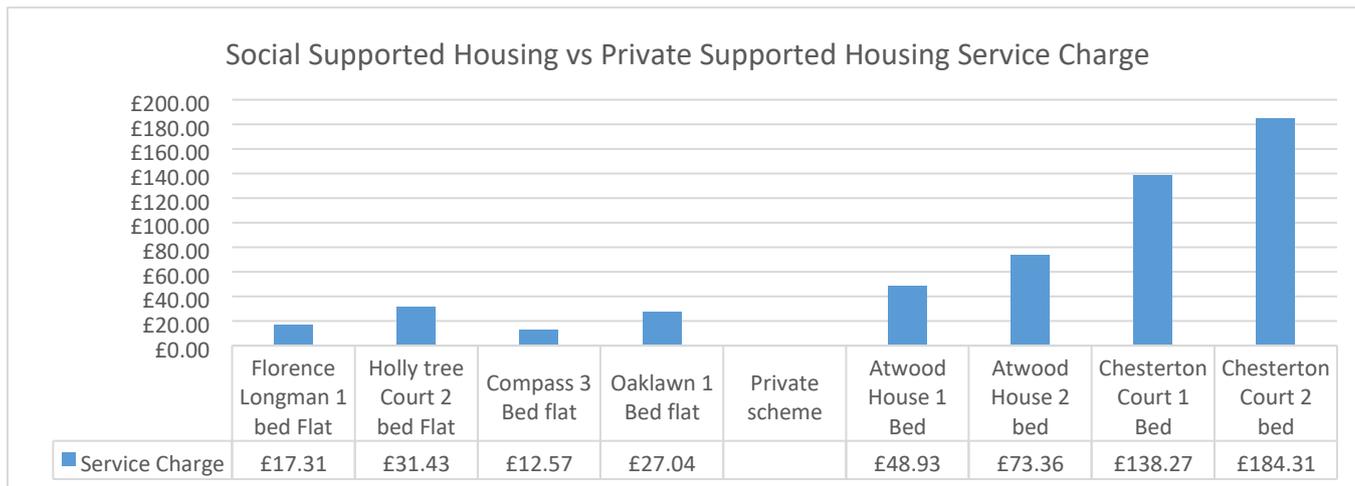
Whilst data on equivalent private supported housing is limited it must be noted that the price of service charge(s) are much higher within private rented supported housing than social housing. Therefore, those who would likely be unable to pay this additional housing cost that is not housing benefit eligible are not going to have the options be able to secure private alternatives. This indicates that those with the financial capability to afford such costs, should explore alternatives to social housing.

<sup>2</sup> [Consumer price inflation, UK - Office for National Statistics](#)

<sup>3</sup> [SN07096.pdf \(parliament.uk\)](#)

<sup>4</sup> [Energy crisis: Elderly 'too scared to use oven' amid soaring gas prices, charity warns - LBC](#)

<sup>5</sup> [Why are energy bills going up? | Discover | Age UK](#)



Dacorum Housing Affordability Model – General Needs

The council have developed with support of Altair an affordability model to be adopted for those accessing the Housing Register. A working group has been set up to implement this affordability tool to ensure that a robust affordability assessment is carried out on those accessing our Housing Register. The overall objective is for the tool to be used with supporting guidance and developed into the Enhanced Housing Options toolkit, enabling residents to self-serve and identify their entry point into Dacorum’s Housing market. The affordability model<sup>6</sup> has based its data on open market values, private rent values, including national average earnings, national average property values and national average rent. The affordability model is generally directed to what we categorise as ‘general needs’ accommodation over ‘supported housing’ type accommodation. This tool will be required to be implemented within the Housing Needs Officers daily work to ensure that housing is suitable for applicants.

COVID19 – The impact on Housing Allocations

Local research has not yet been conducted in relation to the direct impact of COVID19 on the councils housing availability. Housemark’s data advises “it was estimated that at the end of June around 50,000 social dwellings across the UK – twice as many as normal – were ‘empty but available to let’”<sup>7</sup>

However, lockdown restrictions meant that properties being advertised and let were placed on hold in April 2020. The impact on housing stock availability was negatively impacted by the pandemic, causing delays in voids. Movement within supported housing at this time was limited, due to a number of factors.

The National Housing Federation reports ‘There are lower levels of tenant turnover: Vulnerable people are delaying their moves, Self-isolation is delaying moves, Prospective tenants are unwilling to move in or out, even if they have accepted a property, and are not handing back keys and so landlords cannot gain access to properties and arrange inspections’<sup>8</sup>

<sup>6</sup> Dacorum Housing Affordability Model includes Social rent, Affordable Rents, Shared Ownership and discounted sale

<sup>7</sup> [COVID-19 housing and the housing market: Synopsis of events and evidence to date, with a focus on Northern Ireland \(nihe.gov.uk\)](https://www.nihe.gov.uk/COVID-19-housing-and-the-housing-market-Synopsis-of-events-and-evidence-to-date-with-a-focus-on-Northern-Ireland/)

<sup>8</sup> [the-impact-of-covid-19-on-homelessness-in-the-private-rented-ector---nhf-submission.pdf \(housing.org.uk\)](https://www.housing.org.uk/the-impact-of-covid-19-on-homelessness-in-the-private-rented-ector---nhf-submission.pdf) <sup>9</sup> Dacorum

Contractors reported that suppliers of parts, furniture, carpets and general building supplies caused delays in the ability to repair and make available void properties.

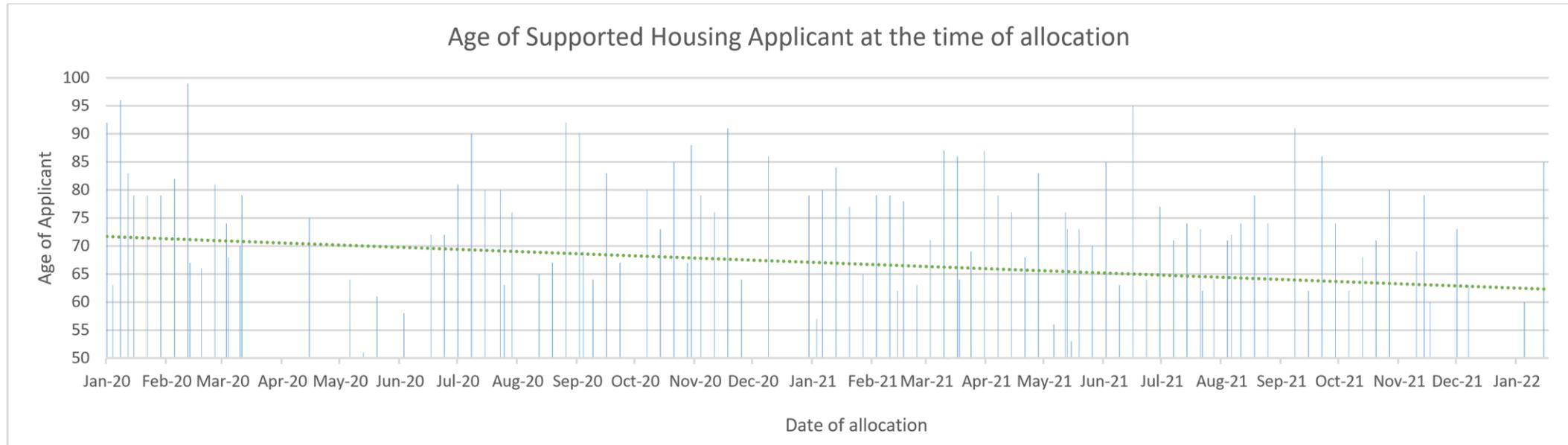
As the UK proceeded to lift lockdown restrictions, the council saw an uptake in its applicants bidding on supported housing properties. It is likely that as the general public gained confidence in their ability to move with less restriction, that they felt able and willing to make the decision to move. It is likely that supported housing applicants were aware of their needs to be closer to their support networks, should further restrictions arise, and that the importance of moving may have become a higher priority. Applicants may want to be closer to family, friends to reduce social isolation, which may indicate some of the reasons for increased uptake of our sheltered housing stock.

#### Revisiting the Supported Housing capital threshold limit

In light of the above additional investigations following previous HSMT discussion, a revised capital threshold is proposed for introduction at limit of £400,000. The average open market value to purchase a general needs property within the Dacorum Borough is averaged at £400,978. The threshold is therefore in line with open market values.<sup>9</sup> When assessing a household's affordability, full consideration will need to be given to household income, all assets including owned property and any related business assets, in addition to stocks, shares, investments and other financial interest or equity.

Applicants with capital/financial interest over the threshold should be in the position to make sufficient purchase decisions within the Borough to resolve their housing situation. This includes any need for renovation, modernisation and adaptation works. We have the ability to consider applicants under the exceptions to policy, in extenuating circumstances.

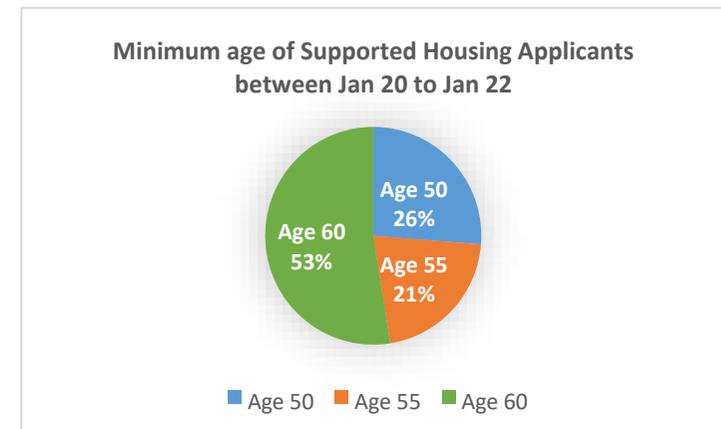
Exploring age of Supported Housing Applicants allocated accommodation



The graph above shows the actual age of a supported housing applicant, allocated a property from January 2020 to January 2022. The dotted green line shows a forecast using the graph data, that the age of supported housing applicants has decreased and will continue to do so. Supported Housing properties are always advertised from the outset as minimum age of applicant of 60. However, where a property is repeatedly advertised over a period of three cycles, the minimum age is dropped from 60, to 55 and finally 50. The reason for doing so is to ensure that properties are continuing to be let within a reasonable time frame and to reduce income loss to the HRA (Housing Revenue Account).

The period ending March 20 to end of April 20 shows that a gap within the data. This was due to the COVID19 pandemic, lockdown measures and that properties were not being allocated at this time. From the end of March until the end of June 2020, there were a decrease in allocations due to the ongoing lockdown measures.

This chart shows a breakdown of the minimum age supported housing properties are advertised at, and the actual percentage of each age group in which a property was allocated from January 2020 to January 2022.



This may suggest that the age of applicants accessing supported housing in need, is decreasing, and consideration as to whether the age bracket of 60 and above may need to be reviewed to ensure best use of the available housing stock and consistent HRA revenue turnover.

### Recommendations

1. HSMT to consider the recommendation that a capital threshold of £400,000 should be implemented into the Housing Allocations policy approved by Cabinet in November 2021. It is felt that this figure is rational and proportionate given the data obtained and investigations which reflects the housing situation in the Borough. However, advice and guidance is welcomed on this figure from HSMT.
2. It is recommended that the capital threshold should be revisited on an annual basis, with consideration given to volume of supported housing voids and demand. This will ensure that the capital threshold remains within market rates and reflective of housing need in the Borough.
3. HSMT to consider whether it be beneficial for a Dacorum Housing Affordability model to be developed in consideration of supported housing, specifically considering applicants aged 50 above (50 as property ages are dropped down to this).
4. HSMT to consider whether the age bracket of supported housing is lowered from 60 to 55.
5. HSMT to provide feedback on the report and findings.
6. HSMT to provide direction in terms of approvals for implementing a new capital threshold and advise as to whether this can be undertaken by Senior Officer Decision or if a Portfolio Holder Decision is required





