

5 February 2019		ITEM: 7
Housing Overview & Scrutiny Committee		
Housing Allocations Policy Review 2018 – Financial Qualification Report		
Wards and communities affected: All	Key Decision: Non-Key	
Report of: Ryan Farmer – Housing Strategy and Quality Manager		
Accountable Assistant Director: Carol Hinvest – Assistant Director of Housing		
Accountable Director: Roger Harris – Corporate Director, Adults, Housing and Health		
This report is: Public		

Executive Summary

The Council has recently carried out a review of its Housing Allocations Policy, featuring in-depth analysis of the current Housing Register and periods of consultation with applicants, residents and other key stakeholders.

The Housing Allocations Policy Review 2018 report was presented and recommendations approved at the Cabinet meeting held on 16 January 2019, at which time the Leader of the Council made an additional recommendation.

The recommendation asked for Housing Overview and Scrutiny Committee to review the financial qualification outlined in 3.2.3 of the Housing Allocations Policy Review 2018 paper and report back to Cabinet with findings regarding the changes to the financial qualification criteria.

1. Recommendation(s)

1.1 Housing Overview and Scrutiny Committee are asked to note the contents of this report and advise Cabinet of the findings.

2. Introduction and Background

2.1. In order for an applicant to qualify for the 'Housing Waiting List' they must not have savings, assets or an annual income above the set caps. Applicants with savings, assets or an annual income above these levels will be expected to meet their own housing needs. The thresholds are set at different levels and are dependent on the type and size of housing that the applicant needs. They are related to the costs of renting and purchasing a suitable property.

There are different levels for General Needs properties as well as Sheltered Housing and Extra Care Housing. This report specifically looks at updating the financial caps for General Needs accommodation.

- 2.2. Thresholds should be reviewed each year using a set methodology and are dependent on the affordability of private rented or purchased accommodation within the borough. The current thresholds were set when the current policy was implemented in April 2016.

3. Financial Qualification Thresholds

- 3.1. In order to qualify for the 'Housing Waiting List' and then to be offered a property at the point of successfully bidding on a property, the savings, assets or annual income for the application must be below the financial threshold. The current and proposed financial thresholds are below:

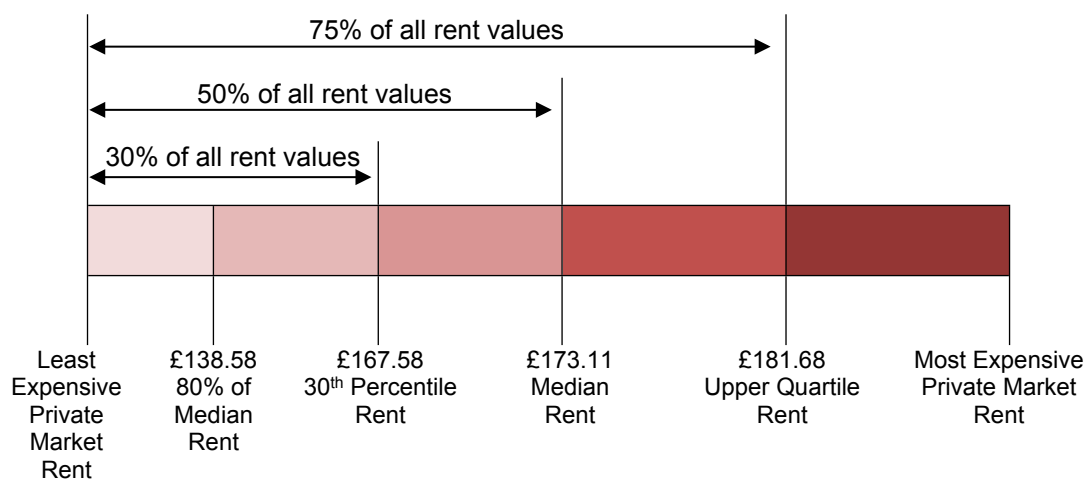
Property size – according to household make-up	Current Maximum Net Income	Proposed Maximum Net Income
Single Person	£23,000	£24,000
1 Bedroom (couple)	£25,000	£26,000
2 Bedrooms (Single/couple plus children)	£35,000	£37,000
3 Bedrooms (Single/couple plus children)	£41,000	£47,000
4 Bedrooms (Single/couple plus children)	£59,000	£60,000

The paragraphs below set out the approach which was taken to calculating the proposals as defined in the above table.

- 3.2. According to the Joseph Rowntree Foundation, the maximum Housing Cost to Income Ratio (HCIR) in order for accommodation to be considered to be affordable would be 1:3. This means that if a household is spending more than a third of its net income on accommodation costs, that accommodation would not be deemed to be affordable.
- 3.3. The methodology used for calculating the above financial thresholds took into consideration both the average private rents and average property purchase prices in the borough. The data used was provided by a release from the Hometrack market intelligence system with up-to-date data in October 2018.
- 3.4. Whilst only one measure for the average property purchase price was included within the available data, a range of private rent statistics were provided by Hometrack. These were:

- 30th Percentile – this statistic indicates the rental amount that 30% of private market rents fall below.
- 80% Median – this statistic indicates 80% of the value of the average market rent, used for calculating ‘affordable rent’ in line with the Government definition.
- Median – this statistic indicates the value which is in the middle of the range of private market rents and can be identified as the average market rent.
- Upper Quartile – this statistic indicates the value that 75% of private market rents fall below.

To put this into context, the below chart displays these statistics in relation to the least expensive and most expensive private market rent amounts for one-bed properties.



In the process of calculating rental affordability, the calculation took the weekly accommodation cost, multiplied by 52 to give an annual accommodation cost, then multiplied by 3 to determine the affordability threshold in line with the maximum recommended HCIR.

- 3.5. For determining property purchase affordability, the calculation simulated a scenario where a first-time buyer was attempting to join the housing ladder. The calculation therefore made an assumption that a property would be purchased with a 90% mortgage.

Repayments were to be made over 30 years with an interest rate of 4.5%, as the average standard variable rate was approximately that amount at the time of the calculation. This calculation gave the monthly repayment amount, which was multiplied by 12 to establish the annual cost of the mortgage, and then by 3 to determine the affordability threshold according to the maximum recommended HCIR.

- 3.6. The table below shows the result of the calculations to determine the net income required for rental and property purchase affordability.

	1 bed		2 bed		3 bed		4 bed	
	Average cost per week	Annual Net Income Required	Average Cost per week	Annual Net Income Required	Average Cost per week	Annual Net Income Required	Average Cost per week	Annual Net Income Required
Private rent - 30th Percentile	£167.58	£26,142	£199.60	£31,138	£261.35	£40,771	£348.64	£54,388
Private rent - 80% Median	£138.58	£21,618	£170.15	£26,543	£216.20	£33,727	£287.71	£44,883
Private rent-Median	£173.11	£27,004	£212.60	£33,166	£270.40	£42,182	£359.64	£56,104
Private rent - Upper Quartile	£181.68	£28,343	£232.55	£36,278	£286.50	£44,694	£372.93	£58,177
	Average Purchase Price	Annual Net Income Required	Average Purchase Price	Annual Net Income Required	Average Purchase Price	Annual Net Income Required	Average Purchase Price	Annual Net Income Required
Property Purchase	£147,688	£24,245	£262,644	£43,117	£286,594	£47,049	£364,836	£59,894

3.7 The general approach to set the Housing Register financial qualification thresholds was to take whichever was greatest required net annual income between the 30th percentile private rent and the property purchase price by bedroom size. The table below give the rationale for each threshold.

Property Size	Current Threshold	Proposed Threshold	Rationale for proposed threshold
Single Person	£23,000	£24,000	1 bed need, but reflects the £2k variation between single person and 1 bed thresholds from current criteria
1 Bed	£25,000	£26,000	£26.1k required for private rent (30 th percentile)
2 Bed	£35,000	£37,000	There was a large variation between the cost of renting and buying 2-bed properties (£12k), resulting in significant distortion between the 1 bed and 3 bed thresholds. Instead, an amount which was halfway between the cost of renting and buying was applied (£6k).
3 Bed	£41,000	£47,000	£47.0k required for property purchase
4 Bed	£59,000	£60,000	£59.8k required for property purchase

4. Local Context

4.1. The most recent earnings by place of residence dataset published by the Office for National Statistics gives the below median and mean gross salaries for Thurrock. A calculator has been used to show the net income based on deductions for income tax and national insurance for the 2019-2020 financial year. This calculation does not include any student loan or employee pension contributions. It is the net income which is considered against the financial thresholds as set out in the Allocations Policy.

	Gross	Net (2019/20)
Thurrock Median Salary	£24924	£20484
Thurrock Mean Salary	£28257	£22751

4.2. Corresponding activity has also been carried out to calculate the maximum gross annual income for each of the proposed financial thresholds, which can

be seen in the table below. The column for joint income displays two equal joint incomes with a combined total below as an example.

Property Size	Net (2019/20)	Gross (single income)	Gross (joint income)
Single person	£24000	£30095	N/A
1 bedroom	£26000	£33036	2x £13918 (£27836)
2 bedroom	£37000	£49212	2x £22007 (£44014)
3 bedroom	£47000	£66322	2x £23960 (£47920)
4+ bedroom	£60000	£88736	2x £38918 (£77836)

4.3. As evidenced in the tables above, both the net median income and net mean income for the borough are lower than all of the proposed financial thresholds. This information in conjunction with the approach taken to calculate the financial thresholds significantly reduces the likelihood that the income of a household being too high to qualify for the Housing Register but below the income required to find affordable accommodation in the private market.

5. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Housing Allocations Policy Review 2018 - <https://democracy.thurrock.gov.uk/documents/s22836/Housing%20Allocations%20Policy%20Review.pdf>

6. Implications

6.1 Financial

Implications verified by: **Julie Curtis**
HRA and Development Accountant

Redefining the financial thresholds may allow for more applicants to qualify for the Housing Register which may have been unable to do so if the household income was too high. An increase in potential applicants may reduce the length of time taken to re-let void properties, which should in turn reduce the amount of rent lost while properties are vacant.

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6.2 Legal

Implications verified by: **Simon Scrowther**
Litigation Lawyer

The allocation of housing by local housing authorities is regulated by Part 6 of the Housing Act 1996 (HA 1996). A local housing authority (LHA) must comply with the provisions of Part 6 when allocating housing accommodation (section 159(1), HA 1996). However, subject to this compliance, authorities may otherwise allocate housing in any manner they consider appropriate (section 159(7), HA 1996).

As a result of changes made by the LA 2011, with effect from 18 June 2012, LHAs have been able to decide who “qualifies” for an allocation. Accommodation can therefore only be allocated to someone who qualifies under those local criteria (section 160ZA(6), HA 1996). Who qualifies is largely a matter for the LHA (section 160ZA(7), HA 1996). The Secretary of State does however have the power to prescribe classes of persons who are, or are not, to be treated as qualifying persons (section 160ZA(8), HA 1996).

6.3 Diversity and Equality

Implications verified by: **Natalie Warren**
Community Development Manager

Consultation activity has already taken place in the process of setting out the proposals included within this report, including with applicants and other key stakeholders. Consultation responses have informed our community equality impact assessment which will inform implementation.

6.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

- None

7. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

8. Appendices to the report

- None

Report Author:

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