How affordable is affordable housing?

GREEN, Stephen <http://orcid.org/0000-0002-7813-0564>, PATTISON, Ben <http://orcid.org/0000-0002-3672-0849>, REEVE, Kesia <http://orcid.org/0000-0003-2877-887X> and WILSON, Ian <http://orcid.org/0000-0001-8813-3382>

Published version

GREEN, Stephen, PATTISON, Ben, REEVE, Kesia and WILSON, Ian (2016). How affordable is affordable housing? Project Report. Norwich, UK, Flagship Group.

Flagship Group

Sheffield Hallam University | Centre for Regional Economic and Social Research

HOW AFFORDABLE IS AFFORDABLE HOUSING?

Autumn 2016

HOW AFFORDABLE IS AFFORDABLE HOUSING?

Centre for Regional Economic and Social Research
Sheffield Hallam University

This report was authored by:

Stephen Green
Ben Pattison
Kesia Reeve
Ian Wilson

June 2016

CONTACT

Sam Greenacre
Head of Communication
sam.greenacre@flagship-group.co.uk
0845 258 6153

CONTENTS

KEY FINDINGS

- **A relatively small proportion of tenants had unaffordable rent (6 per cent). However a further third of tenants (32 per cent) were at risk of unaffordable rent**. Any negative change to the financial circumstances of this group, such as further welfare reforms, could significantly increase the proportion of tenants with unaffordable rent
- **Tenants with higher rent and variable and/or low income had the highest likelihood of unaffordable rent. 30 per cent of tenants had an income of less than £10,400.**
- **Rent arrears are an important indicator of unaffordable rent.** More than seven times as many tenants with unaffordable rent were in arrears on their rent account compared to tenants with affordable rent respectively
- **Past experiences of unaffordable rent are a good predictor of problems in the future.** Tenants with unaffordable rent were more likely than tenants with affordable rent to have had difficulties paying their rent 'always' or 'most of the time' in the past year
- **Rents are currently set at appropriate levels for almost all tenants**. The cost of rent was not a common reason for difficulties in paying rent. The most common reasons were unexpected expenses, increases in outgoings and decreases in income - for example due to health or job loss
- **Cutting back on spending was the most common reaction when tenants run out of money (55 per cent of tenants)**. Tenants who borrowed (39 per cent), used a credit card/overdraft (31 per cent) or took out a loan (eight per cent) are a concern because they are taking on debt which in turn is likely to affect the affordability of their rent
- **Working age households who have no adults in full time work are going to be most affected by forthcoming welfare reforms, such as the LHA cap in social housing and tax credits reforms.** In addition direct payment of Housing Benefit, rolled out as part of Universal Credit, will give more tenants responsibility for paying their rent and expose them to the possibility of unaffordable rent
- The research has provided a **Rent Affordability Assessment Tool to assess rent affordability for tenants and prospective tenants**
- The research recommends **triaging all tenants entering arrears for the causes of unaffordable rent and to put in place necessary support**
- The research recommends **being proactive in preventing problems associated with unaffordable rent, particularly in anticipation of forthcoming welfare reforms.** This includes:
  - Encouraging tenants to build up at least 4 weeks' worth of credit on their rent accounts
  - Identifying and targeting support at tenant groups most likely to be affected by welfare reforms
  - Reviewing letting policies

1. INTRODUCTION

1.1. INTRODUCTION

At the end of 2015 Flagship Group commissioned the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University to assess the affordability of its housing products. The research was commissioned as it became clear that a number of external changes were likely to affect the context in which Flagship operated as well as the affordability of its housing products. These include:

- **Welfare reform:** since their election in May 2015, the Conservative Government have outlined a range of additional welfare reforms that are likely to affect the incomes of many Housing Association tenants. These include the extension of the overall benefit cap, freezes on various working age benefits and the continued roll out of Universal Credit
- **Housing policy:** the Housing and Planning Act (2016) outlined a number of changes to housing policy including the introduction of 'pay to stay' for social renters on higher incomes. The Act also provides funding for the extension of the Right to Buy to Housing Association tenants
- **Governance and role of Housing Associations:** the government is reassessing the governance of Housing Associations through a review of the Homes and Communities Agency. These changes provide both opportunities and challenges for Housing Associations as they assess their future roles

The objectives of the research were to:

- Understand what rent affordability means and how it impacts on customers
- Identify how affordability differs by geography and key tenant characteristics
- Understand the impact that imminent welfare and other wider changes will have on affordability

This report provides detailed analysis of the key findings from the research. A summary analysis can be found here **www.flagship-group.co.uk/research**.

1.2. METHODOLOGY

In order to investigate these issues, CRESR undertook a survey of Flagship tenants to assess their financial position and the affordability of their housing costs. The questionnaire covered key household and property characteristics, rent information, income and broader financial circumstances. The survey was undertaken between February and April 2016, with a paper survey distributed to just under 20,000 Flagship tenants, including social rent, affordable rent, market rent and shared ownership customers. An online version of the survey was also available. In total there were 2,628 valid responses to the survey: 2,570 paper and 58 online.

Analysis confirmed the respondents to the survey were largely representative of Flagship's customer base. However, minor adjustment weights were used in the analysis to correct for biases in relation to property type and the age of respondents. Survey findings within this report refer to weighted figures.

Some of the key characteristics of respondents were:

- 31 per cent of respondents were aged 65 years or over; 17 per cent were aged under 35 years
- 31 per cent of respondents were in single person households. Couple households comprised 23 per cent and 15 per cent were in couples with dependent children households. Lone parent and other household types made up 12 per cent and 18 per cent of respondents respectively
- Most respondents lived in a house (59 per cent). Bungalow (22 per cent) was the second most common accommodation type
- 85 per cent of respondents were in two or three bed properties. Only three per cent of respondents had four or more bedrooms
- 30 per cent of respondents had a household income of up to £10,400 per year. Only seven per cent had a household income of more than £31,200 per year
- 48 per cent of respondents received Housing Benefit, including 41 per cent who had it paid direct to the landlord
- Over half of respondents lived in either Breckland (31 per cent) or Suffolk Coastal (25 per cent)

Figure 1.1: Age of respondents

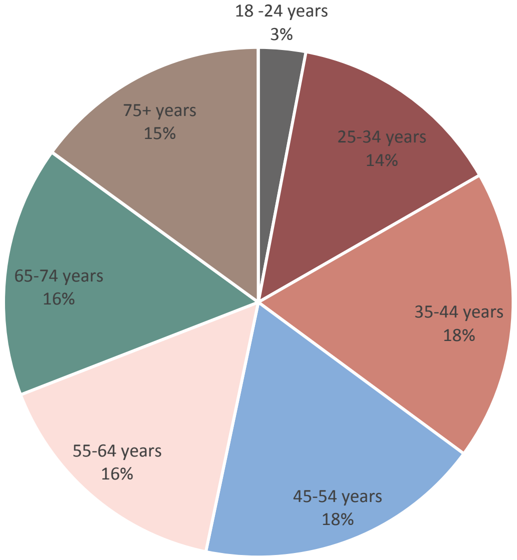


Figure 1.2: Household composition of respondents

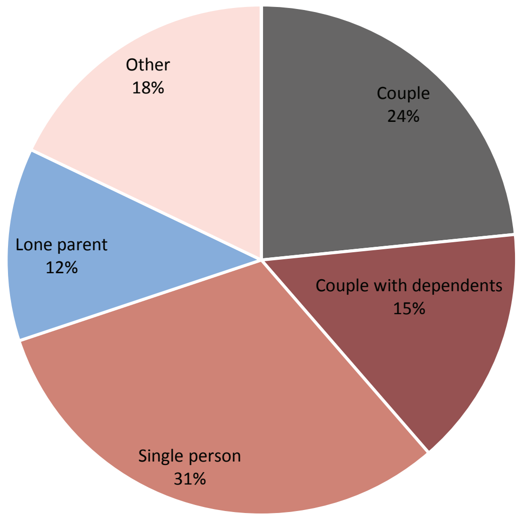


Figure 1.3: Accommodation type of respondents

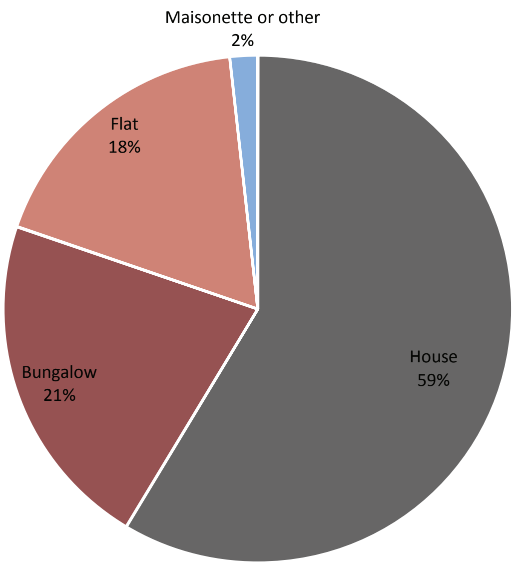


Figure 1.4: Accommodation size of respondents

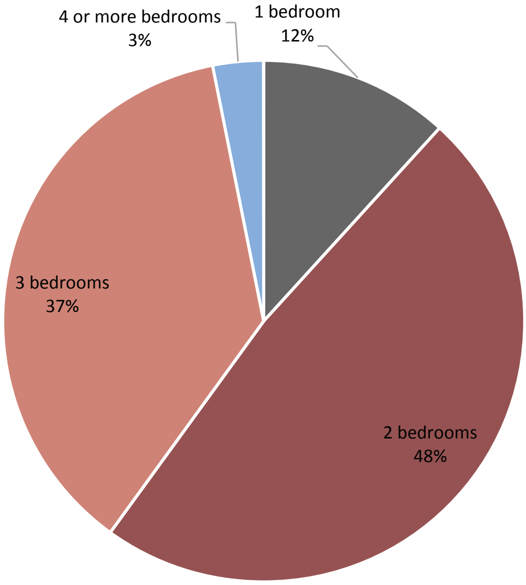


Figure 1.5: Household income of respondents

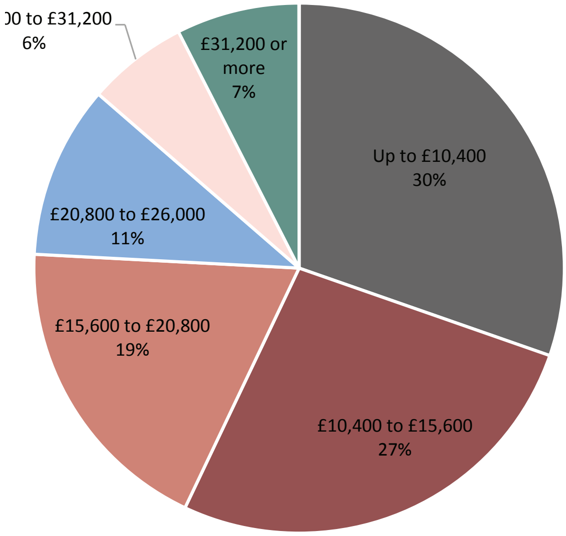
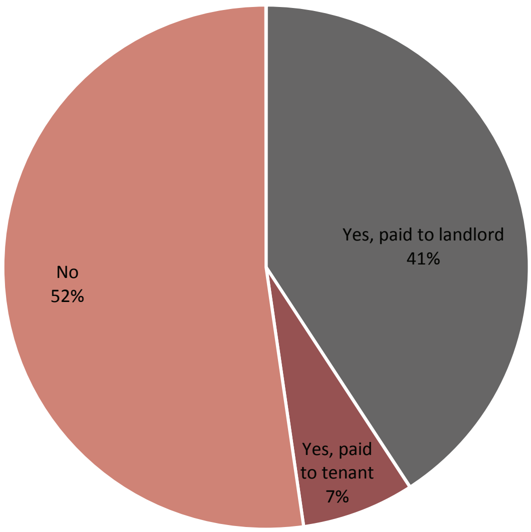


Figure 1.6: Respondents claiming Housing Benefit



2. THE AFFORDABILITY OF FLAGSHIP GROUP'S HOUSING PRODUCTS

This chapter sets out a new measure of affordability that combines the following three elements: a tenant's perception of the affordability of their rent; a tenant's assessment of their overall financial position; whether a tenant had responsibility for their rent. This allows for a nuanced assessment of affordability that is receptive to individual tenant circumstances.

Only six per cent of Flagship Group tenants were assessed as having unaffordable rent.

However an additional 32 per cent of tenants were considered to be at risk of unaffordable rent.

2.1. MEASURING AFFORDABILITY

This report evaluates rent affordability - **the ability of a household to pay their rent**. This is commonly measured using metrics such as:

- The maximum acceptable housing costs to income ratios, for example, Shelter argue households should not be paying more than 35 per cent of their net household income on housing costs[1]
- The minimum residual income (after housing costs) required to meet non-housing needs, for example the Joseph Rowntree Foundation suggest a single person working age household needs £10,192 per annum after rent

We argue these are often arbitrary measures that are insensitive to personal circumstances. This research takes a **broader view of rent affordability that is receptive to individual tenant circumstances**. It combines the following three elements:

- A tenant's perception of the affordability of their rent
- A tenant's assessment of their overall financial position
- Whether a tenant had responsibility for their rent, i.e. they were on full Housing Benefit paid direct to their landlord

[1] Bibby, J. (2015) What is affordable housing, http://blog.shelter.org.uk/2015/08/what-is-affordable-housing/ .

Table 2.1 summarises our classification of affordability.[2]

Table 2.1: A summary of the affordability classification

	My rent is affordable	I have enough money to cover living costs and unexpected bills	Full HB paid direct to landlord
Affordable rent	✓	✓	✓
Risk of unaffordable rent	✓	✗	✗
Unaffordable rent	✗	✗	✗

The groups are:

- **Affordable rent**: tenants who think their rent is affordable and have enough money to cover living costs and any unexpected bills or are on full Housing Benefit paid direct to their land-lord
- **Risk of unaffordable rent**: tenants who think their rent is affordable however do not have enough money to cover living costs and any unexpected bills
- **Unaffordable rent**: tenants who disagree their rent is affordable and state they do not have enough money to cover living costs and any unexpected bills

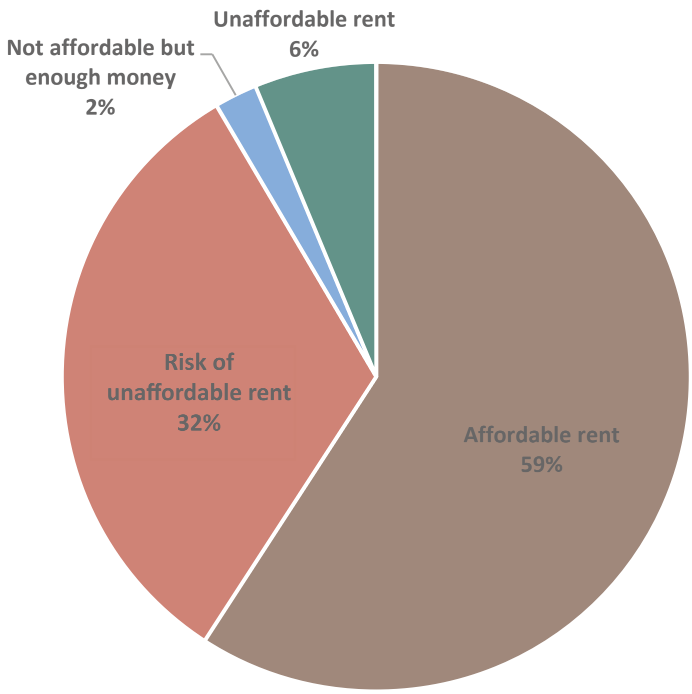
2.2. THE SCALE OF AFFORDABILITY OF FLAGSHIP'S HOUSING PRODUCTS

Figure 2.1 shows:

- **59 per cent** of tenants had **affordable rent based on the definition provided in Table 2.1.** However, 15 per cent of this group will be at risk of unaffordable rent when direct payment of Housing Benefit is rolled out as part of Universal Credit
- Only **six per cent of tenants were assessed as having unaffordable rent**
- A further **third of tenants (32 per cent) were at risk of unaffordable rent.** Any negative change to the financial circumstances of this group, such as further welfare reforms, could significantly increase the proportion of tenants with unaffordable rent

[2] There is another group not shown - unaffordable rent but enough money: tenants who disagree their rent is affordable however state they have enough money to cover living costs and any unexpected bills. It is unclear why these tenants have responded in this way or where they are on a spectrum of affordability. Given this and their relatively small size the group do not provide a focal point of our analysis.

Figure 2.1: The affordability of Flagship's housing products



2.3. COMPARING AFFORDABILITY AGAINST A STANDARD RATIO MEASURE

A fifth (20 per cent) of tenants had a rent contribution of more than 35 per cent of their total household income. On a standard ratio measure of affordability such tenants are deemed to have unaffordable rent. This is 14 percentage points higher than the proportion of tenants assessed as having unaffordable rent by our measure shown in Figure 2.1 which is based on tenants' perception of both rent affordability and their financial situation.

There are also notable differences as to how the same tenants were classified. For example, 67 per cent of tenants assessed as having unaffordable rent (based on perceptions) had a rent contribution less than 35 per cent of their household income.

This suggests **arbitrary income ratio based measures are too insensitive to personal circumstances;** especially for low income groups in social rented accommodation who are likely to require different levels of income after housing costs compared to the other groups. In particular, affordability for people purchasing with a mortgage is different to those who are on low incomes (and are often supported by Housing Benefit).

3. WHICH GROUPS ARE MOST AFFECTED BY AFFORDABILITY?

The following tenant characteristics were identified as being associated with unaffordable rent:

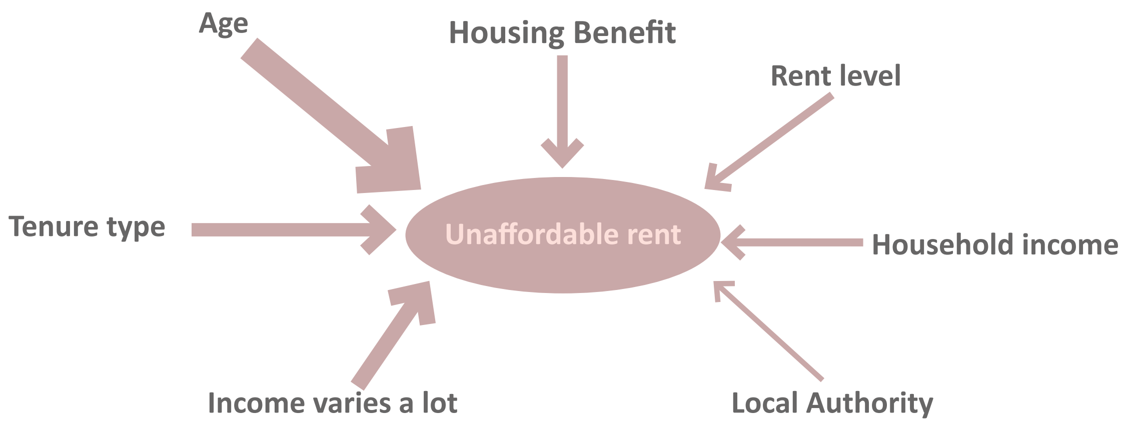
- **Age:** tenants aged 35-64 years were statistically more likely to have unaffordable rent compared to tenants aged 34 years or younger and 65 years or older
- **Tenure type:** shared ownership tenants were statistically more likely to have unaffordable rent compared to social and market rent tenants
- **Low and variable household income:** tenants with lower household incomes and income that varies a lot were statistically more likely to be affected by unaffordable rent
- **Housing Benefit:** tenants on Housing Benefit were statistically less likely to have unaffordable rent compared to tenants who did not receive housing benefit
- **Rent level:** tenants with lower rent levels were significantly less likely to have unaffordable rent compared to tenants whose rent was above this level
- **Local Authority area:** statistically significant differences emerged by Local Authority groups

3.1. IDENTIFYING GROUPS MOST AFFECTED BY AFFORDABILITY

Statistical modelling has been used to identify factors which were significantly associated with a tenant having unaffordable rent. The technique enables us to quantify the effect of a given characteristic while holding all other characteristics in the model constant. This helps us understand whether a particular characteristic, such as being on Housing Benefit, was an important predictor of having unaffordable rent after taking into account other tenant characteristics such as age, rent level and income.

Figure 3.1 presents characteristics that were identified as being statistically significant ‘predictors’ of a given tenant having an unaffordable rent. The wider the arrow the more important the characteristic was at predicting this outcome.

Figure 3.1: Characteristics associated with unaffordable rent



The following factors emerged:

- **Age**: tenants aged 35-64 years were statistically more likely to have unaffordable rent compared to tenants aged 34 years or younger and 65 years or older
- **Tenure type**: shared ownership tenants were statistically more likely to have unaffordable rent compared to social and market rent tenants - 16 per cent of tenants in shared ownership had unaffordable rent compared to 9 per cent of tenants in market rent and five per cent in social/affordable/intermediate rent properties. However, equivalent proportions within each of the three groups had affordable rent; this was due to a lower proportion of shared ownership tenants being at risk of unaffordable rent [3]
- **Household income varies a lot**: tenants whose household income varies a lot were statistically more likely to have unaffordable rent compared to tenants with a more stable income
- **Housing Benefit**: tenants on Housing Benefit were statistically less likely to have unaffordable rent compared to tenants who did not receive Housing Benefit
- **Household income:** tenants with low household incomes (less than £10,400) were statistically more likely to have unaffordable rent compared to tenants with a higher household income
- **Rent level:** tenants whose weekly rent was below £80 were significantly less likely to have unaffordable rent compared to tenants whose rent was above this level
- **Local Authority area:** statistically significant differences emerged by local authority groups. Please see section 3.2 for more information

[3] Further research is required to understand why a higher proportion of shared ownership tenants had unaffordable rent

3.2. AFFORDABILITY IN LOCAL AUTHORITY AREAS

Figure 3.2 shows the percentage of tenants who currently have unaffordable rent or were at risk of unaffordable rent by upper tier authority. **Essex (14 per cent) had the highest proportions of tenants with unaffordable rent**. This was over double the proportion in Norfolk (six per cent) and Suffolk (six per cent), which had the next highest percentages of tenants with unaffordable rent.

No respondents in Cambridgeshire had unaffordable rent; though caution is required as there were only 39 respondents from this area. **Cambridgeshire also had the lowest level of tenants with unaffordable rent or at risk of unaffordable rent (29 per cent)**. Their rate was nine percentage points lower than the rate across all tenants.

Figure 3.2: Percentage of tenants with unaffordable rent by upper tier local authority

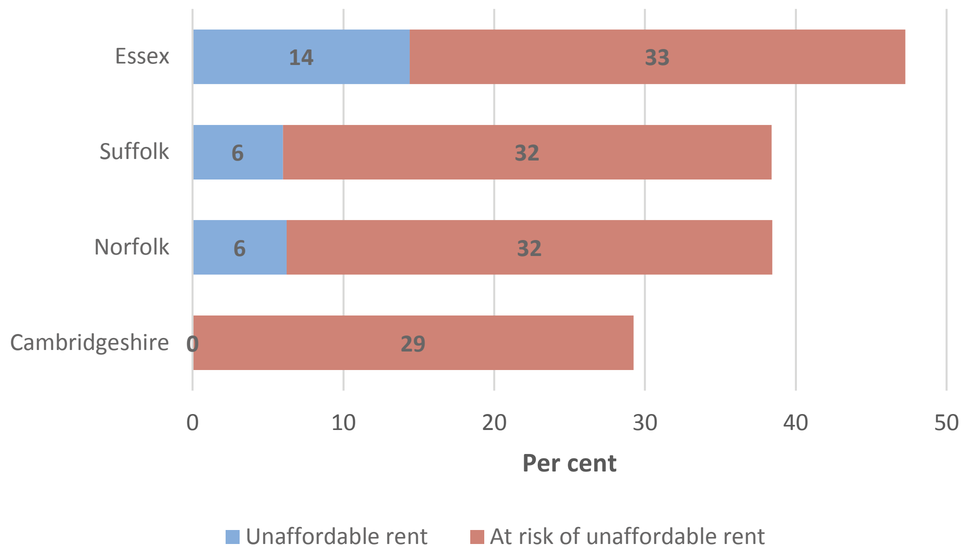


Table 3.1 provides the percentage of tenants with unaffordable rent and at risk of unaffordable rent in the five lower tier authorities with more than 100 survey responses.

Table 3.1: Percentage of tenants with unaffordable rent by lower tier authority

	Unaffordable rent	At risk of unaffordable rent	Total
Forest Heath	8	32	40
Waveney	7	30	37
Suffolk Coastal	5	33	38
Ipswich	5	26	31
Breckland	4	32	36

4. HOW DOES AFFORDABILITY AFFECT TENANTS?

This section explores how affordability affects tenants. The key findings are:

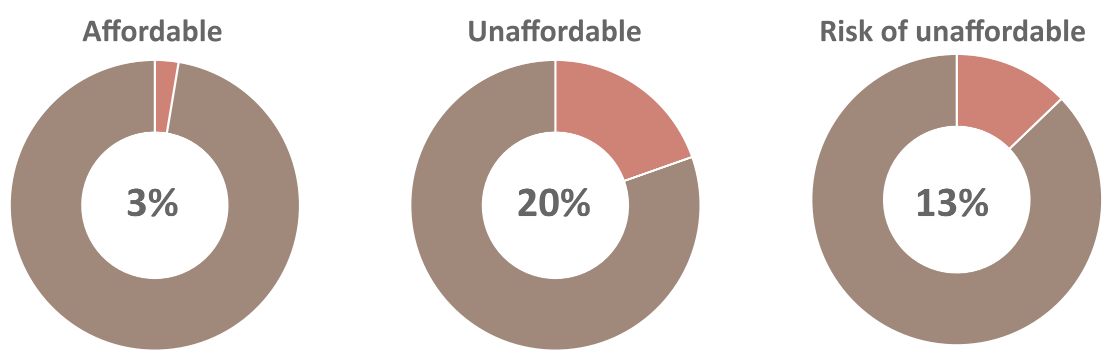
- Tenants with unaffordable rent were more likely than tenants with affordable rent to be in arrears on their rent account
- Tenants with unaffordable rent were more likely than tenants with affordable rent to have had difficulties paying their rent in the past year
- Rent costs were not a common reason for difficulties in paying rent
- The most common reasons for difficulties in paying rent were unexpected expenses, increases in outgoings and decreases in income due to health or job loss
- When tenants run out of money the most common reaction was to cut back on spending. A large proportion of tenants borrowed from family or friends, used a credit card/overdraft or took out a loan

4.1. AFFORDABILITY AND RENT ARREARS

Rent arrears are an important indicator of unaffordable rent. A statistically higher proportion of tenants with unaffordable rent reported being in arrears on their rent account compared to tenants with affordable rent: 20 per cent and three per cent respectively (Figure 4.1). Overall, seven per cent of survey respondents reported that they were in arrears on their rent account.

The average value of reported arrears was over £100 higher for tenants with unaffordable rents compared to tenants with affordable rent. The estimated rent arrears rates were 1.5 per cent and 0.2 per cent respectively.

Figure 4.1: Percentage of affordability groups in arrears



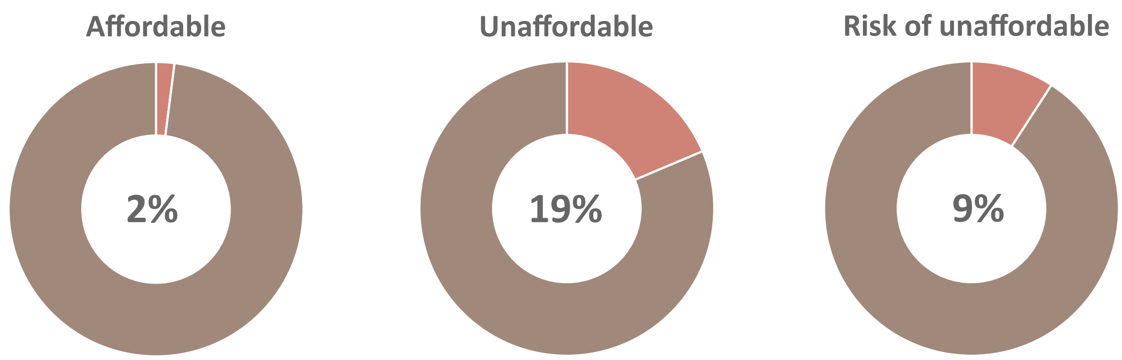
4.2. AFFORDABILITY AND PREVIOUS DIFFICULTY PAYING RENT

Tenants with unaffordable rent were statistically more likely than tenants with affordable rent to have had difficulties paying their rent in the past year: 19 per cent and two per cent respectively (Figure 4.2).

Conversely 89 per cent of tenants with affordable rent 'hardly ever' or 'never' struggled to pay their rent. This was more than double the proportion of tenants with unaffordable rent, which was 43 per cent.

This suggests past experiences of unaffordable rent are a good predictor of problems in the future. It is important to understand the commonalities and relationship between different episodes of unaffordable rent so that appropriate support can be put in place to break the cycle.

Figure 4.2: Percentage who struggled to pay their rent always or most of the time in the past year by affordability groups



The next two subsections explore why tenants had difficulty paying rent and how tenants make ends meet when they run out of money.

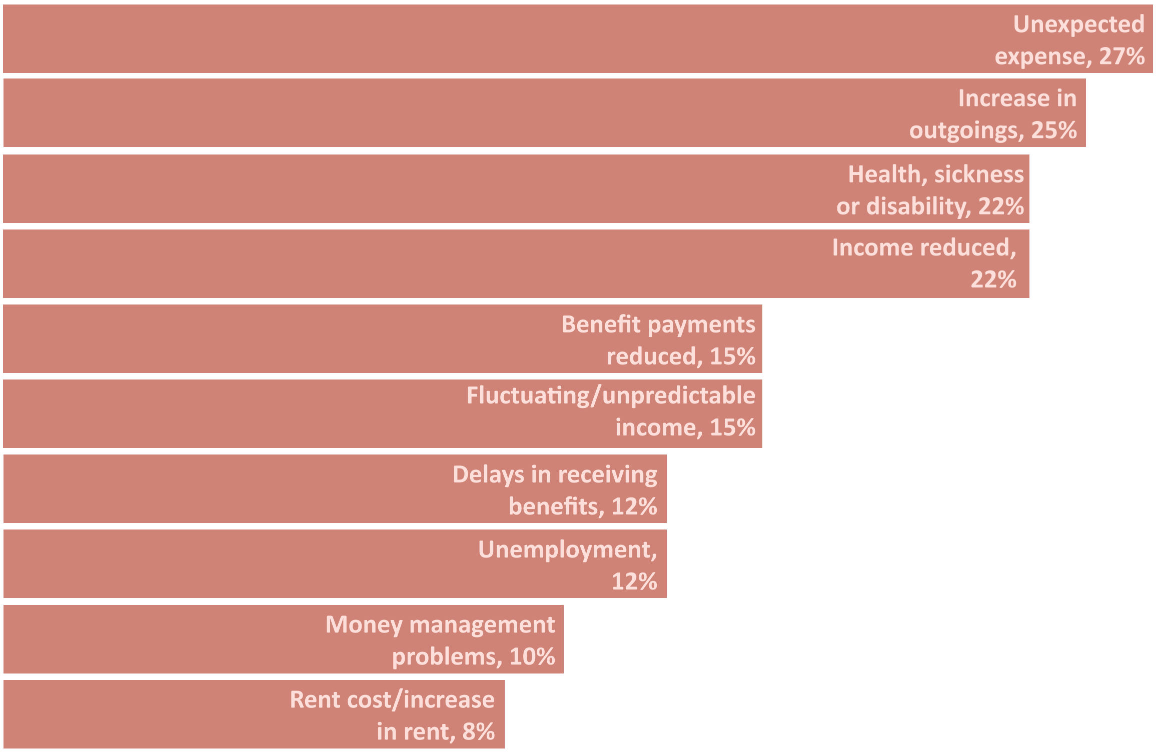
Reasons for difficulty paying rent

Tenants struggle to pay their rent for a wide range of reasons, many of which are unpredictable and/or short lived. Figure 4.3 highlights the **most common reasons were unexpected expenses, increases in outgoings and decreases in income - for example due to health or job loss.**

- 27 per cent of tenants who had any difficulty paying their rent reported this was due to unexpected expenses
- 25 per cent of tenants who had any difficulty paying their rent reported this was due to an increase in outgoings
- 25 per cent of tenants who had any difficulty paying their rent reported this was due to health, sickness or disability
- 22 per cent of tenants who had any difficulty paying their rent reported this was due to an income reduction

Only eight per cent of tenants who had difficulty cited the amount of rent as a contributing factor. This suggests **rents are currently set at appropriate levels for almost all tenants.**

Figure 4.3: Reasons for difficulty paying rent on time in the past year



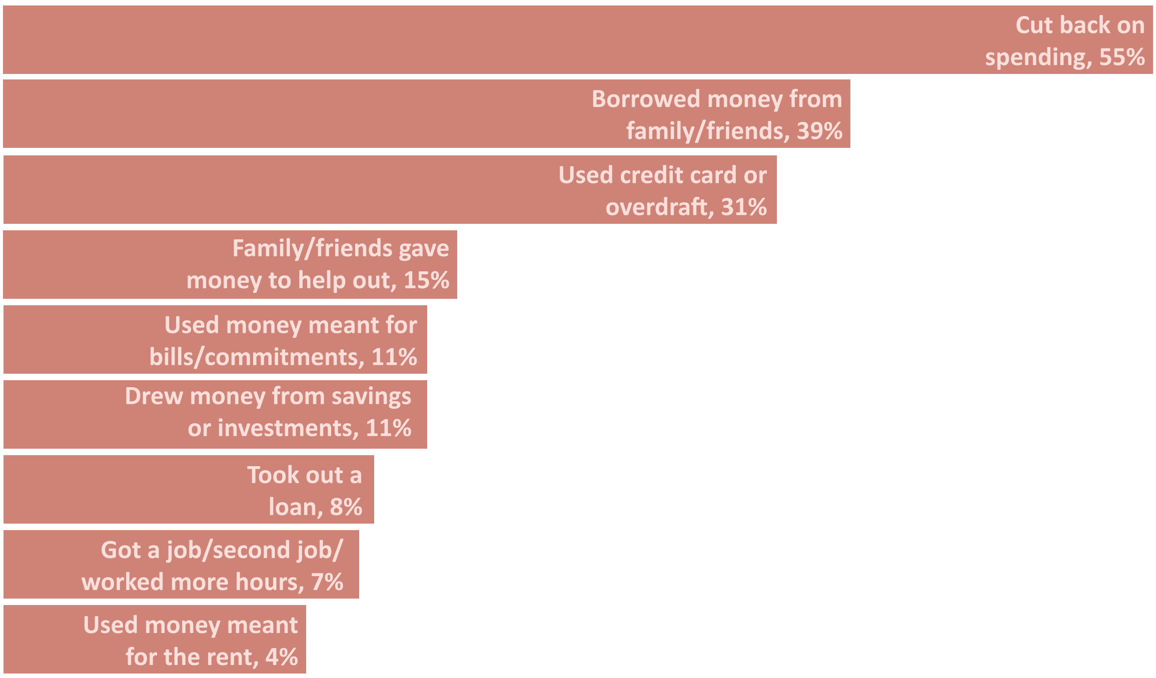
How tenants manage when they run out of money

Figure 4.4 suggests cutting back on spending was the most common reaction when tenants run out of money (55 per cent of tenants). Only 11 per cent of tenants stated they were able to use saving and investments.

Tenants who borrowed (39 per cent), used a credit card/overdraft (31 per cent) or took out a loan (eight per cent) are a concern. They are taking on additional debt which, in turn, is likely to affect the future affordability of their rent. This may be one of the reasons why some tenants end up in a cycle of difficulties paying their rent.

On a positive note only four per cent of tenants reported using money meant for the rent when they run out of money. This is less than the 11 per cent who reported using money meant for other bills or commitments, suggesting **paying rent is seen a priority over these alternative bills or commitments.**

Figure 4.4: How tenants manage when they run out of money



5. HOW TENANTS WOULD MANAGE WITH INCREASED EXPENSES AND WOULD THEY PAY MORE RENT

This chapter finds:

- **Only 13 per cent of tenants would be able to manage a £10 per week increase in their household expenses using their existing income alone**
- **48 per cent of tenants would be prepared to pay a higher rent; however, only six per cent of all respondents stated that they would be prepared to pay a higher rent for factors that would not involve a move to a better home/area**

5.1. HOW TENANTS WOULD MANAGE IF THEIR HOUSEHOLD EXPENSES WERE TO INCREASE

Figure 5.1 summarises how respondents would make ends meet if their household expenses were to increase by £10 per week. The most common responses were to cut back on spending (65 per cent) and use existing income (28 per cent). However **only 13 per cent of tenants reported being able to manage the increase using their existing income alone**.[4]

Only four per cent stated that they would use money meant for rent. This reinforces the importance tenants place on paying their rent to maintain secure accommodation.

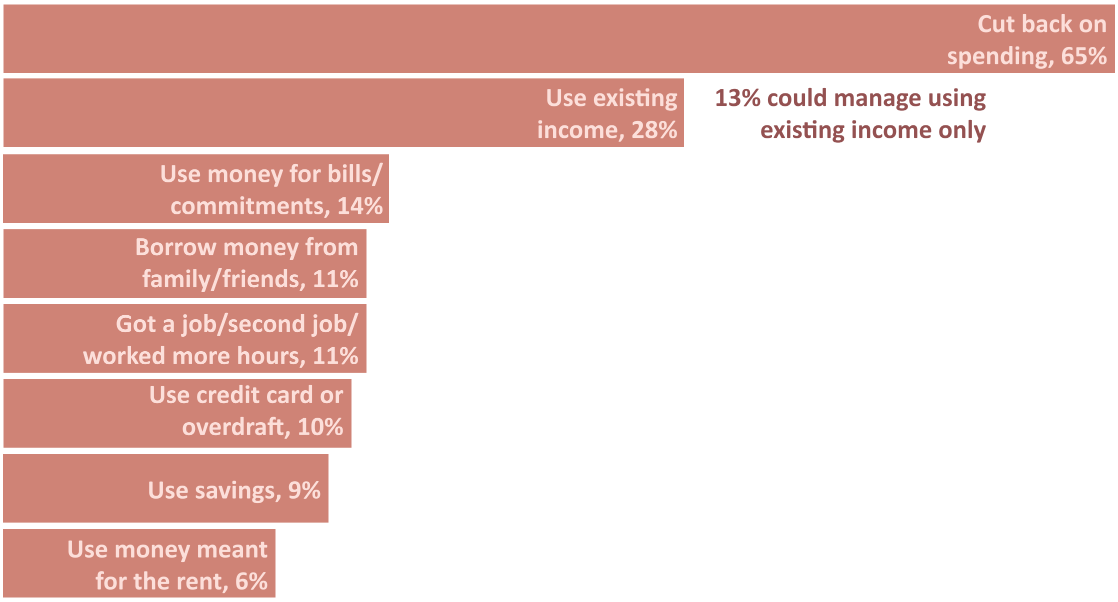
Comparing how tenants with affordable or unaffordable rent would make ends meet following this increase in household expenses reveals a notable trend:

- Tenants with affordable rent were statistically significantly more likely to use existing income or cut back on spending to meet the increase
- Tenants with unaffordable rent were statistically significantly more likely to: run up arrears on their rent account and/or other bills/commitments; use their credit card/overdraft; borrow from family/friends; and get job/second job/work more hours

This suggests **tenants with affordable income have more headroom to meet an increase in expenses (through their existing income or cutting back) compared to tenants with unaffordable income who would increase their debts**.

[4] Tenants who selected 'use existing income' and none of the other multiple choice options provided.

Figure 5.1: How would tenants manage if their household expenses were to increase by £10 per week

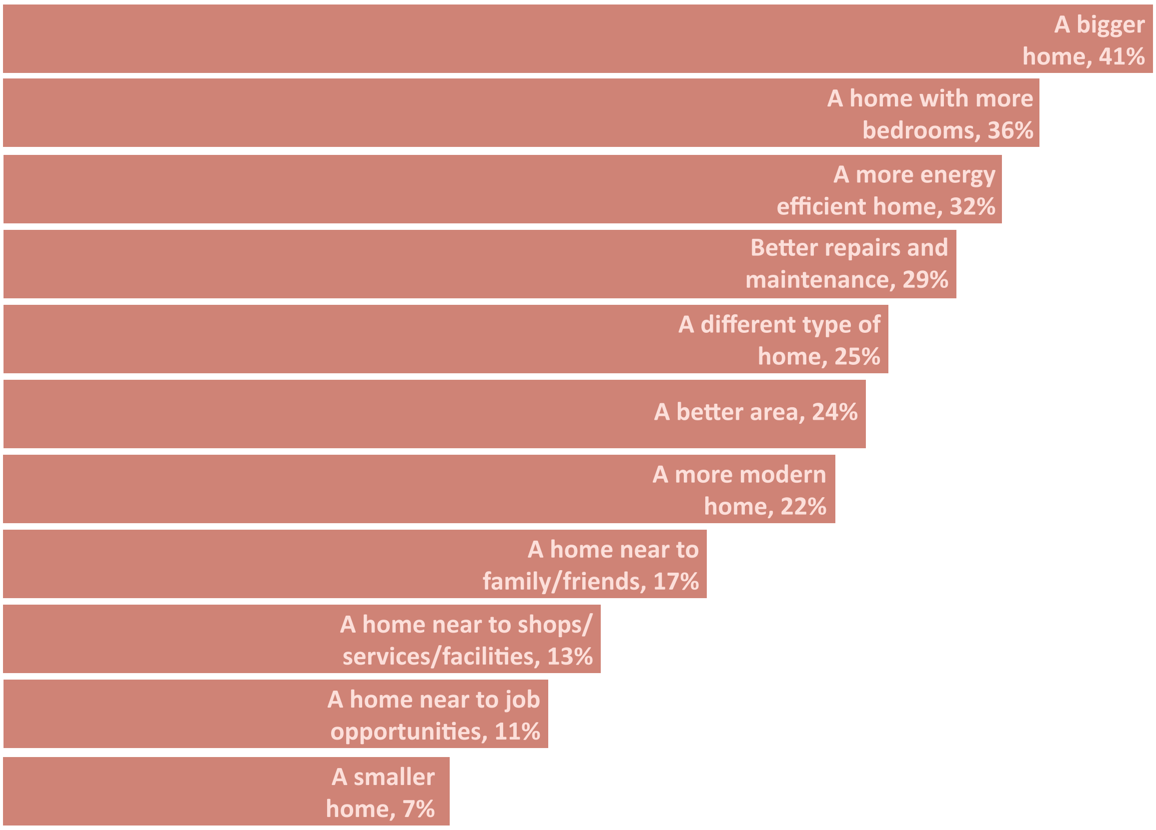


5.2. WILLINGNESS TO PAY A HIGHER RENT

In total, **48 per cent of tenants would be prepared to pay a higher rent**. However, in return most tenants would want a bigger and/or better home, often involving a move (Figure 5.2). Evidence from the survey suggests most tenants did not want to move home.

Only six per cent of all respondents stated that they would be prepared to pay a higher rent for factors that would not involve a move to a better home/area.

Figure 5.2: Reasons given for paying a higher rent



Willingness to pay a higher rent by affordability groups

Fifty per cent of tenants with affordable rent were prepared to pay a higher rent compared to 42 per cent of tenants with unaffordable rent. Exploring this in more detail reveals:

- A statistically higher proportion of tenants with affordable rent wanted: a bigger home, more bedrooms and a more modern home
- A statistically higher proportion of tenants with unaffordable rent wanted to be nearer to job opportunities

Willingness to pay a higher rent by local authority grouping

Suffolk Coastal (41 per cent) and Breckland (42 per cent) had the lowest proportions of tenants who would be willing to pay a higher rent. The highest levels were in: Cambridgeshire (66 per cent), South Norfolk (62 per cent) and Ipswich (58 per cent).

6. HOW WELFARE REFORMS WILL IMPACT ON AFFORDABILITY

Forthcoming welfare reforms will affect affordability for a significant number of tenants. This chapter outlines key pending reforms and how they will affect sub-groups of tenants.

The impact of the reforms will be uneven by different household types. Working age households with no adults in full time work - either with or without dependent children - will be most affected. These households account for around 30 per cent of tenants and currently have high proportions of tenants with unaffordable rent or at risk of unaffordable rent.

6.1. AFFORDABILITY AND WELFARE REFORMS

A summary of the main forthcoming welfare reforms can be found in table 6.1.[5]

The impact of the reforms will be uneven by household type and their combined impact is likely to have a considerable effect on the incomes of many social housing tenants. Table 6.2 provides a traffic light risk rating indicating the degree to which affordability for given tenant groups will be affected (see Table 6.2 for the sub-groups of tenants considered). The following two sub-groups of tenants are most likely to be affected:

- **Working age households who have no adults in full time work and no children**. This sub-group comprised 18 per cent of tenants and are likely to be affected by up to five of the listed welfare changes. The welfare changes are likely to dramatically increase the numbers of tenants with unaffordable rent within this sub-group of tenants. This sub-group already has the highest proportion of tenants with unaffordable rent (nine per cent) and the second highest proportion at risk of unaffordable rent (35 per cent)
- **Working age households who have no adults in full time work and have dependent children**. This sub-group comprised 12 per cent of tenants and are likely to be affected by up to five of the listed welfare changes. The scale of welfare cuts is likely to increase the number of tenants with unaffordable rent within this sub-group of tenants. The sub-group has the third highest proportion of tenants at risk of unaffordable rent (34 per cent)

- Households with **higher incomes** and households with a **retired member not claiming pension credit were identified as posing a limited 'green light' risk** as a result of the impending welfare changes.

[5] See the following CRESR publication for more details: Beatty, C. & Fothergill, S. (2016) The uneven impact of welfare reform, http://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/welfare-reform-2016_1.pdf

Table 6.1: Key future welfare reforms

Name	Key features and timing	Who will it affect?
Universal Credit Taper and Thresholds	Increase in the rate at which UC awards are withdrawn from 41 per cent to 48 percent, from April 2016	All families in work who are in receipt of CTC or WTC
Tax credits (various)	- Limiting of child element to two children for new births in tax credits and new UC claims, from April 2017 - Removal of family element in tax credits and UC, and the family premium in Housing Benefit, for new claims, from April 2017 - Reduction in income rise disregard in tax credits, from April 2016 - Uprated minimum income floor in UC for self-employed from 2016-17 - Revised UC delivery schedule	Families claiming tax credits
Pay to Stay	This proposal is part of the Housing and Planning Act. Current plans are for Social housing tenants in London with a household income of £40,000 a year or more, and £30,000 a year or more in the rest of England, to pay market rents from April 2017	Discretionary for housing associations
LHA cap in social housing	Housing Benefit in the social sector limited to the equivalent private sector rate. Tenancies signed after 1 April 2016, with the entitlement changing from 1 April 2018	Applies to new/renewed social tenants - impact will vary geographically
Housing Benefit for 18 to 21 year olds	End of automatic Housing Benefit entitlement for out-of-work 18-21 year olds, from April 2017	18 to 21 year olds who are out of work
Employment and Support Allowance	ESA in Work-Related Activity Group reduced to JSA rate for new claims. Relates to out of work working age claimants with health problems or disabilities	New claimants
Extension of Benefit cap	Ceiling on total payments to out-of-work households applying to sum of wide range of working age benefits. New, lower ceiling set at £23,000 a year in London and £20,000 elsewhere, from 2016-17	Out-of-work, working age households
Benefit freeze	Freeze in value of most working-age benefits for four years from 2016-17 including Job Seeker's Allowance, Employment and Support Allowance, some types of Housing Benefit, and Child Benefit. Disability benefits are excluded	Claimants of working age benefits

Table 6.2: The impact of welfare reforms on household type

Description	Key welfare reform changes	Proportion of Flagship tenants	Traffic light
Households (HH) with higher incomes	Pay to stay	5	Green
HH who have no adults in FT work and have dependent children	HB, CTC, CB, IS, ESA	12	Red
HH who have at least 1 adult in FT work and have dependent children	CTC, CB, WTC	16	Amber
HH who have no adults in FT work, no children and not retired	HB, CTC, CB, IS, ESA	18	Red
HH who have at least 1 adult in FT work and no children		22	Amber
HH have at least 1 adult who is retired and no children and claiming pension credit		12	Amber
HH have at least 1 adult who is retired and no children but not claiming pension credit		19	Green

Key: HB=changes to Housing Benefit for LHA tenants, CTC=Child Tax Credit, CB=Child Benefit, IS=Income Support, ESA=Employment Support Allowance, WTC=Working Tax Credit.

6.2. PAY TO STAY

Pay to Stay is the main welfare change that will affect households with higher incomes. The survey estimates **five per cent of respondents are likely to be affected by Pay to Stay**: they had a household income greater than £31,200 and were not in a shared ownership or market rent property. Only three per cent of tenants likely to be affected by Pay to Stay were assessed as having unaffordable rent compared to just under 70 per cent who had affordable rent. There is a suggestion that tenants likely to be affected by Pay to Stay would be prepared to pay a higher rent: 66 per cent stated that they would be prepared to pay a higher rent for one or more of the options listed. This is higher than social/affordable tenants not likely to be affected (49 per cent). However it is important to note paying higher rent is based on receiving a better offer in return. This includes a bigger home, a more energy efficient home, a more modern home, a better area and better repairs. In most cases a move would be required.

6.3. VOLUNTARY RIGHT TO BUY

This section considers the likely interest in the Voluntary Right to Buy (VRtB). The extension of the Right to Buy to housing association properties is a major change in housing policy that could have important ramifications for housing access and supply.

Results from this survey suggest that **14 per cent of Flagship tenants** might be able to afford a mortgage to utilise the VRtB. This is slightly higher than the estimated figure across England as a whole (13 per cent). However, not all tenants who can afford the VRtB are interested in doing so. Therefore likely take up of Right to Buy has been estimated from the survey by considering only tenants who can afford it and who stated that they would want to take it up. This analysis suggests only **three per cent of Flagship tenants are likely to take up the Right to Buy.**

7. RECOMMENDATIONS

Recommendation 1: To use the following Rent Affordability Assessment Tool[6] to assess affordability for tenants and prospective tenants.

	Score if yes
Aged 35 to 64 years	1
Household income varies a lot	1
Household income less than £10,000	1
Household income more than £30,000	-1
Rent more than £80 per week	1
Arrears in the past 2 years	1
Problems with health, sickness or disability	1
Savings of less than £500	1
Workless household	1
Claiming pension credit	1
Claiming child tax credit	1
Claiming working tax credit	1
Responsibility for all rent	1
Total Affordability Assessment score	

	Affordability assessment score
Aged 35 to 64 years	-1 to 4
Household income varies a lot	5 to 6
Household income less than £10,000	7 to 12

Recommendation 2: To triage all tenants entering arrears for the causes of unaffordable rent and put in place necessary support packages.

- Triage to include:
  - Affordability assessment
  - Discussion of key reasons for difficulties, focusing on: rent level, income, household expenses, health, financial capability and household change

- Support packages to include:
  - Income maximisation
  - Consideration of more affordable and appropriate accommodation
  - Signposting to support services and employment programmes

[6] This assessment tool scores households based on key risk factors that were associated with the affordability measure and household types that are most likely to be affected by forthcoming welfare changes.

Recommendation 3: To actively promote to tenants that they maintain at least 4 weeks' worth of credit on their rent accounts so they have a buffer to better cope with spells of unaffordable rent.

Recommendation 4: To identify and target action at tenant groups most likely to be affected by welfare reforms.

- Workless households, both with and without dependent children, should be seen as a priority
- Actions to include:
  - Encouraging tenants to build up at least 4 weeks' worth of credit on their rent accounts
  - Ensuring tenants are in appropriate accommodation with affordable rents
  - Income maximisation
  - Signposting to employment programmes

Recommendation 5: Review lettings policies in anticipation of welfare reforms.

- Workless households will have a greater risk of unaffordable rent
- Lettings should include a sufficient proportion of households with higher incomes and retired households that do not claim pension credit

Recommendation 6: Flagship Group to ensure it is ready for Right to Buy

- Strategic assessment of which types of property to exempt
- Ensuring property level data in relation to S106, covenants and nominations is easily accessible

Flagship Group
Keswick Hall,
Keswick, Norwich
NR4 6TJ

www.flagship-group.co.uk