**KENT HOUSING GROUP**

**THE ASSESSMENT OF AFFORDABILITY FOR SOCIAL HOUSING TENANTS**

**A PROTOCOL FOR LOCAL AUTHORITIES AND SOCIAL HOUSING PROVIDERS**

**1 Context**

1.1 The roll-out of Welfare Reform, in particular the Benefit Cap and the pending reduction of housing benefit / housing element of Universal Credit for under 35s, has raised the issue of affordability for potential social housing tenants. Along side this is the local authorities’ statutory homelessness duty and how this can be met in circumstances where potential tenants may not be able to afford social housing rents.

1.2 The financial assessment of an applicant at the point of joining a housing register is usually based on their income and capital savings. If they are above the threshold for that local authority’s allocations scheme, they will not be entitled to register. It has not been considered, however, if the applicant will be able to actually afford the types of property they will be bidding for.

1.3 It is important to note that social rents are low in comparison to affordable and market rents, and over the next few years will reduce by 1 percent per annum. Yet there may still be applicants who cannot afford even these rents.

1.4 This protocol aims to give some shared principles for social landlords and local authorities with regard to:

* Ensuring that potential tenants can afford to pay the rent and live in the properties offered to them
* Ensuring tenancy sustainability and reduce repeat homelessness

**2 Who will undergo an affordability assessment?**

2.1 It is proposed that all nominated potential tenants on local authorities’ housing registers and transferees within landlords’ stock undergo an affordability assessment.

2.2 It may also be prudent for tenants undergoing a mutual exchange to have an assessment. Obviously, an exchange could not be refused on the grounds of un-affordability, but the tenants would have a reality check on what their new home would cost them.

**3 What will be included in the assessment?**

3.1 Using an appropriate affordability tool, all income, expenditure and savings should be considered and assessed including priority and non priority debts. All household income will be taken into account including that of partners. Caution should be used however when including adult children’s or lodger’s contributions as these living arrangement may be more temporary in nature.

3.2 The financial assessment would be benchmarked against the average social / affordable rent for particular types of property.

Question 1 – what type of affordability tool should be used?

3.3 For those entitled, a benefit calculator should be used to

a) establish the applicant’s eligibility for benefits

b) estimate the amount of housing benefit or the housing element of Universal Credit and

c) maximise income.

3.4 For tenants who are transferring, their previous rent account management should be taken into consideration in accordance with the landlord’s allocations and / or exclusions policy.

**4 When should the assessment take place?**

4.1 It would assist the process if local authorities undertook an assessment at the point of registration. Potential tenants would therefore have a clear expectation of their ability to afford the type of rent levels of the properties they will be able to bid for. It may not necessarily be the case that just because they are eligible to register, they will be able to afford an offer of accommodation.

4.2 If the potential tenant is assessed as not being able to afford a home suitable for their needs, they will be signposted to relevant agencies who can support them to take the necessary action or behaviour change to make them tenancy ready.

4.3 At this pre-tenancy stage the assessment would take place annually (if the applicant had not been rehoused) or when they had a change of financial circumstances.

4.4 Social landlords should then undertake an affordability assessment at the point of offer of accommodation.

**5 How should the assessment be undertaken?**

5.1 If the potential tenant has run a household before, the assessment can be based on the outgoings that they have experienced previously. If this is the first tenancy to be held by the potential tenant, estimate outgoings can be used based on the Office for National Statistics data.

5.2 Proof of income and outgoings should be provided by the potential tenant, for example using wage slips, benefit entitlement and bank statements.

5.3 The assessment should include all debts as they might have a significant impact on the potential tenant’s expenditure.

5.4 At the point of offer, the assessment should be based the specific offer of accommodation, on a particular property in a particular location. Just because a potential tenant is not able to afford that particular property, should not mean a blanket ‘no’ for other property types or locations. If the applicant is assessed as high risk of not being able to afford the property being offered, the offer will be withdrawn.

5.5 The assessment should be subtle enough to identify those potential tenants who, with some support in realigning their budget, could afford the property.

Question 2 – how shall it be determined what is unaffordable if there is a shortfall - such as a % of the gross rent?