



1. Purpose of this Paper

This paper is one in a series of Theme Papers highlighting key issues in Poole with respect to Housing, the Local Economy, Health and Well-being, Children and Young People, Older People, Communities, Community Safety and Demography. These papers form part of [Poole's Joint Strategic Needs Assessment](#) (JSNA).

Housing is a basic human need. The availability, affordability and quality of housing have economic, social and health implications. It is therefore included as a theme within Poole's JSNA.

2. Key points

- Poole's housing remains relatively unaffordable for local workers wishing to enter the housing market as first time buyers.
- Rents in the private sector are relatively high in Poole.
- The Coalition's welfare reforms include significant changes to housing benefits. The long-term financial and health impacts of these changes may prove challenging.
- Tenure patterns are changing. In particular, the private rental market is growing.

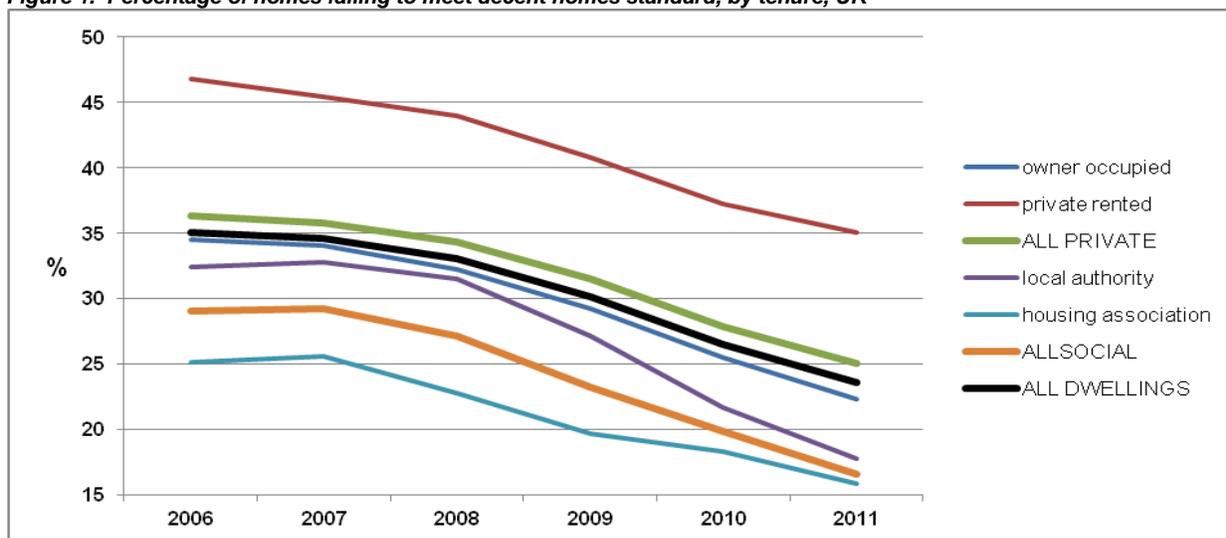
3. Housing and Health

The previous Labour administration introduced the Decent Homes Programme the purpose of which was to bring all *social sector* houses up to a minimum standard by 2010. A house meets the standard if it is free from major hazards (e.g. asbestos), is in a reasonable state of repair, has reasonably modern services and facilities and provides a reasonable degree of thermal warmth. The standard may not, therefore, be regarded as exacting. In Poole, all council owned properties now meet the standard. Nationally, private sector rented dwellings are the most likely not to meet the standard and are twice as likely not to meet it than social rented dwellings (Figure 1). We don't have statistically robust data on the condition of the private rented sector in Poole, but we do know that the proportion of households in this sector in Poole has nearly doubled in the last decade and is now 15%.

There is no central target for improving private rental sector housing, other than encouraging landlord accreditation schemes. Property maintenance and energy efficiency are at the discretion of the landlord.

Figure 1 below shows, for England, the proportion of dwellings in each sector that failed to meet the decent homes standard. The trend in all sectors is downwards but the private rented sector remains significantly worse than the others. (The private sector is divided into private rented and owner occupied, and the social sector into local authority and housing association dwellings.)

Figure 1. Percentage of homes failing to meet decent homes standard, by tenure, UK



Source: English Housing Survey

Poor quality housing can have a substantial impact on health. It is associated with increased risk of cardiovascular diseases, respiratory diseases, depression and anxiety.¹ Housing-related factors associated with increasing risk of illness include dampness, mould, lack of heating, while structural defects increase the risk of injury and accidents.

In particular, inadequately heated homes are linked to cardio-vascular, respiratory and rheumatoid diseases as well as poor mental health and hypothermia. The elderly are particularly at risk of health problems brought on by accidents in the home.

Many poorer people do not heat their homes adequately because of the relatively high cost of doing so. High domestic fuel inflation exacerbates this problem. However, all older people, independent of their means, are eligible for a Winter Fuel Allowance payment.

4. Current Housing Stock and Tenure

According to the latest Council Tax records there are approximately 67,000 dwellings in Poole. The usual resident population² is 147,645 of whom 145,103 live in 63,530 households. (The other 2,542 live in communal establishments.) In 2011, there were

¹ Marmot Review, London, 2010

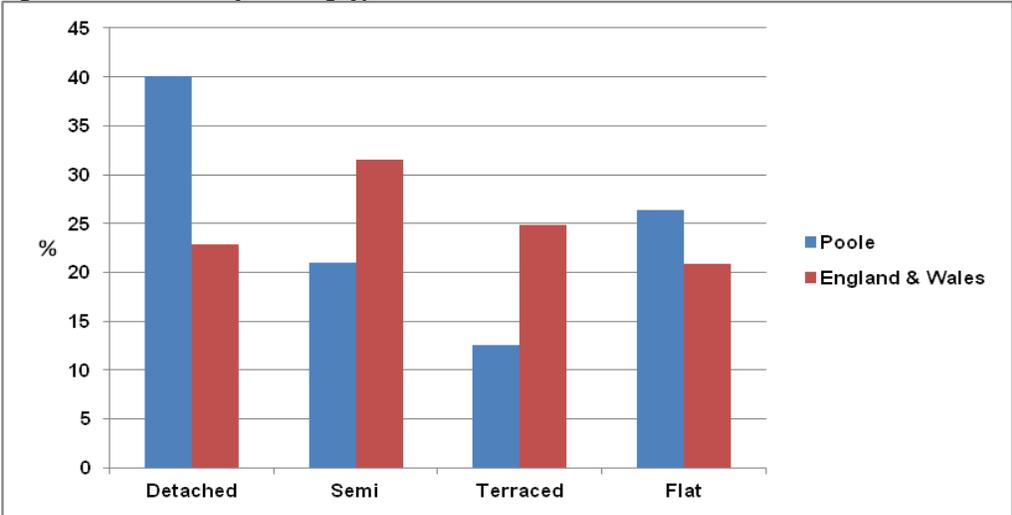
² On Census day, March 27, 2011

1,930 empty dwellings in Poole, of which 658 were long-term empty. There were also 1,758 second homes.

- The percentage of all households in Poole in the private rented sector almost doubled over the decade, rising from 7.5% to 14.6%.
- Between 2001 and 2011 the owner occupation rate in Poole fell from 78% to 70% of all resident households.
- Between 2001 and 2011 the percentage of households in Poole buying their home with a mortgage fell from 43% to 35%.
- In 2011 36% of households in Poole owned their homes outright, the same figure as 2001.
- 40% of dwellings in Poole are detached houses, much higher than the national average

Figure 1 below shows the type of dwelling lived in by resident households not living in temporary or shared accommodation³. Poole has a relatively high proportion of detached houses compared to England & Wales (Figure 1).

Figure 2. Households by dwelling type

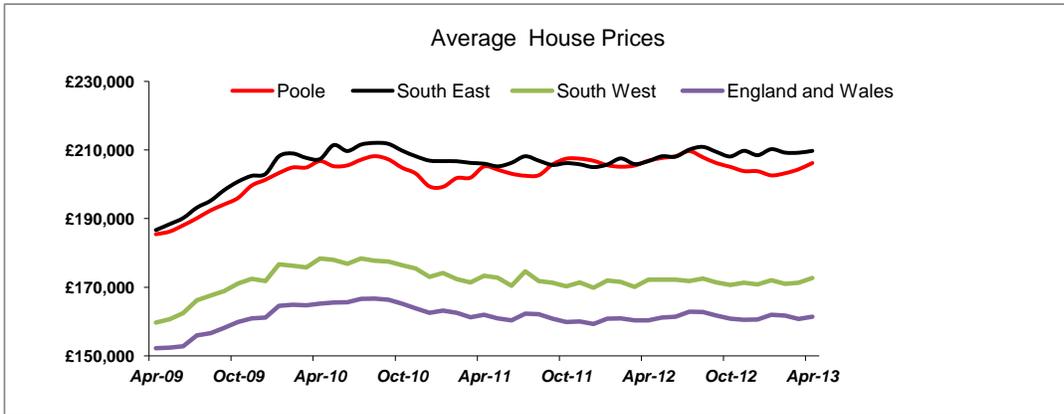


5. House Prices and Affordability

House prices in Poole are higher than the national average (Figure 3). It is of interest to compare Poole’s average house prices with those of the South East region (which is generally regarded as an expensive area).

³ We do not have dwelling type data for those households living in temporary or shared dwellings, but they form only a negligible proportion of all households. In Poole they comprise only 228 resident households.

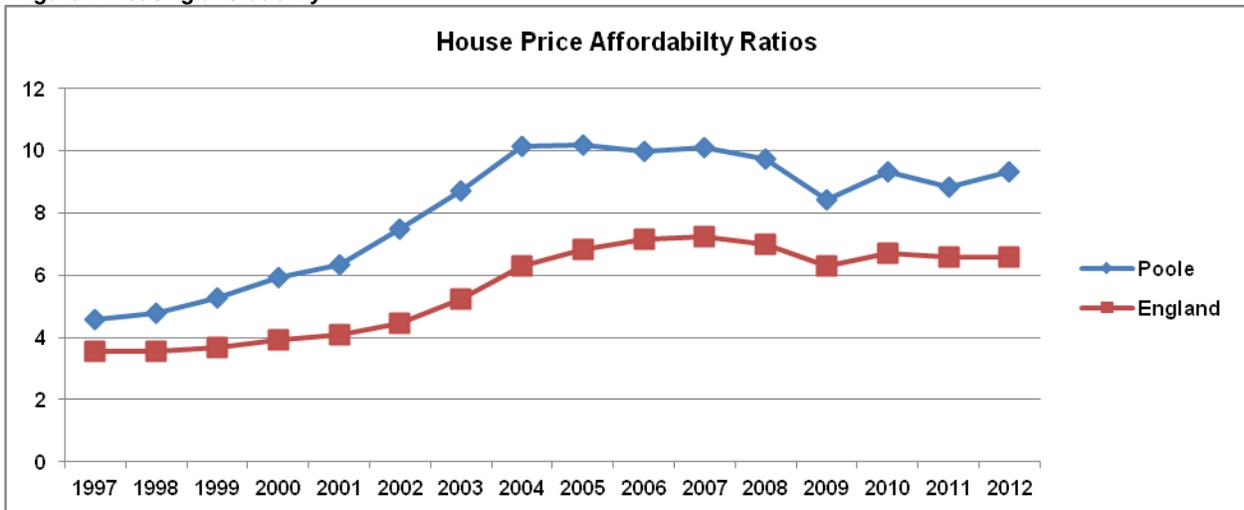
Figure 3. Average house prices.



Source: Land Registry

Historically, house prices in Poole are high relative to local incomes. When examining affordability of buying a house, it makes sense to work with the lower end of both house prices and incomes, since these will reflect the situation of those hoping to enter the market. The lower quartile of a distribution is that point at or below which one quarter of the distribution lies. We measure affordability by the ratio of lower quartile house prices to lower quartile full-time workplace-based incomes. These are graphed below with comparisons with England. It can be seen that Poole’s position is unenviable for those seeking to purchase entry-level houses.

Figure 4. Housing affordability



In Poole, in 2012, houses at the lower quartile price were more than *nine times* (9.34) lower quartile full-time workplace-based earnings in Poole. A couple, each member of which earned at this level, and who raised a mortgage valued at three times their joint income, would have needed to provide a deposit of around £63,500 to purchase such a house. Few such couples are likely to have savings of this magnitude, particularly if much of their income is servicing a private rental.

It is highly likely that the current difficulty experienced by first time buyers in entering the market will continue at least in the medium term bearing in mind low or negative real-term wage growth. Also, those living on lower incomes spend relatively higher proportions of their income on non-discretionary items such as food and fuel, which leaves little residual income that can be saved towards a deposit.

Finally, high house prices and high rents may impact on the local labour market if they act as a deterrent to lower-paid workers who might otherwise be attracted to live in the area.

6. Private Rented Sector

Many local residents cannot afford to enter the housing market and will therefore have no alternative but to rent. Rents in the local private sector are relatively high. We have data on private rentals from the Valuation Office Agency on 326 unitary and district authorities in England for the year ending March 3, 2013. The median monthly rent for two bedroom properties in Poole was £695. Poole's rank was 108 out of 326, (with rank 1 the highest) *placing it in the top third of all areas in England* for such rents⁴.

Unfortunately, these high rents are not matched by correspondingly high incomes, so that many of those paying them may have little in the way of savings required to raise a deposit on a house.

Many private renters are in receipt of housing benefit and recent changes to the benefit system have seen a reduction in their entitlement. It has been conjectured that this may cause a fall in market rents. In Poole, these rents have remained largely unchanged over the past year (which is a small fall in real terms).

7. Social Rented Sector

Social housing owned by the Council is administered by Poole Housing Partnership (PHP) which manages approximately 4,600 dwellings. Housing associations own a further 2,900. We assume that these properties are currently "affordable". (The average monthly rent for a three bedroom PHP property is currently £345.) However, the Government propose that *future* tenants in the social sector can be required to pay rents up to 80% of the corresponding private sector rate – this is called "the new Affordable Rent product".⁵

The Government is also proposing to introduce a "Pay to Stay" policy whereby *current* social tenants above a certain income threshold would be required to pay market rents. This, of course, would require access to tenants' income details. At time of writing it seems the household income threshold will be set at £60,000 per annum but the details will become clearer in the next spending review. Very few households in socially rented properties have incomes of this magnitude⁶.

⁴ Poole's median is based on a sample of 675 two - bedroom properties

⁵ 2011-2015 Affordable Homes Programme – Framework, DCLG, February, 2011

⁶ Government estimates that between 0.05% and 0.3% of social renting households have incomes in excess of £80,000.

Also, from April 2012, “right to buy” rules changed. In order to increase home ownership among tenants in the social sector the Government is increasing the discounts available. Secure tenants of both local authorities and non-charitable housing associations have the Right to Buy if they have been public sector tenants for at least five years. Assured tenants of housing associations who have transferred with their homes from a local authority to a housing association as part of a stock transfer retain their Right to Buy. (This is known as Preserved Right to Buy). The Right to Buy discount increases with the length of tenancy up to a maximum limit:

- **houses** - the discount is set at 35 per cent of the property value plus 1 per cent for each year beyond the qualifying period up to a maximum of 60 per cent
- **flats** - the discount starts at 50 per cent and rises by 2 per cent for each year beyond the qualifying period up to a maximum of 70 per cent.

The above discounts are each subject to a cap of £75,000 (raised from £50,000).

For example, a tenant who has been renting a modest 2 bedroom flat for ten years which is currently valued at £120,000 would qualify for a discount of £72,000, i.e. could purchase the property for only £48,000.

Sales revenue must be reinvested within three years and cannot comprise more than 30% of total investment on all new homes. Surpluses are to be returned to central government.

It is difficult to see how receipts from such heavily discounted sales would be sufficient to allow replacement on a one-for-one basis, even if built on council-owned land.

8. Homelessness

Table 1 below shows the number of households in Poole in the last four financial years that were accepted as being homeless and in priority need. It also shows the approximate corresponding rate (number per 1,000 households) and compares this with the English rate.

Table 1. Homeless households in priority need, Poole

Year	No. of HH	Rate (Poole)	Rate (England)
2009-10	33	0.6	1.9
2010-11	43	0.7	2.0
2011-12	87	1.4	2.3
2012-13	88	1.4	2.4

9. Changes to Housing Benefit

The Government is phasing in a raft of benefit changes, including changes to housing benefit payable to private sector tenants. In brief, maximum payments to private tenants will initially be based on 30th percentile market rates for each property type rather than median rates as before, and will then be annually adjusted in line with the lower of Consumer Price Index or 30th percentile rental inflation. Since CPI inflation is very likely to be the lower of these, in practice subsequent changes to the rent will be CPI-indexed and will not keep pace with rent inflation.

In addition, tenants aged less than 35 living in one bedroom self-contained properties will receive benefits based on the 30th percentile of shared accommodation rents. It is highly likely that many of these will be forced to move to another property. Other claimants may also be compelled to move.

Government has set aside a sum for discretionary payments to aid those during the transitional payment but these payments will only help a small proportion of cases. It was initially thought that market rents might fall as housing benefits were reduced, but they show no signs of decreasing. National surveys of landlords suggest that about half of them will seek to reduce the number of housing benefit-dependent tenants.

In addition, from April 2013:

- Households with adult couples will receive no more than £26,000 per annum in *all* benefits with a corresponding figure of £18,200 for single adult households, *independent of geographical location or household size*. In Poole, 78 households will see an average reduction in weekly benefit of £76.73 due to this (or £4,000.92 per annum). The total annual sum lost is **£312,072**.
- Pending the introduction of Universal Credit⁷ in October 2013, it will fall to local authorities to reduce the housing benefit payable to those households who would otherwise exceed the cap.
- Housing benefit payable to working age tenants in the social sector will be dependent on the number of rooms they are deemed to “need”, with a reduction in benefit of 14% if they have one extra bedroom and a reduction of 25% if they have two or more extra bedrooms. In Poole, 730 households will lose an average of 15.77 a week or £822.29 per annum⁸. The total annual sum lost is **£600,274**.
- The total sum allocated for council tax benefits in each authority will be reduced by 10% and the benefit will henceforth be administered locally (i.e. will *not* be included in Universal Credit).
- Pensioner households will have their council tax benefit protected. Other vulnerable groups may be added to the protected list at the Council’s discretion.

⁷ Universal Credit will wrap most current benefits up into one package.

⁸ Assuming 365 days in a year.

We have seen that the total loss due to the overall benefit cap and the excess bedroom charge is approaching £1m. Government has allocated Poole £275,652 for the financial year 2013-14 in Discretionary Housing Payments to mitigate the effects of the benefit changes.

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This document was last updated in June 2013