

Housing Costs Calculator: Methodology

A tool to help local authorities across the UK estimate the costs of accommodation in the private rented sector.

Background

As part of the response to COVID-19, 15,000 people experiencing street homelessness have been offered self-contained temporary accommodation to safely self-isolate during the pandemic in England (MHCLG, 2020).

Whilst the approach varied from authority to authority, and across UK nations, most were allocated emergency accommodation in hotels. To help city leaders with these planning efforts, we have developed the Housing Costs Calculator.

Updates

- Version 1.0 (29.05.2020) : inclusive of all nations of UK and PRS data only
- Version 2.0 (25.06.2020) inclusive of data for the social rented sector (SRS).

What does the Calculator do?

The Calculator enables councils to obtain rough estimates of the costs of moving single people who were previously street homeless from hotels or living in shared temporary accommodation (TA) to the private rented sector (PRS) and the social rented sector (SRS) with appropriate levels of support. This model is intended to help local authorities quickly test alternatives - not to give precise values of the costs that would be actually faced.

The calculator provides information on:

- The costs of moving people to the private rented sector as temporary accommodation
- The costs of moving people to the private rented sector as permanent accommodation
- The costs of moving people to the social rented sector
- The number of expected available dwellings in the PRS and the SRS in the area
- The costs of considering out-of-borough placements, both as temporary and permanent accommodation
- The total costs and savings of using the private rented sector as temporary accommodation and as permanent accommodation to house rough sleepers currently living in hotels.

The calculator also allows local areas to test the impact on the costs described above depending on multiple assumptions including:

- The number of people living in COVID-19 emergency accommodation and other types of temporary accommodation
- The proportion of people with different support needs
- The costs of different support packages offered to people and landlords. This includes the support services offered to people with different levels of support needs, as well as management costs and move-in support and incentives (for instance, in the PRS this may consider the costs of cash incentives to landlords and in the SRS it may include the costs of furniture).

How are the estimates calculated?

- 1) For the PRS, the Calculator estimates the cost per unit considering:

Estimates of the rents in an LA for self-contained Category B accommodation (studio and 1-bed flats, below: Cat-B). The Beta version of the Calculator uses the percentile 30 of rent prices.

We use multiple data sources to estimate rents. For [England](#), we use data for each local authority from The Valuation Office Agency (VOA) for 2018/19. For [Wales](#), we use similar data for each local authority up to December 2019. For [Scotland](#), information is available by Broad Rental Market Areas (BRMA) up to September 2019. For [Northern Ireland](#), we use information for 2018. We then account for inflation up to April 2020 using the inflation index published by the Office of National Statistics [ONS \(2020\)](#). This considers variation by region in England, but only by nation in the cases of Wales, Scotland and Northern Ireland.

For the net costs in permanent accommodation, we subtract 100% of the April 2020 Local Housing Allowance for 1-bed accommodation. We use different local data sources for [England](#), [Wales](#), [Scotland](#) and [Northern Ireland](#). Note that this is a simplification because it does not consider the restrictions and exceptions for people under 35 years old.

For the net costs in temporary accommodation, we subtract 90% of the 2011 Local Housing Allowance for 1-bed accommodation according to the rules set out in [HB S5/2017](#). We use different local data sources for [England](#), [Wales](#), and [Scotland](#). For [Northern Ireland](#), information was only available for three areas (Belfast, Lough Neath Lower, and South). Other values are derived from the relative values from 2020. Note that this is a simplification because it does not consider the restrictions and exceptions for people under 35 years old.

We add estimates to consider other additional costs that local authorities may incur on when moving people into the PRS:

- *Management costs* (e.g. day maintenance, rent collection, voids and bad debts when local authorities manage the properties). We have used a standard assumption of £50 per week, but local authorities may have more appropriate assumptions or may wish to test the impacts of different values. This rough estimate is based on assuming 15% of a weekly rent of £250.
- *Move-in assistance and incentives to landlords* (e.g. upfront incentives paid by the local authority to landlords in the PRS). We have used a standard assumption of £40 per week, but local authorities may have more appropriate assumptions or may wish to test the impacts of different values. This rough estimate assumes an incentive and other costs equivalent to £2,000 for a tenure of 1 year.
- *Costs of services for people with 'medium' support needs*. We have used a standard assumption of £20 per week considering the average case-loads of frontline caseworkers. Assuming a 35 hour-week with wages of £17.50 an hour and a caseload per officer of 20 to 40, that means around 1.2 hours per client per week, or £18.70 per week which we have rounded to £20.
- *Costs of services for people with 'high' support needs*. We have used a standard assumption of £80 per week considering the median costs of the support services of the [Housing First pilot in London](#), but local authorities may have more appropriate assumptions or may wish to test the impacts of different values.

We have included estimates for these additional costs, but the Calculator enables users to change these assumptions if they have more appropriate values for their local areas. They should be taken only as rough estimates.

2) For the SRS, the Calculator estimates the cost per unit considering:

Estimates of the rents in the SRS Cat-B accommodation. We use multiple data sources and definitions to come up with these estimates. However, as the rents in the SRS are covered by benefits entitlements, these are reflected here only for indicative purposes and comparisons with the PRS. They do not have bearing on local authorities' finances besides the costs of management, move-in support and other costs incurred according to the support needs of people served.

For England, we include both accommodation owned by the LAs and Private Registered Providers. We use data on the average rents paid for Cat-B accommodation owned by the LAs from the [Local Authority Housing Statistics 2018-19](#), and data on the average rents paid for [Private Registered Providers for 2018-19](#). However, as data available for PRPs includes all accommodation sizes, we had to scale this down to account for the lower rents paid for Cat-B accommodation. As a proxy, we use the relationship between average rents paid for all accommodation sizes owned by LAs and the average rent paid for Cat-B dwellings from the Local Authority Housing Statistics 2018-19 - i.e. a factor of 0.87. We then estimate a weighted average of rents for all these types of accommodation considering the existing stock from [PRP](#) and [LAs](#). The stock from the PRP had to be scaled down to consider only Cat-B as described below in point 3).

For Wales, we use the average rent paid for Cat-B accommodation including the General Needs stock owned by LA and PRPs.

The values for both England and Wales account for a 2.5% inflation rate, which is [1 percentage point above CPI](#).

For Scotland, we use the [average rents paid](#) for dwellings of all sizes owned by the LAs in 2017-18. This is then scaled down to account for only for Cat-B dwellings using the relationship between the [average rent paid for all dwelling sizes and Cat-B](#) - a factor of 0.88. This then needs to be scaled up to account for the higher rents paid to PRP accommodation considering the relationship between the rents paid in PRP and LA-owned accommodation - a factor of 1.12. In those areas that don't have any LA-owned accommodation, we use the average rent paid for PRPs across Scotland. The values for Scotland need to account for 2 years of inflation. We use [3.7%](#) for 2018-19 and 2.5% for 2019-20 .

No usable data was found for Northern Ireland.

As the values of rents in the SRS are expected to be covered by benefit entitlements, these do not imply additional outgoings from the LA's finances. However, it is important to account for other costs:

- *Management costs* (e.g. day maintenance, rent collection, voids and bad debts). We use a lower assumption of £20 per week. as with the PRS considering 20% of weekly rents. This rough estimate is based on assuming the same 20% used for the PRS but for a rent of £100 which is more appropriate for the SRS.
- *Move-in assistance* (e.g. costs of furniture). We have used a standard assumption of £25 per week, but local authorities may have more appropriate assumptions or may wish to test the impacts of different values. This rough estimate distributed over a year the cost of providing basic furniture for a 1-bed apartment (£1,300), but could be considerably higher if better-quality, more durable furniture were to be considered (Private correspondence with [End Furniture Poverty](#)).
- *Costs of services for people with 'medium' support needs*. We assume the same costs as for the PRS.
- *Costs of services for people with 'high' support needs*. We assume the same costs as for the PRS.

3) The Calculator also estimates the number of available units:

For the PRS, the Calculator estimates the number of Cat-B dwellings that we expect would be available in an area over a period of 3 months. These are estimated using information on the total number of units in an area for the 30th percentile and an estimate of the expected rotation rate.

For England, the stock of Cat-B dwellings is estimated using information from the stock per region from [Capital Economics \(2020\)](#) and the share of dwelling in each category included in the [VOA 2018/19](#). For Wales, we use the estimates of stock per region from [StatsWales for](#)

[March 2019](#) and the share of Cat-B dwelling in the [Rent Officers Wales Lettings Information Database](#). For Scotland, we use estimates of the stock by area from [Statistics Scotland](#) and the share of Cat-B dwellings in the survey of [private sector rents for September 2019](#). The underlying assumption is that the share of rents in VOA in England, the Lettings Information Database in Wales and the survey of private sector rents in Scotland are representative of the total existing stock in each country.

The rotation rate is estimated using information from [ONS \(2018\)](#) on the average length of stay which is 3, 3.9, and 5 for Scotland, England, and Wales, respectively. This implies that roughly 33, 25 and 20% of private rentals become available in a year in Scotland, England, and Wales, respectively. Following a period of inactivity during the lockdown, Zoopla (2020) advises that “Once the lockdown restrictions ease, activity levels will likely rise to the equivalent of the busiest months” which according to Open Rent (2020) is between September-November with 28% of annual transactions. Bringing the estimates of rotation per year and peak transactions over 3 months, we can estimate the proportion of units that could be made available in each nation over 3 months: 6, 8 and 10% for Scotland, England, and Wales, respectively.

For Northern Ireland, we use estimates of the numbers of lettings and the share of Cat-B dwelling per area reported by [Ulster University](#) for 2018, and divide it by four for consistency with the 3-month estimates used elsewhere.

For the SRS, the Calculator also estimates the number of Cat-B dwellings (studios and 1-bed flats) that we expect would be available in an area over a period of 3 months.

For England, we use the number of [lettings of General Needs Cat-B dwellings](#) owned by the LAs and PRPs in 2018-19 as a proxy. We divide this number by 4 to account for the proportion that could be expected to be made available in each quarter.

For Wales, we use the number of [lettings of General Needs dwellings owned by LAs and PRPs](#) in 2018-19. As this is available only for all dwelling sizes, we scale it down by the [proportion of Cat-B dwellings in the SRS](#) in each LA. We divide this number by 4 to account for the proportion that could be expected to be made available in each quarter.

For Scotland, we use the [total stock from Housing Associations and LA-owned units](#), and scale it down by the [proportion of Cat-B units](#) in each area from the Survey of Social Tenants 2017. Given that this is the total stock, we need to estimate the rotation rate with the average length of tenure. Using the same survey, this is estimated to be around [11 years](#) so this assumes that around 9% should be made available each year. To account for the availability in each quarter, we divide this number by 4. Note that given the different methodological approach used for Scotland and the impossibility to focus exclusively on General Needs dwellings, we expect the number of available units to be higher.

No usable data was found for Northern Ireland.

Next steps

We are planning regular updates to the Housing Costs Calculator. Future iterations of the tool may consider the exceptions for people under-35, alternative interventions for people with no recourse to public funds (NRPF), different price levels in the PRS depending on the size of the available market, refinements to the assumptions made, and general usability improvements.

If you have any comments or suggestions on how to improve the calculator, please get in touch to surgeries@homelessnessimpact.org

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