

3 Impact of the LHA changes on homelessness and the movement of PRS claimants

3.1 Introduction and summary

The changes to Local Housing Allowance (LHA) announced in the June 2010 Budget and the Comprehensive Spending Review of 2010 included:

- changing the basis for setting LHA) rates from the median (50th percentile) to the 30th percentile of local market rents;
- capping LHA rates by property size in 2012:
 - £250 per week for one bed;
 - £290 per week for two bed;
 - £340 for three bed;
 - £400 for four bed or more – thereby scrapping the five-bed rate;
- uprating HB rates annually from April 2013 at the 30th percentile of market rents, or, if lower, the September 2012 Consumer Price Index rate;
- capping the annual increases in most working-age benefits at one per cent in cash terms in 2014–15 and 2015–16, in addition to the one per cent cap on increases already confirmed for 2013–14.

These changes applied to new claimants from April 2011, however, existing claimants were given a transition period and would only come under the new regulations between January and December 2012, on the anniversary of their claim.

The Department was interested in finding out if there had been any early indications of the changes in LHA having an impact on homelessness and the movement of private rental sector tenants into, out of, and within the local authority (LA) area.

The key findings based on all LAs answering are summarised in this section. These are followed by the main findings, which include charts plus commentary highlighting the key statistically significant sub-group differences. We have not commented on differences that are not significant. When possible, comparisons are made with the findings from the previous wave of the survey which was conducted in the autumn of 2011. Where percentages do not sum to 100, this may be due to computer rounding, the exclusion of 'don't know' or 'other' categories, or multiple answers.

It is important to note that LAs were told to answer questions in this section based on their general perception if they did not keep records of the information required. The result of this is that some findings may be based on anecdotal evidence.

Half of LAs said that the April 2011 regulations had caused landlords to leave the Housing Benefit (HB) sub-market in their area, which is significantly higher than last year (27 per cent). When this group of LAs were asked roughly what proportion had withdrawn, they said that on average 20 per cent of landlords had left the HB sub-market.

Three in ten LAs had seen an increase in the number of landlords letting properties as shared housing/houses in multiple occupation (HMOs) that were previously let to families or as self-contained accommodation, which is significantly higher than in 2011 (eight per cent). The group of LAs that had seen an increase were also asked what they believed to have been the effects of these changes in letting patterns and two-thirds commented on the increase in demand on council services; and just under two in five said that they perceived that their area had become more transient or that there had been increased neighbour problems and anti-social behaviour.

More than half of LAs (57 per cent) thought that there had been an increase in homelessness among private rented sector (PRS) tenants since the new regulations, which is significantly higher than in 2011 (42 per cent). It is important to note that although there had been a perceived increase in homelessness since the new regulations this is not necessarily as a result of them. When this group of LAs were asked what they perceived to be the three main reasons for homelessness for PRS claimants three in five LAs mentioned loss of accommodation due to rent arrears and relationship breakdown (both 60 per cent).

A third of LAs (33 per cent) have noticed an increase in the number of claimants moving into their area compared with just 21 per cent that said this last year, which is a significant difference. Over half of LAs that had seen an increase (55 per cent) said the incoming claimants had come from neighbouring LA areas, while around three in ten mentioned Greater London areas or the same region (nearby LA but not neighbouring). The main types of household moving into LAs' areas were once again families with dependent children (27 per cent), although this is significantly down on last year when 44 per cent mentioned this type of household, and in 2012 LAs were almost as likely (i.e. 25 per cent) to have mentioned single people (25 per cent). Overall, LAs said that on average nearly two in five of all of the households that had moved into their area were single people or families with dependent children (both 19 per cent).

Over half of LAs (54 per cent) said that there had been no change in the number of claimants moving out of their area to find cheaper accommodation. However, one in five (20 per cent) had seen an increase which is significantly higher than last year (four per cent).¹² The main types of household moving out of the LA area were families with dependent children (33 per cent), single people aged 25-34 (29 per cent), single people and people under 25 (both 26 per cent). Overall LAs said that on average one in four of all of the households that had moved out of their area were families with dependent children, and one in five were single people aged 25-34.

Almost half of LAs (47 per cent) noted an increase in the proportion of claimants moving within the LA area to find cheaper accommodation which is a significant increase on last year (25 per cent in 2011).¹³ In terms of the types of households moving within the LA area there has been a significant change in the findings compared with last year, with nearly half of LAs saying that single people aged 25-34 (49 per cent) had moved within their LA area to

¹² It should be pointed out that the words 'in order to find cheaper accommodation' were added at 2012.

¹³ *ibid.*

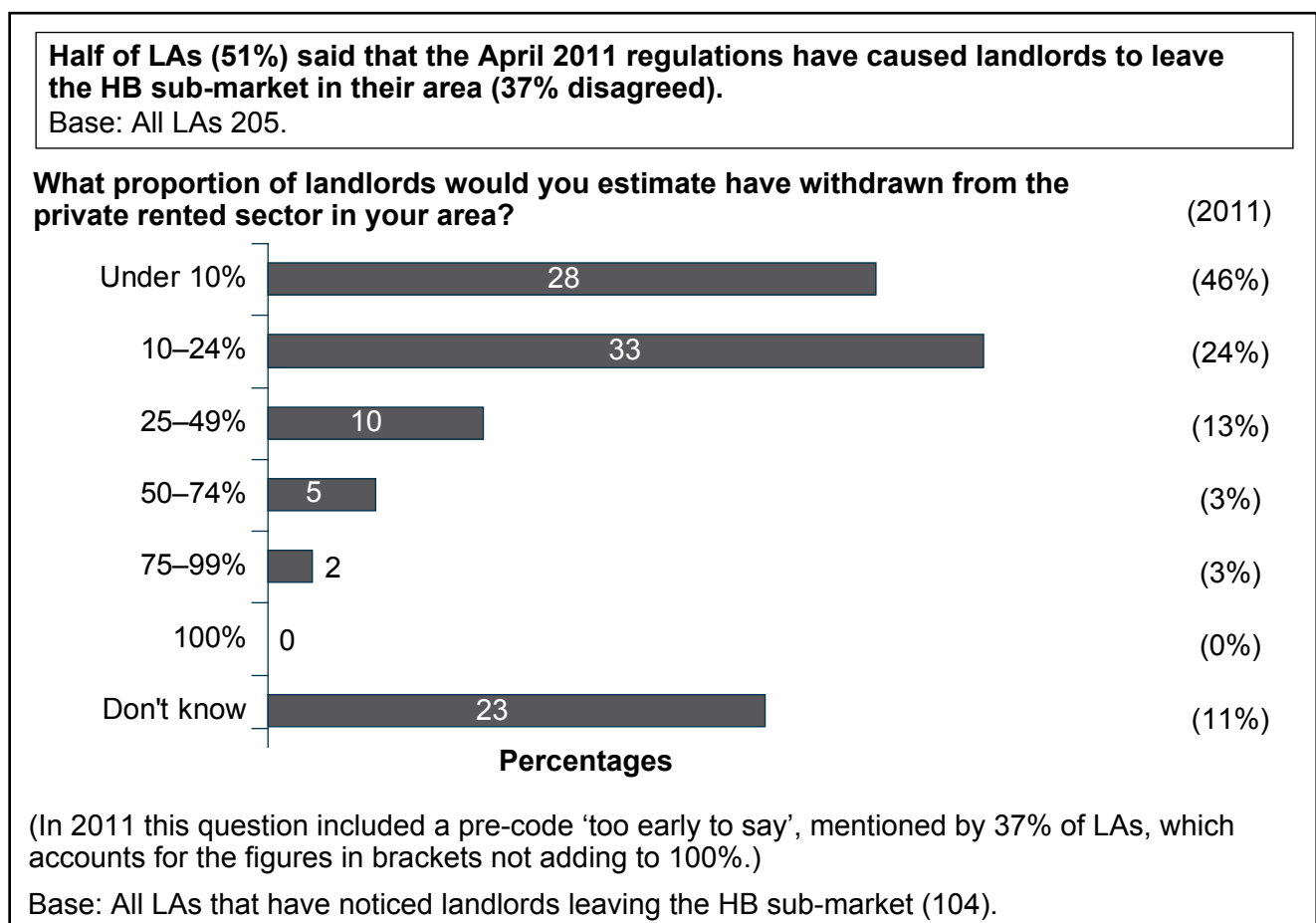
find cheaper accommodation. Two in five (41 per cent) also mentioned families with children and three in ten single people (31 per cent) and lone parents (29 per cent). Overall LAs said that on average three in ten households (31 per cent) that had moved within their area were single people aged 25-34 and 18 per cent were families with dependent children.

All LAs were asked whether, in their opinion, the number of claimants moving to smaller properties/downsizing had increased, decreased or stayed the same since the new regulations in April 2011. Nearly two in five LAs (39 per cent) said that there had been no change, however, more than one in three (35 per cent) said that there had been an increase, which represents a significant change on last year when 15 per cent of LAs noted an increase.

3.2 Main findings

This section details the main findings and includes charts for all questions plus commentary highlighting the key sub-group differences.

Figure 3.1 Have the April 2011 regulations caused landlords to leave the HB sub-market in your area, i.e. have any stopped renting to HB claimants, or not, compared with 18 months ago?



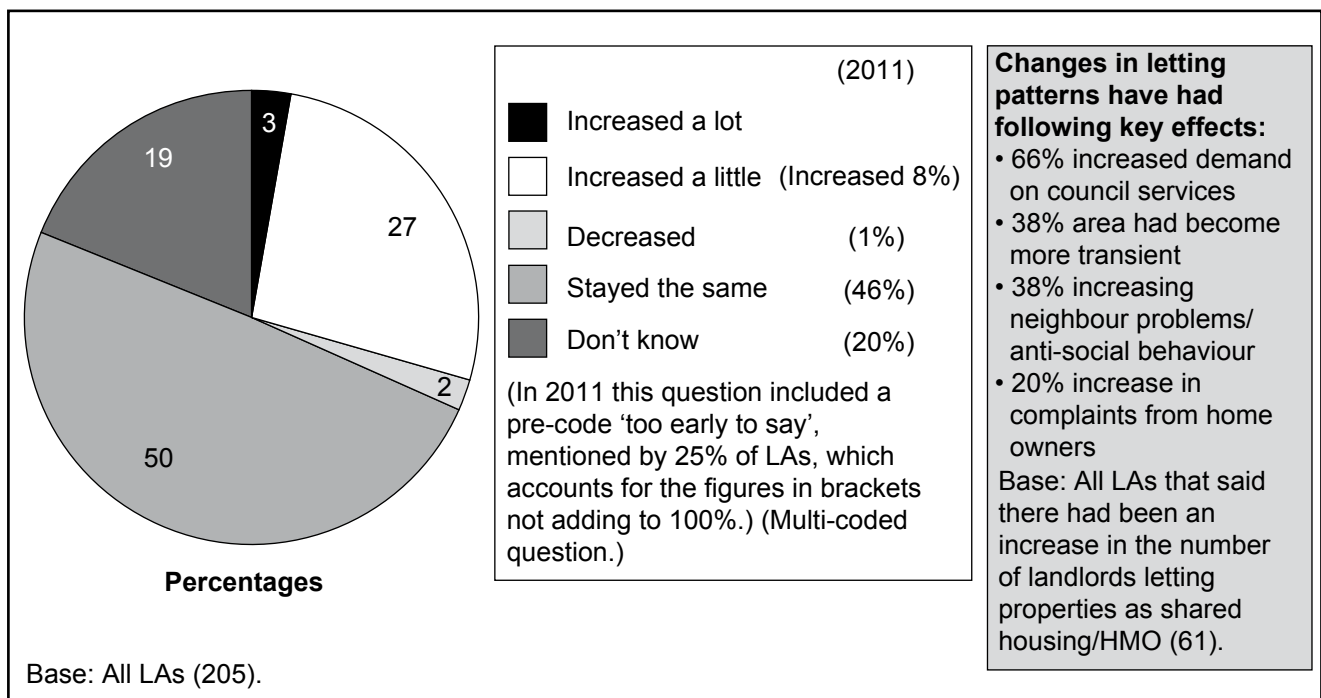
Half of LAs (51 per cent) said that the April 2011 regulations had caused landlords to leave the HB sub-market in their area. This compares to just 27 per cent at the last wave which is a significant increase. The proportion disagreeing has also gone up from 26 per cent at the last wave to 37 per cent in 2012.

The percentage of London Boroughs and English Districts saying that the April 2011 regulations have caused landlords to leave the HB sub-market in their area was particularly high (71 per cent and 60 per cent respectively) and has increased since 2011, particularly in English Districts (63 per cent and 27 per cent respectively). It would seem to be LAs in the South East and East of England where this is occurring the most (72 per cent and 69 per cent respectively).

The 104 LAs that said the regulations had caused landlords to leave the HB sub-market were asked roughly what proportion had withdrawn. Although 23 per cent did not know and more than half (52 per cent) gave an estimate, 28 per cent of LAs said that under 10 per cent of landlords had left; a third said between 10 and 24 per cent; 10 per cent said between 25 and 49 per cent and seven per cent thought more than 50 per cent had withdrawn for this reason. Overall, LAs said that on average 20 per cent of landlords had left the HB sub-market which is the same as in 2011.

London Boroughs said that overall on average 34 per cent of landlords had left the HB sub-market which is significantly higher than English Unitary authorities and English Districts (13 per cent and 18 per cent respectively). LAs with high caseloads recorded a higher average (26 per cent) of landlords that they estimate have withdrawn from the PRS in comparison to the equivalent measure recorded among LAs with low caseloads (18 per cent).

Figure 3.2 Would you say that since the regulations changed in April 2011 the number of landlords in your area who are letting properties as shared housing/HMO that were previously let to families or as self-contained accommodation has increased, decreased (a lot or a little) or stayed the same?



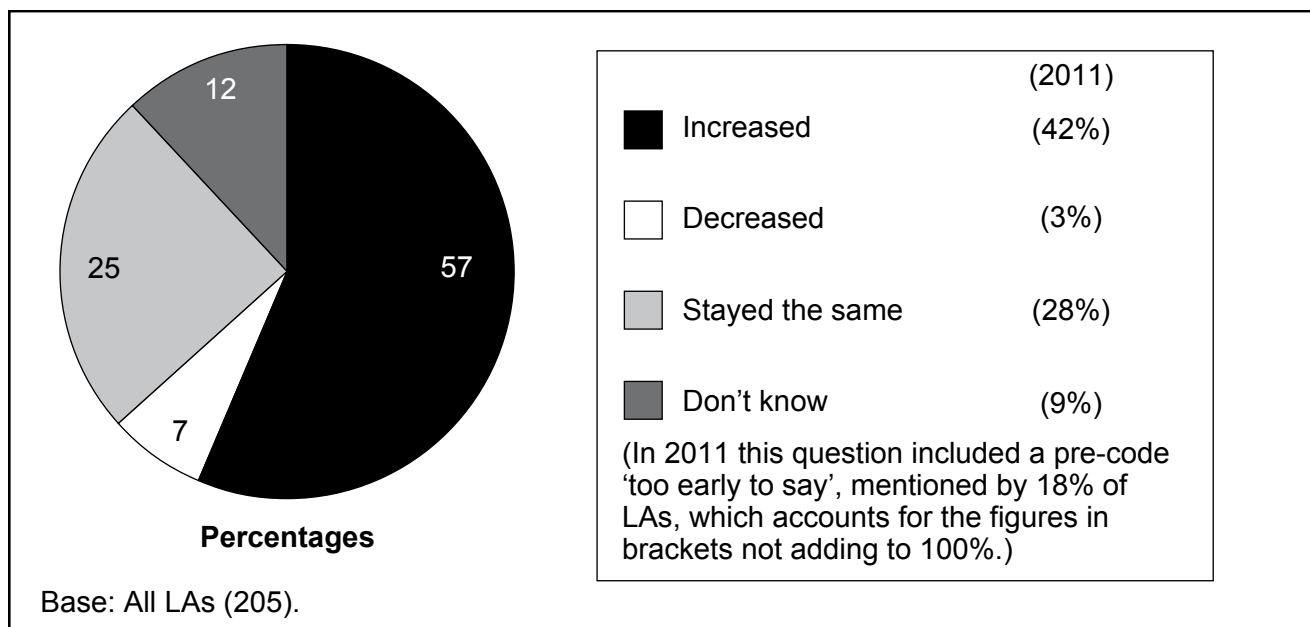
Local Authority Insight Survey – Wave 24

Local authorities were also asked whether or not there has been a change in the number of landlords letting properties as shared housing/HMOs that were previously let to families or as self-contained accommodation. Three in ten LAs (30 per cent) had seen an increase which is significantly higher than in 2011 (eight per cent). Twenty-seven per cent described it as a little increase and three per cent as a big increase. Respondents were not given any guidance on what constituted 'a lot' and 'a little' and therefore used their own judgement. Half said there has been no change, and 19 per cent of LAs did not know.

London Boroughs and English Metropolitan Districts were most likely to have seen an increase (48 per cent and 52 per cent respectively). In addition, LAs with a high or medium caseload were also significantly more likely than those with a low caseload to have noted an increase (41 per cent, 35 per cent and 19 per cent respectively).

The group of LAs that had seen an increase were also asked about the effects of these changes in letting patterns. Two-thirds (66 per cent) commented on the increase in demand on council services and 38 per cent said that their area had become more transient and there had been increased neighbour problems and anti-social behaviour. One in five (20 per cent) mentioned an increase in complaints from home owners. All of these show an increase on last year but as the base in 2011 was very small (18 LAs) these differences should be treated with caution.

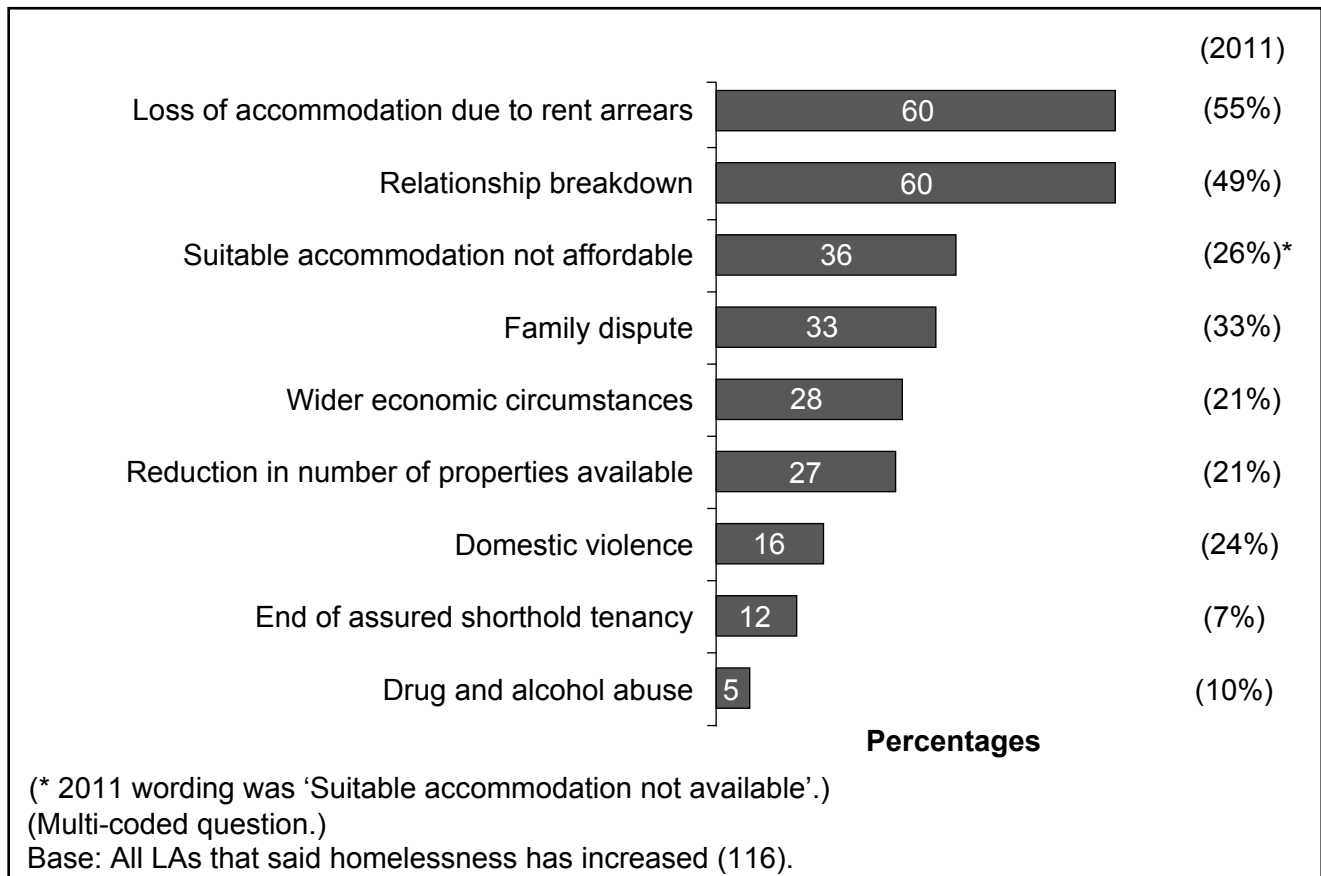
Figure 3.3 Would you say that since the regulations changed in April 2011 the number of people who would normally be housed in the Private Rented Sector presenting to your LA as homeless has increased, decreased or stayed the same?



With regard to homelessness among PRS tenants and whether there has been a change since the new regulations, more than half (57 per cent) thought that there had been an increase which is significantly higher than in 2011 (42 per cent). A quarter (25 per cent) said it had stayed the same and 12 per cent did not know.

London Boroughs, English Districts and English Metropolitan Districts were most likely to have noticed an increase in homelessness in their area (67 per cent, 64 per cent and 62 per cent respectively).

Figure 3.4 What are the three main reasons for homelessness in your LA amongst those who would normally be housed in the Private Rented Sector?

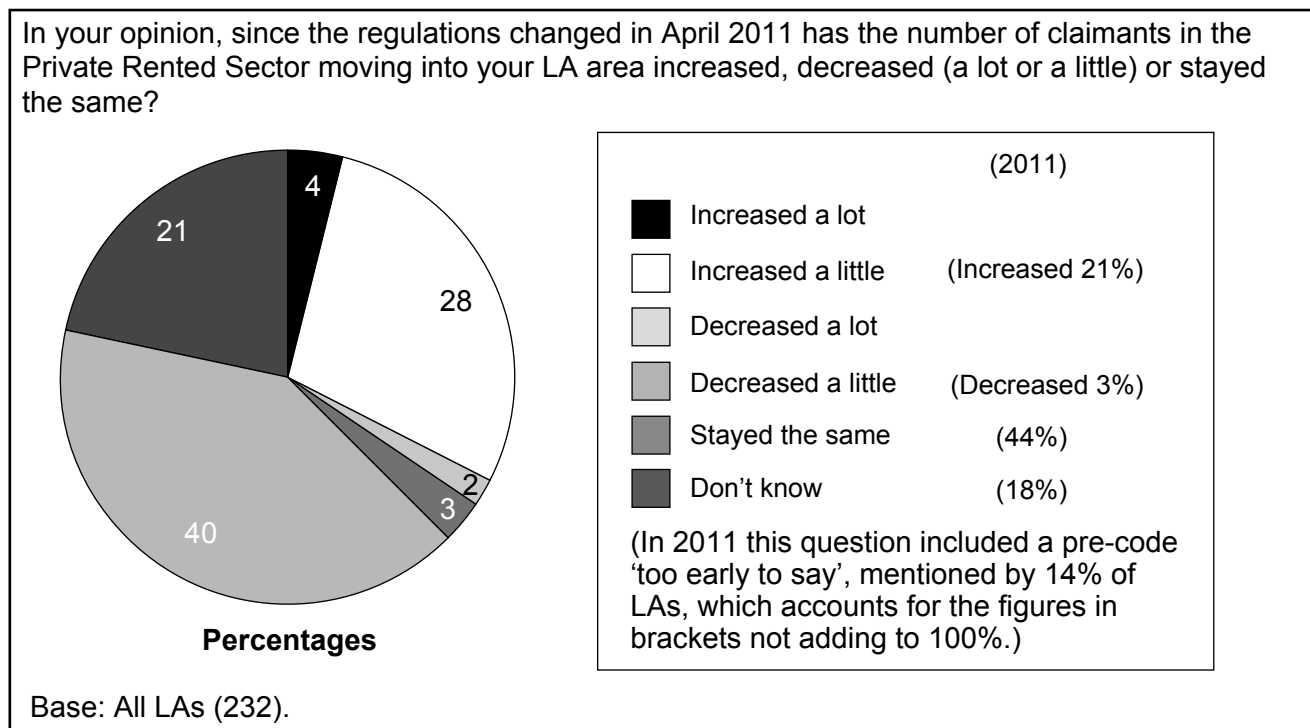


LAs that had said that homelessness had increased since the new regulations were asked to name the three main reasons for homelessness for PRS claimants. Three in five LAs cited loss of accommodation due to rent arrears and relationship breakdown (both 60 per cent). Authorities were more likely to have mentioned both of these than in 2011, although the differences are not significant.

Around a third also mentioned accommodation not being affordable and family dispute (36 per cent and 33 per cent respectively) and more than a quarter cited wider economic circumstances (28 per cent) and a reduction in the number of properties available in the PRS (27 per cent respectively, increasing to 50 per cent in London Boroughs).

Other than the reasons shown in Figure 3.4, two per cent of LAs mentioned the end of support for mortgage interest and one per cent attributed this to the landlord requiring possession of property.

Figure 3.5 Numbers of claimants moving into the area



A third of LAs (33 per cent) had noticed an increase in the number of claimants moving into their area since April 2011 compared with just 21 per cent that said this last year. This represents a significant increase. Most of the third of LAs that had seen an increase said that it had been a small (28 per cent) rather than a large (four per cent) increase¹⁴.

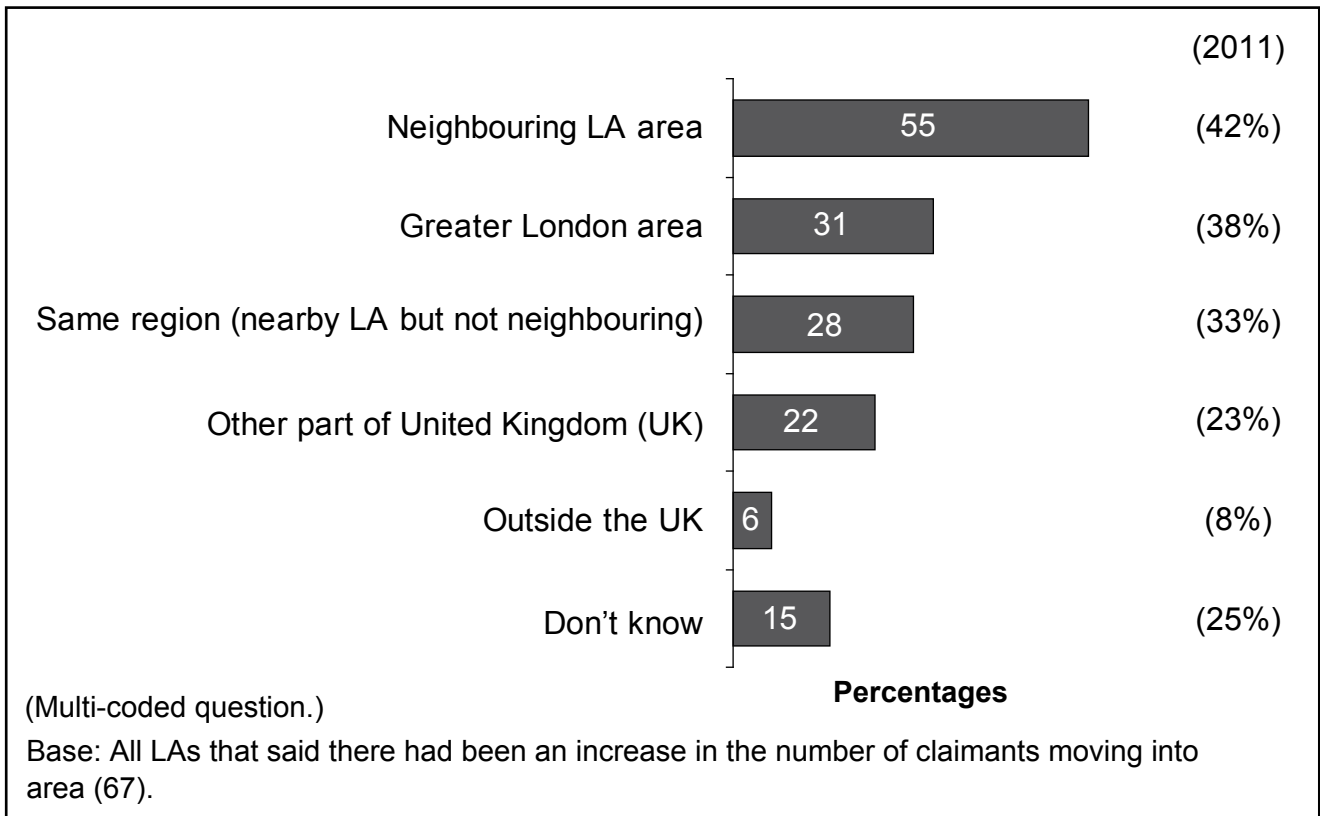
Just six per cent said that there had been a decrease¹⁵, while 21 per cent did not know.

Findings are fairly consistent across sub-groups, although London Boroughs were significantly more likely than English Unitary authorities and English Districts to have seen a decrease in the number of claimants moving into their area (19 per cent, zero and five per cent respectively).

¹⁴ The combined figure for 'small' plus 'large' increase is 33 per cent because it is calculated on the raw data rather than percentages.

¹⁵ The combined figure for 'small' plus 'large' decrease is six per cent because it is calculated on the raw data rather than percentages.

Figure 3.6 Thinking about the claimants that have moved into your LA area since the regulations changed in April 2011, from where have these claimants moved?

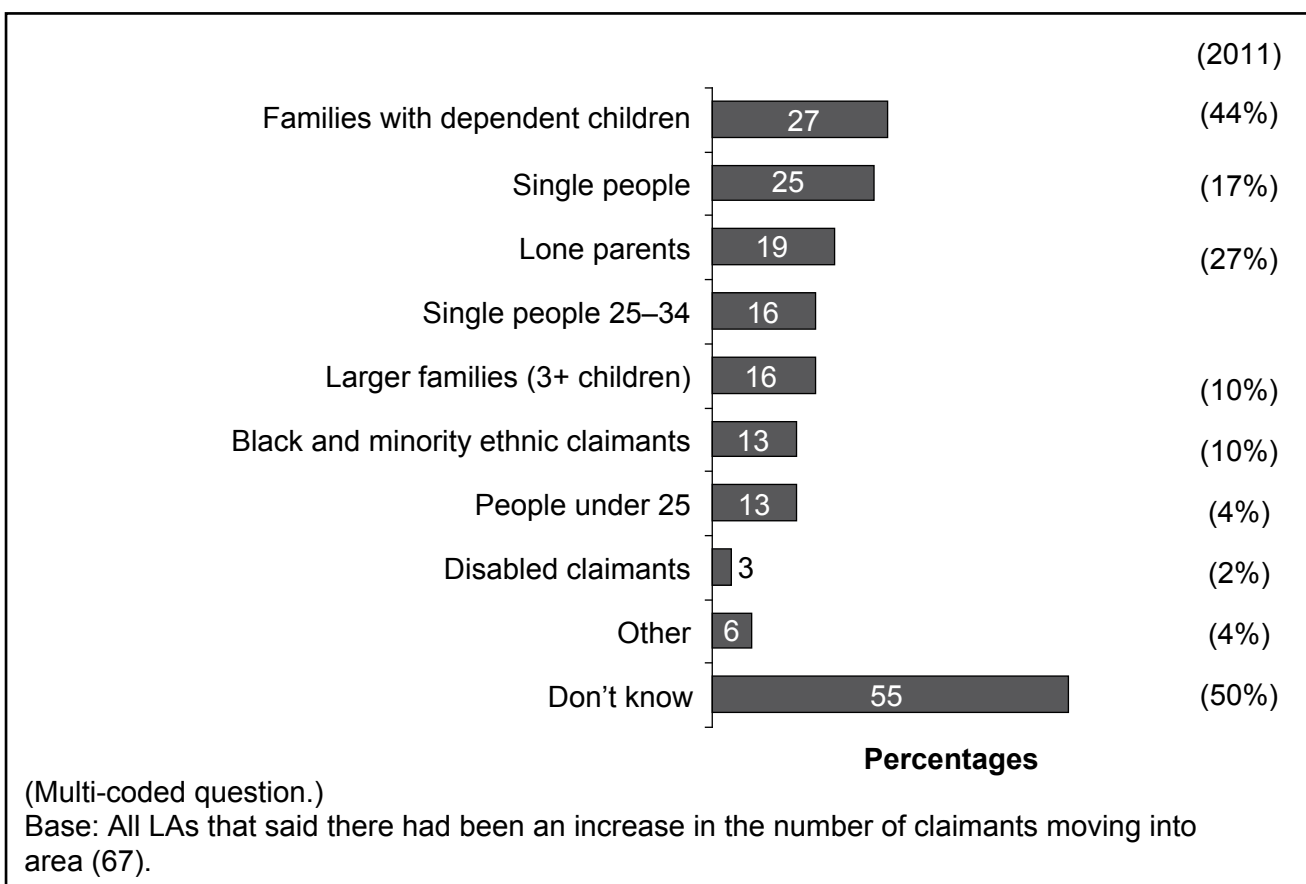


Looking now at where these incoming claimants have moved from, over half of the LAs that had seen an increase (55 per cent) said that they had come from neighbouring LA areas which is a slight, but not significant, increase on 2011 when 42 per cent selected neighbouring areas. Around three in ten mentioned Greater London areas or the same region (nearby LA but not neighbouring) which represents a slight, but again not significant, decrease on last year.

Other findings have remained the same, with a fifth (22 per cent) saying that incoming claimants have come from other parts of the UK and six per cent saying that they have come from abroad.

Although the findings for this question are based on just 67 LAs, it is worth noting that a significantly higher proportion of LAs in the South East said that claimants moving into their area were coming from Greater London (nine out of 13, or 69 per cent).

Figure 3.7 How would you describe the types of households that have moved into your LA area since the new regulations in April 2011?



The main types of household moving into LAs' areas were once again families with dependent children (27 per cent). However, this is significantly down on last year when 44 per cent cited this type of household. In 2012, LAs were almost as likely to have mentioned single people (25 per cent) as families with dependent children, although the increase in the proportion of LAs mentioning single people is not significant when compared with last year's findings (17 per cent).

One in five (19 per cent) said that lone parents were moving into their LA area; however, the biggest change in the findings is that one in six LAs that had seen an increase in the number of claimants moving into their area said that the increase had come from single people aged 25-34 (16 per cent). There have also been slight (but not significant) increases in the percentage of LAs mentioning larger families (16 per cent), black and minority ethnic claimants (13 per cent) and people under 25 (13 per cent).

It is important to note when interpreting the findings of this question that more than half of LAs (55 per cent) did not know what type of households had accounted for the increase in claimants moving into the area.

Given the small base sizes there were no significant differences between any of the sub-groups.

Table 3.1 Please indicate the approximate percentage that each type of household makes up of all those that have moved into your LA

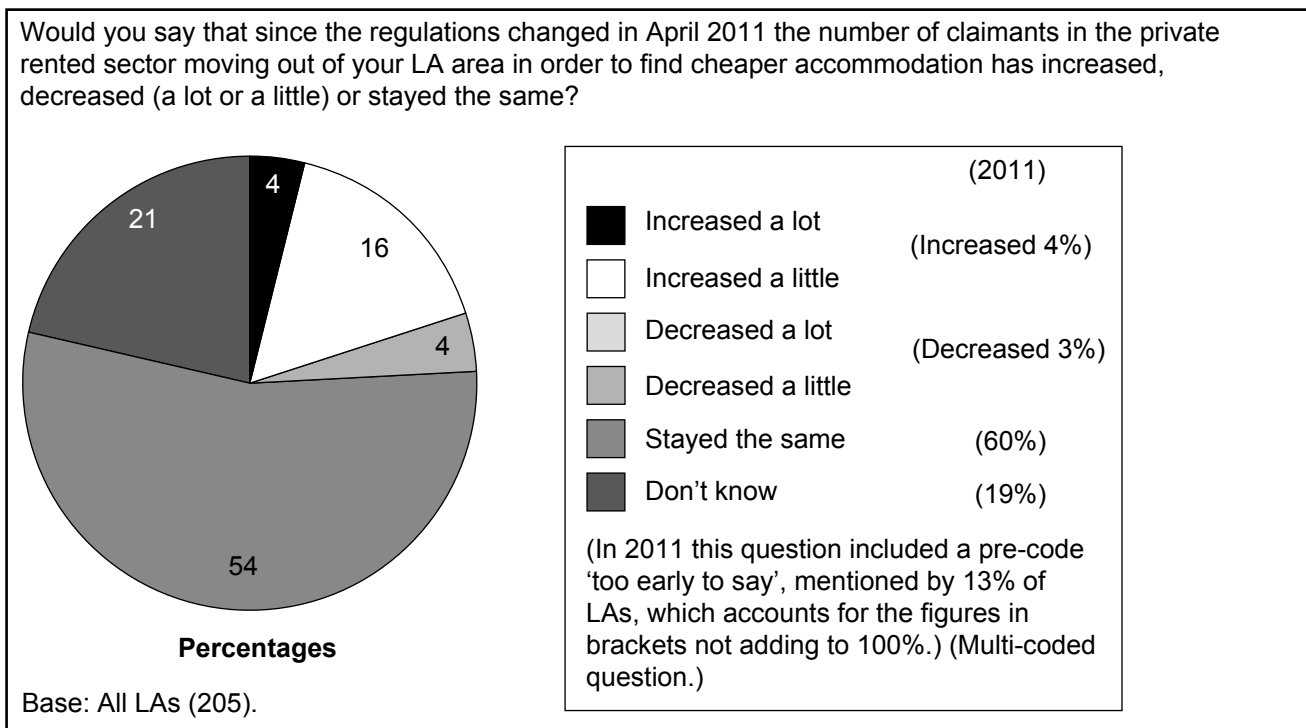
	Mean (percentages)
Single people	19
Families with dependent children	19
Lone parents	14
Black and minority ethnic claimants	12
People under 25	9
Single people aged 25–34	9
Larger families	9
Disabled claimants	0.5
Other	8

Base: All LAs except 'don't know' or 'no answer' at C7 ('How would you describe the types of households that have moved into your LA area since the regulations changed in April 2011?') (29)

For each of the types of households that LAs said had moved into their LA area they were asked to indicate what approximate percentage each one made up of the total (i.e. all households that had moved into the area). LAs were told that their answer could be based on their general perception if they had not kept a record and 80 per cent said that they had given an estimate.

The percentage that each LA gave for each type of household was then averaged out across all authorities and is presented in Table 3.1. Overall LAs said that on average nearly two in five of all of the households that had moved into their area were single people or families with dependent children (both 19 per cent). However, they also said that on average 14 per cent were lone parents and 12 per cent black and minority ethnic claimants. The other household types each made up less than 10 per cent of all of the incoming households.

Figure 3.8 Number of claimants moving out of the area

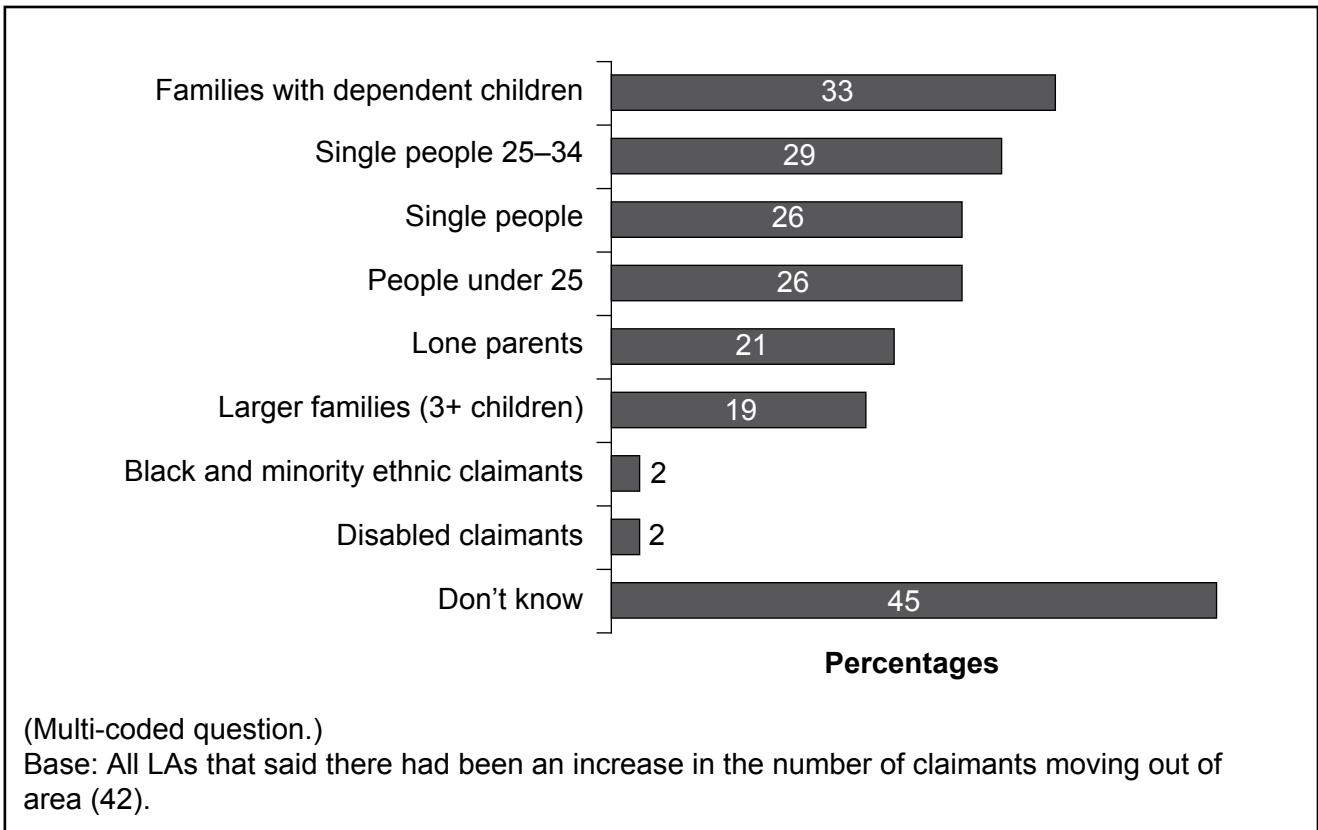


Over half of LAs (54 per cent) said that there had been no change in the number of claimants moving out of their area. However, one in five (20 per cent) had seen an increase (rising to 38 per cent among London Boroughs) which is significantly higher than last year (four per cent), although it should be pointed out that the words 'in order to find cheaper accommodation' were added at 2012.

Most of those LAs that had seen an increase said that it had been a little (16 per cent) rather than a large (four per cent) increase.

It should also be noted that nearly one in five LAs (21 per cent) were unable to answer the question.

Figure 3.9 How would you describe the types of households that have moved out of your LA area in order to find cheaper accommodation since the regulations changed in April 2011?



The main types of household moving out of the LA area were families with dependent children (33 per cent) and single people aged 25-34 (29 per cent). A further one in four mentioned single people and people under 25 (both 26 per cent) and one in five said that lone parents and larger families with three or more children had moved out of their area (21 per cent and 19 per cent respectively).

We have not made comparisons with the previous wave of the survey as the base was so small 2011 (just ten LAs).

Table 3.2 Please indicate the approximate percentage that each type of household makes up of all those that have moved out of your LA area in order to find cheaper accommodation

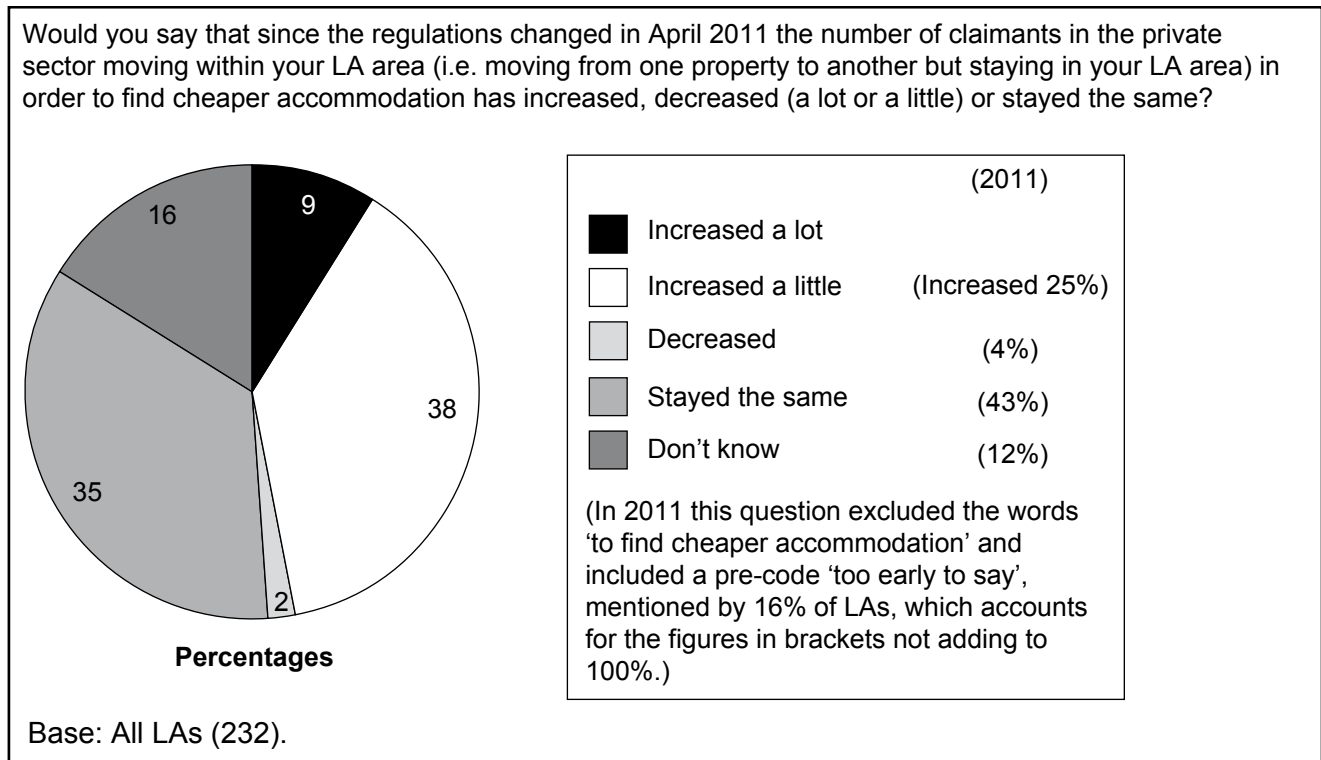
	Mean (percentages)
Families with dependent children	25
Single people aged 25–34	19
Single people	16
Larger families	15
People under 25	14
Lone parents	9
Black and minority ethnic claimants	1
Disabled claimants	0.5

Base: All LAs except ‘don’t know’ or ‘no answer’ at C9 (‘How would you describe the types of households that have moved out of your LA area in order to find cheaper accommodation since the regulations changed in April 2011?’) (23).

LAs were asked to indicate for each of the household types that had moved into their area what approximate percentage they made up of the total (i.e. all households that had moved out of the area). LAs were told that their answer could be based on their general perception if they had not kept a record and 78 per cent said that they had given an estimate.

The percentage that each LA gave for each type of household was then averaged out across all authorities and is presented in Table 3.2. Overall LAs said that on average one in four of all of the households that had moved out of their area were families with dependent children and one in five (19 per cent) were single people aged 25-34. However, they also said that 16 per cent were single people, 15 per cent were larger families with three or more children and 14 per cent were people under 25. The other household types each made up less than 10 per cent of all of the incoming households.

Figure 3.10 Numbers of claimants moving within the area

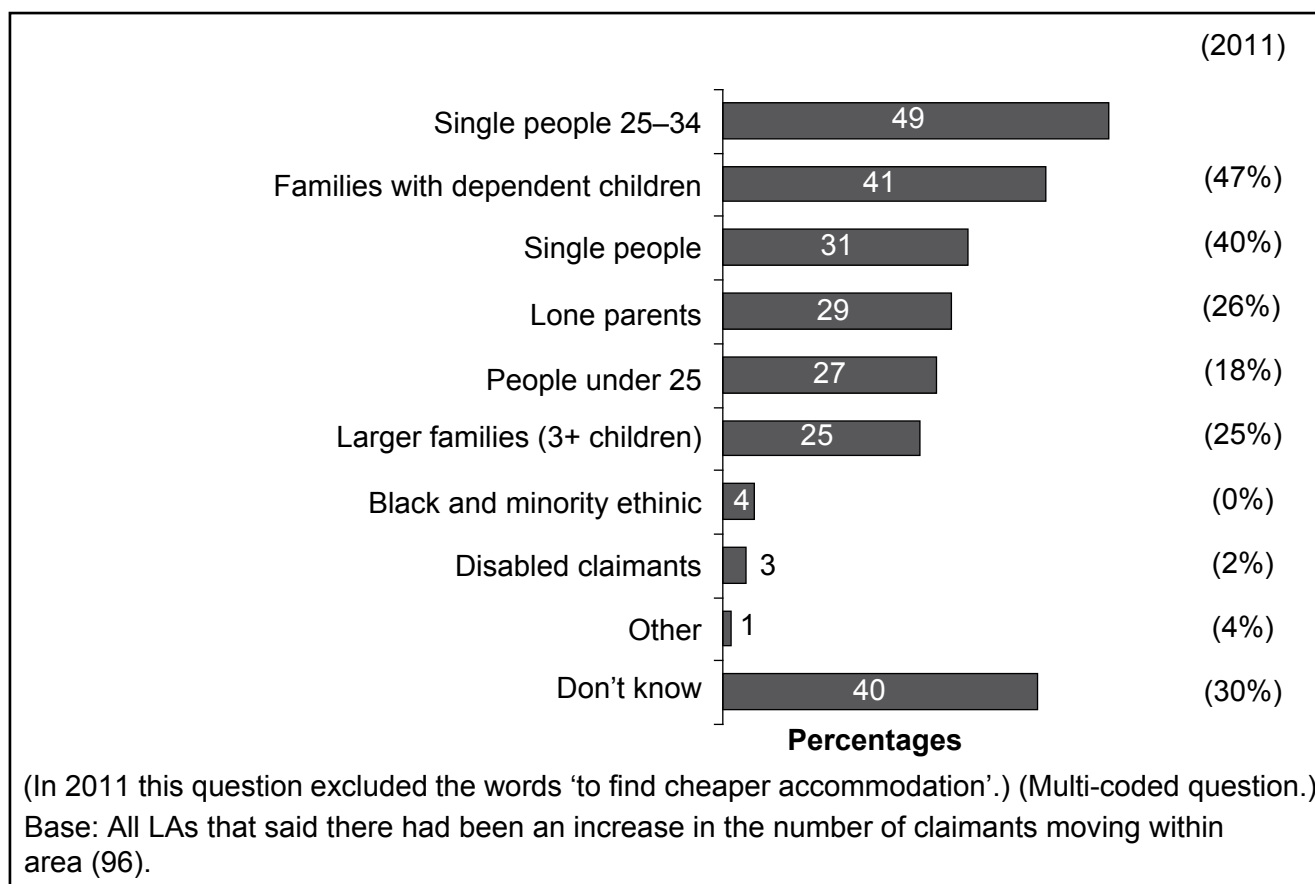


Almost half of LAs (47 per cent) noted an increase in the proportion of households moving within the LA area to find cheaper accommodation – nine per cent said a lot and 38 per cent a little. This compares to 25 per cent of LAs at the previous wave of the survey that said the number of households moving within their area had increased. This is a significant increase on last year, although it should be pointed out that the words 'in order to find cheaper accommodation' were added at 2012.

More than a third (35 per cent) said that there had been no change in the number of claimants moving within their area to find cheaper accommodation. One in six (16 per cent) was unable to give an answer.

There were no significant differences by any sub-groups.

Figure 3.11 How would you describe the types of households that have moved within your LA area in order to find cheaper accommodation?



There has been a significant change in the findings compared with last year with nearly half of LAs saying that single people aged 25-34 (49 per cent) had moved within their LA area to find cheaper accommodation (no LAs mentioned this group of people in 2011). Within the context of this and the other findings discussed below, however, it should be borne in mind that in 2012 the words 'in order to find cheaper accommodation' were added to the question.

Two in five (41 per cent) mentioned families with children and three in ten single people and lone parents (31 per cent and 29 per cent respectively). Around one in four said that people under 25 and larger families with three or more children (27 per cent and 25 per cent respectively) had moved within the area to find cheaper accommodation. Although these findings differ to last year, none of the differences are significant.

There were some significant differences between regions. LAs in Yorkshire and Humberside (67 per cent) and the South West (55 per cent) were more likely to have said that lone parents were the kinds of households that have moved within their LA area in order to find cheaper accommodation than were LAs in Scotland (none of the LAs there mentioned lone parents), LAs in the East Midlands (13 per cent) and LAs in the West Midlands (11 per cent).

LAs in the following regions were more likely to report families with dependent children being affected: the South East (71 per cent), the North East (67 per cent), Yorkshire and Humberside (67 per cent) and the South West (64 per cent) in comparison to none of the LAs in Scotland or the East Midlands reporting these types of households as needing to move to find cheaper accommodation.

LAs in the South West were more likely to say that single people had moved within their LA area to find cheaper accommodation (64 per cent) in comparison to lower numbers of LAs stating that single people had moved in the following regions: East Midlands (13 per cent), West Midlands (22 per cent), London (ten per cent) and the East of England (21 per cent).

Single people under 25 were mentioned with more frequency on this measure by LAs in the North West (54 per cent) in comparison to LAs in the East Midlands (13 per cent), the South East (14 per cent), London (ten per cent) and the East of England (21 per cent).

Single people aged 25-34 were mentioned with more frequency on this measure by LAs in the North East (100 per cent), the North West (69 per cent) and the South West (64 per cent) than was the case for LAs in the following regions: East Midlands (25 per cent), London (30 per cent) and East of England (29 per cent).

It is important to note that 40 per cent did not know what type of households had accounted for the increase in claimants moving within the area. The levels of LAs that said that they don't know what type of households had accounted for the increase was significantly higher within the East Midlands region (75 per cent) and also in the East of England (57 per cent) in comparison to lower levels of 'don't knows' in the North West (23 per cent) and South East (21 per cent).

Table 3.3 Indicate the approximate percentage each type of household makes up of all those that have moved within your LA area in order to find cheaper accommodation

	Mean (percentages)
Single people aged 25–34	31
Families with dependent children	18
Lone parents	14
People under 25	12
Single people	12
Larger families	10
Black and minority ethnic claimants	1
Disabled claimants	0.5

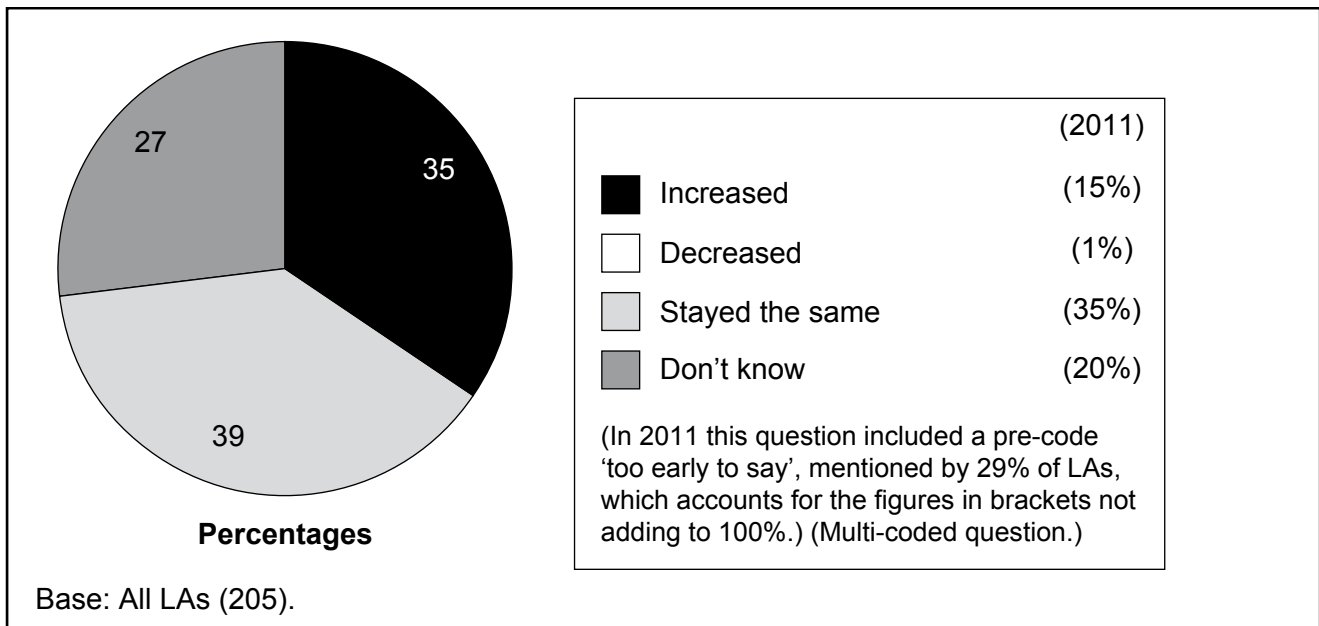
Base: All LAs except 'don't know' or 'no answer' at C11 ('How would you describe the types of households that have moved within your LA area in order to find cheaper accommodation?') (58)

For each of the types of households that LAs said had moved within their LA area they were asked to indicate what approximate percentage each one made up of the total (i.e. all households that had moved within the area to find cheaper accommodation). LAs were told that their answer could be based on their general perception if they had not kept a record and 83 per cent said that they had given an estimate.

The percentage that each LA gave for each type of household was then averaged out across all authorities and is presented in Table 3.3. Overall LAs said that on average three in ten households that had moved within their area were single people aged 25-34 (31 per cent).

However, they also said that 18 per cent were families with dependent children, 14 per cent were lone parents and one in eight said they were either people under 25 or single people (both 12 per cent). Authorities said that a further one in ten were larger families with three or more children.

Figure 3.12 Would you say that since the new regulations in April 2011 the number of claimants moving to smaller properties/downsizing has increased, decreased or stayed the same?



All LAs were asked whether, in their opinion, the number of claimants moving to smaller properties/downsizing had increased, decreased or stayed the same since the new regulations in April 2011.

Nearly two in five LAs (39 per cent) said that there had been no change in the number of claimants moving to smaller properties/downsizing since April 2011, which is similar to last year's finding. More than one in three (35 per cent) said that there had been an increase, compared to 15 per cent at the last wave, which represents a significant change.

It is important to note that more than a quarter of LAs (27 per cent) were unable to answer the question.

LAs in Wales and the East of England were particularly likely to say that the number of claimants moving to smaller properties/downsizing had stayed the same (67 per cent and 65 per cent respectively), while those in the South West were most likely to say that the number had increased (57 per cent).