

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 (£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 Housing Benefit (HB) rates annually from April 2013 at the 30th percentile of market rents, or, if lower, the September 2012 Consumer Price Index (CPI) rate. 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 whether there was any early indication that these changes in LHA were having an impact on homelessness and the movement of private rental sector tenants into, out of, and within the local authority area. It is worth noting that at the time of the survey, which was conducted between October and December 2011, only new claimants had been affected by the changes. It should also be stressed that the following findings are only early indications and that a number of local authorities (LAs) regarded it as too early to answer some questions.

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 sub-group differences. It is important to note that, if they did not keep records of the information required, LAs were told to answer questions in this section based on their general perception. As a consequence, some findings may be based on anecdotal evidence.

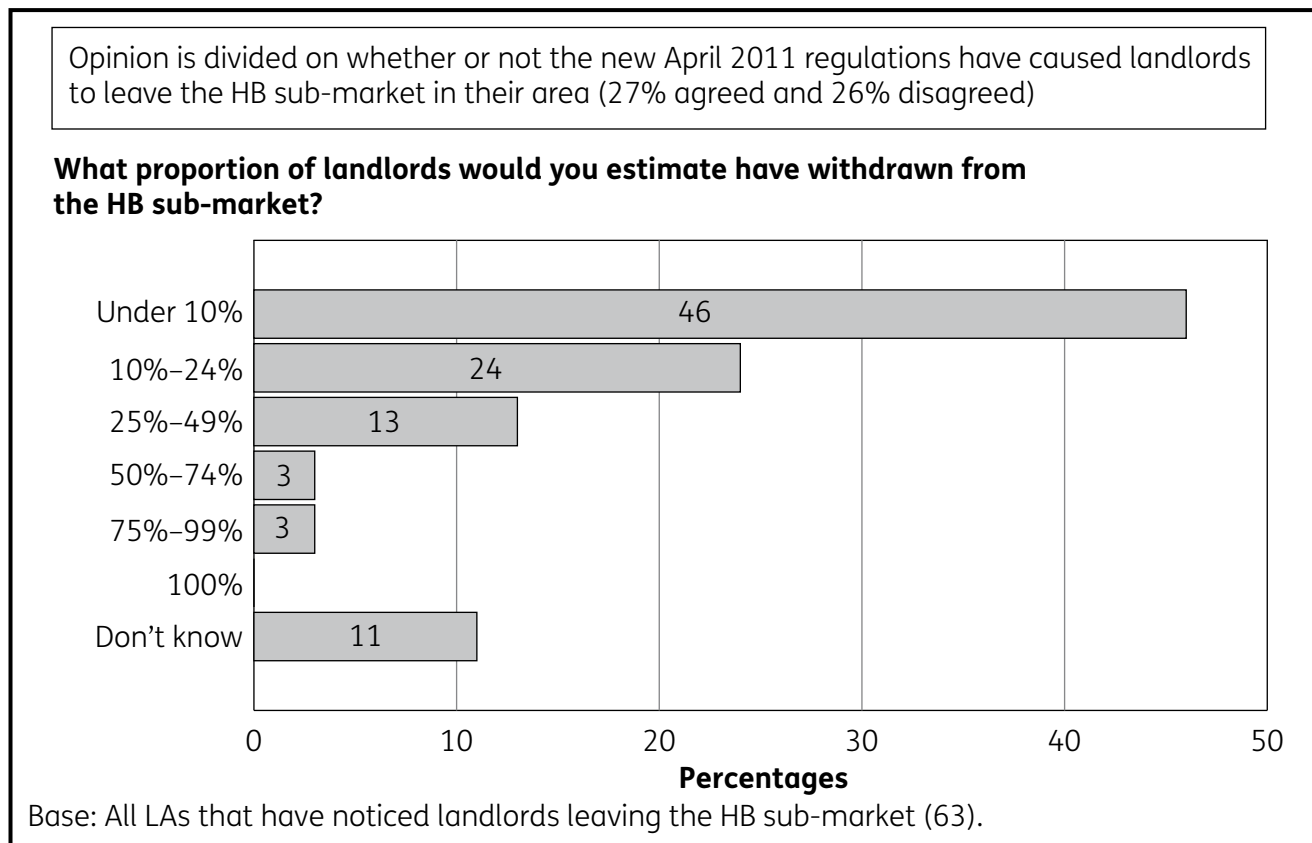
- Opinion was divided on whether or not the April 2011 regulations had caused landlords to leave the HB sub-market in their area: 27 per cent said it had caused landlords to leave and 26 per cent said it had not. In the LAs that said landlords had left the HB sub-market, it is not clear whether they have been replaced by other landlords or whether the overall number has fallen.
- Fewer than one in ten LAs (eight per cent) 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; most of these described the increase as small. Forty-six per cent said there had been no change and 25 per cent thought it was too early to say.
- More than two in five LAs (42 per cent) thought that there had been an increase in homelessness among private rented sector (PRS) tenants since the new regulations. Among these, the most reported reasons for homelessness were loss of accommodation due to rent arrears (55 per cent), relationship breakdown (49 per cent), family dispute (33 per cent), a lack of suitable accommodation (26 per cent), domestic violence (24 per cent), a reduction in the number of PRS properties and the wider economic situation (both 21 per cent).

- Around one in five LAs (21 per cent) said that there had been an increase in the number of **claimants moving into their area** since the new regulations, with this rising among London Boroughs (50 per cent said that they had seen an increase). Just three per cent said that there had been a decrease, although this increases to 21 per cent among London Boroughs. Around two in five LAs said that claimants had come from neighbouring LA areas or Greater London areas (42 per cent and 38 per cent), while a third said that the increase was caused by claimants coming from the same region (nearby LA area but not neighbouring). The main types of households moving into LA areas, as reported by LAs at the time of the survey, were people with children: families with dependent children (44 per cent), lone parents (27 per cent) and larger families (3+ children) (10 per cent). In addition, 17 per cent of LAs mentioned single people and one in ten said black and minority ethnic (BME) families.
- Three in five LAs (60 per cent) said that there had been no change in the number of **claimants moving out of their area**. Just 10 LAs (four per cent) said that there had been an increase – six English districts and four London Boroughs. Seven out of the ten LAs that had seen an increase in the number of claimants moving out of the area said that claimants moved to neighbouring LA areas. Once again, the main types of household moving out of the LA area were families with children: five said families with dependent children, three lone parents and two larger families with three or more children. However, in addition, five LAs said that single people had moved out. Eight out of the ten LAs that reported an increase in the number of claimants moving out of the area, said that there had been an increase in the number moving to find cheaper accommodation.
- A quarter of LAs reported an increase in the number of **claimants moving within the LA area** (i.e. moving from one property to another but staying in their LA area). The main types of households moving within the LA area were once again families: 47 per cent families with dependent children, 26 per cent lone parents and 25 per cent larger families of three or more children. However, two in five LAs (40 per cent) said single people had moved within the area, while 18 per cent mentioned people under 25.
- Looking at movement within single Broad Market Rental Areas (BMRAs) and from expensive to cheaper BMRAs: almost two in five LAs (39 per cent) said the number of people moving within a single BMRA in order to find cheaper accommodation had increased, while just 11 LAs (19 per cent) said there had been greater movement from expensive to cheaper BMRAs.
- All LAs were asked whether, in their opinion the number of claimants moving to smaller properties/downsizing has increased, decreased or stayed the same since the new regulations in April 2011. Just 15 per cent said that there had been an increase.

3.2 Main findings

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

Figure 3.1 Have the new 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 12 months ago?



Opinion was divided on whether or not the April 2011 regulations had caused landlords to leave the HB sub-market in their area, at the time of the survey¹²: Twenty-seven per cent said it had caused landlords to leave and 26 per cent said it had not. It is interesting that the proportion saying that the new regulations have already caused landlords to leave increased to 63 per cent among London Boroughs, which is significantly higher than any other LA type (English unitaries 32 per cent, English districts 27 per cent, English metropolitan 13 per cent, Scottish 9 per cent, Welsh 0 per cent).

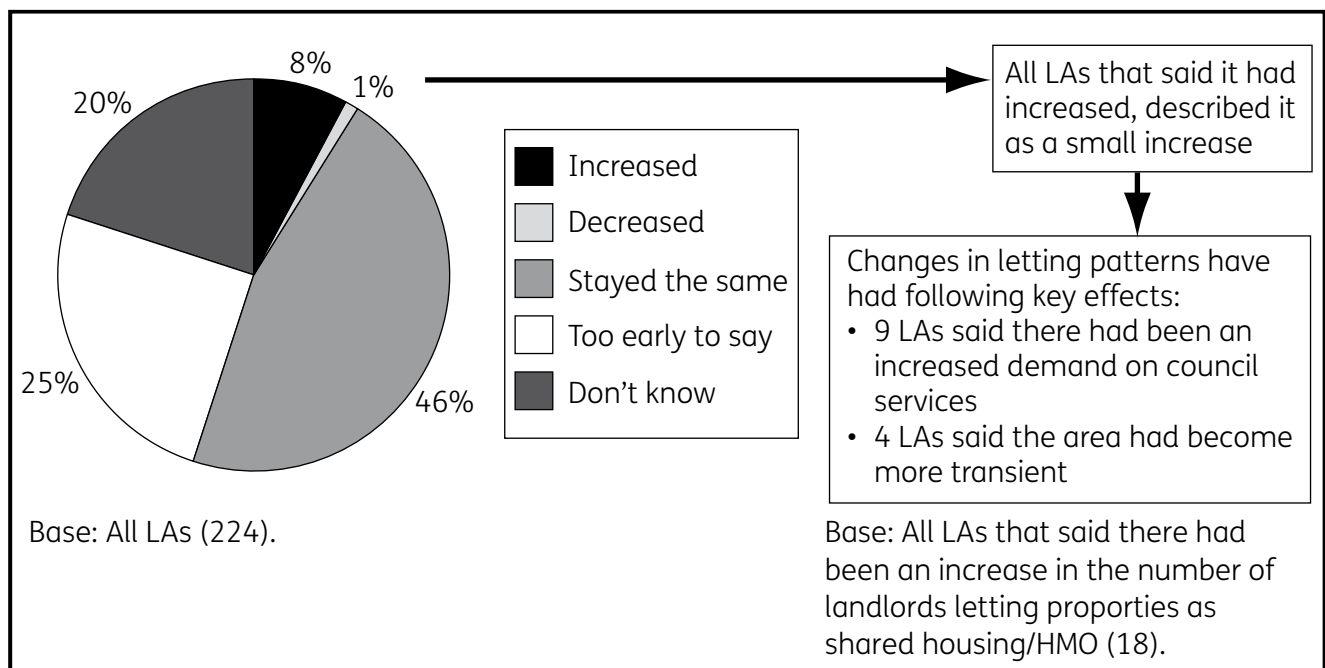
More than a third of LAs, however, said that they thought it was too early to say whether or not landlords had left the HB sub-market. It is worth noting that a substantial percentage of LAs in Wales said that it was too early to say (80 per cent)

The 63 LAs that said the regulations had caused landlords to leave the HB sub-market, were asked roughly what proportion had withdrawn. Nearly half of these (46 per cent) said that fewer than 10 per cent had withdrawn, while a quarter thought between 10 and 24 per cent had left, 13 per cent said between 25 and 49 per cent and 6 per cent (one London Borough and three English districts) thought more than 50 per cent had withdrawn for this reason.

¹² Conducted between October and December 2011.

Among the London Boroughs that said the regulations had caused landlords to leave, just 20 per cent said that fewer than 10 per cent had withdrawn, while 40 per cent said between 10 and 24 per cent, 27 per cent said between 25 and 49 per cent and, as mentioned above, one London Borough said more than 50 per cent.

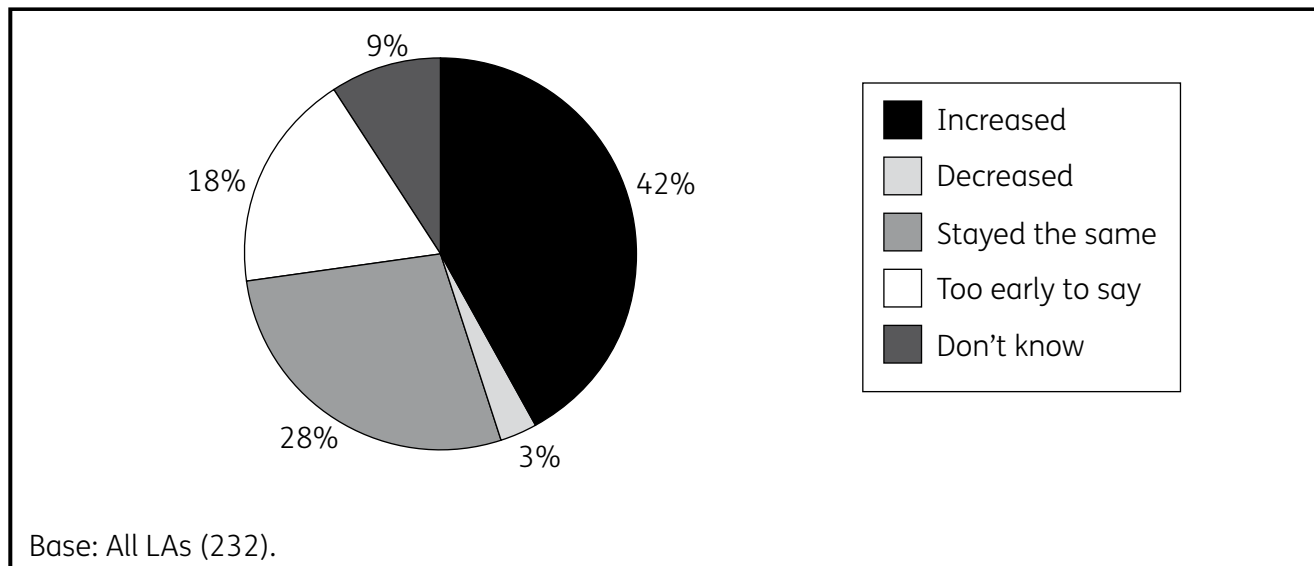
Figure 3.2 Would you say that since the new regulations in April 2011 the number of landlords in your area who are letting properties as shared housing/HMO that were previously let to families or as self-contained accommodation has increased, decreased or has there been no change



Fewer than one in ten LAs (eight per cent) had seen an increase in the number of landlords letting properties as shared housing/HMOs that were previously let to families or as self-contained accommodation. Forty-six per cent said there had been no change, 25 per cent thought it was too early to say and 20 per cent did not know.

All of the LAs that had seen an increase described it as small. When this same group was asked about the effects of more properties being let as shared housing/HMO, 9 out of 18 LAs mentioned an increase in demand on council services and four said the area had become more transient. In addition, one London Borough said that there had been increasing problems of anti-social behaviour and that there had been an increase in complaints from home owners. Five LAs said it was too early to say what the effects had been.

Figure 3.3 Would you say that since the new regulations 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?

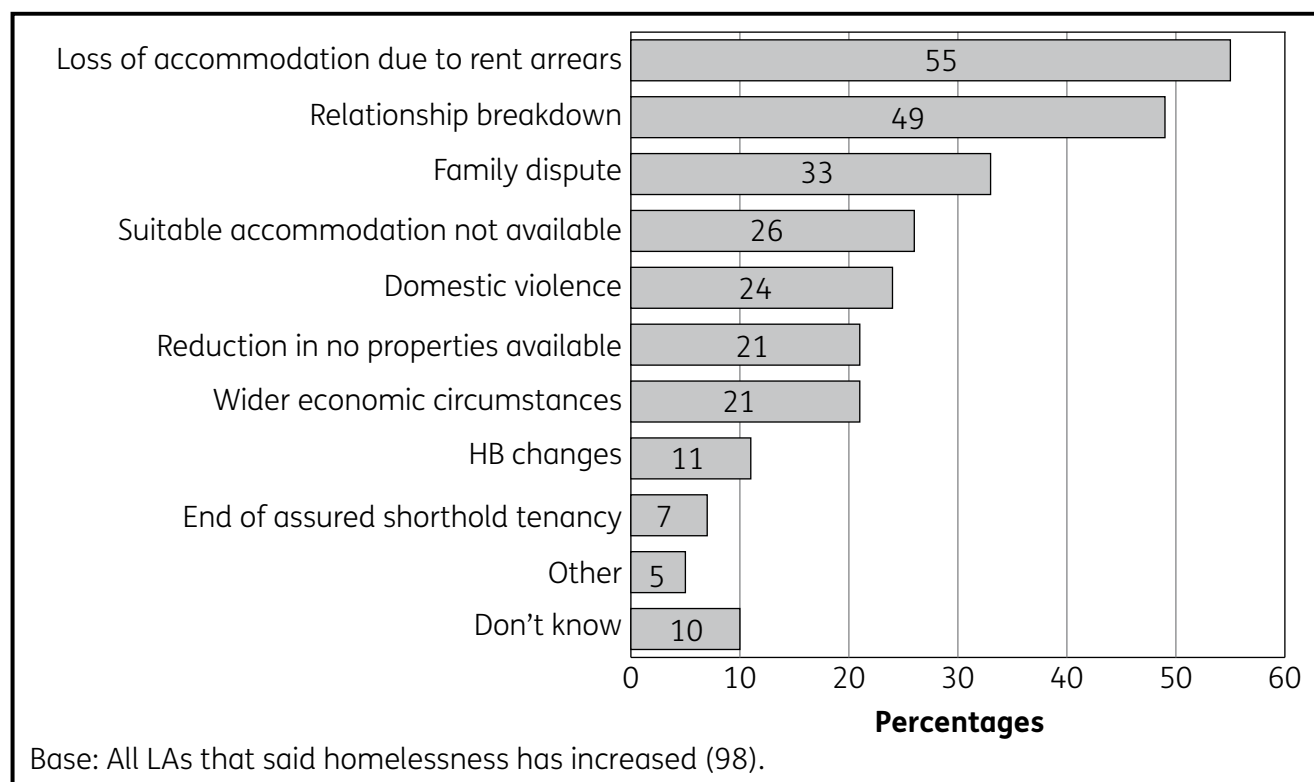


Looking now at homelessness among private rented sector tenants and whether there has been a change since the new regulations¹³.

More than two in five (42 per cent) thought that there had been an increase in homelessness, although this decreases to just 17 per cent for Scottish authorities. Twenty-eight per cent said it had stayed the same and 18 per cent thought it was too early to say (60 per cent of LAs in Wales).

¹³ LAs were asked whether they had observed any changes in the numbers of people presenting themselves as homeless since the introduction of the April 2011 changes, and not whether changes in homelessness were a consequence of changes.

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.¹⁴ The same question was asked at both Waves 20 and 16, however, at these waves it was asked of all LAs rather than just those that said homelessness had increased. For this reason, although broad comparisons can be made, they should be treated with some caution.

More than half of LAs (55 per cent) mentioned loss of accommodation due to rent arrears. This is very similar to the percentage mentioning rent arrears at Wave 20 (54 per cent), although there has been a slight increase since Wave 16 (49 per cent).

On the other hand, relationship breakdown and family dispute were mentioned by considerably fewer LAs than at Wave 20 and Wave 16. Relationship breakdown was cited by 49 per cent of LAs at Wave 23, compared with three in four LAs at Waves 20 and 16 (76 per cent and 75 per cent respectively) and family dispute was mentioned by 33 per cent at Wave 23 and around three in five at Waves 20 and 16 (57 per cent and 59 per cent respectively). In addition, domestic violence was given as a reason for homelessness significantly less often than at previous waves (24 per cent, versus 43 per cent at Wave 20 and 33 per cent at Wave 16).

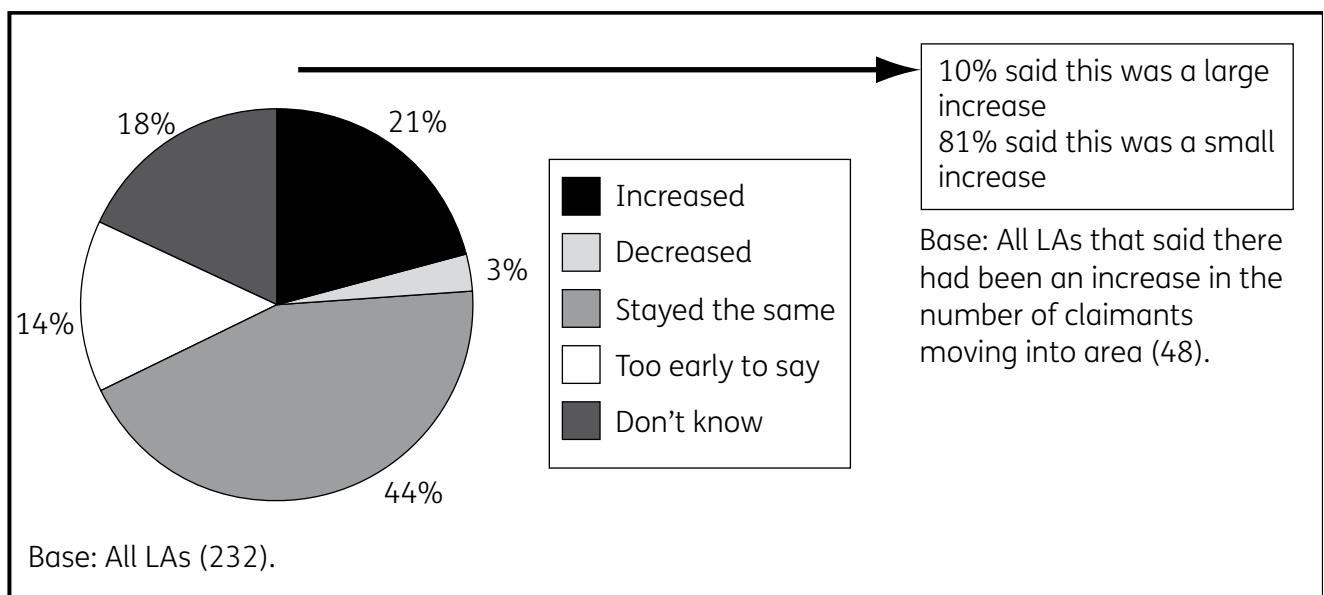
A quarter of LAs gave 'Suitable accommodation not available' as a reason for homelessness (26 per cent, compared with 18 per cent at Wave 20 and 33 per cent at Wave 16). A reduction in the number of properties was cited as a reason by 21 per cent (just five per cent at Wave 20), while wider economic changes was mentioned by 21 per cent and HB changes by 11 per cent.

¹⁴ It is worth noting that in some circumstances these different reasons may have been linked. For example, relationship breakdown may well have caused rent arrears, etc.

Fewer than one in ten LAs said that the end of Assured Shorthold Tenancies was one of the three main reasons for homelessness (7 per cent), while three per cent simply said loss of rented accommodation or friends/family could no longer accommodate. Just one LA mentioned the end of support for mortgage interest (even though this had not in fact ended) and the landlord requiring possession of the property.

3.3 Claimants moving into the area

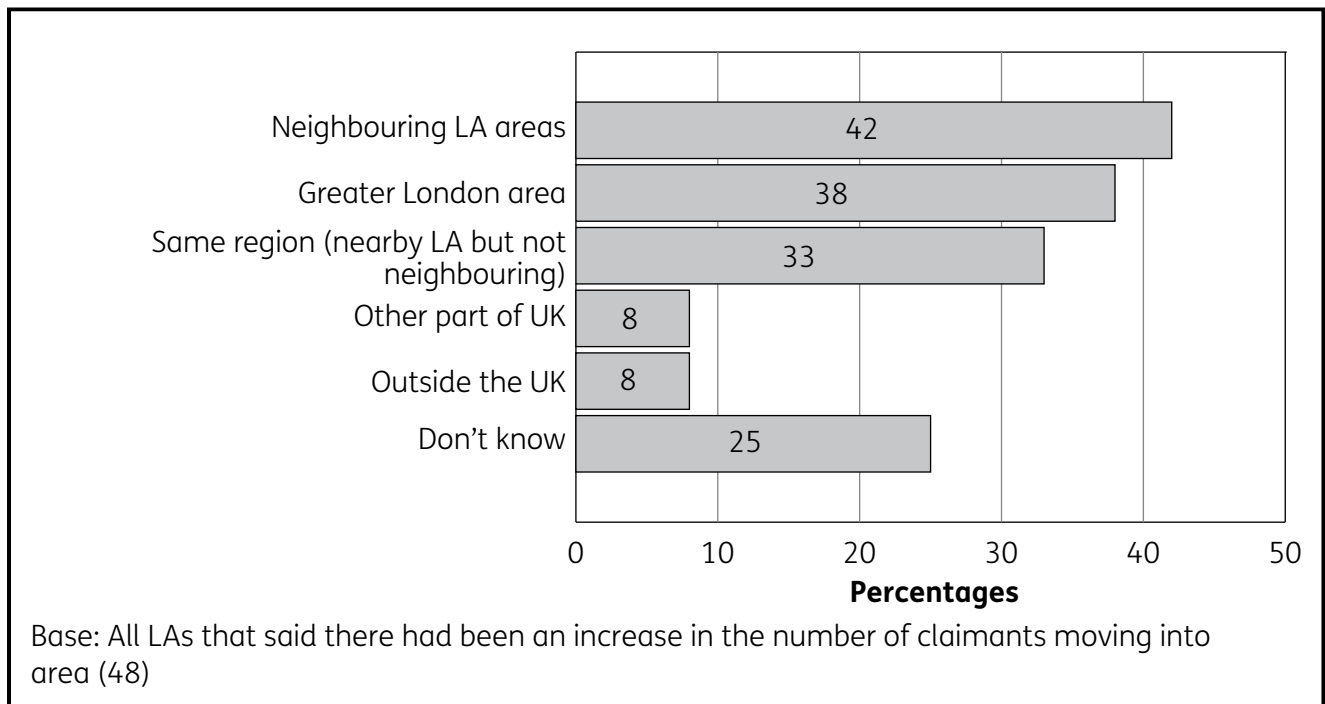
Figure 3.5 In your opinion, since the new regulations in April 2011 has the number of claimants moving into your LA area increased, decreased or stayed the same?



Around one in five LAs (21 per cent) said that there had been an increase in the number of claimants moving into their area since the new regulations, with this rising to 50 per cent of London Boroughs. Just three per cent said that there had been a decrease, although this increased to 21 per cent among London Boroughs. On the other hand, 44 per cent of LAs reported that it had stayed the same and 14 per cent thought it was too early to say. There was also 18 per cent that said they did not know.

Among those LAs that said there had been an increase, 81 per cent said it had been a small increase.

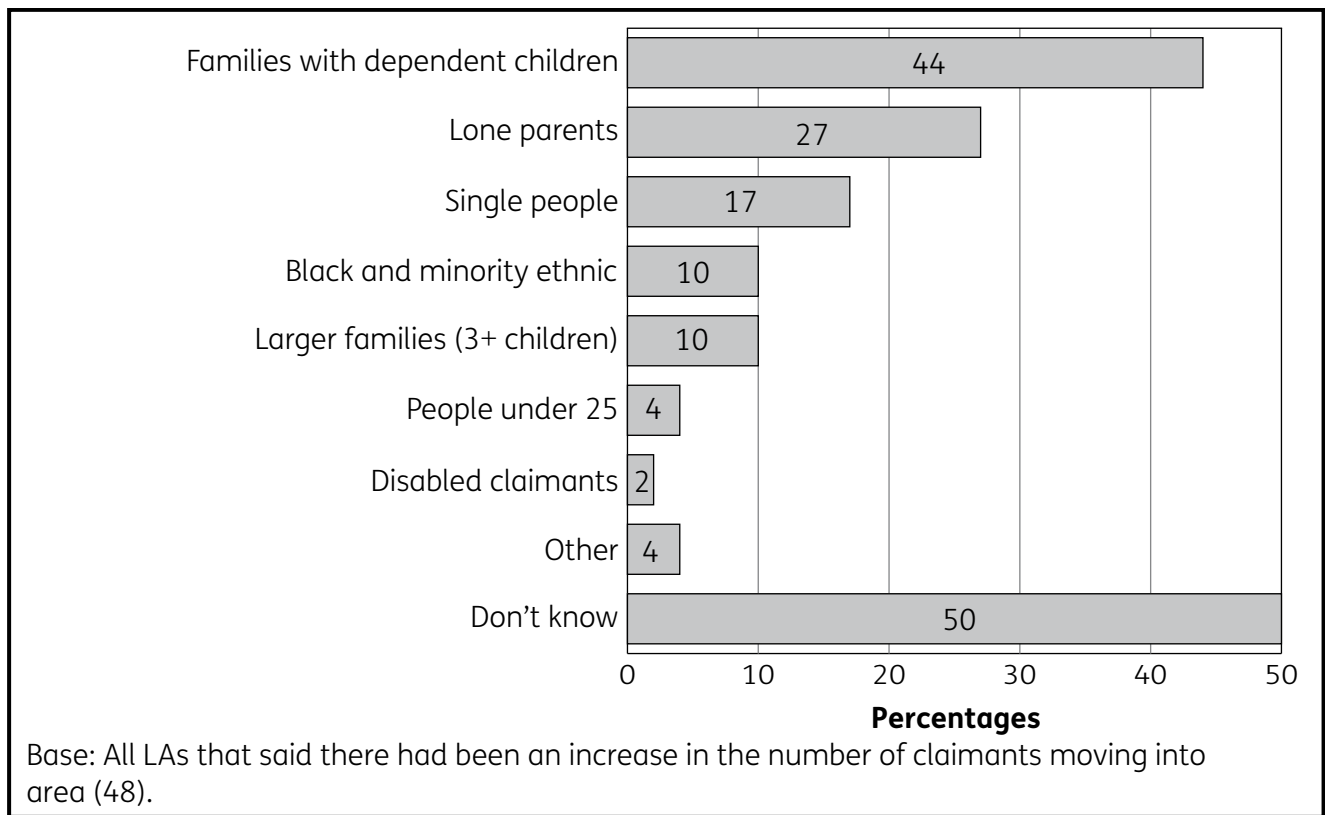
Figure 3.6 Thinking about the claimants that have moved into your LA area since the new regulations in April 2011, from where have these claimants moved?



Looking now at where these incoming claimants have moved from. Around two in five said that claimants had come from neighbouring LA areas or Greater London areas (42 per cent and 38 per cent), while a third said that the increase was caused by claimants coming from the same region (nearby LA area but not neighbouring).

Nearly one in five (23 per cent) mentioned other parts of the UK and eight per cent said they had come from outside the UK. A quarter of LAs (25 per cent) did not know.

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?



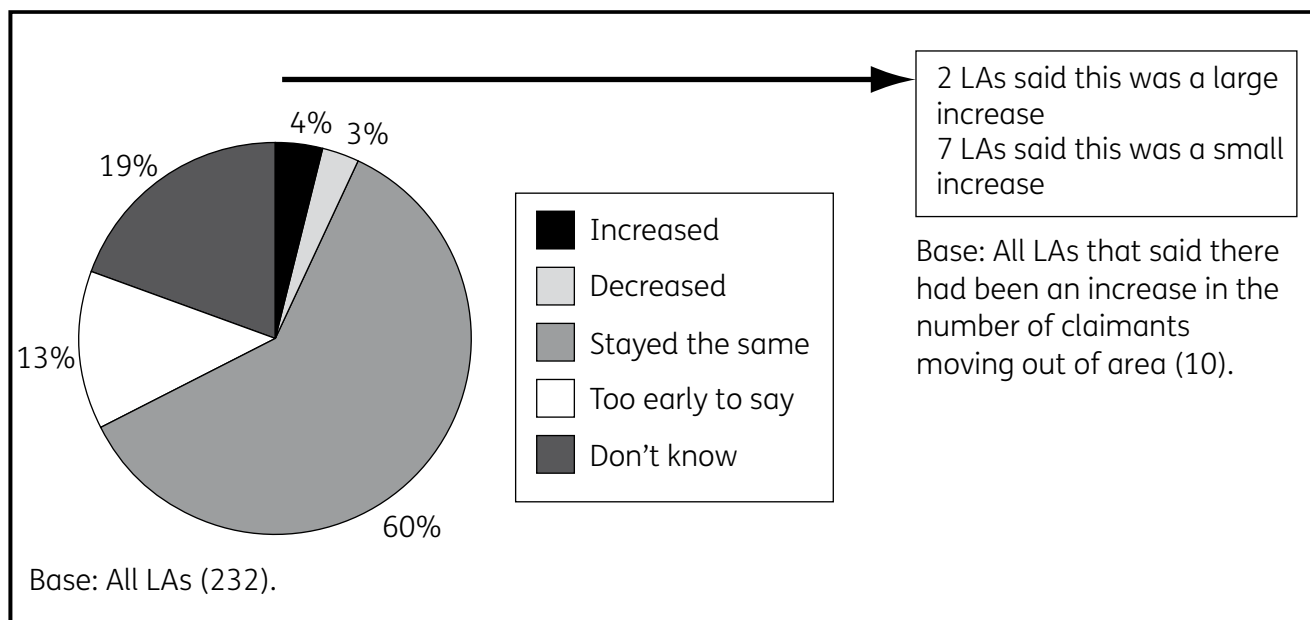
The main types of households moving into LA areas are people with children: families with dependent children (44 per cent), lone parents (27 per cent) and larger families (three plus children) (10 per cent).

In addition, 17 per cent of LAs mentioned single people and one in ten said BME families. Fewer cited people under 25 and disabled claimants (four per cent and two per cent respectively).

It's important to note that 50 per cent did not know what type of households had accounted for the increase in claimants moving into the area.

3.4 Claimants moving out of the area

Figure 3.8 Would you say that since the new regulations in April 2011 the number of claimants moving out of your LA area has increased, decreased or stayed the same?



Three in five LAs (60 per cent) said that there had been no change in the number of claimants moving out of their area, 13 per cent said that it was too early to say and 19 per cent did not know. Just 10 LAs (four per cent) said that there had been an increase – six English districts and four London Boroughs. On the other hand, seven LAs (three per cent) said that there had been a decrease – four English districts and three London Boroughs.

Among the ten LAs that said there had been an increase in the number of claimants moving out of the area, seven described it as a small increase, two said it was a large increase (both London Boroughs) and one did not know. Seven of the LAs said that claimants had moved to neighbouring LA areas (five English districts and two London Boroughs) and one LA said they moved within the same region and three did not know.

How would you describe the types of households that have moved out of your LA area since the new regulations in April 2011?¹⁵

5 LAs Families with dependent children
5 LAs Single people
3 LAs Lone parents
2 LAs Larger families (3+ children)
2 LAs People under 25
1 LA Black and minority ethnic
2 LAs Don't know

As for claimants moving into the area, the main types of household moving out of the LA area were families with children: five said families with dependent children, three lone parents and two larger families with three or more children.

Five of the ten LAs that said there has been an increase in the number of claimants moving out of the area said that single people had moved out. Few LAs mentioned under 25s and BME families.

Would you say that since the new regulations in April 2011 the number of people moving out of your LA area in order to find cheaper accommodation has increased, decreased or stayed the same?

8 out of 10 LAs that said there had been an increase in the number of claimants moving out of the area said claimants were moving in order to find cheaper accommodation.

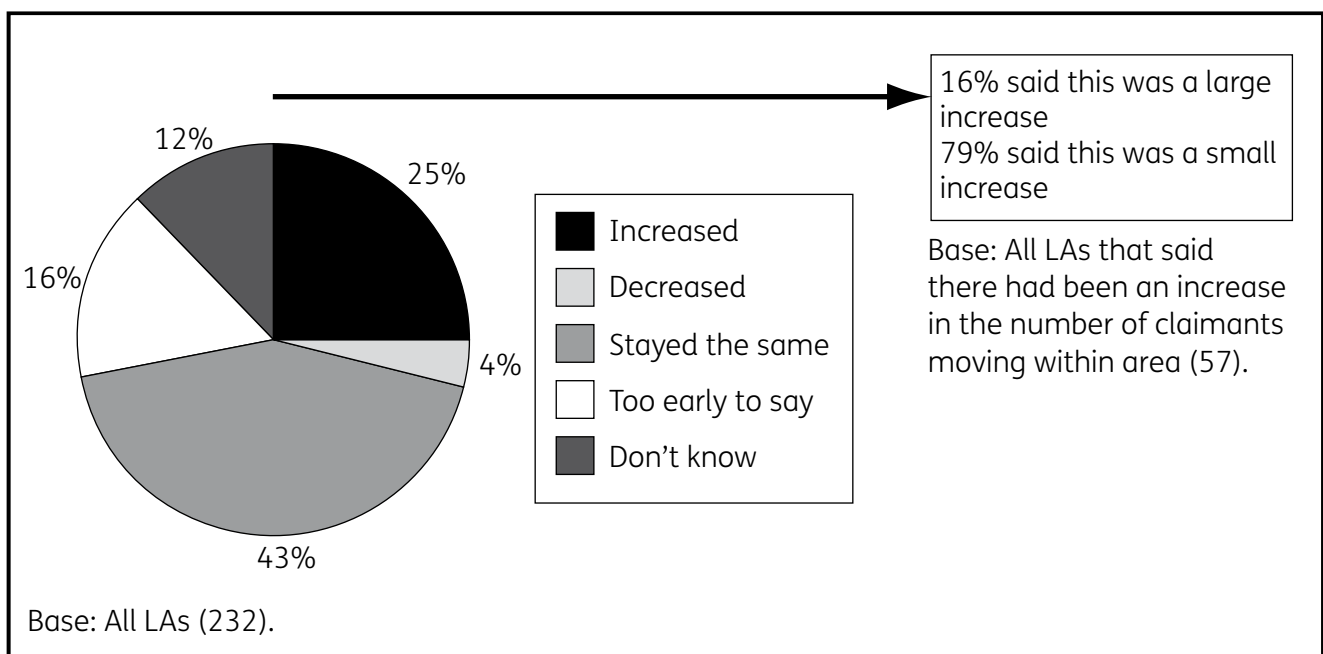
4 of these were in London LAs, 2 were from the South East and 2 were from Yorkshire/Humberside.

¹⁵ Note the following is multicoded and, therefore, responses will not necessarily add up to 10.

This same group of LAs that said there has been an increase in the number of claimants moving out of the area were asked whether or not there had been an increase in people moving out in order to find cheaper accommodation. Eight out of the ten LAs said that there had been an increase for this reason (four English districts – two from the South East and two from Yorkshire/Humberside – and four London Boroughs).

3.5 Claimants moving within the area

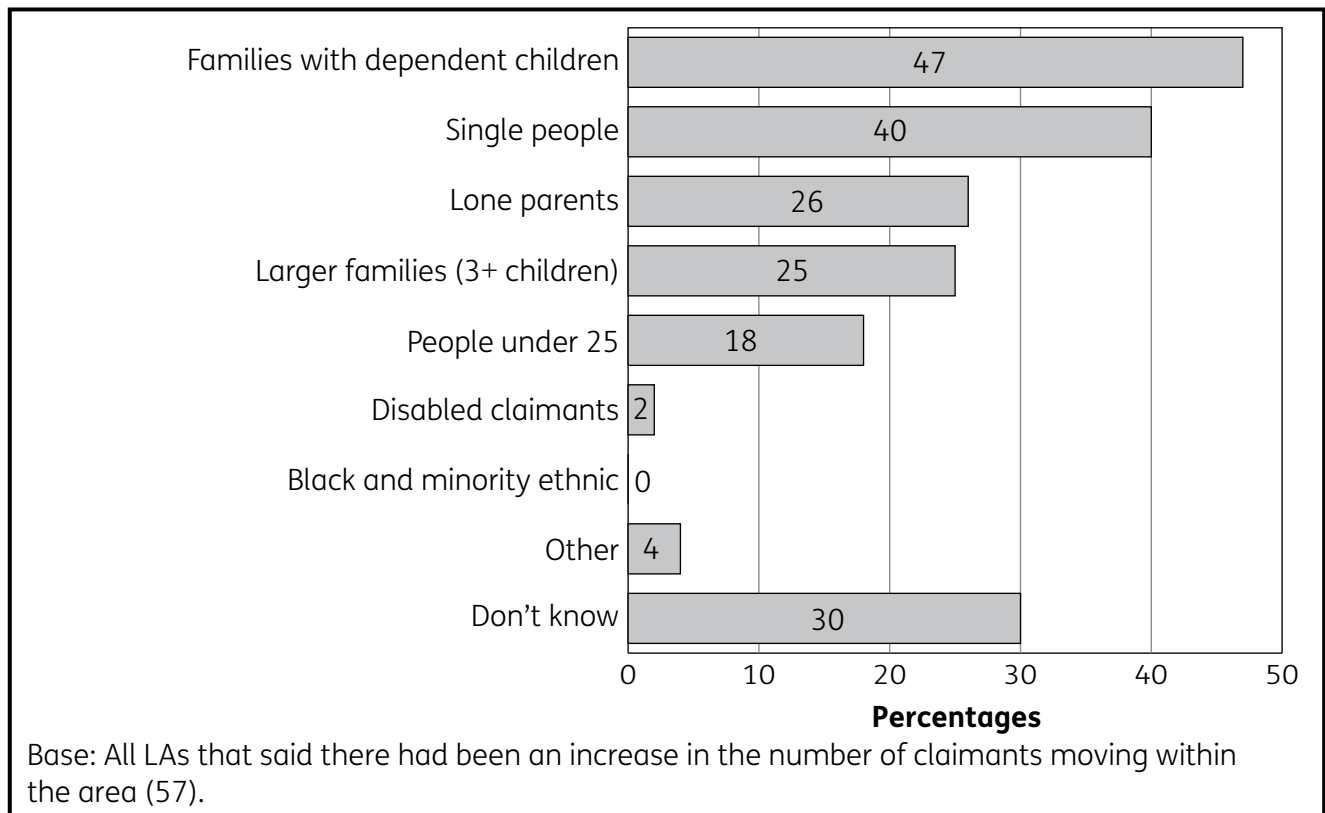
Figure 3.9 Would you say that since the new regulations in April 2011 the number of claimants moving within your LA area (i.e. moving from one property to another but staying in your LA area) has increased, decreased or stayed the same?



A quarter of LAs reported an increase in the number of claimants moving within their LA area (i.e. moving from one property to another but staying in their LA area). On the other hand, more than two in five LAs (43 per cent) said that there had been no change in the number of claimants moving within their area, 16 per cent said that it is too early to say and 12 per cent did not know.

Among the 57 LAs that said there had been an increase, 79 per cent described it as a small increase and 16 per cent said it was a large increase. There were no significant differences by sub-group.

Figure 3.10 How would you describe the types of households that have moved within your LA area? Please tick the most common types of households, up to a maximum of three

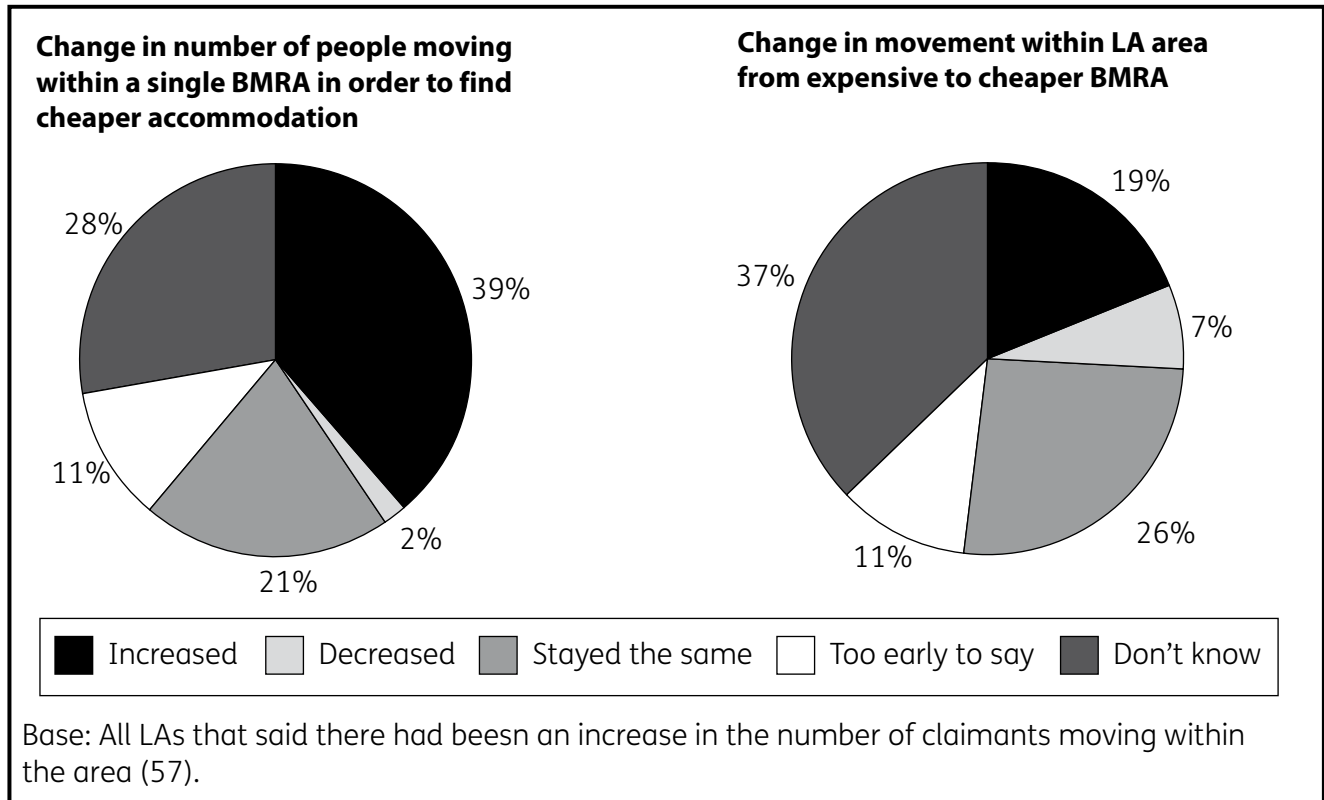


The main types of households that have moved, this time within the LA area, were once again families: 47 per cent families with dependent children, 26 per cent lone parents and 25 per cent larger families of three or more children.

Two in five LAs (40 per cent) said single people had moved within the area, with this rising among high and medium caseload authorities to 58 per cent and 61 per cent respectively. Eighteen per cent of LAs mentioned people under 25 and two per cent of LAs mentioned disabled claimants.

It is, however, important to note that 30 per cent of LAs did not know what type of households had accounted for the increase in claimants moving within the area.

Figure 3.11 Would you say that since the new regulations in April 2011 the number of people moving within a single BMRA in order to find cheaper accommodation has increased, decreased or stayed the same?

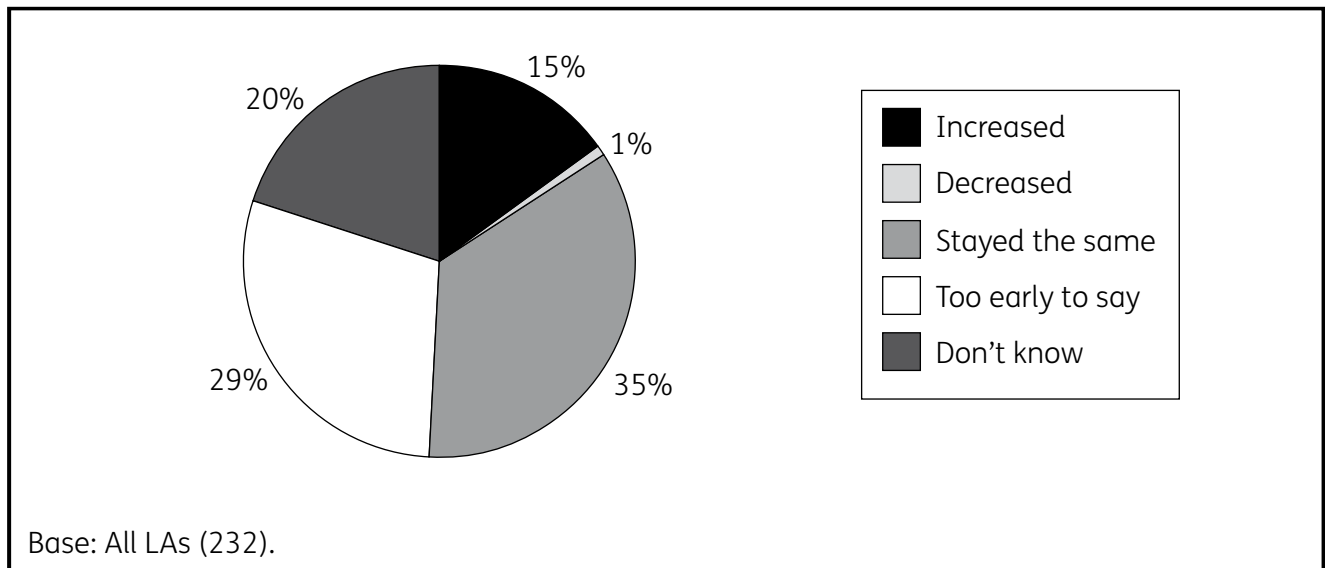


The charts above show movement to find cheaper accommodation (both in terms of a lower rent and/or smaller property) within single BMRAs and between BMRAs in the same LA area.

Firstly, LAs that said there had been an increase in the number of claimants moving within the area were asked whether the number of people moving within a single BMRA, in order to find cheaper accommodation, had increased, decreased or stayed the same. Almost two in five LAs (39 per cent) said it had increased, while 21 per cent said it had stayed the same and 11 per cent said it was too early to say. More than a quarter of LAs (28 per cent) did not know.

This same group of LAs were then asked about movement, since the new regulations, within LA areas from more expensive BMRAs into cheaper BMRAs. Eleven LAs (19 per cent) said there had been more movement – three Scottish LAs, three London Boroughs and five English districts. On the other hand, one in four LAs (26 per cent) said there had been no change in the amount of movement, 11 per cent said it was too early to say and 37 per cent did not know. It is also worth noting that four LAs, which were all English districts, said that there had been a decrease in the amount of movement from expensive to cheaper BMRAs.

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.

While 15 per cent had observed an increase, more than a third of LAs (35 per cent) said that there had been no change in the number of claimants moving to smaller properties/downsizing, while 29 per cent said it was too early to say and 20 per cent did not know whether there had been a change or not.