

## 2 Do the initial impacts of LHA reforms differ by place?

### Authors:

**Christina Beatty, Ian Cole, Ryan Powell**

(Centre for Regional Economic and Social Research, Sheffield Hallam University)

### Summary of main findings

- This section presents an analysis of all Local Housing Allowance (LHA) claims from January 2010 to May 2012, including details for both new and existing claimants. It examines trends in LHA claims and considers whether impacts have differed by place or by sub-group of claimant.
- Prior to the reforms, the average weekly LHA rate for claimants in Great Britain (GB) was rising and was £3.15 higher in March 2011 than in January 2010. After the reforms, the average LHA rate decreased and in May 2012 was £8.36 lower for claimants than in March 2011.
- The weekly reduction in average LHA rates was £5 or less in 122 local authority (LA) districts, between £5 and £10 in 229 districts and over £10 a week in 28 districts.
- The highest reductions in LHA rates were in and around central London, Cambridge and York, and more than £140 a week in the City of London, Kensington and Westminster.
- Large scale displacement or a notable increase in off-flows of LHA claimants from districts within central London had not occurred by May 2012.
- Nationally, the on-flow of new and repeat LHA claimants has remained fairly stable since the year before the reforms (March/May 2010), but they have reduced notably in central London (a 31 per cent reduction) and London Cosmopolitan areas ( a 20 per cent reduction) between March/May 2010 and March/May 2012; however, the rate of decline was similar in the year before the reforms as in the following year and is, therefore, not directly attributable to the reforms.
- In the December 2011/February 2012 period, the overall LHA claimant rate in central London actually fell, for the first time.
- Working households have been the fastest growing sub-group of claimants since 2010, but the rate of growth slowed down after the reforms were introduced. The growth in this group is most marked (both before and after the reforms) in London Suburbs.
- The LHA claimant profile has changed most between March/May 2010 and March/May 2012 in central London; the number of 25 to 34-year-old single people has declined markedly since the Shared Accommodation Rate (SAR) changes were introduced; it is also the only area type where the proportion of lone parents has declined since the LHA reforms were introduced.

## **2.1 Introduction**

This section forms part of the interim review of the impact of recent measures (introduced from April 2011 onwards) to change the system of LHAs in the private rented sector (PRS) in GB. It presents the findings of an analysis of spatial patterns at LA district level in Housing Benefit (HB) claims between January 2010 and May 2012.

This report is one of a series of interim outputs from the independent evaluation of the recent changes to the LHA arrangements which apply to people claiming HB in the PRS in the United Kingdom (UK). The measures include the change in the basis of setting LHA rates, the caps to weekly LHA rates to a maximum of four bedrooms, the removal of the £15 per week excess; the new method for uprating HB rates, an enhanced government contribution to the Discretionary Housing Payment (DHP) budgets allocated to LAs to ease the process of transition to the new regime and the temporary arrangement to grant broader discretion to LAs to make direct HB payments to landlords in certain circumstances. Subsequent measures include extending the age threshold which the SAR applies from 25 to 35, and the overall cap on household benefits, to be introduced in two stages in 2013. (Further information on these measures is given in [Section 1](#) of these interim reports).

This research was commissioned by the Government in 2011. The evaluation is being undertaken by a research consortium from the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, the Institute for Fiscal Studies (IFS), the Blavatnik School of Government at the University of Oxford and Ipsos MORI. The overall research programme involves both quantitative and qualitative methods. The quantitative methods comprise spatial analysis and econometric analysis based on nationwide data on HB claimants, and surveys of claimants and landlords in 19 case study areas across Britain<sup>8</sup>. The qualitative methods comprise interviews with claimants, landlords and housing advisers in the case study areas. This broad-based approach to the research is designed to monitor some of the impacts of the LHA measures in the short to medium term, while being sensitive to different local housing market contexts, and to assess the extent to which LHA reforms are starting to induce attitudinal and behavioural changes among landlords and tenants in the PRS.

The research programme runs from April 2011 until December 2013. The first report from the research team examined the findings of the wave 1 large-scale face-to-face surveys of claimants and a postal survey of landlords in the 19 case study areas (DWP, 2012). These surveys were undertaken in autumn 2011: several months after most of the measures had been introduced for new LHA claimants<sup>9</sup>, but before they had an impact on the rents and housing circumstances of existing (pre April 2011) LHA claimants. (For further details of the overall research programme see DWP, 2012.) The interim outputs published now draw on the initial analysis provided by the other strands of the evaluation.

---

<sup>8</sup> Barking and Dagenham, Blackburn with Darwen, Bradford, Brent, Cardiff, Denbighshire, Edinburgh, Exeter, Fenland, Hackney, Newcastle, North Lanarkshire, Perth and Kinross, Portsmouth, Rhondda Cynon Taf, Tendring, Thanet, Walsall, Westminster.

<sup>9</sup> LHA claimants: HB claimants in the private rented sector who are assessed under the LHA rules.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

The distribution of claimants of any benefit is not evenly spread across the country. This is as much the case for HB claimants in the PRS as for other claimants, such as those receiving out-of-work working-age benefits<sup>10</sup>. However, the primary reasons for spatial differences in the proportion of types of claimant in any particular locality may differ. Whereas the key determinant of the location of claimants on working-age out-of-work benefits, for example, is the strength of the surrounding labour market, the spatial distribution of HB claimants in the PRS will also be shaped by the dynamics of supply and demand in the PRS and the wider characteristics of the local housing market. Because the reform of the LHA system affects the vast majority of HB claimants in the PRS, it will, therefore, result in differential spatial impacts across Great Britain, depending on prevailing local housing and labour market conditions.

The purpose of this section is, therefore, to examine some of the early differences in the scale to which different local areas have been affected by on- and off-flows of claimants. On-flows are defined as LHA claimants who have moved either within or between LAs in a given month or who are new LHA claimants who did not have an HB claim assessed under LHA rules in the previous month<sup>11</sup>. Off-flows are defined as claimants who have moved either within or to another LA in a given month or who have stopped being assessed under the LHA rules (i.e. they have moved into the social rented sector (SRS) or off HB entirely)<sup>12</sup>. The analysis will examine how the picture has changed over time, between January 2010 and May 2012 – roughly one year either side of the date when the new measures started to be introduced (April 2011). The focus of this discussion is on trends in the national picture, across all LAs and Broad Rental Market Areas (BRMAs) in GB. [Section 4](#), [Section 5](#) and [Section 6](#) of these interim research outputs, by contrast, are concerned more specifically with changes in 19 case study areas in GB.

The different measures involved in the LHA reforms are likely to have varying impact at the local level, reflecting the specific characteristics of claimants and housing market circumstances. For example, it might be expected that the impacts of the move to the 30th percentile of market rents and caps for LHA rates will be greatest in London and other areas with high demand for PRS property and high private market rental prices. The maximum cap placed on LHA rate by property type in the measures, for example, solely affects some BRMAs covering inner London.<sup>13</sup> In rental markets where the difference between the 30th and 50th percentile of market rents is relatively large, tenants may be less able, and landlords less willing, to adjust to meeting any shortfall between the new LHA rates and the contracted rent. Tenants in weaker labour markets may have fewer opportunities to find

---

<sup>10</sup> This primarily consists of claimants of three main groups of DWP benefits: Jobseeker's Allowance (JSA), Incapacity Benefit/Employment Support Allowance (IB/ESA) and lone parents on Income Support (IS). It includes those on contributory and non-contributory elements of these out-of-work benefits. Data used for this group in this report are from the DWP working age benefits group receiving out-of-work benefits available on NOMIS.

<sup>11</sup> New LHA claimants may be entirely new to the Housing Benefit system or their claim was previously assessed under the pre April-2008 rules or they were previously in the social rented sector.

<sup>12</sup> The data from the Single Housing Benefit Extract used in this analysis is based on four digit truncated postcodes so excludes very small distance moves.

<sup>13</sup> Central London, Inner North London, Inner East London, Inner West London, Inner South West London, Outer South West London.

## **Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report**

work or take on additional hours to make up for shortfalls between revised LHA rates and contractual rents. Landlords in buoyant rental markets with an alternative supply of potential tenants may have more leeway to withdraw from the HB sub-market. Conversely, landlords in areas dominated by the HB market, with a more limited supply of non-HB tenants and a more compressed distribution of rental values, may be more willing, and more able, to adjust to the reforms.

The balance in the supply and demand for particular types of property in the market will also influence the local impacts of some of the LHA measures. The availability of shared accommodation and the age profile of PRS households locally will influence the impacts of the measure to increase the age limit for the SAR to single people aged under 35. The prevalence of large families in local communities will also determine the impact of the abolition of the five bedroom LHA rate under the reforms. It is, in short, essential to take account of local variability, in this section as in others, in providing any interim assessment of the impact of the LHA measures so far.

The responses to the reforms by LHA claimants in different types of area may, therefore, be mediated by the supply and demand for PRS locally. For example, it might be expected that some LHA claimants may no longer be able to afford accommodation in areas such as central London, where there is strong demand in the PRS from non-LHA households, high market rents and large reductions in LHA weekly rates due to the reforms. If this is the case, a reduction in the on-flows of new or repeat LHA claims in these areas would be expected. On-flows of LHA claimants may also decline in such areas if the supply of properties let by landlords to the LHA market is reduced, because landlords can obtain market rents from an alternative supply of non-LHA applicants. Higher off-flows of LHA claimants may emerge in high rent areas after the reforms, as tenants who are not able to adjust to a large shortfall between LHA rates and market rents relocate to more affordable properties or areas. A combination of lower on-flows and higher off-flows would, in turn, lead to falling LHA caseloads in these areas.

If the LHA reforms cause an increase in off-flows of claimants leaving high rent areas, this may, in turn, result in additional on-flows of claimants in surrounding areas or further afield. This process may lead to greater concentrations of LHA claimants in some London boroughs not affected by the LHA caps, or claimants may be rehoused or find accommodation in cheaper rent areas outside London. For example, seaside towns have traditionally had a relatively large PRS, partly due to the conversion of previous bed and breakfast accommodation into HMOs. Consequently, many seaside towns have large concentrations of LHA claimants and a strong HB sub-market, and it is possible that such areas will experience increased in-flows in LHA claimants in search of suitable affordable accommodation.

This section provides an overview of the trends in LHA caseload both before and after the introduction of the reforms in April 2011. Changes over time in the rate of on-flows and off-flows of claims are also examined in the year leading up to the reforms compared to the year after. The analysis also covers trends in claims amongst specific sub-groups of the population. The pattern of change before and after the reforms is investigated for groups of LAs classified according to prevailing local housing and labour market conditions, and this is benchmarked against national trends.

The overall aim of the analysis is to assess whether the early impacts of the LHA measures have been more pronounced in particular types of locality in GB. For example, if national trends and trends by area type continue on the same trajectory after the LHA reforms, this may be evidence that the measures per se have not had a notable impact on caseloads,

## **Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report**

on-flows or off-flows of claimants. If overall national trends change after the reforms, but to a similar extent across all area types, then impacts are not differentiated by locality. However, if trajectories of change after the reforms do vary by type of area, this can be taken as evidence that the impacts differ according to the specific characteristics of place.

The analysis utilises time series data of aggregate LA level data from the DWP SHBE, primarily for the period January 2010 to May 2012. The data have been compiled using details of HB claims submitted by each LA to DWP on a monthly basis. Data on LHA caseloads include new claimants who have been subject to the new LHA at point of entry to the HB system since April 2011. Existing claimants are also included in the caseload figures, but they have only been subject to the new rules since January 2012, due to the nine-month transitional protection period. Since this date, existing tenants have gradually been brought within the new LHA regulations nine months after the point of their first annual renewal of their claim since April 2011. All existing tenants will, therefore, be brought under the new rules by the end of December 2012.

A range of contextual data have been merged with the aggregate-level SHBE data, including 2011 Census data on the size of the local population and 2001 Census data on the size of the PRS in each area<sup>14</sup>, Land Registry data on local house prices, DWP data on working-age claimants on out-of-work benefits and a range of area classifications (see Appendix B for further details, including the data cleaning procedures used).

## **2.2 National and regional trends in LHA claims**

There were 5,031,700 HB claimants in GB in May 2012 (Table 2.1), an increase of 859,800, or 21 per cent, over the level at the beginning of the recession in November 2008. Although HB claimants are still predominantly concentrated in the SRS, the tenure profile of claimants has changed over time, with households in the PRS accounting for an increasing proportion of all HB claimants. One in four HB claimants lived in PRS accommodation in November 2008, but by May 2012 the sector accounted for one in three HB claimants. This shift reflects an additional 590,900 PRS HB claimants since November 2008, equivalent to a 56 per cent increase, and there were 1,645,700 HB claimants overall in the sector by May 2012.

The LHA system was introduced at a national level in April 2008 and the proportion of HB claimants in the PRS subject to the LHA rules will inevitably increase over time. Eighty-one per cent of HB claimants in the PRS (1,330,300 in total), were paid HB in accordance with the LHA measures by May 2012, up from 36 per cent of PRS HB claimants in November 2008. One out of five claimants in the PRS were, therefore, still on the pre-April 2008 rules in May 2012, and were not affected by the changes to the LHA system. The movement of PRS HB claimants subject to the pre-April 2008 rules to the new LHA system was more rapid in the earlier part of the period after the introduction of LHA, leading to a rapid growth in LHA claimants initially. This shift of claimants has gradually declined over time as the majority of claimants become subject to the LHA rules. This has contributed to a slowing down in the growth of LHA claimants over time. Not all LHA claimants were directly affected by the reforms to the LHA system at the same time – as a consequence of the nine-month transitional protection period for existing claimants. Since January 2012, existing tenants have gradually been brought within the new LHA regulations at the point of the annual

---

<sup>14</sup> 2011 Census data was still emerging at the time this analysis was undertaken Scottish data for PRS estimates are not available currently and so 2001 data on the size of the PRS is utilised for all LAs for consistency.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

renewal of their claim. This phased introduction of the reforms across new and existing claimants is likely to lead to some time lags in impacts, as the number of claimants affected by the measures grows over time.

Table 2.1 shows the distribution of HB and LHA claimants by region in May 2012. LHA claimants account for approximately a quarter of all HB claimants, but this varies significantly by region. Whilst nearly a third of all HB claimants in the South West region were covered by the LHA measures in May 2012, just under 15 per cent of all HB claimants in Scotland were in this position, due to the higher proportion of SRS claimants there. As would be expected, the distribution of LHA claimants is broadly related to the distribution of population across the regions. However, whilst 13 per cent of all GB households live in London<sup>15</sup>, 17 per cent of all households claiming LHA live in this region. This reflects other factors which influence the LHA claimant rate, including the level of worklessness, the balance of supply in the local PRS and SRS and average local house prices, which are strongly correlated (0.95) with private market rents.

**Table 2.1     Housing Benefit recipients by region, May 2012**

	HB recipients by tenancy type			LHA recipients			
	All	Social Rented Sector	Private Rented Sector	All LHA	As % of all GB LHA	As % of PRS HB	As % of HB
South West	377,000	219,300	157,600	121,800	10	77	32
South East	544,700	335,700	208,900	165,200	13	79	30
Yorkshire and the Humber	443,600	296,700	146,700	127,700	9	87	29
North West	636,100	418,300	217,500	182,700	13	84	29
Wales	251,300	166,300	84,800	69,100	5	81	28
London	845,700	563,400	280,900	228,300	17	81	27
East Midlands	325,900	217,100	108,700	87,500	7	80	27
East	392,600	263,500	129,000	101,400	8	79	25
West Midlands	461,300	323,500	137,700	111,000	8	81	24
North East	268,700	192,100	76,500	64,400	5	84	24
Scotland	484,800	387,100	97,400	71,300	6	73	15
<b>Great Britain</b>	<b>5,031,700</b>	<b>3,382,900</b>	<b>1,645,700</b>	<b>1,330,300</b>	<b>100</b>	<b>81</b>	<b>26</b>

Source: Single Housing Benefit Extract.

Table 2.2 highlights key differences in housing and labour market circumstances across the regions. On average there were 51 LHA claimants per 1,000 households in GB in May 2012, but this varies considerably by region. The highest LHA claimant rates were in London (69 LHA claims per 1,000 households), although the proportion of working-age population claiming out-of-work benefits in London was similar to the national average. This suggests, as one might expect, that high house prices and high market rents, rather than poor labour market conditions, are key factors in London. By contrast, Scotland had only 31 LHA claims per 1,000 households alongside relatively high out-of-work benefits claimant rates, but the SRS is the dominant housing tenure for HB claimants here.

<sup>15</sup> 2011 Census data.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

**Table 2.2 LHA claimant rates by region, May 2012**

	Average House Price 2012	Estimated PRS as % of all households <sup>1</sup>	Out-of-work claimant rate as % of 16-64 Feb 2012	LHA claimant rate per 1,000 households		Change Jan 2010 to May 2012
				Jan 2010	May 2012	
London	£454,600	17	12	46	69	23
North West	£154,500	11	15	41	60	19
Yorkshire and the Humber	£157,000	11	14	39	57	18
North East	£138,900	9	16	38	56	18
South West	£226,000	13	10	36	53	17
Wales	£153,000	11	15	36	52	17
West Midlands	£170,900	10	14	33	48	14
South East	£286,000	12	9	33	46	13
East Midlands	£161,300	10	12	30	45	15
East	£235,700	11	10	29	41	13
Scotland	£153,400	10	14	23	31	8
<b>Great Britain</b>	<b>£229,000</b>	<b>12</b>	<b>12</b>	<b>35</b>	<b>51</b>	<b>16</b>

Source: Single Housing Benefit Extract, DWP, Census, Land Registry.

<sup>1</sup> 2011 Census data on tenure for all GB was not available at the time this analysis was undertaken. The PRS estimate is based on the 2001 Census and is likely to substantially underestimate the current situation. The 2010/11 English Housing Survey indicates that 17 per cent of all households in England live in the PRS. The 2011 Census data will be incorporated into the next stage of the analysis when data for Scottish Council Areas becomes available.

## 2.3 LHA claimants and LHA rates at local authority level

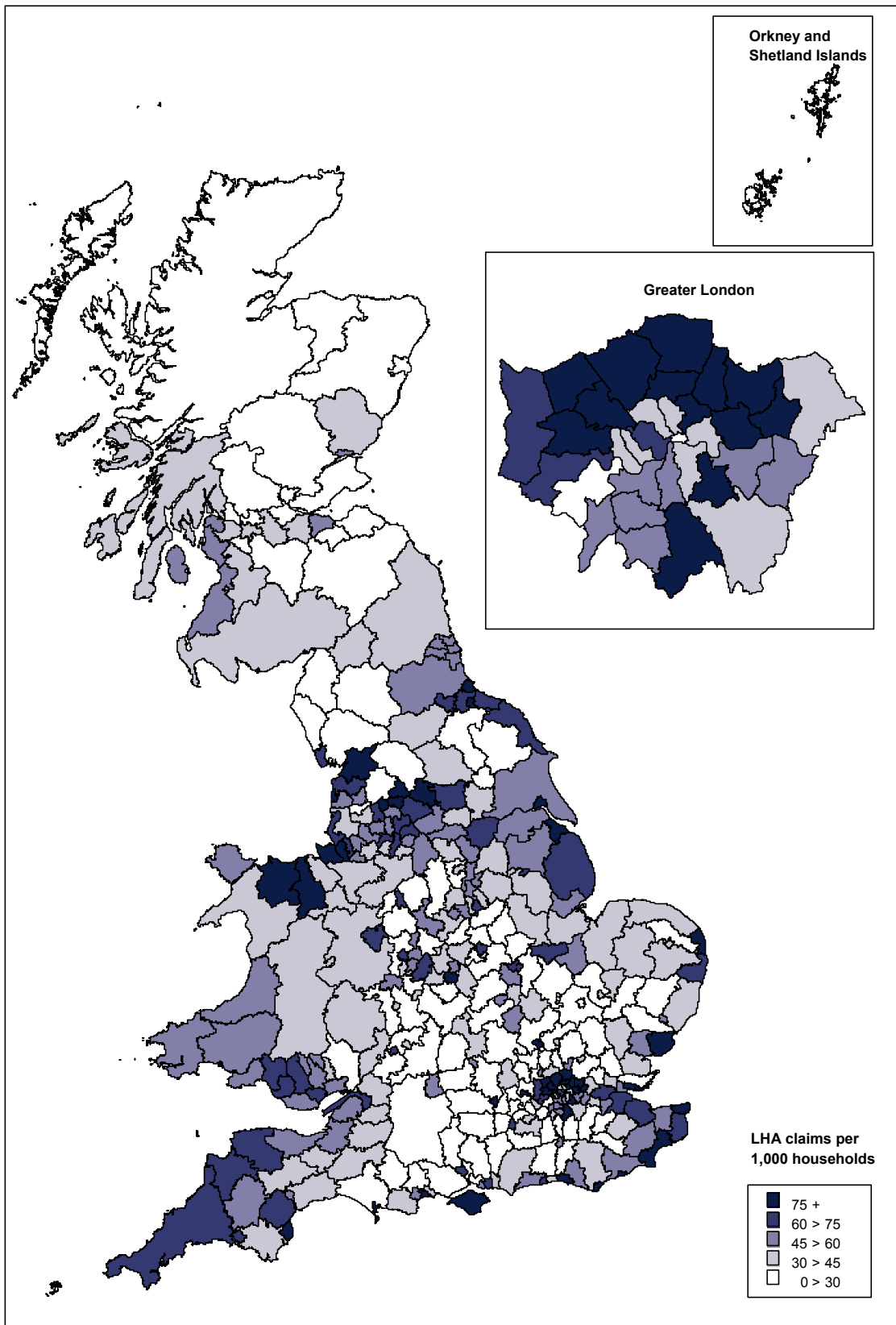
### 2.3.1 LHA claimants

The distinct geography of LHA claims per 1,000 households can be seen in Figure 2.1. With the exceptions of Scotland and London, this map reflects a similar pattern to that produced by examining the spatial distribution of out-of-work benefits claimants. There are greater concentrations of LHA claimants in areas with higher prevailing levels of out-of-work benefits claimants, including many older industrial areas and seaside towns. There are lower rates of LHA claimants per 1,000 households in large parts of the South East and East of England, reflecting relatively buoyant local economies. Overall, the LHA claimant rate for May 2012 is correlated with the out-of-work benefit claimant rate (0.63).

The number of out-of-work benefits claimants is not the only influence on the distribution of LHA claimants. The local supply of rented property and local rent levels are also contributory factors. For example, there are lower concentrations of LHA claimants in the central belt of Scotland than might be expected, given relatively high levels of worklessness in these areas. As stated earlier, this reflects the greater supply of SRS in Scotland and HB claimants are, therefore, more concentrated in the SRS in this region.

Monitoring the impact of changes to the Local Housing Allowance system  
of Housing Benefit: Interim report

Figure 2.1 LHA claims per 1,000 households by local authority, March to May 2012

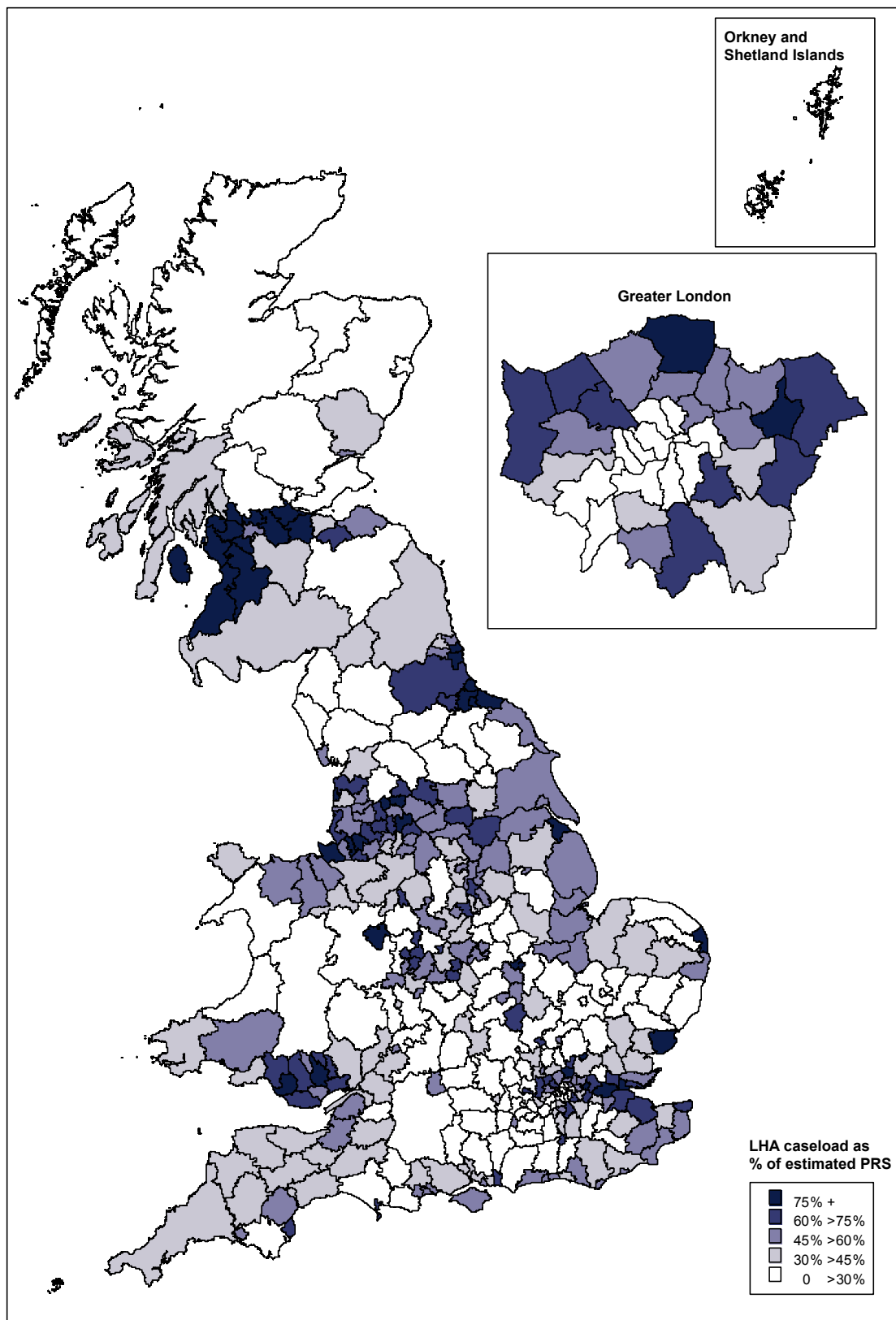


Source: Single Housing Benefit Extract.



# Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

**Figure 2.2 LHA claims as a percentage of private rented sector, March/May 2012<sup>16</sup>**



Source: Single Housing Benefit Extract.

<sup>16</sup> Denominator for the rate is the estimated number of PRS households in 2011. This is calculated as the percentage of PRS in each area in the 2001 Census multiplied by the number of households in the area from the 2011 Census.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

Some areas have a relatively high concentration of LHA claimants due to a mix of supply and demand factors. Britain's larger seaside towns are a prime example of this. The proportion of the working-age population claiming out-of-work benefits in these areas is on a par with mining and manufacturing areas. The nature of the housing stock in seaside towns, where many former boarding houses have been converted into Houses of Multiple Occupation (HMO), contributes to a relatively large supply of PRS, which in turn is dominated by HB claimants. The LHA claimant rate per 1,000 households for a group of LAs classified as 'Large Seaside Towns' (see sub-section 2.4) was 123 per 1,000 households in May 2012 – more than double the national rate (51 per 1,000 households). Eleven of the 20 districts with the highest LHA claimant rates (all with more than 90 per 1,000 households) were either large seaside towns or districts which include a seaside town<sup>17</sup>. Blackpool had by far the highest LHA claimant rate of any district in GB, with just over 220 LHA claimants per 1,000 households in May 2012.

The interaction between a strong housing market, high market rents and high PRS demand contributes to the high LHA claimant rates in London, where out-of-work benefits claimant rate are similar to the national average (Table 2.2 earlier). Higher house prices are associated with areas with stronger labour markets and negatively correlated with out-of-work benefits claimant rates (-0.44). High house prices are also strongly correlated with higher private market rents; a correlation of 0.95 across England. As a consequence, LHA acts as a rent subsidy for large numbers of claimants who are in work in London. In May 2012, 44 per cent of LHA claimant households in London had an income from work<sup>18</sup>. This compared to 32 per cent of all LHA claimant households in Great Britain, and only 23 per cent of LHA claimant households in the North East. The sub-group of in-work LHA claimants are considered in more depth in sub-section 2.5.

Figure 2.2 shows the relative size of the LHA sub-market within local PRS markets across the country<sup>19</sup>. This shows the dominance of the LHA sub-market in many areas with higher levels of out-of-work benefits claimants. Figure 2.2 also shows that a relatively low proportion of all PRS tenants in central London boroughs receive LHA, although London as a whole includes many areas with higher LHA claimants per 1,000 population. This indicates a large alternative supply of tenants for landlords letting in central London, in a context where 25 per cent of households in London as a whole are in the PRS, compared to 17 per cent nationally<sup>20</sup>. The reductions in LHA weekly rates since April 2011 have been greatest in precisely these areas, and so landlords may have more opportunity to withdraw from the HB sub-market and achieve market rents from an alternative supply of tenants. The ramifications of this change for the lettings priorities of landlords in the four case study areas in London are discussed further in [Section 5](#) and [Section 6](#) of these interim research outputs.

---

<sup>17</sup> Blackpool, Torbay, Hastings, Thanet, Brighton and Hove, Southend-on-Sea, Eastbourne, Great Yarmouth, Bournemouth, North East Lincolnshire (includes Cleethorpes), Tendring (includes Clacton).

<sup>18</sup> These are households where either the claimant and/or the claimant's partner have an income from employment or self-employment.

<sup>19</sup> The rate is based on an estimate of the number of 2011 households living in the PRS in proportion to the distribution of this sector in the 2001 Census. This underestimates the size of the PRS. The English Housing Survey for 2010/11 indicates that the sector accounted for 17 per cent of all households and the sector grew by 75 per cent between 2001 and 2010/11 in England.

<sup>20</sup> 2011 Census data for England and Wales.

### **2.3.2 Weekly LHA rates by local authority**

A key element of the reform of the LHA system was to change the means of setting weekly LHA rates for each property type, and determining the maximum HB payment for an eligible property type at which individual claims are assessed. From April 2011, the weekly LHA rate was set at the 30th percentile of BRMA private market rents, rather than the 50th percentile as before. From April 2012, LHA rates will be updated annually instead of monthly. The first annual update is in April 2013, where the current LHA will be uprated by the September 2012 Consumer Price Index (CPI). The Welfare Benefits Up-rating Bill currently passing through Parliament will result in LHA rates being increased by one per cent in 2014 and 2015. In addition, maximum rates were introduced to cap LHA rates available in areas with very high private market rents. This affects some of those BRMAs covering central London, where the 30th percentile is greater than the maximum caps. The maximum weekly LHA caps were set at £400 for a four bedroom property, £340 for a three bedroom property, £290 for a two bedroom property and £250 for a one bedroom property.

LHA weekly rates at which individual claims are assessed are, therefore, a function of private market rents in an area which, in turn, are strongly related to local house prices. Figure 2.3 shows clearly the higher average LHA weekly rates for all LHA claimants in London and the South East in May 2012, and strongly reflects the pattern of average house prices across GB. The introduction of maximum caps for LHA rates has an impact in areas of London with high house prices, and has slightly weakened the relationship between house prices and LHA rates over time. (The correlation between prices and LHA rates fell from 0.87 in March 2011 to 0.80 in May 2012.)

The introduction of the maximum LHA caps, the change to set LHA rates at the 30th percentile from April 2011 and the increase in the threshold for the SAR to those aged under 35 from January 2012 have resulted in the average LHA rates amongst all claimants falling over time. Prior to the reforms, the average weekly LHA rate for GB claimants as a whole was rising and was £3.15 higher for all claimants in March 2011 than in January 2010 (a 15-month period). When the same time span is considered since the reforms, the average LHA rates across GB were £8.36 lower in May 2012 compared with March 2011.

These data cover the stock of all claimants as a whole at each point of time. The data are not controlled for by any differences in the internal characteristics of the stock over time. For example, if a greater proportion of the overall stock was located in high rent areas at a particular date, or if a greater proportion constituted larger properties, this would influence rates of increase in contractual rents over time. However, the figures suggest that the characteristics of the GB stock have remained relatively static from 2010 to 2012. The regional profile of caseload, for example, is exactly the same in each of the three years. A third of the caseload was single parent families at each point of time, with a consistent average of 1.7 dependent children in these households. Couples with children accounted for 16 per cent of the caseload in 2010 and 17 per cent in 2011 and 2012. There were consistently an average of between 2 and 2.1 children in these households over time.

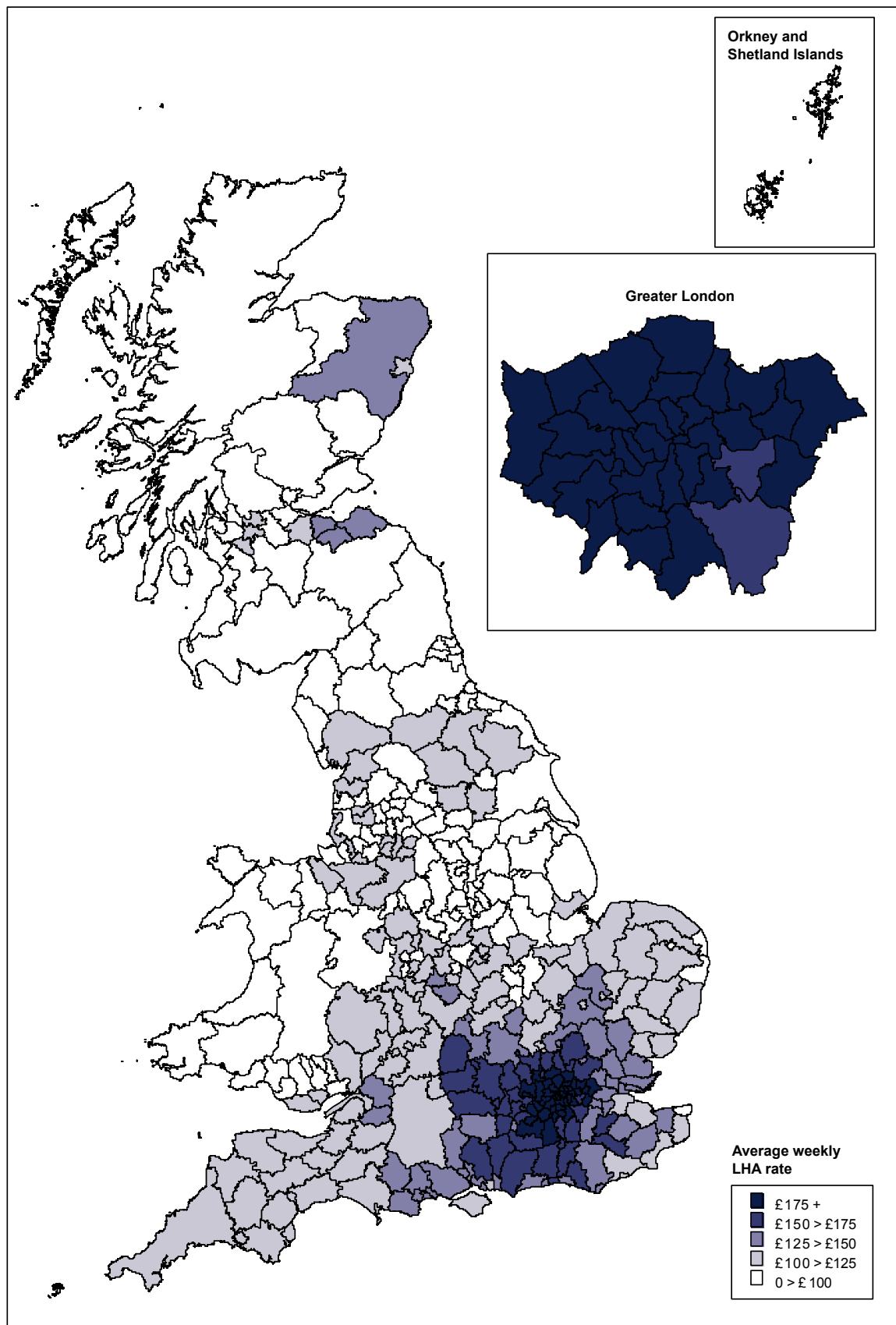
## **Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report**

Figure 2.4 shows the change in average LHA rates at which all claimants were assessed across LAs between March 2011 and May 2012. This indicates that average LHA rates have fallen by a greater extent in some areas than in others. In approximately a third of LAs, the change in weekly LHA rates has been less than five pounds a week. This group includes 14 London boroughs. The change in LHA rates amongst the stock of claimants at each point of time was greatest in districts in and around central London. These were the only areas which were subject to the caps on maximum rates. In Westminster, LHA rates for claimants in May 2012 were £177 lower than amongst claimants in March 2011. The reduction was £162 in Kensington and Chelsea, and £141 in the City of London. The reductions for other central London boroughs, including Camden, Wandsworth, Islington and Brent, over the same period were between £32 to £49.

In total, there were 18 districts where the average LHA rate fell by more than £12.50. This included several districts on the periphery of Greater London, as well as districts in and around Cambridge, York and Salford. Again, these data cover the stock of claimants at each point in time and are not controlled for differences in the profile of the stock at each time period. However, there are indications that the stock did not change markedly during this period. For example, in central London, 40 per cent of LHA households contained dependent children at both points of time and the average number of children in LHA claimant households in central London also remained the same over time.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

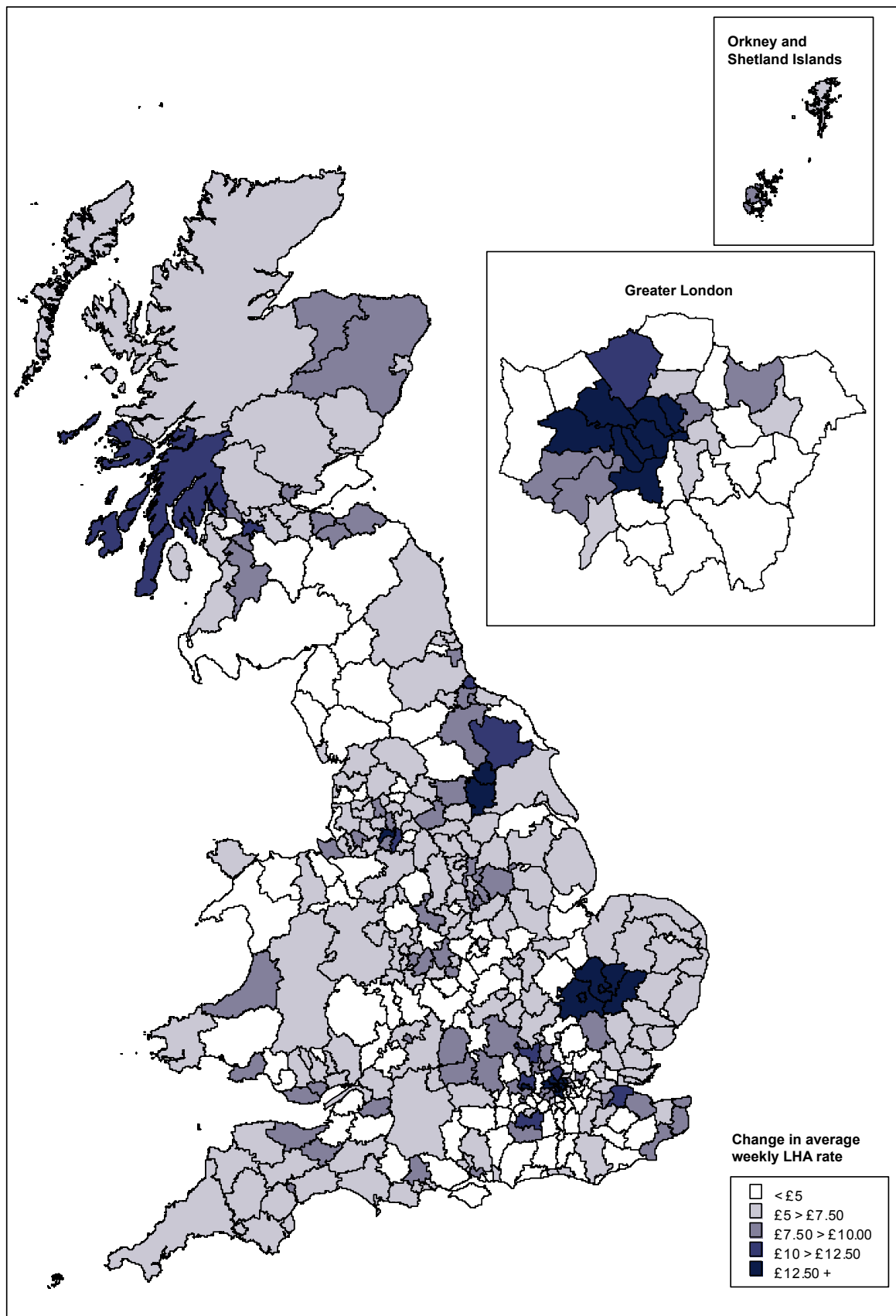
**Figure 2.3** Average weekly LHA rate for LHA caseload by local authority, £ per week, May 2012



Source: Single Housing Benefit Extract.

Monitoring the impact of changes to the Local Housing Allowance system  
of Housing Benefit: Interim report

Figure 2.4 Change in average LHA rate for LHA caseload, £ per week,  
March 2011 to May 2012



Source: Single Housing Benefit Extract.

## 2.4 Trends in LHA claimant rates by area type

### 2.4.1 LHA claimant rates before and after the introduction of the LHA reforms

Trends in LHA claimant rates were analysed for a range of types of area, to examine the extent to which the impacts of LHA reforms have been more evident in some types of area than others. In this sub-section, the trajectories of the LHA claimant rate per 1,000 households for key groups of LAs are examined. The LHA claimant rates are calculated on the basis of three month averages and full details of the classification of areas utilised below are given in Appendix B. Key characteristics of the groups of areas within the classification are presented below in Table 2.3<sup>21</sup>.

**Table 2.3 Characteristics of areas**

	LHA claimants March/ May 2012						
	Number	per 1,000 households	Average house prices 2012	PRS as % of all households 2001 <sup>1</sup>	Out-of- work benefit claimant rate, 2012	Average LHA rate March 2011	Average LHA rate May 2012
London Centre	30,900	45	744,500	26	12.0	£320	£241
London Cosmopolitan	67,700	83	374,900	19	14.6	£214	£206
London Suburbs	125,700	70	346,200	14	11.0	£202	£197
Prospering UK	323,100	35	243,100	10	8.7	£132	£126
Large Seaside Towns	62,400	123	203,100	18	15.8	£119	£114
Cities and Services	318,300	61	162,200	13	15.3	£112	£106
Coastal and Countryside	118,100	50	196,700	13	11.3	£108	£102
Mining and Manufacturing	256,000	50	132,100	8	16.1	£101	£ 94
<b>GB</b>	<b>1,302,200</b>	<b>51</b>	<b>229,000</b>	<b>12</b>	<b>12.3</b>	<b>£129</b>	<b>£122</b>

Source: Single Housing Benefit Extract, DWP, Census, Land Registry.

<sup>1</sup> See earlier footnotes regarding underestimation of the size of the PRS.

The LHA caseload in GB increased by an average of 9,200 claimants per month between March 2012 and May 2012, which is the most recent three-month period for which SHBE data are available at the time of writing. This is substantially lower than the average monthly net increase of 20,800 a month from March to May in 2010. As noted earlier, the slowing down in the growth of LHA claimants over time can, in part, be explained by the gradual movement of PRS HB claimants subject to the pre-April 2008 rules to the new LHA system.

<sup>21</sup> The total number of claimants in the tables disaggregated by area type are three month averages and due to the smaller number of LAs within some of the groupings and are, therefore, slightly lower than the total presented in tables broken down by region.

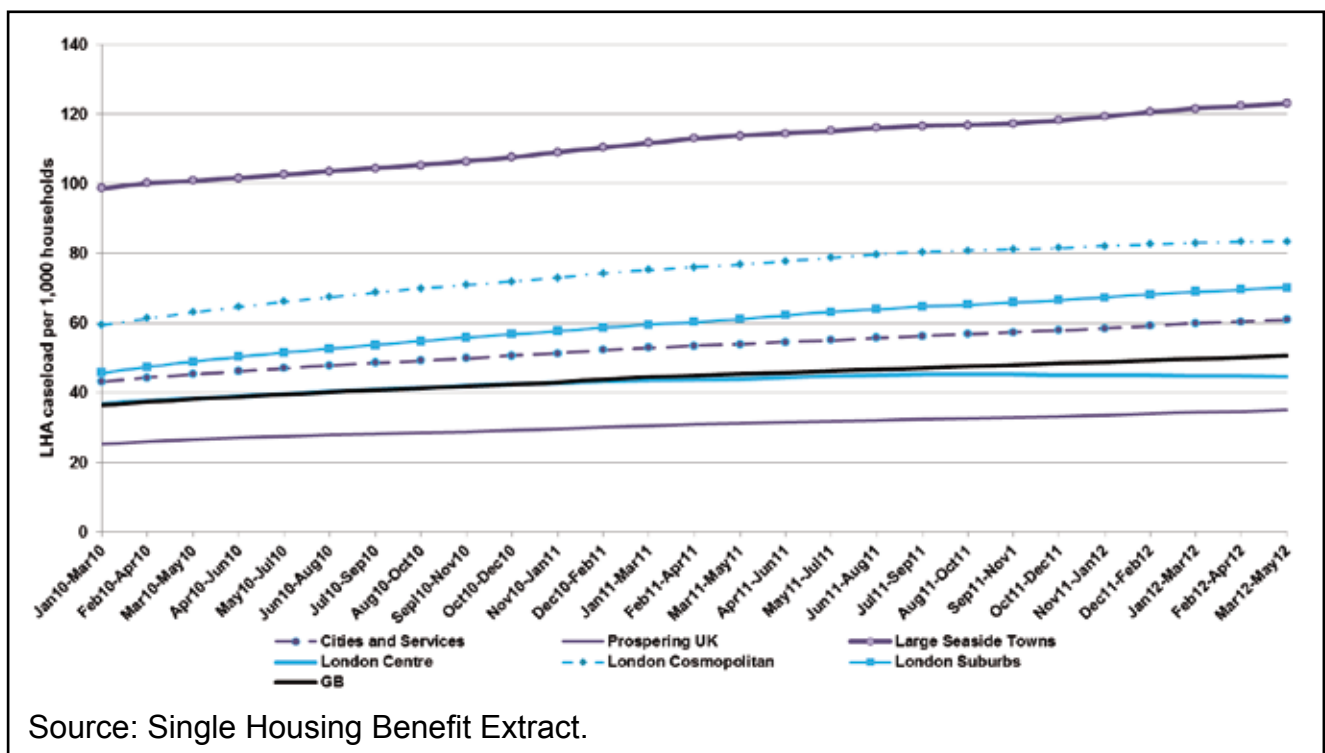
## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

This was more rapid in the earlier part of the period following the introduction of LHA in 2008, and this shift of claimants has gradually declined over time as the majority of claimants become subject to the post 2008 LHA rules.

The net monthly increase in claimants has led to an upward trend in LHA claimant rates from 38 per 1,000 households between March/May 2010 to 51 per 1,000 households in March/May 2012. It needs to be remembered, however, that part of this increase is due to the gradual turnover of the stock of claimants, as some HB claimants in the PRS are still on the rules which were in operation before LHA was introduced in October 2008. As these pre-2008 claimants either leave HB and are replaced by new LHA claimants, or have a change in circumstances or address, then they will be transferred onto the LHA system. Therefore, even in a steady state scenario, where the overall caseload of claimants on HB in the PRS is static, the numbers of households brought under the LHA system would continue to rise.

Table 2.1 earlier indicated that there were 1,645,700 PRS HB claimants in May 2012 and that 81 per cent of these were on LHA. The percentage of PRS HB claims which are LHA claims has gradually increased by approximately half a percentage point a month since May 2010 (when 69 per cent of HB claimants in the PRS were on LHA). When three-month averages are considered, HB claimants in the PRS accounted for 56 claims per 1,000 households in March/May 2010 (of which 38 were on LHA) rising to 64 HB PRS claims per 1,000 households (of which 51 were LHA) in March/May 2012. Any net increase in PRS HB claims can only be due to increases in LHA claims, as it is not possible to make a claim under the pre-2008 rules. Therefore, eight of the increase of the additional 13 LHA claims per 1,000 households between 2010 and 2012 (or 61 per cent of the additional claims) are due to a net increase in LHA claims rather than the natural transfer of pre-2008 cases. This needs to be borne in mind when considering all the trends in LHA claims over time. In general, the trend for PRS HB claims per 1,000 households follows a similar trajectory as that for the LHA claimant rates, but at a slightly higher aggregate level.

**Figure 2.5 LHA caseload per 1,000 households by types of area, Jan 2010–May 2012**





## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

An upward trend in LHA claims per 1,000 households<sup>22</sup> can be seen across all types of areas in Figure 2.5. The underlying level of LHA claimant rates does, however, vary considerably by area type. There are much higher LHA claimant rates in Large Seaside Towns (123 per 1,000 households in March/May 2012), and the lowest rates, unsurprisingly, are in Prospering UK<sup>23</sup> (35 per 1,000 households in March/May 2012). The trend for the Coastal and Countryside group of LAs is almost identical to the GB trajectory over time, with a 33 per cent increase in LHA claimant rates from March/May 2010 to March/May 2012 (and so this is not shown on the chart). The groups of LAs classified as Cities and Services, and Prospering UK also have very similar rates of increase to national trends (34 per cent and 32 per cent respectively). These three groups of areas were consistently on a par with national trends, both in the year prior to the introduction of the LHA reforms in April 2011 and in the year after the reforms.

The increase in the number of LHA claims per 1,000 households over time in Large Seaside Towns has been consistently below the national trend, both before and after the reforms. This is equivalent to a 22 per cent increase in rates over the March/May 2010 to March/May 2012 period. This slower growth in caseload may appear counter-intuitive at first sight, given the assumed function of some of these areas as 'reception areas' for displaced HB claimants. There are a number of possible explanations. The slower than average growth may owe something to the already large concentrations of LHA benefit claimants, which may be reaching saturation point in the HB sub-markets in these areas. Evidence presented in [Section 5](#) supports this idea, as some landlords expected increased demand from the 25 to 34-year-old age group due to the SAR changes, but said that Article 4<sup>24</sup> restrictions on the supply of HMOs had limited the supply in some seaside towns. Housing advisers also referred to Article 4 (see [Section 6](#)) as a constraint on supply in seaside towns.

The predicted large-scale displacement of claimants from central London to seaside towns and areas outside London has not occurred as a response to the reforms in the short term. Housing advisers suggest (see [Section 6](#)) that, because of the transitional protection period, claimants are trying to 'muddle through' dealing with the changes in order to stay close to their local area if at all possible, thereby limiting the extent of any displacement. Our analysis of patterns for reduced off-flows of claimants in London (see below) adds support to this idea. Both landlords and housing advisers noted that displacement was more evident within London than further afield ([Section 5](#) and [Section 6](#)).

Three further groups of London boroughs are identified in Figure 2.5. The London Suburbs group covers all outer London boroughs with the exception of Brent, which is included in the London Cosmopolitan group. The LHA claimant rate for London Suburbs increased more rapidly (by 43 per cent) than the national rate (33 per cent) over the period from March/May 2010 to March/May 2012. The rate of increase in the London Suburbs was about a third higher than the national rate of increase, both in the year before and the year after the reforms were introduced. However, if we examine just the final part of this period (post December 2011/February 2012), the rate of increase in the London Suburbs was in line with the national rate of change for the first time.

---

<sup>22</sup> Total households from the 2011 Census is the base for all rates per 1,000 households used. This allows the trend in caseload relative to the size of population in each of the area groups to be compared over time.

<sup>23</sup> See Appendix 2.1 for list of LAs within each area classification.

<sup>24</sup> Article 4 is a planning rule which requires landlords to seek planning permission if a dwelling is let as a HMO, that is, to more than two tenants sharing a kitchen and bathroom.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

The London Cosmopolitan group of authorities experienced a rate of increase (32 per cent) similar to GB over the entire period<sup>25</sup>. Whilst LHA claimant rates for the London Cosmopolitan group were increasing more rapidly than the national rates in the year up to March/May 2011, they fell back in line with the national trend in the March/May 2011 to December 2011/February 2012 period, after the reforms had been introduced. If we just consider the December 2011/February 2012 period, the rate of increase in LHA claimants in London Cosmopolitan districts slowed substantially, relative to national trends. By this time, the first group of existing LHA tenants had started to be affected by the reforms, and the increase in age limit from 25 to 35 for SAR had been introduced.

The most notable change in trends over time in Figure 2.5 concerns the group of London boroughs within London Centre<sup>26</sup>. At the beginning of the year prior to the reforms (March/May 2010), both London Centre and national rates had 38 LHA claimants per 1,000 households. London Centre tracked the national trend almost exactly until early 2011 and then the trajectories began to diverge, with the LHA claimant rates in London Centre falling just below the national rate for the first time in the December 2010/February 2011 period.

By March/May 2012, the gap had increased, with the London Centre rate remaining virtually static at 45 LHA claimants per 1,000 households, compared to 51 LHA claimants per 1,000 households in GB. In percentage terms, this equates to an increase in claimant rates in London Centre of 15 per cent in the year prior to the reforms. This is equivalent to 80 per cent of the national rate of increase over this period. However, from March/May 2011 to December 2011/February 2012, the increase in LHA claimant rates in London Centre fell to just a quarter of the national rate of increase. In the December 2011/February 2012 to March to May 2012 period, the overall LHA claimant rate in London Centre actually fell, for the first time.

A comparison with PRS HB claims per 1,000 households across all the other area groupings indicates that approximately 60 per cent of the change recorded in LHA claims per 1,000 households between 2010 and 2012 is due to a net increase in LHA claims rather than the natural transfer of pre-2008 cases. However, in London Centre the net increase in LHA claims only counts for 19 per cent of the change over time. If the trends in PRS HB claims per 1,000 households are considered for London Centre in the year after the reforms, then the claimant rates fell for the period from March/May 2011 to March/May 2012.

Although the divergence between London Centre and the national trend began slightly before the introduction of the reforms in April 2011, it could reflect anticipatory effects of the reforms amongst both claimants (see [Section 4](#)) and landlords (see [Section 5](#)). It may have become more difficult for claimants to find landlords willing to let to them in London Centre in the run up to the reforms, as well as in the period after they were introduced. This may be a consequence of some landlords deciding to withdraw from the LHA market in Central London, alongside increased competition, high demand and high rents for properties in a buoyant London rental market ([Section 5](#) and [Section 6](#)).

---

<sup>25</sup> London Cosmopolitan group consists of: Brent, Hackney, Haringey, Lambeth, Lewisham, Newham, Southwark.

<sup>26</sup> London Centre: Camden, City of London, Hammersmith and Fulham, Islington, Kensington and Chelsea, Tower Hamlets, Wandsworth, Westminster.

## **Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report**

Claimants in London had a greater awareness of the reforms than claimants in other parts of the country (DWP, 2012)<sup>27</sup>. In addition to the supply-side factors in London Centre mentioned above, the reforms may have also influenced claimants' behaviour on property search. Greater awareness of the changes may have caused those starting new tenancies to seek accommodation in alternative, lower rent areas, thereby reducing the level of demand from new LHA claimants in London Centre.

There is clear evidence, therefore, that the impact of the LHA reforms has varied by type of area. For GB as a whole, the rate of increase in LHA claimants in the year after the reforms were introduced in April 2011 was approximately three-quarters the rate for the previous year. A similar pattern could be discerned for the majority of the types of area considered, namely those classified as Cities and Services, Prospering UK, Large Seaside Towns, Coastal and Countryside, and the London Suburbs. However, in the other two area types, the rate of increase in the year following the reforms slowed substantially. For London Cosmopolitan areas, the rate of increase in this period was approximately half the rate of the previous year. In London Central, the difference was even more marked: the post-reform rate of increase was only a tenth of that witnessed in the year leading up to April 2011. Once the overall PRS HB claims are considered, the caseload rates for London Centre are lower at the end of the year than they were before the introduction of the reforms.

### **2.4.2 Trends in LHA on-flows for different types of areas**

The increase in overall LHA caseload shown above is the difference between net on-flows (of new or repeat claims assessed under LHA rules) in an LA and net off-flows (of claims which are no longer assessed under LHA rules) in an area in any given month. The size of the LHA on-flow is related to the size of a caseload in an area; in March/May 2012, for example, on-flows were equivalent to between four to six per cent of the caseload in any given type of area.

Figure 2.6 indicates that national LHA on-flows, which include people moving from social housing to the PRS or from a tenancy in the PRS which was previously assessed on the pre-2008 rules, have remained relatively stable over the period from March/May 2010 to May/March 2012, with an average of 69,000 claims, or 2.7 new LHA claims per 1,000 households, per month. For GB as a whole, the LHA on-flow by the end of this period was only fractionally lower (by three per cent) than it had been two years earlier. On-flows in Prospering UK, Cities and Services, Coastal and Countryside and Large Seaside towns were also fairly stable over this period, with the change in rates ranging from minus three to plus one per cent.

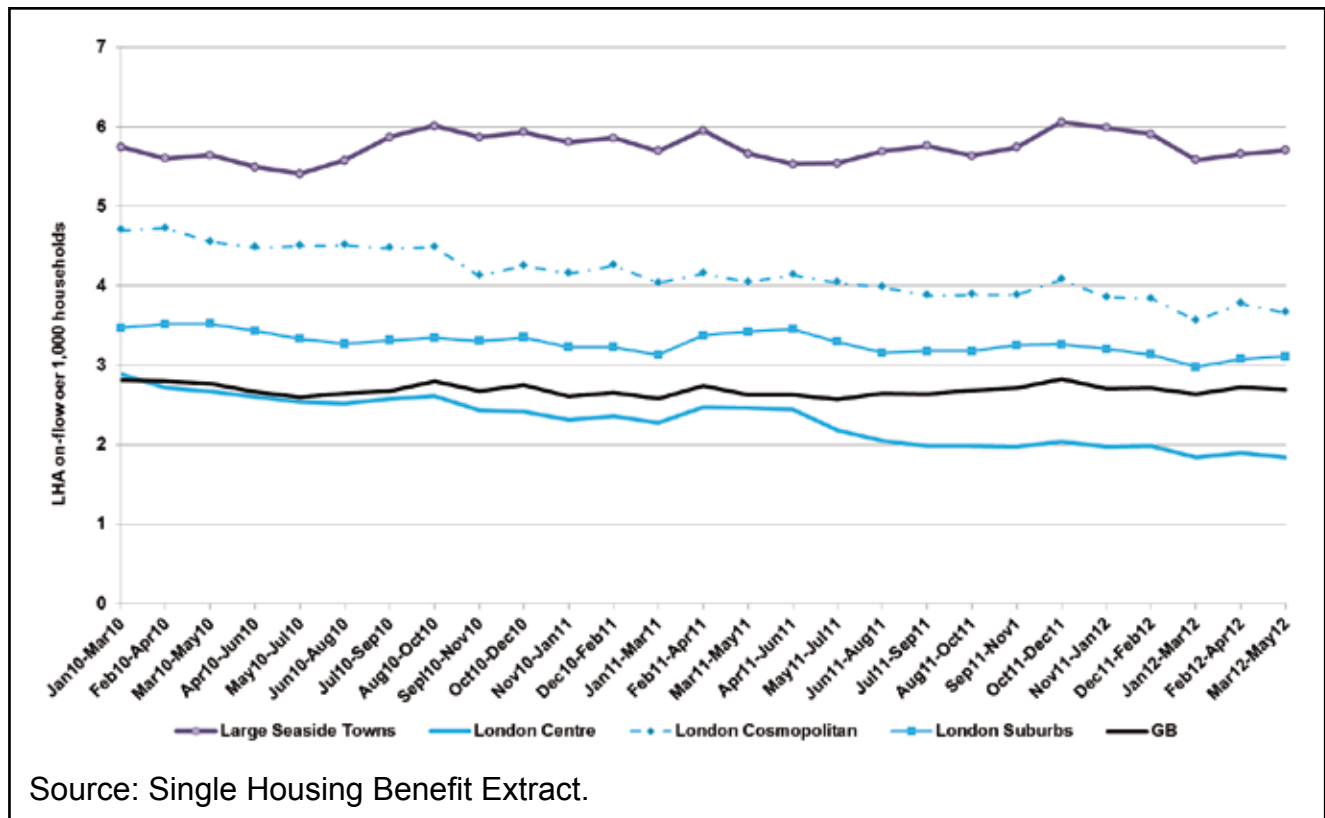
In contrast to the national trends, Figure 2.6 shows that on-flow rates fell noticeably across the London Centre and London Cosmopolitan groups of areas. However, it must be stressed that this decline in on-flow was evident both before as well as after the introduction of the LHA reforms. This could be due to a number of factors, such as strong competition for a limited supply of PRS available to HB tenants both before and after the reforms (see [Section 5](#) and [Section 6](#)), and tenants in London being more aware of the LHA reforms than those elsewhere (see DWP, 2012).

---

<sup>27</sup> In the Stage 1 LHA claimant survey, 33 per cent of claimants in London reported they knew nothing about the changes to the LHA system before being interviewed in the autumn of 2011. This figure rose to 65 per cent of LHA Claimants interviewed in the rest of Great Britain.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

**Figure 2.6 LHA on-flow per 1,000 households Jan 2010-May 2012**



The percentage decline in on-flow rates between March/May 2010 and March/May 2012 was greatest in the high rent areas of London Centre (31 per cent). The decrease in on-flows was 20 per cent in London Cosmopolitan. This decline cannot, however, be directly attributed to the reforms, as a similar trajectory both before and after the reforms is seen in these two London groupings. On-flow rates in the London Suburbs also fell over the entire two-year period (by 12 per cent), but this decrease was front loaded before the reforms and on-flow rates have been relatively static since the reforms.

Given that working-age out-of-work benefit claimant rates in London fell slightly less in relative terms than the national rate during this period<sup>28</sup>, these trends in LHA on-flows may indicate that it was already becoming more difficult for LHA claimants to access suitable PRS housing in London before the LHA reforms were introduced. This trend may reflect the high demand for PRS properties from non-LHA tenants and higher market rents in London.

The detailed interviews with landlords (see [Section 5](#)) also indicate that several landlords in the London case study areas said that they had been reluctant to let to HB claimants before the LHA measures came into effect, especially if they had a ready supply of applicants not receiving HB who were willing to pay the going market rate.

<sup>28</sup> GB working age out-of-work benefits claimant rate Feb 2010=12.6 per cent, Feb 2012 12.3 per cent, change 2010-12=-0.3 percentage points; London working age out-of-work benefits claimant rate Feb 2010=12.2 per cent, Feb 2012 12.0 per cent, change 2010-12=-0.2 percentage points.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

Figure 2.7 highlights the 30 per cent of LAs across GB which experienced the largest reductions in LHA on-flow rates between March/May 2010 and March/May 2012. The ten per cent of LAs with the greatest reductions in on-flow rates (the first decile), are shaded in darkest blue on the map and these are primarily in London. The pattern outside London is less clear, although high private sector rents are related to changes in on-flow rates in the post-reform period. Overall, there is a correlation of -0.42 between high LHA rates in March 2011, just before the reforms were introduced, and greater reductions in on-flow rates in the following year. This relationship was not present for changes in on-flow rates in the previous year (i.e. between March/May 2010 and March/May 2011), where the correlation was -0.1.

LAs with the greatest reduction in on-flow rates between 2010 to 2012 had notably higher average weekly LHA rates at the pre-reform date of March 2011; this amounted to £181 for the first decile of LAs, £146 for the second decile and £134 for the third decile. The average weekly LHA rate for claimants in the mid-range deciles are all between £117 and £127 a week, but there is not a consistent gradation from high to low across these deciles. The tenth decile comprises those LAs which experienced the largest growth in LHA on-flow rates between 2010 and 2012. This group does have distinctive characteristics, reflected in low house prices, dominant HB sub markets, high rates of working-age people claiming out-of-work benefits and an average weekly LHA rate in the pre-reform month of March 2011 of £105 a week.

### 2.4.3 Trends in LHA off-flows for different types of areas

Off-flows from LHA claims may be related to a number of factors, including a move off HB altogether, a move to the SRS, or a residential move to another property in a different postcode, whether within the LA or further afield<sup>29</sup>. PRS tenants in general are a relatively mobile population. Evidence from the English Housing Survey 2010/11 indicates that 35 per cent of PRS tenants had lived in their current home for less than a year, which is far higher than amongst SRS tenants (eight per cent) or owner occupiers (three per cent). This national figure has not changed very much in recent years; it compares with 36 per cent of PRS tenants living in their home for less than a year in the 2008/09 survey.

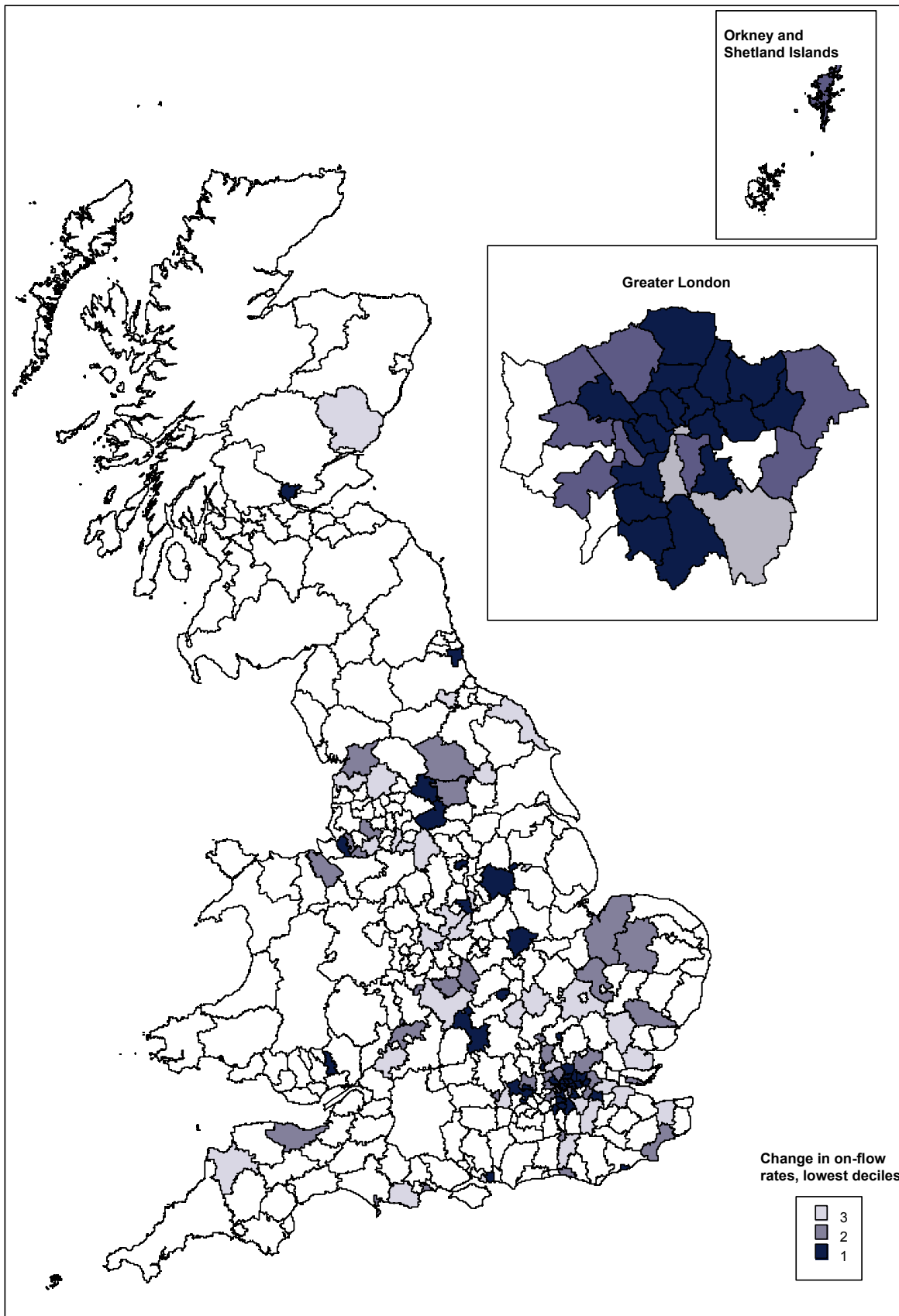
LHA off-flows were equivalent to between four and five per cent of the caseload in any given type of area in March/May 2012. The proportion varies little throughout the whole time series; as LHA caseloads increase over time, so do net off-flows of LHA claimants. On average, 51,600 LHA claimants per month ended an LHA claim between March 2010 and February 2011, rising to an average of 56,900 claims ended per month over the same time period in the following year.

---

<sup>29</sup> A claim ended due to a change in household circumstances, but the claimant continues to claim HB and remains at the same address is not counted in the off-flow figures used here.

Monitoring the impact of changes to the Local Housing Allowance system  
of Housing Benefit: Interim report

Figure 2.7 Local authorities with greatest reduction in LHA on-flow rates,  
March/May 2010–March/May 2012



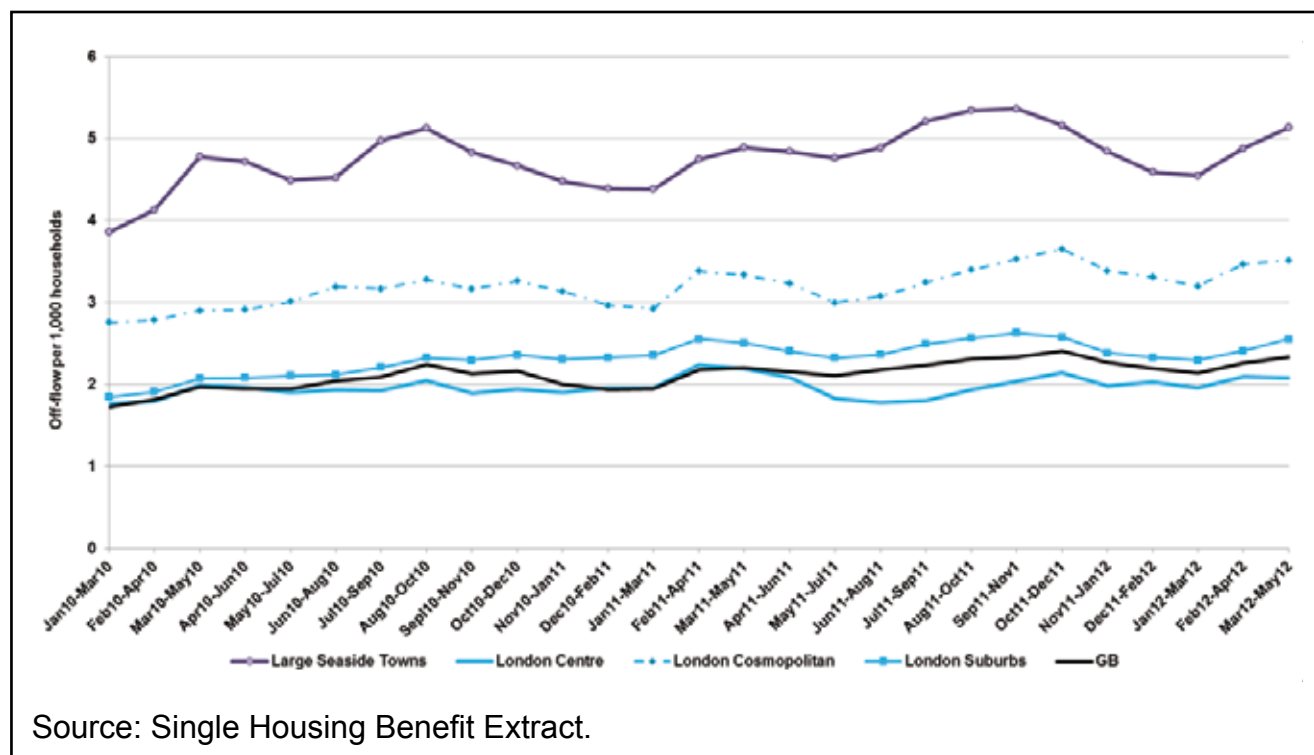
Source: Single Housing Benefit Extract.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

When national LHA off-flow rates are considered, a gradual upward drift over time can be seen (Figure 2.8) and this would be expected as caseload increases. The overall GB LHA off-flow rate increased by 18 per cent (and was between 14 and 23 per cent for most areas) between March/May 2010 and March/May 2012. There were two exceptions. First, off-flow rates in Large Seaside Towns, which display more seasonal variations, increased by only seven per cent over the March/May 2010 and March/May 2012 period. The trend in off-flows in Large Seaside Towns compared with national trends is relatively consistent over time. The relatively slower rate of growth in off-flows in Large Seaside Towns could be due to a number of reasons. As noted earlier, Large Seaside Towns have by far the highest LHA claimant rate per 1,000 households compared to the other groups of areas considered. This reflects high rates of working-age claimants on out-of-work benefits, a large PRS and an HB dominated PRS market. One possible explanation for the relatively slower growth in off-flows of LHA claimants is that a higher proportion of LHA tenants may be long-term benefit claimants who remain on LHA and are, therefore, less likely to leave HB once they are in the system. It is, however, not possible to test this possible explanation here, as the data used do not include duration on LHA.

The second area grouping with slower than average off-flow rates is London Centre, which increased by five per cent between the March/May 2010 and March/May 2012 period. Unlike Large Seaside Towns, this group of areas does seem to diverge from national trends over time. Figure 2.8 shows that London Centre generally tracked the national trend closely until March/May 2011, but then fell below the national trend from then to the March/May 2012 period. The off-flow rate per 1,000 households decreased during the period of transitional protection for existing claimants from April 2011 to December 2011.

**Figure 2.8 LHA off-flow per 1,000 households Jan 2010–May 2012**



## 2.5 Sub-groups of LHA claimants

Table 2.4 presents the number of LHA claimants in May 2012 across the regions for key sub-groups of the population. Not all LHA claimants live in workless households: indeed, either the claimant and/or their partner had an income from work in 423,000 LHA households in May 2012 (32 per cent)<sup>30</sup>. The proportion of claimants with an income from work varies considerably across regions, from 44 per cent of claimants in London to 23 per cent in the North East. Working households also accounted for an increasing proportion of all LHA claimants over time, rising from 26 per cent in January 2010 to 32 per cent in May 2012. The growth has been fastest amongst claimants in London, rising from 32 per cent of all tenants in January 2010 to 44 per cent by May 2012. Housing advisers and landlords both suggested that this growth in working tenants receiving LHA reflected the impact of higher than average rent increases in London (see [Section 5](#) and [Section 6](#) of the interim research outputs). Other economic factors which may contribute to the growth in claimants in work could include the increase in the share of all employment nationally which is part-time rather than full-time employment, and a growth in self-employment amongst the workforce. Both of these factors may contribute to an increase in households requiring HB to subsidise low paid employment.

In May 2012, 51 per cent of all LHA households (668,100) were families with children. Over 1.2 million children lived in these households. Sixty-one per cent (732,200) of these children lived in lone parent households receiving LHA and the remaining 473,000 (39 per cent) lived in couple households. In March 2011, 10,900 claimants lived in five bedroom properties, accounting for two per cent of all LHA households with children. Over 46,300 children lived in these households, equivalent to four per cent of all children within LHA claimant households. The five bedroom LHA rate was removed in April 2011.

**Table 2.4 LHA caseload for sub-groups by region, May 2012**

	<b>All LHA</b>	<b>In-Work</b>	<b>Single with children</b>	<b>Couples with Children</b>	<b>Single 25–34 without children</b>
London	228,300	98,600	68,000	52,400	23,700
North West	182,700	45,700	64,900	24,900	16,600
South East	165,200	62,400	53,000	31,300	12,500
Yorkshire and the Humber	127,700	31,900	42,300	19,400	12,100
South West	121,800	42,100	34,900	20,300	10,700
West Midlands	111,000	32,000	39,200	19,900	9,700
East	101,400	35,300	34,100	18,700	7,500
East Midlands	87,500	26,500	30,700	15,300	7,000
Scotland	71,300	17,800	25,400	8,100	6,900
Wales	69,100	16,300	23,400	10,000	6,100
North East	64,400	14,400	22,800	9,000	6,400
<b>GB</b>	<b>1,330,300</b>	<b>423,000</b>	<b>438,700</b>	<b>229,400</b>	<b>119,000</b>

Source: Single Housing Benefit Extract.

Note: columns may not sum due to rounding.

<sup>30</sup> Figures give number of claimants and/or partners who have been identified as having an income from work. This information is required for claimants who do not receive passported benefits (i.e. claimants not receiving IS, JSA (IB), ESA (IB) or Pension Credit (GC)). The figures also include a very small number of claimants receiving passported benefits, where data on a passported claimant's income from work has been recorded.



## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

**Table 2.5 LHA caseload for sub-groups as a percentage of caseload by region, May 2012**

	In-Work	Single with children	Couples with Children	Single 25–34 without children
London	44	30	23	11
South East	38	33	19	8
East	35	34	19	7
South West	35	29	17	9
East Midlands	31	36	18	8
West Midlands	29	36	18	9
North West	25	36	14	9
Yorkshire and the Humber	25	34	15	10
Scotland	25	36	12	10
Wales	24	34	15	9
North East	23	36	14	10
<b>GB</b>	<b>32</b>	<b>33</b>	<b>17</b>	<b>9</b>

Source: Single Housing Benefit Extract.

Note: Rows do not add to 100 per cent as these are not all mutually exclusive groups

In May 2012, nearly 120,000 claimants were single, without children and between 25 and 34-years-old. This group would either have been affected by the increase in age limit from 25 to 35 for SAR if they had started their claim since January 2012, or would be affected at the point of renewal of a claim some time during 2012. The earlier sub-section on changing LHA claimant rates over time indicated that, compared to the preceding year, the growth in LHA claimants slowed across all types of areas in the year after the reforms were introduced. This was most notable in the high price rental markets of London Centre.

The following tables present change over time in LHA caseload for sub-groups of claimants in each of the area types considered. Three-month averages of caseloads between March to May in 2010, 2011 and 2012 respectively are given to show the trend in claims in both the year prior to and the year after the LHA reforms. It needs to be remembered that some of the growth in claimants will be due to the process of pre-2008 LHA cases gradually transferring over to LHA due to changes in claimant circumstances, including moving address and replacement of pre-2008 claims by LHA claims.

The change in the LHA caseload as a whole by area type can be seen in Table 2.6. The number of LHA claimants increased by about a third nationally and across many of the area types considered. The exceptions were the London Suburbs, which had the highest rate of increase both before and after the reforms, and Large Seaside Towns, which were growing at a slower rate than nationally both before and after the reforms. London Centre had the lowest growth of any of the area types considered between 2010 and 2012. The much slower rate of increase in the post-reform period was also more notable than in other areas. For the LHA caseload as a whole, the ratio for growth in the year before and the year after the reform was 58:42. A similar ratio is seen across all area types, with the exception of London Cosmopolitan (66:34) and London Centre (91:9). This may indicate that the reforms have had more impact on slowing the growth in caseload in these areas.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

**Table 2.6 All LHA claimants, 2010–2012**

	2010	2011	2012	Change as % of 2010		
				2010–2011	2011–2012	2010–2012
London Suburbs	87,700	109,700	125,700	25	18	43
London Cosmopolitan	50,200	61,700	67,700	23	12	35
Cities and Services	237,100	282,200	318,300	19	15	34
Coastal and Countryside	88,800	104,900	118,100	18	15	33
Prospering UK	243,300	287,900	323,100	18	14	33
Mining and Manufacturing	193,900	230,800	256,000	19	13	32
Large Seaside Towns	51,200	57,700	62,400	13	9	22
London Centre	26,500	30,500	30,900	15	2	17
<b>GB</b>	<b>978,700</b>	<b>1,165,400</b>	<b>1,302,200</b>	<b>19</b>	<b>14</b>	<b>33</b>

Source: Single Housing Benefit Extract.

Note: Three month average in each year from March–May.

Table 2.7 shows for each area type the change in the number of LHA claimants who had an income from work (claimant and/or partner) over time. Claimants in work are the fastest growing group of LHA claimants, and the number increased by 60 per cent between 2010 and 2012 – this is almost double the 33 per cent growth in the LHA caseload as a whole over the same period. Due to the growth of working claimant households, one in three LHA households was in work in 2012, compared to one in four in 2010.

**Table 2.7 LHA claimants with an income from work (claimant and/or partner), 2010–2012**

	2010	2011	2012	Change as % of 2010		
				2010–2011	2011–2012	2010–2012
London Suburbs	29,400	44,300	54,900	51	36	87
Cities and Services	52,400	73,600	85,700	40	23	64
London Cosmopolitan	18,900	25,800	30,700	37	26	62
Mining and Manufacturing	38,100	52,200	60,200	37	21	58
Prospering UK	76,000	102,000	119,200	34	23	57
Coastal and Countryside	25,200	32,600	37,100	29	18	47
London Centre	8,200	11,200	12,000	37	10	46
Large Seaside Towns	13,600	16,800	18,200	24	10	34
<b>GB</b>	<b>261,800</b>	<b>358,600</b>	<b>417,900</b>	<b>37</b>	<b>23</b>	<b>60</b>

Source: Single Housing Benefit Extract.

Note: Three month average in each year from March–May.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

The growth of LHA households with an income from work increased most rapidly in the London Suburbs (87 per cent) and most slowly in the Large Seaside Towns (34 per cent), where working-age out-of-work benefit claimants are more prevalent. However, the national growth in LHA households in work is not a consequence of the LHA reforms. The ratio of annual growth rates in GB over each of the two years was weighted 62:38 towards the year prior to the reforms, compared with the year after the reforms. This slowing down in the rate of growth of working households on LHA is slightly stronger than the slower rate of increase for the LHA caseload as a whole (where the equivalent ratio was 58:42).

Nationally, claimants aged 25 to 34 accounted for 11 per cent of all LHA claimants in 2010, but only nine per cent by 2012. The growth in LHA claimants aged 25 to 34 in GB (Table 2.8) slowed substantially from 2011 to 2012 compared to 2010 to 2011, even though the increase in age limit for SAR only occurred in the later part of the period (January 2012). The balance of growth over the two years was 79:21. The pattern varied across areas, with the number of 25 to 34 year old claimants continuing to rise in 2011–2012 more rapidly than the national rate in Coastal and Countryside, Mining and Manufacturing and Cities and Services areas. Even so, this rate of growth in these areas was slower than in the previous year.

The number of claimants aged 25 to 34 remained stable in Prospering UK and Large Seaside Towns and barely changed in London Cosmopolitan and the London Suburbs between 2011 and 2012. By contrast, the 25 to 34-year-old LHA caseload in London Centre fell by eight per cent over the same 2011 to 2012 period. If monthly data are examined for London Centre, the number of claimants aged 25 to 34 peaked at 5,500 in June 2011, remained stable between 5,300 and 5,400 from July 2011 to January 2012, and then declined steadily month-on-month for the remainder of the series. This is a consequence of a reduction in on-flows from 25 to 34 year olds in these districts, coupled with a shortage of shared accommodation available at LHA rates in central London areas. Several interviews with housing advisers in the London case study areas ([Section 6](#)) also pointed to such a trend.

Lone parent LHA claimants consistently accounted for a third of all the national LHA caseload in each year from 2010 to 2012. There were, on average, 725,400 children in these households between March and May 2012. The trends in lone parent LHA claimants in both years (Table 2.9) were similar to those for the LHA caseload as a whole. The national increase of 36 per cent in lone parent LHA claimants from 2010 to 2012 was slightly higher than the 33 per cent increase in the entire LHA caseload. The balance of growth nationally across the two years was 61:39, broadly similar to the 58:42 ratio amongst all LHA claims. The similarity with trends in all LHA claims was also evident across areas. With the exception of London Centre and Large Seaside Towns, all other areas increased by between 20 and 25 per cent in 2010 to 2011 and by 13 to 16 per cent between 2011 to 2012.

The slightly lower rates of change in lone parent LHA claimants in Large Seaside Towns were nevertheless in line with trends in LHA caseload as a whole in these areas<sup>31</sup>; London Centre was the only group of LAs to experience a small decline in the number of lone parent LHA claimants after the LHA reforms were introduced. On average, there were 11,600 children in lone parent families living in London Centre between March and May 2012 – 300 fewer children than in the same period in the previous year.

---

<sup>31</sup> 24 per cent growth in 2010-2012, in a ratio of 59:41, for lone parents compared to 22 per cent growth, in a ratio of 58:42, for all LHA claims.

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

**Table 2.8 LHA claimants aged 25–34, 2010–2012**

	2010	2011	2012	Change as % of 2010		
				2010–2011	2011–2012	2010–2012
London Centre	5,100	5,400	5,000	6	-8	-2
London Cosmopolitan	8,200	9,000	8,900	10	-1	9
Prospering UK	21,800	22,600	22,600	4	0	4
Large Seaside Towns	5,600	6,000	6,000	7	0	7
London Suburbs	9,200	10,200	10,300	11	1	12
Cities and Services	31,300	35,000	36,500	12	5	17
Mining and Manufacturing	19,800	21,900	22,900	11	5	16
Coastal and Countryside	7,100	7,600	8,000	7	6	13
<b>GB</b>	<b>108,100</b>	<b>117,600</b>	<b>120,100</b>	<b>9</b>	<b>2</b>	<b>11</b>

Source: Single Housing Benefit Extract.

Note: Three month average in each year from March–May.

**Table 2.9 LHA claimants: Lone parent families, LHA, 2010–2012**

	2010	2011	2012	Change as % of 2010		
				2010–2011	2011–2012	2010–2012
London Centre	6,100	7,100	7,000	16	-2	15
Large Seaside Towns	13,100	15,000	16,300	15	10	24
London Cosmopolitan	13,400	16,400	18,100	22	13	35
Mining and Manufacturing	71,600	87,900	97,000	23	13	35
Coastal and Countryside	24,900	30,000	33,700	20	15	35
Cities and Services	76,300	93,200	105,200	22	16	38
Prospering UK	83,100	102,000	115,100	23	16	39
London Suburbs	30,400	37,900	42,700	25	16	40
<b>GB</b>	<b>318,900</b>	<b>389,400</b>	<b>435,000</b>	<b>22</b>	<b>14</b>	<b>36</b>

Source: Single Housing Benefit Extract.

Note: Three-month average in each year from March–May.

Couples with children accounted for 17 per cent of all LHA claimants nationally in 2012, slightly higher than the 16 per cent of all claimants in 2010. On average these households contained 466,600 children between March and May 2012. Table 2.10 indicates that the growth in LHA couple with children households nationally increased by 49 per cent between 2010 and 2012 and was far higher than the equivalent growth rate for lone parent families (37 per cent) and the LHA caseload as a whole (36 per cent). The balance of growth was more evenly spread across the year before and the year after the reforms (54:46) than was the case for lone parents (61:39) or LHA claimants in general (58:42). The growth in couples with children from 2010 to 2012 also varied considerably by area type, with the highest rates of increase emerging in the London Suburbs (69 per cent) and London Cosmopolitan (60 per cent).

## Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

**Table 2.10 LHA claimants: Couples with children, 2010–2012**

	2010	2011	2012	Change as % of 2010		
				2010–2011	2011–2012	2010–2012
London Centre	4,200	5,200	5,500	24	7	31
Large Seaside Towns	6,600	8,000	8,900	21	14	35
Mining and Manufacturing	27,000	32,900	37,700	22	18	40
Coastal and Countryside	14,100	17,300	19,900	23	18	41
Prospering UK	40,700	50,600	58,900	24	20	45
Cities and Services	31,900	41,100	49,300	29	26	55
London Cosmopolitan	9,200	12,000	14,700	30	29	60
London Suburbs	18,800	25,500	31,700	36	33	69
<b>GB</b>	<b>152,500</b>	<b>192,600</b>	<b>226,700</b>	<b>26</b>	<b>22</b>	<b>49</b>

Source: Single Housing Benefit Extract.

Note: Three-month average in each year from March–May.

## 2.6 Conclusion

There are a number of distinct spatial patterns which are evident in the analysis presented in this report.

The spatial distribution of LHA claimants is not evenly spread across GB and LHA claimants tend to be more prevalent in areas with a larger PRS, higher rates of working-age people claiming out-of-work benefits and/or high private market rents. The association between weaker labour markets and higher LHA claimant rates does not hold for London, where working-age out-of-work benefit claimant rates are around the national average. By contrast, Scotland has high out-of-work benefit claimant rates and relatively low LHA rates, reflecting the more prominent role of the SRS in this area.

Weekly LHA rates are strongly related to house prices and private market rents and tighter labour markets, with the highest rates in London and immediately surrounding areas. In GB as a whole, the average weekly LHA rate for claimants in May 2012 was £8.36 lower than amongst claimants in the month before the introduction of the reforms (March 2011); the LHA rates were, on average, lower by £5 or less a week in 122 districts; by between £5 and £10 in 229 districts; and over £10 a week lower in 28 LAs. The greatest decreases have been in London, in and around Cambridge and in and around York. The highest reductions, more than £140 a week, took place in three London boroughs: Westminster, Kensington and Chelsea and the City of London.

In terms of change over time, over the past two years (pre- and post-reform) LHA on-flows have remained relatively stable, but this trend differs by area type. On-flows have reduced in three London area types and to the greatest extent in London Centre (by 31 per cent between March/May 2010 and March/May 2012). This reflects the more general relationship between reductions in LHA on-flows and high LHA rates, as discussed in the above section on trends in LHA on-flows for different types of areas. However, on-flow rates were already falling before the reforms in the London Centre and London Cosmopolitan areas. They followed a similar trajectory both before and after the reforms so it is not possible to attribute the reduction in on-flow rates in these areas directly to the reforms. On-flow rates also fell

## **Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report**

in the London Suburbs over the two-year period, but this was mostly in the period up to the reforms and they have remained static since the reforms.

In the first period in which existing LHA tenants have been brought under the new measures (December 2011/February 2012), the overall caseload of LHA claimants in central London fell, for the first time in the two-year period under study. The reductions in on-flows in central London could be due to the limited PRS supply, the high rate of demand and the fact that some landlords have become more reluctant to let properties at the new, substantially lower, LHA rates, and may be withdrawing from the LHA market altogether. Greater awareness of the LHA reforms amongst London claimants, and the larger differential between LHA rates before and after the reforms, might also have influenced claimant behaviour. Those starting new tenancies may have rented properties in alternative, lower rent areas, thereby reducing the level of demand from new LHA claimants in central London.

It had been predicted that there would be large scale displacement of LHA claimants from central London and that this would lead to an increased on-flow of claimants into areas which had a ready supply of PRS and a strong HB sub-market. In the period of time the data covered until May 2012, there was no evidence of large scale displacement or substantial increases off-flows of claimants in London. Trends for Large Seaside Towns were also examined to assess the assumption that there may be increased on-flows of claimants to areas with strong HB markets, but there was no marked increase in LHA on-flows in seaside towns during the two-year period. This might be because PRS supply for LHA claimants is becoming saturated; or that the ability to expand supply of rental properties may be constrained by planning issues such as Article 4; or that it may take a far longer period for substantial displacement into other areas to emerge; or that other districts are absorbing any limited displacement that has taken place so far.

In terms of the changing LHA claimant profile, working households are the fastest growing sub-group of all claimants since 2010. They account for approximately a third of all claimants and 44 to 45 per cent of claimants in London Suburbs and London Cosmopolitan areas. However, the growth of this group is not attributable to the LHA reforms, as the rate of growth slows down after the measures were introduced. The growth in working households has been most marked (both pre- and post-reform) in the London Suburbs. London Suburbs also witnessed the largest increase in couples with children.

The LHA claimant profile in central London has changed more than any other area type between March/May 2010 and March/May 2012: the number of 25 to 34-year-olds has dropped markedly since the SAR changes in January 2012; it is the only area type where the proportion of lone parents has decreased; while the proportion of working households and of couples with children has increased in these districts in the two-year period.

Overall, the spatial ramifications of changes in the LHA claimant population are most evident in London, especially in central London. This is likely to reflect the relatively high rents in these areas and the large differentials between pre- and post-LHA rates in some boroughs since the introduction of LHA maximum rate caps. The various time lags through measures such as transitional protection and DHPs (see [Section 6](#)) may well have blunted the spatial impacts (as they were intended to) outside central London. Future analysis will be able to track whether emerging changes in other local housing markets, such as Cambridge and York, will become more pronounced over time. It will also be possible to ascertain whether any future displacement effects will occur, contrary to expectation, in areas outside those which currently have a high proportion of LHA claimants in their local housing market, such as seaside towns.