

6 The perceptions of front line housing and benefits advisers

Authors:

Christina Beatty, Ian Cole, Ryan Powell

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

Summary of main findings

- Housing advisers in all areas noted that landlords were less willing to let to Local Housing Allowance (LHA) tenants than before, although this was related to the current buoyancy of demand in the private rented sector (PRS) as much as LHA measures *per se*; they also suggested that landlords were placing additional requirements on all applicants, such as requesting larger deposits.
- Advisers in the four London areas noted an increase in the number of landlords exiting the LHA sub-market altogether, primarily due to the reduction in rental yields.
- The majority of housing advisers in all areas felt that most landlords would not reduce rent levels due to the reforms, although in LHA-dominated PRS markets, landlords were more likely to reduce rents informally rather than pursue shortfalls.
- Housing advisers outside London thought there was little evidence yet of increased mobility among tenants due to the LHA measures, but they sometimes detected more localised mobility, with the market becoming concentrated in specific neighbourhoods.
- Housing advisers were cautious about attributing any increase in evictions and arrears specifically to the LHA reforms – arrears were felt to be increasing, but for a wide range of reasons, in both high and low demand PRS markets.
- Most advisers felt that the LHA measures were a contributory, but not the primary, factor behind recent increases in homelessness; advisers in Barking and Dagenham also noted increased competition over PRS lets from inner London boroughs seeking to discharge their homelessness responsibilities in less pressurised PRS markets elsewhere.
- Housing advisers were generally positive about the flexibilities over the use of Discretionary Housing Payments (DHPs), though concerned about the consequences for vulnerable households when this support is eventually withdrawn.

6.1 Introduction

This report is one of a series of interim outputs from the independent evaluation of the recent changes to LHAs and Housing Benefit (HB) in the PRS in the United Kingdom (UK). The measures include the change in the basis of setting LHA rates, the caps on LHA rates by property size, the new method for uprating HB rates, enhanced DHPs to ease the process of transition to the new regime and the move to grant broader discretion to local authorities (LAs) to make direct HB payments to landlords. Subsequent measures include raising the age at which the Shared Accommodation Rate (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 Blatvatnik 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 Britain⁵³. 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, 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, including the wave 1 qualitative interviews with landlords and claimants that were undertaken shortly after the large scale surveys.

This section presents the findings from 85 qualitative, in-depth interviews conducted with housing advisers and officers from both the public and voluntary and community sectors (VCS) across the 19 case study research areas (see Appendix G for a list of organisations represented).

The respondents were able to shed light, to varying degrees, on recent trends in the local housing market, and specifically the PRS; the response of private landlords to the new LHA measures; and, especially, the issues facing their clients or other LHA claimants⁵⁴. In many

⁵³ 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.

⁵⁴ This section uses the phrase 'LHA claimants' as shorthand for 'Housing Benefit claimants subject to the LHA rules'.

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

cases advisers felt that the major impacts of the LHA measures had yet to be felt, partly as a result of transitional protections and the use of DHPs. Advisers were, therefore, also asked to look ahead to the likely impacts of the measures in the coming months and years. (See Appendix E for the topic guide used with advisers.)

Of course, advisers will not necessarily have an overview of the circumstances facing all types of landlord or claimant in their locality. The nature of their professional work is bound to bring them more into contact with vulnerable households or those facing financial difficulties who may need specialist advice; and some housing officers are more likely to know more about 'difficult' private landlords in their area than others who do not have problems in dealing with tenants, or indeed the council. And, as with other local stakeholders, any predictions advisers may make about the future are likely to be based more on speculation and assumption than any detailed research or firm statistical analysis. Nevertheless, as the following sub-sections show, many housing advisers had acquired considerable knowledge about such issues as: housing supply and demand locally; the pressures on household budgets; the use of DHPs; and the different manifestations of housing need locally. They were also able to refer to specific cases which can reveal in a vivid manner some of the impacts of the LHA reforms at the 'sharp end'.

The interviews with housing advisers were undertaken between May and July 2012 (see Appendix F for a note on the research methods). At this stage, many existing LHA claimants were still to be brought under the new measures (if the anniversary of their claims fell between July and December 2012, taking account of additional nine months transitional protection). Furthermore, in many areas outside London (for example Bradford, Newcastle, North Lanarkshire, Portsmouth and Cardiff) advisers suggested that the impacts of LHA changes were not yet fully evident. For example, several advisers suggested that many tenants were not yet reaching 'crisis point' with their arrears – that could take some time to unfold. An adviser from Portsmouth, for example, suggested that many of their tenants were in a state of denial about the impacts:

'Most of them are just sticking their heads in the sand. They have read the letters but they just can't believe it's true. Many are waiting for someone to tell them it's all been a mistake. They have got so used to things over the last decade or more that many of them can't take it on board. But as the anniversaries of claims start coming up, reality is going to hit home fast. We are braced for that'

Advisers from other areas, such as Walsall, expressed surprise that they had not received more enquiries from tenants when information about the LHA changes, including personalised letters, was first distributed. Many of the advisers in areas outside London noted that the impact of the LHA reforms had been relatively muted so far, as in these comments from an adviser in Newcastle:

'I feel we're getting off quite lightly. When they first announced it I was expecting "oh my god this is going to be huge"; and I'm not saying we haven't had repercussions from it, we have, but they haven't been the large scale ones we were expecting. I don't know whether that's because we've been quite proactive in our response early on, we sat down and said how many people this was going to affect, got all their names and addresses, contacted them, rang them and spoke to all of them individually. I don't know whether that's mitigated some of it or whether it's just, it's not like London, it's a different housing market and the impacts aren't there.'

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

These views are worth keeping in mind for the subsequent discussion, which inevitably tends to focus on difficulties and concerns about some of the impacts on tenants.

There was a notably different view, however, among housing advisers in London, who felt that the impacts of the reforms were becoming more discernible, not least in terms of: the overall lack of affordable PRS supply; an acute shortage of landlords willing to accommodate LHA tenants; and an increasing number of claimants seeking advice and DHPs as a direct result of shortfalls on their rent. These effects were compounded by a housing market context in which PRS demand was outstripping supply and rents were relatively high (and rising), therefore reinforcing the existing preference amongst landlords for non-LHA tenants. As a result, the number of LHA tenants unable to access suitable and affordable accommodation was rising; and LAs were increasingly struggling to *source* affordable PRS accommodation within their own boroughs, and in London as a whole.

Analysis in [Sections 1, 2, 3, 4 and 5](#) of these interim research outputs has shown, in different ways, that the impacts of the LHA measures are strongly mediated by the dynamics of the local housing market and especially the characteristics of supply and demand in the local PRS. The impacts in London are also often strikingly different from those elsewhere – at least in these relatively early stages. In the next sub-section we situate the perceptions of the housing advisers about impact against the different housing market conditions in which they are working, and draw contrasts between the impacts in London and those elsewhere.

6.2 LHA and local housing market change

6.2.1 The initial impact of LHA measures outside London

The PRS has grown rapidly on a national scale since the economic downturn of 2008 (from covering 14 per cent of households to 17 per cent by 2010/11). However, the impetus for this growth takes on a different complexion in different local markets, with varied implications for the position of LHA claimant households and the type and quality of accommodation they have access to. A key determinant is the strength of demand from non-LHA households in the PRS. In this regard, as in many others, the London housing market is distinctive, and these issues are, therefore, taken up separately.

Outside London, **the change in the manner of determining LHA rates**, from the 50th to the 30th percentile of non-LHA rents in the Broad Rental Market Area (BRMA), had not had a major impact in many of the case study areas. In Cardiff, for example, previous LHA rates were deemed ‘historically generous’ and so landlords had not been unduly affected by reductions. This was partly due to the fact that “LHA housing” was concentrated in former council housing estates where market rents were considerably lower than elsewhere in the city. As a result, the 30th percentile rate remained competitive in those areas, as one LA officer noted:

‘I think we go back to the LHA rates being higher when they first came in than the market rents, so I think the 30th percentile drop didn’t have that impact.’

In LHA dominated markets, landlords with few alternative options outside the LHA sub-market were said to be more prepared to reduce rents to the new LHA rates rather than pursue shortfalls.

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

A similar outcome was reported by an adviser in a Scottish case study, Perth and Kinross,

'... the one bedroom rates prior to the calculation change was 380 a month and that went down to 350 so we've not lost out on a lot of properties, and part of the reason for that is some landlords are prepared to reduce it ... 350 would always have been acceptable to them [landlords] but when 380 was available to them that's what they charged. So it's not like they're reducing it to do us a favour. I think they're quite happy with that figure anyway.'

The **increase in non-dependent deductions** was considered to be affecting some households. In Denbighshire, for example, an adviser suggested that some parents were now asking adult children to leave the family home. An LA officer in Newcastle also mentioned that the department had made around 20 (out of 150) DHPs to people affected by non-dependent deductions, and he expected the consequences of this measure on household composition to become increasingly evident in the future. An adviser from Tendring noted that, in some cases, parents had asked adult children to leave without realising they would then lose some entitlement to HB because they needed one less room under LHA rules. The adviser referred to one case where a mother asked her son to leave because she felt the deductions were too onerous, only to realise that she would then face a loss in HB due to her change in entitlement, and she subsequently agreed to let him stay.

In terms of **the abolition of the five-bedroom rate**, a small number of households in the case study areas had been affected, and in some cases households were able to cover shortfalls by other means, as noted by an adviser in Newcastle:

'We also had a few households that were affected by the five bedroom rate drop as well, the larger households. But on those ones where we investigated what incomes they had and everything else that was coming in, because they were larger households and most of them tend to have children who were either claiming other benefits for disabilities and things like that, there was enough income to mitigate the loss in the Housing Benefit. So I think very few faced homelessness due to that.'

This syndrome was also mentioned by advisers in two other areas. There had, for example, been a few cases in North Lanarkshire where the loss of the five-bedroom rate had had a big impact, and as a short-term response the LA had *'put DHP in'* to meet the top-up costs. Larger households had also been affected in Tendring where they were already *'stretching themselves'* by paying top-ups before the reform. In some cases, families were forced to downsize where rent became unaffordable, as in a case where a family moved to a cheaper house after their LHA entitlement fell from £595 to £550 a month, leaving them with a £45 a month top-up that they could not afford.

In other areas, such as rural Fenland, the acute shortage of affordable larger family housing in the area was placing pressure on the availability of other options if families had to move out of their current accommodation because of the abolition of the five-bedroom rate. In the rather different housing context of Denbighshire, the reforms had also made it harder for prospective tenants to find accommodation they could afford. This was seen to affect larger households more, as larger properties had experienced the biggest reduction in LHA entitlements. However, for most households, living in smaller properties, the reductions in LHA rates in Denbighshire had been marginal.

Many advisers mentioned that it was difficult to disentangle the effects of the LHA reforms from the impact of other policy measures, in welfare reform and beyond, as well as wider housing market dynamics and wider economic trends.

6.2.2 Local housing market change outside London

In terms of the wider housing market, various factors lay behind the growing demand for PRS properties in case study areas. The PRS in the centres of Exeter and Cardiff (and to a lesser extent Portsmouth), for example, are largely student dominated, displacing the LHA sub-market to particular neighbourhoods elsewhere in the city or more affordable locations outside the city. In Newcastle as well, the size of the PRS had increased dramatically over the last 4–5 years from around 14 per cent to over 20 per cent, largely driven by demand from the burgeoning student market. However, demands on the PRS in Newcastle were also increasing from those in, or on the margins of, the labour market, as the prospect or reality of job loss loomed, as an LA officer with responsibility for liaison with the PRS pointed out:

‘We’re getting a lot more people who are in employment approaching us for assistance through our rent deposit scheme. So we’ve had a lot of people who are at risk of redundancy or have been made redundant and are going through either repossessions of their properties or they’re just looking to find alternative cheaper accommodation ... whereas before it was predominantly people who couldn’t access social accommodation ...’

In some areas, especially Fenland, the arrival of large numbers of migrant workers since 2004 had placed additional strain on the supply of affordable private rented accommodation, particularly shared accommodation. In Tendring, some advisers suggested that the district had become more of a reception area for LHA tenants from London seeking affordable accommodation in the wake of reforms, although one council officer briskly dismissed this as mere hearsay in interview. He noted that the local authority had not observed any notable increase in inward movement of tenants from London. He did not discern any *systematic* redirection of LHA tenants by London Boroughs to cheaper areas, although tenants might have been supported on an individual basis. Alongside these factors was the longstanding trend for households to move out of inner London to places like Tendring, as they wanted to take up residence in a favoured holiday location. This reflects the findings of the spatial analysis in [Section 2](#), which did not indicate any marked *increase* in the on-flow of LHA households in seaside towns since April 2011 due to the LHA measures.

What was described as the ‘*scramble for properties*’ within the 30th percentile of the Thanet PRS had apparently reinvigorated a market for the poorest quality properties in the worst location which, under the previous regime, would have been the least popular with LHA claimants. The poor quality of accommodation in this sub-market of the PRS was also cited as a problem in other areas, such as Bradford and Denbighshire. In Walsall, council officers were introducing ‘decency’ standards on PRS accommodation wherever possible (such as when a landlord signed up to the council’s bond scheme).

A move in the opposite direction was reported in Thanet, where a selective licensing scheme for landlords introduced by the LA was accompanied by a £500 fee, and where the imposition of Article 4⁵⁵ restrictions on further development had caused some of the HMOs to be converted back into two and three-bedroom flats. This, claimed one adviser, was contributing to increased levels of homelessness in the district. There was, however, reported to be an excess of supply among larger properties in the district, as the closure of the major local employer Pfizer had led to an exodus of skilled workers who left behind larger properties that they found difficult to sell and then tried to rent out to cover their mortgages.

⁵⁵ Article 4 is a planning rule which requires landlords to seek planning permission if a dwelling is let as an 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

Advisers in some of the lower value PRS markets, in Blackburn, Bradford, Denbighshire and Rhondda Cynon Taf, suggested that the quality of accommodation on offer to LHA claimants was deteriorating. In some cases (notably Bradford and North Lanarkshire) standards of management in the PRS were also considered to be very poor in the LHA sub-market. In North Lanarkshire, for example, the market was dominated by small, 'amateur' landlords:

'The standard and quality and professionalism of private landlords is quite low ... but also the landlord's not understanding his statutory responsibilities, which have increased recently. In North Lanarkshire you've got the worst of both worlds, post-industrial decline and lots of worklessness but you've also got a semi-rural community based on old mining towns.'

Housing officers in Bradford also thought that the number of PRS properties in poor condition was increasing, including those in breach of Housing Health and Safety Rating System (HHSRS) minimum standards. But few landlords were selling stock or reorganising their portfolios to reduce the number of houses they let to the LHA market. As one VCS respondent put it:

'They can weather the storm I think, they can afford it; you see the cars they're driving and then they plead poverty'.

In a similar vein, officers involved in a PRS access service in Tendring noted that the quality of accommodation and neighbourhood amenity offered to LHA applicants was deteriorating: former seasonal beach residences were now apparently being rented out as permanent accommodation.

Housing advisers in nearly all the case study areas outside London felt that demands on their services had increased markedly over the previous year, especially as the SAR changes came into effect in January 2012 (see also [Section 5](#)). As one officer from Bradford put it:

'We've never had so few staff and we've never had so many customers coming in'.

It was, however, not possible for these officers to indicate with any precision how much of this demand was related to the LHA measures. In Cardiff, it was estimated that demand for benefits advice had risen by about 25 per cent in the last four years, primarily due to the recession. After a period of restructuring, the services were now facing cutbacks:

'We've been on the edge for quite some time but it's very hard: we do have to make savings and we're at the stage where we're just so lean there are no further savings to be made and any further cuts we make will have a direct impact on the service that we offer.'

A VCS provider involved in homelessness prevention in Edinburgh said they had witnessed a 20 per cent increase in enquiries from individuals seeking access to the PRS over the past year and the level of demand outstripped the number of available and affordable tenancies. Housing advisers in Portsmouth said that the increase in enquiries over the past year was the 'tip of the iceberg' and that both public and VCS agencies were braced for even higher demand as protection periods come to an end. In some areas, such as Thanet, the ability to maintain the current level of advice was also threatened by cutbacks in resources for VCS agencies, such as the Citizen's Advice Bureau (CAB) and Shelter, as well as for the LA.

6.2.3 LHA measures and housing markets in London

Advisers in all four London case study areas had noted an intensification in recent months of a trend that was already extant – the growing demand pressures, with consequent increases in rent levels, in the PRS. They suggested that PRS accommodation was increasingly difficult for LAs in London to source, leading to an increase in the number of households in bed and breakfast accommodation. The early impacts of the reforms were said to have fallen largely on single people under 35 affected by the SAR and large families affected by LHA caps on larger properties and the abolition of the five-bedroom rate. The latter was having a disproportionate impact on Black and Minority Ethnic (BME) households which, in general, were more likely to comprise larger, and often inter-generational, families.

While there was a consensus across London housing advisers that it was ‘too early to tell’ exactly what the eventual impacts would be, many considered the ‘worst is yet to come’. Most advisers thought that the effects of the reforms would be far clearer by mid-2013, once all claimants were on the new measures. (A higher proportion of London claimants and landlords had made full use of the maximum 21-month transitional protection period by commencing new tenancies just prior to April 2011.) Further impact lags were expected as a result of lengthy eviction processes, the use of DHPs to assist tenants and the desire of many households to remain in their current location and ‘muddle through’, to avoid making the ultimately inevitable move into cheaper accommodation.

The overall perceived mismatch between PRS demand and supply was, therefore, the most fundamental factor cited by London housing advisers. This imbalance was seen as a significantly more acute problem in London than elsewhere. Very strong PRS demand from alternative markets (non-LHA claimants) and rising rents created a particularly difficult context in terms of the LHA reforms. Many landlords were said, for example, to be reluctant to take on new LHA tenants and were not renewing tenancies. Consequently, the pool of landlords willing to let to LHA claimants was shrinking, which in turn further reduced the proportion of the PRS available to claimants. This was accentuated by the fact that demand for PRS properties in London from would-be homeowners was still very strong, given the difficulties facing many potential first-time buyers in accessing the housing market.

In Westminster, for example, an adviser said that the notion of finding a suitable property within the borough was just not a realistic option for most households.

‘It’s not an issue about shopping around within the Borough. You can only really do that in shared accommodation and one-bedroom flats, to an extent.’

Many advisers commented that the London PRS was largely shaped by landlord behaviour and decisions, and they could set the agenda. As noted in Hackney:

‘In London especially, it’s currently a landlords’ market, so the competition for private rented properties is ridiculous, even as a professional trying to get a flat is really hard work. They’re looking for references, financial history. If you go to a property agent, they want bank details, a work reference saying how much you earn ... it’s a really difficult process and lots of clients we work with, that excludes them from private rented.’

The effective exclusion of LHA claimants from large parts of the PRS in central London boroughs was starkly illustrated by a snapshot ‘mystery shopping’ survey undertaken by Hackney CAB in June 2012. This involved over 1,500 rental properties advertised on the property websites Gumtree and Rightmove. Of 1,585 PRS properties advertised, just 143

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

were at rents within the maximum LHA rate for the Hackney BRMA, and just 14 were owned by landlords willing to accept LHA tenants. Less than one per cent of all advertised PRS properties was, therefore, both within the LHA caps and let by a landlord willing to take on LHA claimants. It was, therefore, becoming increasingly difficult for both tenants and LAs to identify affordable accommodation in London, and harder still to access accommodation suited to specific household needs, as an adviser from Hackney noted:

'For single people we have no duty to (re)house, but even for [family] households, we're trying really hard with [family] households to find private sector properties before the homelessness route kicks in. It's getting a real struggle to find anything suitable in Hackney.'

The lack of PRS supply was not confined to the more central London boroughs, but was also an issue in Barking and Dagenham where, historically, central London boroughs have often sought to meet their homelessness duty due to the relatively lower rents. Advisers commented that rents in Barking and Dagenham were rising and alternative sub-markets to LHA were opening up in the local PRS.

'We're relatively cheap compared to other boroughs but it's very difficult to find properties in that LHA rate. One bedroom, the maximum we pay is £650 a month. Most one bedrooms are between 700 and 750. And the other issue that we really have, this is one of our major problems, is landlords don't want to take people on benefits.'

The increase in landlords exiting the HB market was primarily driven by the reduction in LHA rates and, therefore, rental yields. Advisers also suggested that direct HB payments to the tenant were a contributory factor. In the absence of direct payments (to the landlord) it was suggested that some landlords felt that letting to HB tenants was both increasingly risky and decreasingly profitable. Before LHA was originally introduced in 2008, larger rental yields had served to make that risk worthwhile for landlords, while direct payments to them had helped reduce risks, as an adviser in Westminster pointed out:

'It's a huge issue to landlords, it's something that makes it unattractive for them to let to people who are receiving Housing Benefit. What mitigated that previously was that they could get high rent levels and it was worth the risk. Now they don't have that mitigating factor, to them, there's no incentive.'

Given the fundamental issues over finding and sourcing rented accommodation in London, advisers noted that housing quality was now inevitably less of a priority for some housing advice services struggling to meet demand. As one Westminster adviser put it:

'We're running a private rented sector access scheme and our primary concern is not quality. We cannot even look at quality below basic minimum standards, like is it going to fall down, do they have a gas certificate; those are the only things I'm going to ask because supply is such an issue.'

6.2.4 Early impacts on household mobility in London

Many respondents referred to the declining quality of housing within the PRS in London and it was envisaged that quality would continue to deteriorate. The channelling of LHA claimants into accommodation of poorer quality had geographical implications; an adviser from Brent, for example, referred to the concentration of HB tenants in specific areas of lower quality, ex-council housing in the district:

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

'if you're a landlord with a four bedroom house in Kilburn near the train station you're going to rent that out to anybody ... but if you've got a four bed property in [another area] your market's quite narrow ... So what's happening is the areas are shrinking within Brent, where it's available for people to move in on benefit.'

Housing advisers also noted that the movement of households between different London boroughs, partly due to the LHA measures, posed difficult questions for departments such as social services and education. There were funding consequences for those schools facing a fall in pupil numbers as a result of families having to leave the area. Children were said to be adversely affected in many cases, as moving home involved changing schools and moving away from social networks. This had led to a demand for support from schools themselves which, in some cases, were witnessing a significant number of children distressed as a result of having to move home, as an LA housing officer observed:

'We've had a number of approaches from schools saying the kids are disruptive or they can't concentrate or they're bursting into tears. They're actually coming to teachers and saying "we've got a problem, our landlord's throwing us out" ... Schools have been saying can we do outreach work in schools and we just don't have the resources.'

A further major area of concern for housing advisers in London concerned the transfer of families, often with complex needs, between different boroughs and the different levels of support and eligibility criteria from one district to the next. For households where English was not the first language, or where parents and/or children had learning difficulties, these issues were compounded. As many households would be moving away from their networks of family and support, the role of LAs, they suggested, would be even more crucial. An adviser in Westminster gave the following example:

'Even if you're in temporary accommodation, from my understanding, and you go to east London, Westminster discharge their duty under social services and you're transferred over to an east London authority. So you're finding that what you previously got in one authority you've now lost and you're on another authority who might have a totally different criteria and eligibility ... Taxi cards is an example; taxi cards are available to those who are in Westminster, but somebody went over to east London and she wasn't eligible for the taxi card even though she comes in and out to St Mary's hospital, which is in Westminster, because they don't have funding or some other issue.'

Several VCS officers reported a marked increase in tenants approaching their services over mental health issues. Much of this was said to be 'more manageable' forms of mental illness, such as depression, but it was also noted that this can escalate quickly in situations of duress. For those with more serious conditions (schizophrenia and autism were cited as examples) the impact of the reforms could be more problematic. For those who were housed in the PRS, any change of routine and living arrangements was considered potentially very damaging.

Overall, the accounts given by advisers testify to the acute problems facing many LHA tenants in London compared to other areas, due to the intense demand pressures in the PRS. Because of these underlying differences, the implications of the LHA measures for households receiving LHA in the London case studies merit separate analysis and they are, therefore, considered in greater depth in part 6.7 of the report. In the next four parts of this report we concentrate on the contrasts and similarities between the 15 case study areas

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

outside London in terms of impacts on rents, access to housing, the impact of SAR changes on single people under 35 and the evidence of any displacement effects. We then examine the measures taken to mitigate the impacts of the LHA measures for a temporary period.

6.3 Impacts on rents and affordability

The LHA measures have a direct and indirect effect on rents and housing affordability in various ways: over rent setting, wider affordability in the PRS, the balance between paying HB payments direct to the tenant or the landlord and the extent to which the potential gap between contracted rents and LHA entitlements encourages negotiation over rent levels between landlords and tenants. The views of housing advisers about the impact of the measures on these issues in the case study areas outside London are covered in this sub-section.

6.3.1 Dealing with shortfalls between rents and LHA rates

Claimants experience a shortfall where there is a gap between their LHA entitlement and the contractual rent and they need to meet the difference from their own resources (which will of course include their wages, for those claimants in employment). Claimants might experience a shortfall between their actual LHA entitlement and the contracted rent for various reasons: if they are in employment, and receive an income above the assessable amount, for example, or have adult dependents, or if the rent exceeds the maximum LHA rate for that size of property. Advisers commented that tenants experiencing shortfalls had responded in a number of ways, including trying to negotiate with landlords, finding cheaper accommodation or, according to an adviser in Blackburn, *'going on the rob'*. In some areas, such as Fenland, concerns were expressed that in some parts of the district, claimants would already be in arrears due to earlier (lower) shortfalls between their LHA entitlement and their rent and that the further reductions would be the *'final nail in the coffin for their tenancy'*.

The scale of the shortfall varied across the case study areas. In higher rent areas, such as Edinburgh, advisers said that they were seeing clients with increased shortfalls following the reforms, but not in significant numbers. A VCS representative observed it would take time for arrears to emerge as an issue, as landlords might not notice initial reductions in HB payments if they received direct payments. Advice and support given to tenants experiencing shortfalls in Edinburgh, as elsewhere, included benefit and expenditure checks; negotiating with landlords; and helping them seek cheaper accommodation.

Elsewhere, the shortfalls were smaller but still created difficulties. One adviser from Rhondda Cynon Taf noted that, although the shortfalls facing tenants were often relatively small, this could still make a crucial difference to a household on a minimal income and cause a great deal of anxiety. While some tenants might be managing to meet the rent at present, the adviser suggested that this was often at the cost of other outgoings.

'they've got that shortfall so obviously rent is a priority debt; so they've got to address that first and you find they'll fall behind on other things ... Water is one unfortunately that doesn't get paid cos your rent is a priority ... and unfortunately the way they eat as well ... you have to live on what you can afford to buy.'

Advisers in many areas were working with tenants to help with budgeting, and advising them on their expenditure on other items in order to make sure they could cover essentials, as illustrated by this comment from an adviser in Cardiff:

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

'If they came into us, which they're starting to do, we do an affordability test and we have to look at their income and outgoings. [For] a lot of people it's relative to how they live: they have gym membership, Sky, NTL, we say "you need to cancel that and pay your rent" and we have set limits on food and normal expenditure. So I think a lot of people are being practical and are just paying the difference: if they're in a nice private rented house in a nice area and their kids are in school; they're not going to want to move so they're going to make up the difference, the sensible ones.'

Some tenants experiencing shortfalls tried to borrow money to make top-ups, initially from family and friends, but this only provided temporary respite. In other cases, advisers felt that tenants were not always making sound judgements about what could be afforded, as in these comments from an adviser in Perth and Kinross:

'When somebody's offered a property sometimes they're not thinking rationally. They think 'I could probably pay £20 towards it' and they move in and find they've only got £71 a week; how can they afford that 20 quid shortfall? And that's when we get people coming in, because they get into debt and the first thing they stop paying is the rent and council tax.'

The majority of advisers in all the areas felt that most landlords would not reduce rent levels, at least in terms of the contracted rent. As an adviser from Denbighshire noted: *'most want the money. The government were overly hopeful in expecting landlords to take the drop'*. However, some landlords, especially in lower value rental markets where LHA households predominated, had reduced rents *'informally'* in certain cases to keep *'good'* tenants where shortfalls had emerged, and they would overlook the growth in arrears, at least for the remainder of the tenancy. As a rule, smaller, less experienced landlords were suffering more as a result of increased shortfalls and rent arrears than larger professional landlords (or their managing agents). The problem could be especially acute where landlords had mortgage payments to meet.

6.3.2 Rent arrears and lack of affordability

Advisers in higher value rental markets like Edinburgh and Exeter observed that arrears and other forms of debt among LHA tenants were increasing, but they acknowledged that the LHA reforms were only one factor among many others, including: the economic downturn and lack of employment; rising utility bills; inflation; and other benefit reforms such as the movement from Incapacity Benefit (IB) to Employment Support Allowance (ESA) or Jobseeker's Allowance (JSA), the forthcoming move from Disability Living Allowance (DLA) to Personal Independence Payments (PIPs) and reductions in tax credits. It was also noted that problems of affordability and arrears had preceded the reforms in these pressurised PRS markets.

In Exeter, many LHA tenants now have to live in cheaper former right to buy council stock on the outskirts of the city or in those towns and villages outside the city where rents were lower. The average shared room rent was £90 a week, compared to the LHA rate of £73 a week, whilst the average one-bed property rental was £550 a month compared with the maximum LHA entitlement of £499 a month. One officer from a local homelessness charity noted that it was often difficult to help clients find property where there was no shortfall, causing them to live in properties where they faced shortfalls from the outset *'if they are really, really desperate'*. The officer had concerns about the likely growth in arrears that was likely to transpire:

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

'they're adamant "I'm going to make this work" and it's a bit scary for us when we put a bond that could be claimed in; and are we setting them up to fail? So it's a really hard decision.'

A VCS representative in Thanet placed more responsibility on the tenants rather than any specific measures or the wider economic context:

'Although the LHA reforms will undoubtedly exacerbate matters, there will always be a proportion of the population who get into these situations due to their own actions and we shouldn't forget that, it's an old problem really.'

Some landlords were adopting proactive policies to keep arrears down. In Portsmouth, for example, landlords are encouraged to contact the LA at once if they feel their tenants might be experiencing difficulties, instead of waiting until they are eight weeks in arrears, and direct payments to landlords would be introduced without waiting longer. In Walsall, credit unions were offering their members the opportunity to set up standing orders to their landlords on the day their LHA was received to help them manage their rent payments. The LA has also launched a scheme whereby officers have monthly contact with those claimants who have a shortfall to make up, to assess how they are managing. However, it was claimed that some private landlords had been uncomfortable about the '*paternalistic*' nature of this initiative:

'[they] were saying "no we don't think it'll work, the support you're putting in is too intrusive for people". But we said "if a tenancy's going to go wrong, the least you would lose is four weeks of rent if you're having a monthly visit, even if it's knocking on the door of the tenant and saying "how are you?" At least we're confirming they're still there.'

6.3.3 Rent negotiations and reductions

One of the purposes of the LHA reforms was to encourage more negotiations between tenants and landlords over rent levels prior to the commencement of tenancies. Housing advisers were asked about the prevalence of negotiations in the local housing market. It is important to note that they will not be involved in all such negotiations and will, therefore, have only a partial view of outcomes. Nevertheless, there was a consistent view among advisers that a minority of landlords were reducing the contractual rent prior to letting a tenancy, even in lower value rental markets. In Blackburn, for example, one LA officer estimated that about 20 per cent of negotiations were successful although there was some flexibility, particularly where landlords were keen to keep '*good tenants*'. Negotiations appeared more likely to be successful in certain circumstances:

- if reductions and the resultant loss of income to the landlord were small (in the region of £5 a week), especially when set against the potential costs of having an empty property to let;
- larger landlords seemed more willing to accept a small reduction in rents as it would not have a significant impact on profits. However, advisers in Portsmouth and some other areas thought that managing agents were less likely to be flexible over rent reductions, being mindful of their margins;
- if it enabled landlords to keep a good tenant, as the adviser from Blackburn acknowledged: *'a couple of landlords ... said "I'll reduce it by a fiver a week if I knew it were going to get paid to me, my tenant's been in for 10 years, they're a good tenant. I don't want to end up with losing that tenant and have someone in who's going to ruin my house.'* This view was echoed by advisers in Exeter, Tendring and Thanet.

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

In two of the Scottish areas, on the other hand – North Lanarkshire and Perth and Kinross – landlords seemed more prepared to set rents at the new LHA rate. As one adviser from Perth suggested: *‘quite often the first question is ‘what is the rate at the moment?’ and that then becomes the rent.’* The adviser suggested that the low level of mortgage interest rates was helping and that landlords could still achieve a reasonable return at LHA rates:

‘The ones we deal with regularly they know it’s not worth charging the extra because the person’s probably not going to pay it so they will reduce. It’s not an exact science by any means.’

Advisers in another lower value market, Bradford, suggested that landlords were not willing to negotiate rents, even in exchange for direct payment, though the LA had been quite reticent over encouraging rent negotiations:

‘We haven’t really pushed it. I think tenants are reluctant to negotiate with landlords, landlords are not that keen on dropping the rents and we haven’t got the resources to do it for them.’

One council officer in Bradford suggested that while there were around 30 cases where landlords had agreed to reduce their rents, in other cases landlords were reluctant to do so because they still had mortgages to pay on their properties.

In more buoyant PRS markets, like Edinburgh, there were mixed views among advisers on whether landlords were willing to negotiate rents in the case of shortfalls. Advisers claimed that landlords temporarily accepted *de facto* decreases by tolerating arrears until they were able to serve notice at the end of contracts. This might benefit tenants, as they do not leave with a record of eviction for arrears which helps in sourcing alternative accommodation or making applications for homelessness. One VCS organisation in the city employed a mediation officer and the adviser believed the chances of successful negotiations were significantly increased where a professional mediation service was involved.

Elsewhere, the scale of negotiations varied according to factors such as property type, the type of landlord and the profile of the tenant, as well as the relative scale of the shortfall on LHA rates. In Newcastle, for example, advisers said that landlords were especially unwilling to reduce their rents for one-bedroomed dwellings, where the LHA rate was significantly below the market rent. Even in other types of property, it was reported that negotiations were only successful if the case was carefully argued and there was no better offer from a non-LHA tenant:

‘It’s how you present the case to landlords ... that if they’ve got somebody who wants to stay there long term, their children are in local schools, they’ve got a commitment to that property, they’ve been reference checked, there’s direct payments, it’s a package. And if landlords see that that’s a viable package from a tenant and a sustainable tenancy, then the likelihood is that they’ll accept it. But if somebody rings them up the next day and they’re in employment then that person gets gazumped. We’ve seen a lot of that, where landlords have said “yes I’ll take you as a tenant” but then suddenly a better prospect has come along.’

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

6.3.4 Direct payments to landlords

Advisers were asked about the extent to which the offer of paying HB directly to landlords acted as an incentive for them to reduce their rents to LHA claimants. The overall response was that the effect had been negligible. In some cases this was because the incentive was not sufficiently strong compared to the perceived advantages of letting to non-LHA tenants. (In Exeter, for example, it was claimed that landlords would have ‘another 50 people’ they could rent to, at least in the city centre area.) It was also suggested that landlords could receive direct payments for other reasons without having to reduce their rents (this was mentioned in the contrasting markets of Blackburn, Edinburgh and Portsmouth, for example). In one case (Walsall), advisers suggested that landlords had increased contractual rents in order to be able to reduce them subsequently and receive direct payment of HB in consequence.

In Thanet, it was claimed that the LA took a ‘lenient’ view about making direct payments to landlords and operated what an adviser termed a ‘safeguard’ policy:

‘We would operate the safeguard policy anyway as we did before ... and it worked perfectly well. There were customers that were clearly unable to manage their own finances, clearly had a history of getting into arrears, and we always paid those direct to the landlord anyway.’

In Fenland, advisers found that direct payments had been useful in persuading some landlords to reduce rents where used in conjunction with other measures such as a finder’s fee or a deposit, but this was often outweighed by the prospect of letting to a non-LHA tenant.

However, in an LHA dominated PRS market with few alternative sources of demand, such as North Lanarkshire, one council officer felt that direct payments had been an incentive:

‘if they can get the direct payment, more landlords are coming on board now with the new change in 2011 saying “we’ll reduce the rent to maintain the tenancy in exchange for direct payments.”’

In another LHA dominated market, Rhondda Cynon Taf, advisers said landlords would ‘take a hit’ on smaller shortfalls of ‘five or six pounds a week’ in exchange for direct payments, but even this reduction was problematic for the smaller or accidental landlords who were prevalent in this area. Typically these individuals would have one or two properties which they purchased relatively cheaply as an investment for later life and who were now struggling to get the returns they had envisaged. However, these landlords were often left with no alternative, but to let to LHA claimants.

Several advisers also noted that direct payments to landlords were preferred by tenants as well, as exemplified by these comments from an adviser working in Perth and Kinross:

‘In general terms if someone has very low income and is subject to the same pressures as everybody else in terms of having to feed their family and pay the electric and all the rest of it, if they’re in a position where they’ve got to make a decision between paying the landlord or getting food, it’s natural what they’re going to choose. So I think just taking that whole possibility out of the equation is what landlords are looking for ... I would say virtually every tenant I’ve come across would prefer the money to go to the landlords ... They don’t want the hassle, they don’t want the responsibility of having to deal with it. So it’s not just the landlords that want it, it’s the tenants as well.’

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

An adviser from Thanet expressed a similar view:

'I know the aim of the LHA scheme was to improve personal responsibility and financial abilities, but was it ever really going to do that? Most people don't really want their rent money if they're on Housing Benefit. They just want to know it's being paid to the landlord, they don't want the responsibility of it.'

Of course, advisers are likely to be dealing with a higher than average number of vulnerable claimants, where the possibility of direct payments to landlords will remain, so these views may present a skewed picture of the balance of responsibility between landlord and tenant. However, the reservations made by many advisers were reinforced when they considered the prospect of Universal Credit payments being made direct to claimants in the future.

6.4 Impacts on access to housing, evictions and homelessness

In this sub-section we summarise the views of housing advisers on the impact of the LHA measures on the lettings priorities of landlords in the PRS and the implications for LHA households, and whether there had been evidence of an increase in evictions and on levels of homelessness in the local areas. We also examine whether advisers felt that the difficulties gaining access to affordable accommodation in the local PRS market were causing some LHA households to move to cheaper areas, either within the same district or elsewhere. The position of LHA tenants in the London case studies, where the demand pressures in the PRS are that much greater, is considered in sub-section 6.7.

6.4.1 Lettings priorities

Advisers in all case study areas noted that landlords were less willing to let to LHA tenants than before, although this was largely related to the current buoyancy of demand in the PRS rather than LHA measures *per se*. As we will see in the following sub-section, the SAR changes in particular had affected lettings to the under 35s. The preference for non-LHA applicants was more marked, as one might expect, in higher demand markets, such as Edinburgh. As one respondent noted:

'Private landlords are less likely to rent out to people on benefit because most of them don't understand what's going on. But they know it's a nightmare, so with there being such a vibrant market why would you, when you could avoid it? So a lot of the people we get are people who went into private lets, work and then lost their job and moved onto LHA. Otherwise the agency would never have given them the property in the first place.'

In a mixed PRS like Newcastle, advisers commented that landlords were not refusing to take LHA tenants as a blanket rule, but they were seen as a '*last resort*'. The market in the city had become geographically more clustered. An LA officer said he was receiving greater numbers of applications for DHPs from particular parts of the city where rents had historically been higher, suggesting that over time these areas would be used less for LHA tenants, who were now being priced out of the local market.

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

In other case study areas, it was the quality of the accommodation being let to LHA tenants, rather than its geographical provenance, that had changed. One LA officer in Perth and Kinross commented as follows: *'quite often we get the stuff that's not lettable immediately to the mainstream market.'* An adviser from Portsmouth made a similar observation about the poorer quality of properties that were now coming on to the market for LHA tenancies.

It was also suggested that landlords taking on LHA tenants were introducing a raft of additional requirements, including larger deposits, rent in advance, guarantors and large administration fees. Even those tenants who were in employment and able to meet the requirements of landlords were struggling to find affordable accommodation in this high demand market. An adviser in Portsmouth, for example, referred to one case of a working couple who, despite having a deposit and guarantors, could not secure a two-bedroomed property at a rate of £650 to £700 a month, suggesting that LHA applicants would have a real uphill struggle to even gain a foothold in this part of the city centre market.

In Rhondda Cynon Taf, the high proportion of smaller landlords and the limited awareness of the reforms had led, it was claimed, to some landlords being *'caught out'* by the reforms. Similarly, those tenants who had moved from social renting to the PRS had limited awareness of the measures, and this had sometimes caused them to sign up for tenancies they could not afford. According to one adviser, the increase in arrears noted in Rhondda Cynon Taf was making some landlords avoid letting to LHA tenants, even though there was a relatively high level of households claiming benefit. As a consequence landlords were said to be:

'just selling up now, they're taking whatever little they can just to get out of it I think ... Have you seen how many are up for sale round here? ... Landlords would rather let it sit empty and get a council tax exemption than tenants wreck their property and cost thousands of pounds. This is the extreme end. There is [also] a middle road of people who are just getting by.'

In contrast, as noted earlier, Walsall BC had developed a bond scheme and had worked with credit unions to enable tenants to set up 'safeguarded' standing orders to landlords. This approach has been quite effective in finding homes for tenants and filling landlords' properties for them without the expense of using an agent. Landlords participating in such schemes were subject to quality checks and might be asked to make improvements before the tenant moves in. Accreditation was also encouraged, and these moves had helped to keep landlords active in letting to LHA tenants.

6.4.2 Impact on evictions

Council officers and advisers were cautious about attributing any increase in evictions in the PRS directly to the LHA reforms. In markets as diverse as Blackburn, Edinburgh and Portsmouth, advisers noted that evictions seemed to be increasing, but felt this reflected high housing costs and increasing levels of personal debt rather than a different approach by landlords due to the LHA changes.

However, there may be a time lag until any effects in terms of evictions are discernible in many areas. Landlords are reluctant to take court action over arrears if they can avoid it. Furthermore, advice agencies in Portsmouth, for example, were advising LHA tenants who knew they could not afford their current property under the new rates to wait for eviction rather than leave of their own accord and thereby become intentionally homeless. In Thanet, it was also suggested that evictions were starting to increase, as claimants who could no longer afford their current accommodation waited to be evicted to avoid being deemed intentionally homeless.

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

An exception to this general picture was noted by advisers in Cardiff. A respondent described one case where a landlord had illegally evicted a man as soon as he found out that the changes were being introduced, only for the tenancy eventually to be restored when Shelter threatened prosecution. It was suggested that this was not unusual practice. The position of under-35-year-olds is discussed in more detail in the next sub-section, but one adviser from Cardiff noted:

'a lot of existing agents and landlords have told me they've now served notice on every tenant they have under 35. Even those tenants who might be in work at the moment, a lot of landlords have thought if they lose their job they won't be able to pay the rent., We're not willing to take the risk ... I've had reports of that from a number of property management agencies.'

The hazards of generalising about the impact of the measures locally were borne out by the comments of an adviser in another Welsh case study area, Denbighshire:

'we're not seeing landlords kick them out because of the deduction, which is good. I think in the majority of cases landlords are probably just accepting the lower rent because the tenant has proved they're ok and they've taken them.'

At the time of interview, the LHA measures did not seem to be causing an increase in evictions in Denbighshire and it is possible that this trend will continue due to the lack of non-LHA demand and the difficulties in recouping value for landlords selling their stock. In higher demand areas, landlords may be more tempted not to renew the tenancies for households receiving LHA rather than take court action to force an eviction.

6.4.3 Impacts on homelessness

There were mixed views about the impact of the LHA measures on homelessness. Council officers in Fenland felt that the area was 'on the cusp' of a significant increase in homelessness and eviction linked to LHA, as protection periods come to an end. Those already in arrears prior to the reduction in rates were considered to be in the weakest position. In Tendring, homelessness was rising rapidly: applications had more than doubled within the previous six months: from 40 to 50 applications to 104 per quarter. However, advisers thought that the LHA reforms had not directly led to any notable increases in repossessions, homelessness or the use of temporary accommodation. Where clients were at risk of homelessness, the main cause was a combination of receiving notice to quit from landlords, relationship breakdowns, family evictions (especially of adult children) and affordability issues. These factors might relate in part to LHA but could also be driven by other changes in circumstances or the rising cost of housing.

Few of those advisers who thought that there had been a recent increase in incidences of homelessness had access to specific figures and in many cases the increase was in hidden homelessness⁵⁶ or non-priority cases. This was perhaps expressed most strongly in Denbighshire, through an increase in non-priority cases among young single adults unable to find accommodation at the SAR of £55 a week. This shortage of accommodation, it was suggested, was driven by: the demolition of cheap bedsits as part of a plan to regenerate Rhyl; an 'unofficial' council policy not to licence any more HMOs in Rhyl; a generally buoyant

⁵⁶ 'Hidden homelessness refers to 'non-statutory homeless people living outside mainstream housing provision'. That is: 1. those who meet the legal definition of homeless but to whom the LA owes no duty and 2. those whose accommodation is not supplied by a housing/homelessness provider.

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

rental market enabling landlords to exercise preferences for non-LHA tenants to avoid having to chase top-ups; and anecdotal reports of increased demand caused by growing inward migration of individuals from Merseyside, Manchester, Stoke, London and Kent.

According to advisers, there was no direct relationship between the introduction of the LHA measures and increases in homelessness. However, the leasing of private rented properties by LAs to meet their statutory homelessness obligations was adding pressure to the PRS in some areas, and causing rent levels to rise. This was particularly the case in London, as discussed later in this report, but it was also noted elsewhere. In areas such as Blackburn and Portsmouth, the use of the PRS for this purpose was growing, and the increase in private sector rents (notwithstanding the reduction in LHA rates) was causing considerable funding problems for LAs. In Perth and Kinross, for example, around 80 private sector leases would come to an end in June 2013 and were unlikely to be renewed for reasons of cost. An adviser commented:

'We're looking at how we're going to fill the gap when we lose these PSL properties, June next year. When that happens, if we haven't come up with some alternative I would say that's likely to put us back into the realms of using B&Bs and stuff again. I don't see we'll have any option but we're trying to come up with a way of avoiding that situation.'

6.4.4 Impacts on household mobility/displacement

Rates of residential mobility are considerably higher in the PRS than in other tenures, but the introduction of the LHA measures raised concerns from some organisations about the potential impact in enforcing mobility or displacing households affected by shortfalls to cheaper housing markets elsewhere. Such changes could potentially disrupt social and family networks, access to employment and moving children from local schools. The evidence from interviews with advisers suggests this has not happened to any great extent in the 15 case study areas outside London. When transitional protection and other mitigating factors such as DHPs are no longer in place, this may result in more mobility, both within districts and to LA areas elsewhere. Indeed, advisers in many localities were envisaging such consequences in the future. An adviser in Blackburn commented, for example, that:

'we're worried that places like Manchester and London will become unaffordable and people will start migrating to places like Blackburn, with the LHA changes and the capping at the four bedroom rate. We're hoping again that doesn't have an effect on Blackburn where people have to move out of the major cities.'

One issue that has perhaps received less attention in policy debate concerns the position of LHA claimants in relatively rural areas, especially where local connections may be well established and where a move to a village elsewhere within the district could have more disruptive consequences. An officer from a local charity in Exeter, for example, highlighted a case of a family forced to leave the city for a cheaper area of Devon in order to find affordable accommodation following reductions in entitlement to LHA. This kind of displacement was seen as likely to grow: *'this whole patch here is completely no-go zone for anyone on fixed income or benefits, so in 10 years' time it'll change the whole social dynamic of that county.'*

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

Similarly, advisers in Fenland raised major concerns that the reduction in LHA rates would result in displacement of LHA tenants into the cheapest areas and poorest quality properties. The consequences of displacement, one respondent suggested, would be particularly pronounced in this rural setting where people tend to live in the same town or village for most of their lives:

'You quite often find in this area, maybe in other areas, particularly rural areas, that people have never moved out of the town they're living in. We ask "how long have you lived in Fenland?" and they sit there and say "been in Wisbech all my life" or whatever. And that's really difficult for them to try and take on board the concept that they may not be able to stay in that town, either through availability of properties or the affordability ... And if their work's there and the children are settled in school and mum's just round the corner, that's really hard, because mum's probably a child minder if they're working after school as well, and it has such an effect.'

In some urban environments, on other hand, advisers were noticing more mobility *within* the city, at neighbourhood level. In Newcastle, for example, there had been geographic clustering of LHA claimants affected by the reforms, both in terms of in-flows to cheaper areas and out-flows from more expensive local markets. In the more desirable areas of the city, such as Gosforth, advisers were witnessing a higher proportion of LHA-change related requests, suggesting that these areas were becoming unaffordable to LHA claimants. Similar patterns were noted by advisers in Edinburgh and Bradford.

Officers from advice agencies in Portsmouth detected movements out of the city towards the hinterland where rents were cheaper, in areas such as Havant and Paulsgrove, although this trend was still fairly small scale. This was partly because tenants were waiting for eviction rather than leaving of their own accord and thereby making themselves intentionally homeless.

In areas with an LHA dominated PRS, like North Lanarkshire, even those tenants facing larger shortfalls were not moving out of the district for the simple reason that, as one adviser put it, *'there isn't anywhere cheaper'*. However, in another area with high levels of deprivation and relatively low rents, there had already been considerable movement within the district. Advisers in Rhondda Cynon Taf reported that those LHA tenants facing a shortfall were looking to move towards the Upper Valleys where the property was relatively cheaper, rather than looking to Cardiff where there was perhaps more HMO accommodation, albeit at a higher rate. However, as in Fenland, many families with long standing local links in the dispersed settlements were very reluctant to move out of their local area due to the proximity to family, friends and the associated networks of informal support. As one adviser in Rhondda Cynon Taf pointed out:

'Very rarely, they do [move], they will look for other places, a lot of people if they're in private tenancies they are applying to go into housing associations. But it's not, that's not widespread because there's a limited amount of properties ... I know round here families tend to all stay in the same area, they don't move out of the village and tend to be quite close knit and if you're on a low income you do tend to rely on support from family, child care and even food sometimes, so it's hard for them to move into another area.'

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

Though claimants were reluctant to leave their home village, advisers noted some movement out of Cardiff into the Valleys in order to access cheaper accommodation within travelling distance of work, although this was a trend prompted by general affordability pressures as much as the LHA measures *per se*. One adviser saw this process as contradictory to other policies aimed at regenerating the Valleys:

'we're just pushing the people on the lowest income back into those areas because that's the only places they can afford.'

The overall picture reinforces the evidence from the analysis in [Section 2](#) of these interim research outputs and the discussion in [Section 4](#) and [Section 5](#): outside London, there has been relatively little mobility out of the LA area that can be pinpointed to the LHA measures. In more diverse housing markets there is anecdotal evidence of some 'sifting' between neighbourhoods since the measures were introduced, leading to higher concentrations of LHA claimants in particular areas. The interviews and surveys with claimants both revealed the strong local attachments that many households have built up over time which makes them very reluctant to leave: it is a last resort rather than a first option. It remains to be seen what the balance will be between different outcomes: the proportion of households who leave the area, either to take up jobs elsewhere or to move to cheaper housing markets; and the proportion of landlords who will, either formally reduce their rents, or continue to overlook the gap for some of their tenants between the rents paid and the rent charged, because sustaining the tenancy is seen as preferable to 'churn', or an empty let.

6.5 Impact of SAR changes

The measure that occasioned by far the most comment from advisers in terms of impact concerned the SAR changes affecting 25 to 34-year-old single people. This group was generally identified as being most affected by the LHA reforms, as they attempted to maintain one-bed tenancies when moved onto the SAR or to find affordable accommodation at the SAR rate – as even bedsit rents could exceed LHA entitlements in some markets. This problem was identified by advisers in nearly half of the areas outside London: in Blackburn, Denbighshire, Edinburgh, Exeter, Tendring, Thanet and Walsall. Advisers also anticipated that the housing problems facing this group of tenants would become increasingly prominent as they moved out of the transitional protection period. Rather than attempt to compress a brief compendium of impacts across *all 15* case study areas, a more concise assessment will be made through examining the experiences in five contrasting housing market areas: Bradford, Cardiff, Edinburgh, Newcastle and Thanet.

In **Bradford**, an LA officer estimated that approximately 350 individuals would be affected by the changes to LHA entitlements for 25 to 34-year-old single people. This group constituted the largest category of people coming for housing advice in the past year. However, the under-35s were also a difficult group to monitor, given the high level of churn, with people dropping in and out of benefit claims. At the time of interview, a number of those whose entitlement had already changed were automatically awarded DHPs for three months to give them time to make alternative arrangements. The LA could also help those affected with the cost of moving through its Deposit Guarantee Scheme, but it refused to provide the guarantee on any property where a top-up exceeded £5 per week. The advice given to those individuals affected was to look for work, to consider sharing, to apply for temporary DHPs, or to find cheaper accommodation. However, advisers commented on the severe shortage of accommodation available at the SAR of £53 a week, as the rent for many bedsits in the district was estimated as £60 to £65 a week.

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

In **Cardiff**, as in other areas, the housing service had relatively little information about the experiences of single 25 to 34-year-olds. Advisers suggested that prospective PRS tenants in this age group were generally unaware of changes to LHA:

'A lot of clients that come to me believe that they can still have a one bed flat when they're 33 and it comes as a shock to a lot of them that having lived in a flat for years [they] are going to have to go into a room in a shared house with a load of strangers.'

Another adviser from Cardiff estimated that about 700 households in the city were affected by the SAR changes. As in other areas, there was a general view that there was insufficient shared accommodation available, despite the fact that there had been a lot of new development in the city over the past ten years.

In the high demand PRS of **Edinburgh**, advisers said they were struggling to maintain existing tenancies in the wake of the SAR changes. One local VCS provider said they were seeing five cases a week of people affected by the measures. They explored options such as: benefit and expenditure checks; negotiating with landlords; making applications for DHPs; or considering whether the tenant should return to live with their parents. However, the benefit and expenditure checks usually showed that covering shortfalls was not an option: the gap between maximum LHA entitlements and rent was too large for tenants to meet. Attempts to negotiate rent reductions with landlords were also rarely successful. In addition, returning to live with parents was not always seen as a viable option, as one adviser explained:

'It's just not an option for most people that I've interviewed, a lot of people don't have contact with their parents or don't have parents. A lot of people have left home, had their own families, a relationship breakdown and they've moved out. So to ask them to go back to their parents isn't really fair just because of a cut in benefits.'

A VCS organisation in Edinburgh commissioned to undertake homelessness prevention work estimated that 50 per cent of their client group seeking support were under 35. An officer commented:

'It's not that our service isn't set up to be able to help them, it's just that the market's not set up to be able to help them. There's not enough properties or landlords willing to help them move into the sector.'

In **Newcastle**, with a diverse PRS, the impacts of the SAR changes were just beginning to be felt at the time of interview, with the first signs of people under 35 being evicted from their homes. One adviser referred to a case where a client had had his HB reduced by £140 a month, and who had since been served with notice to quit from his landlord, having allowed arrears to build up since January. Advisers expressed concerns about the lack of supported accommodation for the 25 to 34 age group (as opposed to those who are under 25), as this age group would also be classed as 'non-priority' by the LA.

Thanet is often described as a potential destination for those tenants (and not just those receiving HB) displaced from London because of high costs. Advisers in Thanet noted the particular challenges facing those affected by the SAR who were reluctant to move into shared accommodation.

'the ones we're seeing [with] the most difficulty are with the shared rate, and it often seems to be customers who state they've got a number of vulnerability issues, so mental health is often one that's quoted. People say that because of their mental health they can't live in shared accommodation, or if they've come from backgrounds where they've suffered abuse and those sort of issues.'

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

One adviser from Thanet also suggested that those affected by changes to the SAR were increasingly choosing to wait until they were evicted, in order to avoid being deemed 'intentionally homeless' and, therefore, not entitled to the same level of support.

In terms of the impacts of the SAR measures, advisers in Bradford and Edinburgh spoke about their concerns about the position of separated parents affected by the changes. Those parents currently living in one-bed properties, it was suggested, would not be able to have their children stay overnight if forced to move into shared accommodation. As an adviser in Edinburgh commented:

'I don't know whether it's safe or appropriate to have an overnight stay with your son or daughter in a house full of random people you don't know. So that's the biggest difficulty even if they could find shared accommodation – which they can't.'

Some tenants had responded to the SAR changes by trying to pay top-ups to stay in, or secure, self-contained accommodation, but they often failed to meet shortfalls.

Some examples were given of single under-35s being forced to share with others by landlords following reduction of rates. This included people who currently had a single tenancy, but who were then told an extra person would be moving in to their home to make up the difference in rent. As a VCS representative from Bradford said about 'forcible sharing':

'I think a lot of landlords have now savvyed up to this, so now what they're trying to do is make them into houses of multiple occupation, but not properly registered, just so that they can maximise the benefit from Housing Benefit.'

This practice was apparently more common among less 'professional' landlords, and a VCS respondent said that there was a landlord culture in Bradford that was:

'very cavalier; it's my property I can do what I want as I see fit, even though there's a whole raft of legislation that says otherwise, I'm not bothered'.

Similarly, an adviser in Cardiff claimed that one impact of the affordability pressures for this group was an increase in numbers of under-35s sharing flats, including people who pretended to be in a relationship together:

'some people seem to be getting into contrived relationships to get round the legislation. I have had a couple come to me saying that they're putting in a joint claim for JSA and Housing Benefit and then one of them has indicated that they would not be sleeping in the same room ... But it seems to be that some people under the age of 35 have said to a friend "let's be a couple and get a one bed flat: at least then we've only got to share the bathroom and the kitchen between the two of us". Technically speaking that means they get £450 a month Housing Benefit instead of two rooms in a shared house which would total £480. So I would imagine the government wouldn't be unhappy that false relationships have been set up because there would be an additional saving to the tax payer.'

In Cardiff, an independent local VCS organisation, Cardiff Bond Board, provided financial assistance and advice to single people in search of PRS accommodation. The council was also working with housing associations to explore opportunities for expanding HMO provision. An initiative had been launched called House Share Wales, administered by Cadwyn Housing Association and covering five districts, including Cardiff, and set up partly in response to the SAR changes. The aim of the initiative was to encourage landlords to advertise their properties on the website and encourage tenants to sign up, in order to match requirements working across the sub-region.

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

Shared accommodation was also considered inappropriate for certain groups, as an adviser from Edinburgh pointed out:

'a lot of people we see tend to be quite vulnerable ... and they probably wouldn't cope with sharing, so that's the biggest problem; they're just not suitable but they don't fall within the legislation to be exempt.'

An adviser in Thanet working for a homeless prevention agency expressed similar concerns about unstable or even potentially dangerous sharing arrangements amongst the under-35s:

'if we're matching people just because they've highlighted they'd be willing to share, there's so many things you have to take into account: somebody could leave, you've got two separate tenancies, there's only one electric key in that house, only one communal area, who has mates in, are they compatible, does one of them have a lot of mates round and does one of them drink. But we have got a matching list and we will be trying to get people to highlight that, instead of going into an HMO or remaining homeless, they'd actually quite like a nice little two bedroomed flat – maybe with a lock on the bedroom door so it's still got that HMO feel to it of privacy, and hopefully they can communally share a lounge.'

By contrast, in Newcastle, advisers said they were not aware of any 'forcible sharing' by landlords. But the supply of shared accommodation in the city was under increasing pressure. There was some cheap rented accommodation at the lower end of the market that could potentially house people on SAR, but it was proving difficult for LA officers to engage with the landlords in this sub-market, as one pointed out:

'There's the lower end of the market, hostel-type B&B that's not supported accommodation. By tradition they've [the landlords] not engaged with the council at the very low end of the market ... you're talking right at the bottom end of the market, if people really want to access that, they've got to be in dire straits I think. I think they'd rather share with a stranger than go into that.'

In terms of supply responses to the demand from young single people moving out of one-bedroomed flats, an adviser suggested that some landlords in Bradford were interested in setting up new HMOs to respond to increased demand, but the LA was reluctant to licence them because of perceptions that some localities already had a high numbers of HMOs. Housing officers in Bradford said it was difficult to tell precisely whether the incidence of shared housing had increased, as most of these would not be licensed HMOs. Excluding student accommodation, the number of HMOs was considered relatively modest overall, but advisers said that shared tenancies among LHA tenants did seem to be on the increase, especially among economic migrants from the European Union..

In Cardiff, an adviser suggested that there was insufficient HMO accommodation with 'reputable' landlords, apart from those who prioritised student lettings:

'For landlords, it's easy looking at the two: do I offer my accommodation to students, or people on benefits? Students is money up front, it's guaranteed.'

As a result, one of the main aims of those working with PRS landlords in the student market was to try and convince them to move into letting in the LHA HMO market as well.

The limited supply of shared accommodation in Thanet had made some landlords eager to convert properties to smaller units, but they had been constrained by the use of Article 4 planning restrictions on the development of HMOs, due to concerns in the LA about

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

geographical concentrations of HMOs. Advisers had also noted increased pressure on hostel accommodation, as landlords at the lower end of the market increasingly demanded larger deposits and rent in advance, reflecting their stronger bargaining position. An adviser claimed this had led to a 'culture of complacency' amongst less scrupulous landlords, and described the position as follows:

'Sometimes there's no choice ... the only way they can usually get rent in advance is if they can get a crisis loan and ... you're only allowed three a year and you're only allowed up to £1500 limit. You have to be brutally honest, you have to give them the real options ... if someone comes to us without the fees or no way of getting the fees from family, there is absolutely no, no landlord would not take the rent in advance.'

It is possible to overstate the negative impacts of the SAR measures. The PRS service in Newcastle had contacted all those affected by the SAR rates and found that the majority of people felt they would be able to manage the change one way or another:

'We did an exercise where we contacted all the people who were affected by the single room rent and said to them 'do you need any assistance?' And two thirds of them were 'I'm fine, I'm going to be all right, there's alternative mechanisms for us to be able to be covering this'. The ones where it did affect them, it was about their lifestyle ... for instance a single father who had access to his children and had extra bedrooms for his children couldn't then afford to have that two bedroom property, things like that.'

It remains to be seen whether claimants' perceptions about 'managing' prior to the changes being implemented will be borne out in practice after a year or so of the new regime.

If these contrasting housing market contexts for the SAR measures do have a unifying theme, it is the mismatch between the demand for shared accommodation brought about in part by the LHA changes and the slow, or delayed, supply response. It remains to be seen how quickly markets will adapt to this changed profile of demand. Key factors here are the proportion of investor landlords locally, the attitude of the LA to HMO conversion, and the extent of employment opportunities in the local labour market. Another option, for 25 to 34-year-olds in particular, will be to consider moving elsewhere where housing options might be more appropriate to their circumstances and more affordable.

Throughout this section, we have commented that the effects of the LHA changes, for tenants and landlords alike, may take some time to emerge. One of the main reasons for this is the use of transitional support provided to those affected by the measures: through delaying the time when they need to move on to the new regime and then through the use of DHPs made available to LAs to dispense in order to cushion the impacts still further. The use and impact of DHPs in the areas outside London are considered next.

6.6 Mitigating impacts: DHPs and other measures

6.6.1 The use of Discretionary Housing Payments

Increased DHP funding has been provided by the Government to support the transition to the new LHA regime and to help meet the needs of households for an interim period. The funding is not prescribed. The extent of funding provided for DHPs varied across the case studies. Funding in Cardiff in 2012/13, for example, was in the region of £250k, of which about £15k was a contribution from the council's budget. Edinburgh received £200k for 2012/13, and Newcastle £198k (up from £108k the previous year) and £14k had been

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

carried over in anticipation of higher demand next year. North Lanarkshire received around £190k DHP funding for 2012/13, up from £104k in 2011/12. The number of DHP requests in this district had risen significantly over the past year (increasing by up to 40 per cent among under-35s), and 90 per cent of these applications were being granted three months transitional support

All LAs reported that applications for DHPs and awards had increased over the past year. In Denbighshire, for example, the council made 65 awards in the year to June 2012, compared to 28 awards in the preceding year. Just over a third of the awards were given to under 35-year-olds affected by the SAR changes. In Newcastle, the number of DHP applications had doubled since January 2012, and this was partly attributed to the end of transitional protections (especially for 25 to 35-year-olds). The council had also been carrying out an awareness campaign with tenants, which had caused an increase in applications. A relatively large number of requests came from those affected by the general LHA rate reduction, and were for small amounts of money. In 2011/12, Portsmouth City Council received 409 applications for DHPs (compared to 360 in 2010/11) and 235 of these applications were approved.

6.6.2 Selection criteria

The criteria for judging applications for support also varied by area, but there were many similarities in the priorities selected. In Blackburn, for example, the DHP fund had typically been used in the past to support tenants temporarily awaiting a change of circumstances, such as expectant parents whose LHA entitlement would increase on the birth of the child. More recently, DHPs have also been awarded to enable separated parents aged under 35 who are not the main carer to stay temporarily in single accommodation, to enable them to have their children for overnight visits until alternative arrangements could be made. DHPs had also been targeted, as elsewhere, at under-35s affected by changes to entitlement to the SAR. Officers in Bradford had made similar provision for this age group, but recognised this would only be a short-term expedient:

'We've invited all our under 35s when we've written to tell them it's going to drop to the shared room rate, we have invited them to apply for DHP and about a quarter have. But that can only be a very short stop gap because [the shortfall] is £25-30 a week and we've got 1,000 of them. If we paid everybody for a year it would more than blow our DHP budget out the water, so it can only be short term.'

Many councils were formalising applications and now making conditions on applications, or making additional requests for information from the applicants. In Blackburn, for example, a respondent noted that a growing number of claims had been made by tenants applying at the beginning of a tenancy to cover anticipated shortfalls. It was suggested that some tenants misunderstood the purpose of the fund and saw it as an automatic top-up to bridge gaps between HB and rent. These requests were not supported. The council had started to ask for more detailed evidence from tenants to support claims. Some degree of rationing is inevitable in all of the areas, given the recent rise on demand, and an adviser from Cardiff referred to this exercise as the '*big juggling act*' in prioritising resources.

In Denbighshire, DHPs were only awarded if tenants had tried unsuccessfully to renegotiate their rents with landlords. They were usually awarded for a maximum of 26 weeks, but some claims were being paid for longer periods, especially among under-35s, recognising that '*tenants are struggling to find work as well as affordable accommodation in the present climate*'.

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

Edinburgh actively used DHPs to support tenants in three main circumstances:

- As a bridging loan for expectant parents until children were born and LHA entitlements changed.
- To support individuals in unaffordable accommodation until they found someone to share the rent with or moved into cheaper accommodation.
- To support individuals six months or less away from turning 35 until they become eligible for the one-bedroom LHA rate.

It was also claimed that Welfare Rights Officers in the LA actively used DHPs to secure 'breathing space' for tenants with health problems, whilst pursuing longer term solutions to enable them to remain in tenancies (such as securing higher rate DLA so they would qualify for the two-bed rate).

In Exeter, the main criteria for DHP awards were: to pay for deposits; rent in advance or temporary bridging shortfalls to tide individuals over until circumstances change e.g. birth of a baby; to support a tenant no longer able to afford accommodation (e.g. following relationship breakdown) until able to find a cheaper alternative; and covering deposits, rent in advance or moving costs to prevent homelessness. DHPs in Exeter could last up to three months, but may be renewed for another three months in some circumstances. The same criteria had been adopted in Tendring as well, while in Fenland, DHPs were being used flexibly to fund deposit schemes and to bridge shortfalls.

While the average length of DHP support in most of the areas was three months, in some cases more stringent criteria were applied and then support given for a longer period. In Newcastle, for example, DHPs tended to be awarded for up to 26 weeks, and the policy was to make a maximum of three consecutive awards – up to a total of 18 months. DHP expenditure in the LA was closely monitored on a monthly basis and the payments were granted with various conditions, including proactive advice to applicants, described by one of the advisers as follows:

'The things we tell them to do is seek debt counselling, seek cheaper accommodation ... tell them their house is too big for them, can they get a housemate, why do they need to live there, that sort of thing, tell them to prioritise their spending. I do like to tell people to cancel their Sky packages, and there's a lot of non-dependents who refuse to even cover the non-dependent deduction for the Housing Benefit.'

In North Lanarkshire, by contrast, the length of time covered by DHPs had been reduced rather than extended, to reflect the fact that there was now greater demand. Prior to the LHA reforms, DHPs tended to be awarded for three to six months, or even a year in some cases. The increase in demand meant that the vast majority of DHPs were now being awarded to people for three months. DHPs in North Lanarkshire were – in the majority of cases – covering top-ups of between £4–6 per week. The process of claiming had become more complicated, with more information being required of claimants, including proof that they had tried to negotiate with their landlord, which, according to one adviser, might put people off:

'a lot of people, a lot of people will look at the application form and say "I'm not going to do that, I can't handle that" and it's quite hard for even someone like me to encourage the clients with my help.'

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

In Perth and Kinross, one VCS respondent applied for DHPs with clients on a regular basis and found that applications tended to be successful early on in the financial year, but that the money often ran out half way through the year. The DHP budget in Walsall was depleted even more quickly, within three months of the allocation being made. The DHPs are allocated to cover shortfalls and as deposits on new lets, and are allocated on a 'first come, first served' basis. An adviser claimed that more than 88 per cent of the most recent DHP applications in Walsall had been approved.

In Rhondda Cynon Taf, DHPs had been issued in the short-term (13 weeks) and claimants could receive another payment for a further 13 weeks, but this would generally be less generous than the first award:

'Everybody's situation is assessed on their own merit. They have to give us a full breakdown of what income/outgoings they've got. And also it's looked at as to whether they could afford the property when they took it on, so DHP wouldn't be offered if somebody's just signed an agreement and then realised they can't afford the rent or the LHA doesn't cover the rent. If their circumstances, like someone's come out of work and the LHA doesn't cover their rent, that would be looked at possibly more favourably than if somebody's just taken a tenancy and didn't give it any thought.'

The allocation of DHP funds on this basis was said to be relatively tight and there were concerns that some households in genuine need would lose out:

'I'd say 90% of the people applying are desperate and would tick most of the boxes, but they're going to have to turn some of these desperate people down because it's on individual merit they're assessed ... I don't think the pot is big enough, it's probably going to run out by January or something ...'

The scale of central government support to LAs through DHPs had been increased substantially for 2012/13, but the evidence from the case studies is that demand continues to rise and that councils take different approaches to reaching a balance between intensive support on a selective basis and less generous, but more open-ended, support distributed more widely – at least while funds last.

6.6.3 Criticisms of DHPs

While the use of DHPs was seen in each area as an invaluable aid in supporting the transition of tenants from the old to the new LHA regime, the process involved and the application of the funds were not exempt from criticism.

Several concerns were raised. The first referred to the temporary nature of the support provided: that it was, in the words of an adviser from Bradford, just '*really delaying the inevitable*'. An adviser from Exeter referred to a specific case where an application for longer-term use of DHPs to support a blind tenant with a guide dog to stay in a large one-bed property was refused on the grounds that DHPs could not permanently cover the shortfall. A respondent from Newcastle commented that:

'... they're just a sticking plaster. In an ideal world there shouldn't be a need for them but I don't know what would happen if they weren't there, maybe it would be a short, sharp shock and the rents would eventually drop. But there would be a lot of hardship in the meantime.'

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

In some cases the use of DHPs was held to have a negative impact on the decision-making capacity of the households involved. An adviser from Bradford, for example, contrasted the use of DHPs as bonds with their use as a top-up:

'I think they very rarely solve the problems. The bond I suppose would do, but the on-going top-up doesn't solve the problem because people don't feel inclined to move if you're paying them.'

In a similar vein, while advisers in Thanet thought that DHPs were generally a useful source of temporary financial support, one respondent felt they simply delayed decision-making by tenants who *'wait until the end and then panic'*. And an adviser from Portsmouth also commented that DHPs were simply a *'stay of execution'* for recipients and made it more likely that they would delay finding a long term solution to their housing problems.

Other concerns referred to the awards being used in a reactive and narrow rather than proactive manner. Two VCS respondents, for example, felt that assessments of DHP applications in Portsmouth were often flawed as they adopted relatively conservative estimates of what constituted a reasonable level of household expenditure, and did not take account of personal debt. Similarly, a VCS respondent from Thanet thought that DHPs were currently being awarded on the basis of priority need, but that they should be used in a more proactive way to prevent tenants from getting to this stage in the first place.

A final set of criticisms referred to the lack of accountability in the process and the fact that there was no right of appeal. An adviser in North Lanarkshire suggested that LAs were being passed the responsibility of who they should, or would, subsidise in the PRS through DHPs, as if they constituted a more formal subsidy, but without properly accountable procedures. A VCS respondent from Perth and Kinross commented that DHPs were taking a long time to process, because the council was asking for *'so much information'*, and they then requested further information once an initial form had been submitted. This protracted process could deter claimants, and in addition, the adviser claimed that there was no right of appeal, or right of review, once the decision had been made. However, Cardiff for example had already set up a DHP appeals panel, comprising senior officers from three departments who meet on a monthly basis.

LAs were given considerable latitude over how to dispense DHPs: while this can give rise to concerns about a lack of consistency, the diversity of housing market dynamics, tenants' needs and landlord behaviour suggests that introducing a more prescriptive approach would have been difficult, and possibly counter-productive. Overall, it might, therefore, be appropriate to summarise the verdict of advisers towards the system of awarding DHPs in the case study areas as invaluable, if imperfect.

6.6.4 Complementary measures

Many respondents stressed that DHPs were most effective when used as part of a package of measures to support households and sustain tenancies and assist with property search. Fenland DC, for example, uses a combination of a deposit scheme, finder's fees and the possibility of Direct Payments in exchange for reduced rents to encourage landlords to take on more LHA tenants. However, this had, according to one adviser, met with mixed success because of the scale of the difference between market rents, which were continuing to rise, and LHA rates.

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

In Newcastle, landlords were offered direct payment if they took on LHA tenants through the bond scheme, and other LAs, such as Cardiff, had developed similar initiatives. A council officer from Newcastle found that landlords had responded positively to the changes after showing initial misgivings:

'... we did workshops for all the landlords over the changes on the LHA and their initial knee jerk reaction was "we're not going to engage with the sector any more, we're going to stop advertising". What we've actually found is that landlords have had to come round to it and if they want tenants and they know they're getting somebody on direct payments who's been reference checked and all the other things that they get through our service, then they are accepting them.'

Newcastle was also one of several LAs which had appointed Tenancy Liaison Officers specifically to take those LHA tenants affected by shortfalls through every step of the process, helping them to assess their future housing options. The council had, however, recently cut one of the posts involved in tenancy relations. Walsall MBC had also placed emphasis on developing tenancy relations, as the officer involved explained:

'what I'm doing, on a monthly basis when a transitional payment comes to an end, the following month I send out individual personalised letters to each of the claimants ... they can either go to the CAB or welfare rights or myself, I can do a home visit. They'll know exactly their situation, how much their LHA has dropped. Obviously the first question is "can you afford that drop?" Some people say "yes I'll pull my horns in, I do like where I live, my neighbours are good", so I end up with "if you do have any difficulty, please don't hesitate to get back to me". Other people say "no, I just cannot afford that difference"; "will you consider moving?"; "yes, that would be one of the options'. So there I would look along the lines of putting in for supported housing to see if we can find a bond property.'

The Housing Department in Walsall has also set up a Landlords' Working Group to deal mainly with LHA related issues. They attract an average of 100 landlords to each meeting and the session on the reforms was reportedly especially popular. These, and similar initiatives elsewhere, underline the value of regular communication with both landlords and tenants as they move through the decision-making process. The main difficulty is providing the resources to employ staff for this work, as it is not a mainstream housing department function.

The next sub-section considers some of the impacts of the measures in the four London case studies, given the distinctive nature of the PRS in the city, and the larger gap between market rents and LHA rates here than elsewhere in GB.

6.7 Impacts in the London case studies

6.7.1 Impact on rents and affordability

Housing advisers in London, some of whom were actively involved in negotiations, reported that only a minority of landlords were even prepared to contemplate reducing rents in the wake of the LHA reforms. There was no evidence of overall downward pressure on rents in any of the four London case studies. On the contrary, advisers had discerned steadily increasing PRS rents, driven mainly by persistent and rising demand since the housing market collapse of 2008. But, as the comments from a Brent housing adviser below demonstrate, the picture was not consistent across the district:

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

'Rents are going up but LHA isn't going up with them; definitely parts of Willesden, Harlesden rents are going up a lot, places like Stonebridge rents are staying, in fact I think rents will go down in those areas because we're negotiating the rents down. But overall the majority of areas in Brent rents have gone up.'

The propensity for landlords to negotiate was similar to other areas. Landlords were said to be more likely to enter into negotiations where they had based their rental model on the HB market (often with poorer quality properties or stock in '*less desirable*' areas) or where they owned the property outright. However, advisers reported that rental shortfalls were often so large that it was simply not feasible to enter into negotiation. Furthermore, the abundance of alternative sub-markets in London meant that landlords were less dependent on HB tenants. But there were a few cases of quite dramatic rent reductions, as one adviser in Brent noted:

'our LHA rate for four bed used to be about 750 a week, that's dropped to 400 so we've got about 30-40 families each month that will have a shortfall of about £200-300 a week. Getting the landlord to drop from 750 to 400 has been a challenge but having said that we've actually succeeded with about 20% of landlords [who] have actually dropped to 400.'

Of the minority of landlords who had reduced or negotiated rents, most were smaller landlords mindful of re-letting costs. Buy-to-let landlords were far less likely to be in a position to negotiate and were more likely to say they '*can't afford the mortgage*' when asked about rent negotiation. These landlords were also more likely to be relatively new to the letting business and had only ever experienced LHA rates at their peak. Several advisers spoke of the frustrations of the high expectations of such landlords over maintaining their rental income. The factors that increased the likelihood of landlords entering into negotiations were similar to those noted in the other case study areas. These were: the presence of a longer term, 'good' tenant; a relatively smaller shortfall (typically '*£20 per week*' or less); and the arrangement for Direct Payment to the landlord.

Where landlords were not willing to negotiate on the rent, many tenants were reported as being determined to stay in their current property and meet the shortfall themselves – with or without DHPs – even though it might eventually result in arrears. In many cases, advisers felt staying put was not a realistic option given the size of the shortfall and was simply, in the words of one respondent, '*prolonging the inevitable*'. Similarly, the use of DHPs to meet rental shortfalls were considered positive in terms of buying time for households to make decisions about their future, but they would have to face up to reality soon enough.

6.7.2 Impact on access to housing

Given the growing reluctance of landlords to let to LHA tenants, access to PRS housing within the four London case study areas was becoming an acute problem. Furthermore, waiting lists were so long that some boroughs were considering stopping accepting people onto the list as there was '*no reasonable prospect of them getting into a council property*'. For example, in Westminster, given the predominance of studio and one-bedroom accommodation, it was reported that the average waiting time for a three-bedroom property is 15 years, rising to 20 years for a four-bedroom property. As tenants had begun to realise the size of waiting lists, they knew that they would not simply be rehoused locally by the council:

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

'People used to think that if they're made homeless they're going to go to the council and they'll give them a tenancy ... The situation now is we'll disclose our duty in the private sector but it won't be in Brent, it could be anywhere in the country so people are now starting to really get worried. There's no council stock in Brent, I think we get about 10 a month that are available. We've got 50,000 on the waiting list. Housing is a massive issue in Brent.'

The main implication of the LHA reforms for Housing Options teams (or equivalents) within the four London areas was the scarcity of affordable housing within the PRS due to the LHA caps, landlords exiting the market and increased competition from other London boroughs and beyond in terms of sourcing properties elsewhere. The nature of the housing stock in central London was also a factor, especially for larger families.

'The overwhelming majority of households who are coming to us as a result of the caps have got children and that makes them automatically vulnerable, so it is your larger households with one, two, three children and they're the ones we've got the difficulty in finding housing. The make-up of Westminster's housing stock is about 24,000 of it is social housing; but 88% of that are studios and one beds so we've hardly got any twos, threes and fours [bedrooms].'

Most respondents felt that this situation would exacerbate overcrowding within London, as families tried to remain in their local area, and, therefore, move to smaller properties where rents were within their household LHA entitlement. Although it was acknowledged that overcrowding in the London housing market was not a new phenomenon, an increase in its future scale and incidence was envisaged. The view of the Westminster adviser below reflected the opinions of many of the London advisers we interviewed:

'So at the minute they're running out of both [temporary accommodation and hostel accommodation] and anybody who may have been on the waiting list previously looking for bigger accommodation are not going to get it because they'll be in that one bedroom, and it's going to cause much more overcrowding issues in the long term I think.'

Advisers also said that evictions were becoming more common, as landlords sought to replace their existing LHA tenants with non-LHA tenants, even though not renewing tenancies was said to be the favoured approach. Many landlords had acted preemptively to ensure that tenants had vacated the property by the time that the reforms were implemented. One adviser in Hackney was surprised by the scale of this:

'Landlords [were] acting pre-emptively because I did notice a heck of an increase of Section 21s going through ... I really didn't know what a Section 21⁵⁷ was before, I was so surprised about how many were coming through because I've been doing this job for eight years and I don't think I started seeing Section 21s until the last year or so.'

In contrast to respondents outside London, all advisers stated that evictions and eviction notices were increasing, and VCS respondents were able to provide examples from their case loads. VCS respondents were also more likely to refer to cases of unlawful evictions, which typically involved landlords changing the locks on a property and emptying it of the tenants' possessions. In Barking and Dagenham, there was a perception that landlords were fairly quick to take up the eviction option, whereas in other areas landlords would seek to avoid it, due to the cost and time involved.

⁵⁷ A Section 21 is an eviction notice that can be served by a landlord of residential property for a breach of tenancy conditions, such as non-payment of rent

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

Across the four London case study areas, advisers said that they thought homelessness had increased recently. However, this perception is not necessarily always reflected in official Department for Communities and Local Government (CLG) figures on statutory homelessness and numbers of households in temporary accommodation, which show a more mixed picture. There was an increase on both counts in Westminster and Brent between 2010 and 2012. The number of statutory homeless cases fell in Barking and Dagenham, and Hackney, and the numbers in temporary accommodation increased marginally in Hackney and substantially in Barking and Dagenham (by 54 per cent between 2011 and 2012).

It is worth noting how the reasons for the increase in statutory homelessness (eligible for assistance, unintentionally homeless and within a priority need group households and consequently accepted by LAs as owed a main homelessness duty) have changed in England as a whole since the end of 2009. In the third quarter of 2012 there were 13,890 statutory homelessness in England, an increase of 22 per cent over first quarter of 2011. The reasons for loss of the 'last settled home' had previously been very stable over time, but the group which showed a notable difference since the first quarter of 2011 were those whose reason for losing their last home was the end of an assured shorthold tenancy. This group increased by 66 per cent over the period. In the first quarter of 2011 they accounted for 15 per cent of all cases and by the third quarter of 2012 this had increased to account for 21 per cent of all cases.

Advisers also expected that homelessness would increase further as councils exhausted all temporary homelessness prevention measures, which involve maintaining people in tenancies and preventing arrears (such as using DHP to protect a deposit in the hope that tenants would sort out alternative accommodation). For example, at the time of interview (July 2012), of the 750 cases that Westminster's Housing Options Team were dealing with, 50 had progressed to homeless applications. In Barking and Dagenham homelessness was also considered an outcome of displacement processes, as other London boroughs looked to cheaper accommodation in East London to discharge their homeless duty (see below). A number of advisers perceived that there had been an increase in rough sleeping and 'sofa surfing'.

A knock-on effect of the increase in homelessness and the shrinking of the PRS available to LHA tenants was the need to house people in temporary accommodation. An adviser in Westminster articulated this problem:

'A big, big problem has been the effect of the caps on our ability to source independent housing for those households who are homeless and the impact that has had on bed and breakfast ... it's been far harder than we expected and that I think is a result of the impact that's being felt across London.'

A major concern and source of frustration for council officers at the time of interview (May to July 2012) was the lack of clarity over the temporary accommodation budget from April 2013. For instance, if the budget is reduced, Westminster City Council may have to rehouse households currently in existing temporary accommodation somewhere more affordable, as households in temporary accommodation will be subject to the same £26,000 benefit cap as all other households. Added to the ongoing pressures from those affected by the caps, there was great concern that this would make the situation very difficult indeed, as one Westminster adviser noted:

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

'We don't know what's happening with TA subsidy after April 2013. And because at the moment we've been told [the] overall benefit cap is going to affect people in temporary accommodation as well, we can't give any guarantees to our landlords about long term agreement, about what rent they'll be able to get after April 13, about fixing our budget around it. It's all massively affected our supply and what we can get. We don't have anything to offer landlords at the moment because all we can say to them is "we can pay you this up to April 2013".'

Despite this gloomy outlook on the impacts so far, there was a consensus among advisers in the four London areas that the major impacts in terms of evictions and homelessness would not be felt until 2013. All four areas reported a noticeable 'spike' in LHA claim anniversaries in November and December 2012, which points to tenants breaking claims in March 2011 to capture the full 21-month transitional protection period. This is also borne out by the econometric analysis of trends in rents and shortfalls in [Section 3](#). For instance, in Westminster more tenants had approached the Housing Options team under the threat of eviction than actual eviction. Advisers anticipated, however, that these effects would be felt further down the line, especially when the overall benefits cap is introduced. This is also consistent with the findings from interviews with landlords in [Section 5](#) of these interim research outputs.

6.7.3 Impact on household mobility/displacement

The attachment to place and the desire to remain in the area was consistent across the four London case study areas. Asked about the general issues that tenants were bringing to advisers, one Westminster interviewee responded:

'Absolute complete horror and disbelief in the fact that they might have to leave their local area. Ordinarily, if something had happened, like your landlord evicted you three years ago, you'd just move a few streets down, you could stay in your local area. But because there's no private rented accommodation and because temporary accommodation really isn't available, the choice is you can take your four kids and move into a bed and breakfast in Westminster or you can go out of borough and have a self-contained private flat – but it'll be in east London.'

Advisers sometimes struggled to understand claimants' strong desire to remain in the area in the face of such difficult accommodation circumstances. The costs that households were willing to pay in order to remain in the area included sub-standard accommodation and overcrowding. Advisers consistently reported that housing standards had deteriorated and linked this to the LHA reforms, with 'very poor property conditions at the lower rent end'. The limited options available to tenants were also making them susceptible to exploitation by unscrupulous landlords. As one Hackney adviser summarised:

'People are willing to accept properties that are sub-standard because they've got really limited options, people basically exploit the fact that you are desperate.'

At the time of interviews advisers thought that residential mobility in the PRS had increased since the LHA reforms were introduced, but this was not based on solid statistical evidence and attribution for such a trend is inevitably problematic. However, the degree of displacement was less than advisers had originally envisaged. The one exception was the under 35 group affected by the changes to the SAR in Westminster, where mobility was more apparent. Larger families, said to be strongly affected by the changes, found it more difficult to move elsewhere. Although larger families were more likely to be maintained in their current accommodation through DHPs, many were still facing eviction.

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

Most advisers reported that households were not generally moving out of the local area of their own accord. Movements were more likely to be landlord-induced, through eviction or Section 21 notices. In Hackney, for instance, transitional protection, DHPs and the reduction in LHA rates had severely constrained mobility within the borough, particularly for larger properties. Similarly, in the other case study areas advisers reported that people were desperate to stay *within* their local area, and were '*hanging on*' and getting into arrears as they tried to meet rental shortfalls which could well be unsustainable in the medium term.

This attachment to place was especially strong for some members of BME communities, where social networks are often tightly clustered, and for families where children were attending local schools. A Westminster adviser said:

'This is the reason why I know they're not going to go ... a lot of people who I work with, because they don't use the tube, have no understanding of London's geography ... their lives are very small, they live between their home, the mosque, the school, the community centre, the supermarket, literally that is it ... they live in very, very small pockets and have these very closely knit communities. Women on the estate will come and look after their kids and you have that support network.'

Brent, for example, has a sizeable Somali population, reflecting historical settlement patterns, and advisers noted a strong desire in this community to remain within the borough due to the familiar networks of support and language issues. Advisers also noted that some BME communities tend to have relatively large families, and Brent has a much higher proportion of larger families – particularly Somali households, but also Afghani, Eastern European and Arabic communities. As one VCS Adviser noted: '*there's not five or six bedroom houses and typically our clients have between five and 10 children, it's not unusual at all*'. This concentration of large families within Brent was of major concern given the lack of supply and the size of rental shortfalls for the four-bedroom rate.

'Yeah what you find generally is people from the Somali community have the bigger families and they're the ones that are affected by the larger amounts. So, you have cases where for example they're renting a five bedroomed house for £700 a week and that's dropping down to £400 a week so it's mainly those families. But it's a mixture ... mainly Somalis but you've also got Ghanese, Middle Eastern, a few Portuguese as well.'

Places of worship were also cited as an important consideration. For example, for Hackney's Charedi Jewish Community, it was considered very difficult to relocate to seek cheaper accommodation, as this would involve a separation from their religious and cultural networks.

Some advisers expressed surprise about the perceived impact of the LHA reforms on mobility. In theory, given the relatively lower rents, Barking and Dagenham should be the best placed of the four London case studies in terms of rehousing tenants affected by the LHA changes in cheaper accommodation. Indeed, until now, the housing service had never had to source emergency accommodation elsewhere, while there is an established pattern of receiving placements from more central boroughs such as Hackney and Westminster. However, inter-borough migration from more expensive to cheaper areas, and the increase in other London boroughs looking for property to lease in Barking and Dagenham to meet their homelessness duty, has had a dramatic impact on the LA's ability to source accommodation within its boundaries. London boroughs with greater financial resources have also used DHPs to offer tenants lump sum payments for deposits and rental payments in advance to help them secure accommodation. These displaced claimants, therefore, bring with them a significant incentive for landlords to let to them rather than indigenous residents from Barking and Dagenham, as this adviser noted:

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

'We've seen a gradual slow up of properties and most dramatically in the last year, and we've had a recent call in of all the agents and they've had financial incentives from other boroughs to supply PSLs. Whereas there was a more dim view of crossing borough boundaries in temporary accommodation, I think it's readily accepted now that certain boroughs just can't secure property in their own area ... The outcome has been that we've seen a dramatic increase in our use of B&Bs and, although we're by no means the highest in London, the increase is disastrous because two years ago we had virtually none. Last year we had about 70 and we've got about 150 at the moment.'

In this sense, DHPs were having the effect of distorting local PRS markets, partly driven by increased intra-borough competition in order to discharge homeless duties. One adviser in Westminster, for instance, noted that the council was able to offer tenants £1,000 per eligible bedroom (so a household with a need for a four bedroom property would receive £4,000) to relocate outside the borough and commented:

'It's not the Westminster tenants that are going to get forced out, it's "what do Barking or Croydon do with their own folk?" ... people don't go from Westminster to Hastings, they go from Westminster to Croydon to Hastings ... people tend to jump and then jump again. So you won't see people from Westminster ending up in Hastings, you'll see people from Westminster ending up in Barking.'

Whereas some London landlords envisaged that tenants would migrate from central to outer London, many advisers reported that this pattern did not seem to be viable, or at least was becoming more difficult to achieve. Outer London boroughs were increasingly faced with the same issues and competing to source the same PRS accommodation. A Hackney adviser noted:

'Rationally, a lot of these clients can move further out of London, but actually I thought the rents would reduce quite substantially the further you moved out, [but] it's not actually the case. You can move all the way to Essex and still be paying similar rents so that's not a massive incentive ... we can be pragmatic about it, trying to get them to be pragmatic about it, but the kids are all in schools locally.'

Most respondents felt it was inevitable that tenants would be displaced further afield as time goes on. Some also suggested that the longer tenants were supported in unsustainable tenancies, the greater the difficulty they would have in finding any remotely affordable accommodation within London, as this will have already been acquired. The pressures on temporary accommodation were becoming a major issue across London. Advisers also reported that uncertainty over the temporary accommodation budget was detrimental to the ability of LAs to plan and budget effectively for the future. In Brent, for instance, fears over temporary accommodation costs for the LA influenced the decision to target DHPs at families, and particularly those facing large shortfalls: failure to accommodate such families would carry large temporary accommodation costs, and this accommodation would, therefore, *'start being outside London.'*

6.7.4 Impact of SAR changes

Advisers reported that the key groups affected most were single people under 35 and larger families with a greater bedroom need. However, with DHPs more commonly targeted at families, single people under 35 were less able to access support that would enable them to remain in their current accommodation. The lack of supply and high cost of HMO accommodation was a major issue in London, as one Barking and Dagenham adviser pointed out:

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

'What this authority hasn't got, and I'm sure many others haven't, is the capacity. So when you move someone from a property or say "sorry here's your LHA cap, we understand your one bed flat costs you £120 a week but we can only pay you £79" or whatever it is you can't offer them an option, particularly if there's not lots of rooms available ... so it's just capacity. So the advice you can give to people is 'go and hunt out a place, if you can find one great; if you can't you might have to look further afield.'

In Hackney, for instance, advisers had anticipated that there would be an increase in HMO supply as landlords responded to the LHA changes and altered their letting strategies, but they said that this had not yet happened to the extent required. In contrast, in Brent, advisers reported that there was some early evidence of landlords converting larger properties into single units and there had been an increase in enquiries from the planning department about this. It was anticipated that this trend would continue, thereby increasing the supply of accommodation for single people under 35, but making access to larger PRS properties more challenging. This situation led one adviser in Brent to reflect on how landlord decisions and actions were a key driver of the LHA market and how councils, especially in central London, were increasingly dependent on private landlords to meet housing need:

'... in some ways they do drive the market, that's why we've made conscious efforts to form good links with landlords, because we rely on them now, we have to have private landlords in Brent otherwise we're going to have massive expense in temporary accommodation.'

Advisers reported that, given the scale of the shortfalls in some areas, moving elsewhere was the only viable option, even though they struggled to identify areas of London where they could move. The following quote from a Hackney adviser was typical of such responses:

'The young single people under 35 I think they have no option but to move; the claimant we saw the other day, he had a £149 shortfall fortnightly ... these people have no option but to move, and I don't know where they're going to move to.'

Advisers noted that some single people under 35 were often 'desperate' to remain in their current location, which caused them to move into properties where they knew there was a shortfall, but then attempt to make ends meet. In most cases this was considered unsustainable, especially where the claimant was in receipt of out-of-work benefits, so that the chances of meeting shortfalls would be remote in the extreme:

'Clients tend to want to take on £20-25 shortfall. If you're on £58 a week JSA it's not feasible so we won't support that because it's setting up people to fail.'

(Hackney adviser)

'These are often single men primarily who are claiming either ESA or still on incapacity who have no way of meeting the shortfall. And that's a smaller group of people, but nonetheless quite an important group, that you're uprooting to try and find a room somewhere which doesn't always exist in the Borough.'

(Barking and Dagenham adviser)

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

In contrast to the other three London areas, issues related to the SAR and the under-35 age group had not been as pronounced for advisers in Westminster. This was partly because the priority of the Housing Options team was on families, but also because many such claimants will probably have moved elsewhere, and so have not come to the attention of advisers. As one adviser noted:

'we haven't seen large amounts of that type of claim ... it's almost as if the people we wouldn't be minded to help have figured that out for themselves.'

The spatial analysis in [Section 2](#) showed that there has been a reduction in the single under 35 group in Westminster in terms of both existing claimants and new claims. This suggests that a sizeable proportion of this, often more mobile, group has left the LA area. Overall, the interviews with advisers in London indicated that only a minority of landlords were willing to negotiate rents, and that councils were finding it increasingly difficult to source affordable accommodation in the PRS, reflecting both a recent increase in overall demand and increased competition from other London boroughs discharging their homelessness obligations. Advisers thought that eviction notices had increased and would continue to do so, and that councils were running out of temporary homelessness prevention measures. Advisers noted that many families were desperate to stay in their local area if at all possible, but that attempts to meet rent payments might not be sustainable. There was a general consensus that the overall effects of the LHA changes in London would not become fully evident until 2013.

6.7.5 Mitigating impacts

It was apparent that London boroughs had adopted a very proactive approach towards mitigating the impact of the LHA changes and raising awareness among tenants. Yet there was a strong perception among advisers that many tenants still had a very limited knowledge of the policy changes and how they would affect them. Advisers thought that many tenants would only engage at the point of crisis, which was often still some way off.

Attitudes towards DHPs varied between the LAs. While DHPs were generally considered as a positive policy instrument for mitigating the negative impacts on households, this general verdict was always qualified with specific caveats. In Hackney, for example, advisers reported that tenants often see DHPs as *'an extra bit of HB'* rather than a temporary measure to enable them to change their housing circumstances. Few Hackney claimants in receipt of DHPs had, therefore, sought to move elsewhere. However, advisers expressed little surprise at this, given the lack of options available to many households and the strong desire to remain in the local area.

Given the excess demand for DHPs over and above the allocation for Brent, LA officers were very reluctant to assist tenants in the short term to meet shortfalls between their LHA entitlement and the rent, as this was perceived to be *'sustaining an unsustainable tenancy'* and not a good use of limited resources. The preference was to try and find a sustainable tenancy at LHA rates or to use DHPs for rental deposits, payment in advance or moving costs, as one Brent adviser explained.

'We can top up the shortfall for a few months but we've probably got about £20 million less benefit paid due to the caps. We were given £X million [in DHPs] so it's not enough to help everybody so we have to be quite selective with a) who we help and b) how long we help them for.'

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

Families were, therefore, given priority for DHPs in Brent, as in the other London case studies. DHPs were generally not awarded to under-35s affected by the SAR changes unless they had disabilities or were deemed 'vulnerable'. This decision was based on the rationale that single people under 35 were better placed to search for alternative properties themselves. As one adviser put it, they are:

'more able to move around, they don't have the family ties, the schooling ties, that sort of thing, so that's the decision we've taken: that people with families it's much harder for them to move, so we'll help them more but single people we'll leave to their own devices really.'

One adviser was critical of the award of shorter term (typically three month) DHPs and viewed this as a waste of money compared to a 12-month DHP where the outcomes could include a secured tenancy for another year, prevention of homelessness and a more affordable rent where this had been reduced. Of course, this requires a much more selective approach on who should benefit from such support. In fact, DHPs were being used on a long-term basis in some cases. For example, in Westminster if negotiations with landlords had produced a sizeable reduction in rent, DHPs were used to maintain the claimant in that tenancy for a further 52 weeks through meeting any shortfall. It was then hoped that the rent could be re-negotiated downwards at the end of that period. It was also noted that as affordable PRS accommodation becomes increasingly difficult to source, DHPs were the only other tool available to LAs trying to maintain some supply options and keep tenants within the local area.

Advisers were encouraged to look ahead and speculate about future impacts of the LHA measures and wider welfare reform policies on the basis of their experience so far 'on the front line', both in London and elsewhere, about how the effects of the LHA measures are likely to unwind in the coming months, as well as the anticipated impacts of other welfare reform measures. Their responses are summarised in the next sub-section.

6.8 Looking ahead

6.8.1 Future impacts of the LHA measures

There was a general view across the case studies outside London that the full impact of LHA had not yet been felt, because many tenants were still in the transitional protection period. As an adviser from Bradford put it:

'families will manage as long as they can and they only tend to come and see us when they're almost at breaking point or they're being chased by debt collectors or the landlord.'

A respondent from Denbighshire pointed out that the impact of updating LHA rates annually at the 30th percentile of market rents, or the Consumer Price Index (CPI) if lower, would only become evident in April 2013. (The interview was carried out before the latest amendments to uprate the benefit by one per cent from 2014). Advisers also considered that it would take time for:

- the impact of the increase in non-dependent deductions to become evident, as parents would take time to reach the financial crisis point at which they will ask adult children to leave;
- tenants to respond to, and seek advice about, arrears generated by increased shortfalls;

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

- landlords to respond to mounting arrears by taking court action to commence eviction proceedings.

The overall consensus was that it would not be until spring 2013 at the earliest before an informed judgement about impact could be made.

However, many advisers thought that the '*ticking time bomb*', as one put it, was about to go off, once protection periods came to an end, particularly where this was followed by the withdrawal of DHPs.

While there is relatively little evidence of displacement as yet in most of the case study areas outside London, several advisers thought this would become more prevalent – for example, from the city centres of Portsmouth and Exeter to more affordable areas on the fringes, with increased mobility of LHA claimants to the unregulated poor quality PRS neighbourhoods in Bradford, and in-migration to parts of Tendring and Thanet, as the demand from central London ripples out.

An adviser in Portsmouth expressed concerns (echoed by advisers in Bradford and Thanet) about an increase in overcrowding, as families would be forced to live in smaller accommodation because of budget pressures. Another predicted that there would be an increase in benefit fraud. Several respondents expressed concerns about growing pressures on hostel accommodation, as the SAR changes coincided with LAs relying increasingly on the PRS to discharge their homeless responsibilities, forcing, in the words of an adviser from Walsall '*the most vulnerable claimants into the very worst areas and properties.*'

Advisers in the London case studies also felt that measures such as transitional protection, DHPs and households struggling to meet shortfalls would create time lags in terms of witnessing the full impact of reforms. It would, therefore, be well into 2013 before a more comprehensive assessment of the impacts in their area could be made. Given the lack of PRS supply and the increasing number of landlords exiting the HB market, there was a widespread consensus among advisers that evictions and homelessness would increase and that a significant number of households would have to relocate to more affordable areas.

Advisers thought it was inevitable that this process of displacement from the capital would accelerate and that they were currently engaging with the first wave of tenants affected. As one Westminster respondent put it:

'These 750 [tenant cases] are quite proactive, they've come to us beforehand but I am aware that there are people out there who are doing the head in the sand thing. They'll only come to us when it's got to a certain stage.'

The majority of advisers painted a decidedly gloomy picture of the next two years, as illustrated by the comments of an adviser in Barking and Dagenham:

'As the protection comes to an end, more and more people start to present with these problems. I think we're braced for the fact that things are going to get considerably worse in all aspects actually ... we know that the council have less resource for advising people, the voluntary sector has been hit with cuts. I think it is going to be a growing problem and I don't know how we deal with it, to be honest ...'

Advisers indicated a mixture of reasons for the future uncertainty facing LHA tenants. Alongside policy changes were external factors beyond the control of local actors (such as interest rates, and the implications of any potential future increase for those with buy-to-let mortgages; or the beginnings of sustained growth in some regions, which could filter through

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

to the property market and cause smaller landlords to attempt to sell up and exit the sector). The relatively volatile nature of the PRS made it especially difficult to predict the housing market consequences of a period of continuing economic and policy turbulence.

6.8.2 Anticipated impacts of other welfare reform measures

Advisers in several locations outside London, especially the lower value rental markets such as Blackburn, Rhondda Cynon Taf, North Lanarkshire, Tendring and Bradford, felt there would be growing pressures on all advice services as other reforms such as Universal Credit, Council Tax Benefit, eligibility for Tax Credits, IB/ESA, the shift from DLAs to PIPs and the implementation of the under-occupancy rules in social housing came into effect. Universal Credit was frequently mentioned as the reform most likely to generate enquiries, as tenants attempted to understand the changes or manage a lump sum payment for all benefits, especially if they had previously relied on direct payment of their rent to the landlord. There was a particular concern (expressed by officers in Blackburn and Newcastle) that systems, processes and rules for administering Universal Credit had yet to be confirmed.

A VCS officer from Exeter expressed concerns about the loss of local knowledge and contacts if the administration of HB calculations were taken on by the department for Work and Pensions (DWP) as part of Universal Credit. Another respondent, from Tendring, thought that the removal of HB as a discrete form of support could affect the landlord-tenant relationship adversely:

'if it's all mushed in with all their other benefits ... and though you might say "that's your Housing Benefit, that bit is your child benefit ... if it's all going in at one point". I think some of them will struggle and you're going to lose that landlord direct element.'

In terms of the spending priorities for households receiving Universal Credit, a VCS representative from Portsmouth noted that:

'more families are reporting buying food on credit cards and there is increased demand for food banks. This will raise major dilemmas when tenants are receiving DPs and more so when UC comes in, as tenants may well prioritise food and general living costs over rent and bills.'

The potential interaction of all these changes on the budgeting priorities of LHA households was of particular concern. One VCS adviser from Portsmouth, for example, listed a raft of welfare reform measures and added:

'you can see that LHA is just another chip chipping away at income for the most vulnerable groups in our society. It's impossible to disentangle which of all these things is having the most impact. It's really the cumulative impact of them all that we have to be concerned about.'

Connections were made by advisers between changes to those receiving disability benefits as well as HB. Advisers in Tendring, North Lanarkshire and Bradford, for example, pointed to the role of DLA in helping some families they were working with to meet the shortfalls in their rent. The introduction of PIP to replace DLA, he suggested, could threaten this practice. An example was given of a claimant who moved to a three-bedroom house, which they felt they needed – one room for themselves, one for an overnight carer, and one to store medical equipment – but only received the two-bedroom rate:

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

'She's accepting that she's going to receive the two bedroom rate now and she can restructure her finances and she doesn't need to claim DHP, she's got disability benefits and for now she will use that to supplement her rent ... there would always be a shortfall but she could be impacted not by the LHA but by PIP later on. Because she's put all her cards, all her housing cards so to speak, in the DLA pile, if they get reduced ... A lot of people use their DLA and incapacity benefits and all this kind of stuff to supplement their LHA so they can live in nicer private sector accommodation. One of the reasons they have to do that is because the council cannot provide enough disability-suitable accommodation.'

The forthcoming overall cap on benefits was also causing concern for advisers, and not just in the London case studies. An adviser from Cardiff, for example, said:

'There are big worries with the cap, the hostel organisations who provide a lot of support. I think we worked out based on the figures that we have that some of the hostels that operate in Cardiff will receive no benefit at all where they're housing large families. I think that's particularly prominent in certain areas of Cardiff where we've got certain ethnic minority groups who traditionally have large families and that will create a huge problem and they've already been impacted by LHA rates being restricted and by [the] bedroom rate or whatever.'

An adviser from North Lanarkshire also drew attention to the impact of the cap on larger families:

'the ones that are going to be affected by the benefit cap are the ones with the bigger families and by definition the bigger rents. We trawled through that and some of them were huge sums, £50, 60, 70 a week. And the intention is to help them with DHP, but where do you draw the line?'

Advisers in all the London case study areas expressed even stronger concern about the impacts of wider welfare reforms and, specifically, the cumulative impact of the range of welfare changes to be introduced throughout 2013. The most cited changes were the overall household benefit cap, Universal Credit, changes to DLA and the localisation of Council Tax Benefit. The overall benefit cap was a major concern to all four London authorities, but particularly Brent and Westminster, given the larger number of large families within those boroughs. Table 6.1 shows the estimated number of households impacted by the overall benefit cap across the four London case study areas, with an estimated three times as many households affected in Brent than in Barking and Dagenham.

Table 6.1 Estimated number of households affected by the overall benefit cap

Local Authority	Households
Barking and Dagenham	1,220
Brent	3,660
Hackney	1,630
Westminster	3,380

Source: DWP Information Governance and Security Directorate 100 per cent DWP data, 100 per cent HMRC data.

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

Asked about the biggest issue facing the housing service and its clients in Brent over the next six to nine months, one respondent replied:

'I think the local housing [LHA] caps have been a challenge but it's something we're able to deal with and, had the overall income cap not come in, I think we would have got to a situation where things start to balance out, rents start to balance out. But the overall income cap has just completely thrown that out so I think it's going to be a huge challenge for us to manage the income caps in Brent.'

With other measures also being introduced, there was a concern that the cumulative effects of the welfare reforms would fall largely on the same people, with some households taking a financial hit as a result of two or three separate changes. These multiple changes were also set to have a disproportionate effect on larger families, including many BME households, where the claimant was on out-of-work benefits as well as receiving HB. These changes were said to be little understood and, with so many reforms being implemented at the same time, it was a confusing landscape for many claimants, especially non-English speakers or those with English as a second language. Advisers anticipated that the overall benefit cap would lead to further out-migration from London and would accentuate the impacts of the LHA reforms within the capital.

'In Brent the rent for a one bed property is £250, they're just not going to be able to afford to live in Brent. They're going to have to move to places like Stoke on Trent, West Midlands, Leicester, Hull, Margate; places where the LHA is about 150 for a four bed property ... in my opinion, I think Brent will become a borough where there'll be almost ... well very few, benefit claimants.'

Of course, one of the main aims of welfare reform is to encourage working-age adults to (re)enter the labour market and to strengthen the incentive to work. Another was to encourage PRS tenants to 'shop around' to find accommodation to match their budget. These were both identified by an adviser in Rhondda Cynon Taf:

'I do see some positives where people who wouldn't have worked are thinking 'I am better off working now if they're going to cut my benefit'. But other than that there's people in the valleys, there's going to be increased homelessness but there's nowhere for them to go ... [and] people are not willing to move to a flat in Cardiff even if they would get £100 a week and have their rent paid in full. They just wouldn't be willing to do it up here.'

Overall, the concerns of many respondents were summed up by an LA adviser from Walsall as follows:

'There will simply not be the slack in their budget to cover all these shortfalls, no matter how minor each one appears.'

An assessment that characterised many of the comments about the future was made by an LA adviser from Thanet, who referred to the impact of different welfare measures as a 'perfect storm' for some households in the area.

'Yeah it's like a perfect storm brewing for LHA customers ... if they're single under 35 LHA customers they've already been hit by the shared accommodation rate, they're going to be hit by the freezing [of] LHA anyway and they're going to be asked to pay something towards their council tax bill ... you're looking at paying 200 quid a year that you weren't paying before.'

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

Of course, some of the caveats made in the Introduction of this report should be repeated here. When the LHA measures were first announced some of the predictions made about their impact (for example, on displacement) subsequently proved to be rather more pessimistic and melodramatic than has transpired so far. Advisers will inevitably spend their time with more vulnerable households than with a more representative cross-section of LHA claimants. And their predictions about the future are based on speculations, assumptions and perceptions rather than any robust statistical projections based on recent trends. Nevertheless, the views of the advisers recounted here give a flavour, across a range of quite different housing markets in Great Britain, of the key issues being experienced at the 'sharp end' of service provision and there was substantial agreement among this disparate group of respondents about likely future impacts.

6.9 Conclusion

When interviewed between May and July 2012, many housing advisers mentioned that it was very difficult to disentangle the effects of the LHA measures from the impact of other policy measures, in welfare reform and beyond, as well as wider housing market dynamics, and wider economic trends. There was also a general consensus that the full effects of the reforms would not begin to be experienced until spring 2013, once transitional protection period had come to an end for all LHA claimants. Advisers from all case study areas noted that demand in the PRS had increased in recent years, albeit for a different mix of reasons in each area: increased student demand, an influx of migrant workers, those who had been displaced from home ownership for personal or employment reasons, or those displaced from more expensive markets within or outside the district.

Inevitably, affordability concerns dominated in the London PRS markets – not just in the expensive inner London boroughs, but also in traditionally more affordable markets such as Barking and Dagenham, where indigenous residents were often having to compete with inner London boroughs seeking to lease PRS properties to discharge their homeless responsibilities. In lower value PRS markets, advisers expressed concern about poor management standards in some LHA dominated markets, and the deteriorating quality of the properties on offer.

Advisers noted that claimants were responding to meeting shortfalls between their LHA entitlement and the contractual rent in various ways: borrowing money, economising on other items of expenditure, trying to negotiate with landlords or searching for cheaper accommodation. Although advisers thought that rent arrears were increasing, especially in London, the LHA measures were seen as a contributory (but not necessarily the primary) factor along with myriad other pressures on household budgets. Advisers thought that only a minority of landlords were reducing their rents prior to letting the tenancy as a result of negotiations with the tenant. This was more possible where the reduction was small, where it enabled landlords to retain a 'good' tenant and where there were few alternative (non-LHA) sources of demand,

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

Advisers felt that the incentive to landlords of receiving the HB direct in exchange for reducing the rent had had a negligible impact – whether because landlords thought they could receive direct payments from the LA without much difficulty in any case, or because they would let to a non-LHA tenant to ‘avoid hassle’. It is possible that the view of advisers is influenced by the higher than average proportion of vulnerable tenants (where Direct Payments to landlords can be then made) they are working with.

Advisers noted that recent increases in homelessness had placed strain on temporary accommodation, especially in London, but felt that LHA measures were only a secondary factor here. There had been relatively few evictions of tenants due to non-payment of rent, as landlords preferred to accept informally payment at less than the contracted rate, or would wait and then not renew the tenancy, if letting to non-LHA households next time was a feasible proposition.

Advisers thought there had been relatively little mobility of tenants out of the district due to the LHA measures, but there was anecdotal evidence of some sifting within neighbourhoods in more mixed PRS areas, with higher concentrations of LHA households in particular neighbourhoods.

Of all the measures, the changes to the SAR age threshold were thought by advisers to have had the most impact, and many of the respondents thought that the problems facing this particular group would become more prominent when they moved out of the transitional protection period. Advisers were especially concerned about the problems facing separated parents currently living in a one-bedroomed property. In a wide range of local housing markets, advisers observed a growing mismatch between the demand for shared accommodation and the slow, or delayed, response. Advisers in several areas noted increased pressure on hostel accommodation in the past year, and felt this was likely to increase further in the future.

The vast majority of advisers welcomed the value of DHPs to help with the transition to the new regime. While there were some concerns expressed about the different approaches taken by LAs in prioritising expenditure, the other side of this coin was a degree of local flexibility that was generally welcomed, given the diversity of tenant needs, landlord behaviour and housing market dynamics. Advisers were as one in expressing concern about the consequences for some vulnerable or extremely hard pressed households, once the temporary payments were terminated.

Advisers in London noted that both tenants and landlords were aware of the changes to LHA, and despite the intense affordability pressures, they noted just how determined many tenants were to stay in their current property (and locality), especially if they had children in local schools. There was also a strong sense among London households that more affordable housing options were not available in neighbouring districts in any case: it might require a move out of London altogether to secure a much cheaper rent. The advisers in London felt that SAR changes had caused many of those under 35-years-old to change their housing situation, whether through ‘forcible’ or voluntary sharing, through moving back to parents, or moving further afield. While London Boroughs adopted a very proactive approach to the use of DHPs, there were widespread concerns that this was sustaining what might ultimately prove to be an unsustainable tenancy, and merely delaying a decision to move to cheaper accommodation elsewhere later on.