

The path to success?

Shelter's research on Housing
Benefit reform: the final report

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Contents

Foreword	4
Summary	5
Introduction	7
- Policy context	7
- Background to the Pathfinders	7
- Shelter's methodology	8
- Other research sources	8
Part one: Not spoilt for choice	9
- Affordability	10
- Rent inflation	14
- Refusal to rent to HB claimants	15
- Young single people	18
Part two: The impact on homelessness	22
- Shelter's clients in the HB Pathfinders	22
- Evidence and other research	23
- The view from the ground	24
Conclusion and recommendations	25
Appendix 1	26

Foreword

Shelter's final report on Housing Benefit reform arrives at a critical time. The two-year pilot period has finished in nine Pathfinder areas. The Welfare Reform Bill, which heralds national adoption of the reforms, is beginning its passage through Parliament.

These developments are not before time. About four million households receive Housing Benefit to help them pay their housing costs. Of these, approximately 800,000 live in private rented housing, which is the sector covered by the reforms. The current system fails many of these claimants. A significant proportion of Shelter's casework involves us helping people who are struggling to keep or find a home because of delays in processing benefit and the reluctance of many landlords to let to claimants.

Shelter was keen to know whether the reforms would get to grips with these difficult issues. Unfortunately, our research shows that it remains hard to find properties that are advertised at rents affordable for households claiming Housing Benefit – and harder still to find landlords who do not exclude claimants. On average, less than 10 per cent of properties were available to claimants in our study. This forces many households to accept

poor, overcrowded and unsettled living conditions just to avoid homelessness.

The Government described the reforms as radical¹ when they were introduced. In fact, they have had surprisingly little impact. Housing problems and homelessness have not significantly worsened. However, there has been no improvement in the amount of choice claimants are able to exercise. Private rented homes are actually becoming more difficult for claimants to afford or gain access to in areas where the reforms have been implemented. It is also of great concern to Shelter that changes to the reforms, as proposed in the Welfare Reform Bill, have not been assessed in any published research.²

We urge the Government to fully consider the recommendations of this report, those contained in our policy briefing on Housing Benefit,³ and the research evidence from the DWP-commissioned evaluations before introducing the reforms across the country. Otherwise, its new system of Housing Benefit provision may be a reform that does little to improve the experience of claimants trying to secure a private rented home.



Adam Sampson
Director, Shelter

1 *Building choice and responsibility: a radical agenda for Housing Benefit*, DWP, 2002

2 See Shelter's response to the bill by Martin D, <http://england.shelter.org.uk/policy/policy-825.cfm/ct/1/sb/19/pg/1/plitem/212>

3 Neuburger J and Long G, *Policy Briefing: Housing Benefit*, Shelter, 2004

Summary

Reform to the Housing Benefit (HB) system, featuring a flat-rate Local Housing Allowance (LHA)⁴ and direct payment of benefit to tenants, is now at the end of a two-year trial in nine areas, also known as Pathfinders. Shelter monitored these reforms over the two-year period in both Pathfinder and control areas, building a large database of private rented property advertisements, conducting telephone research among landlords, and gathering feedback from advice workers on the ground.

The reforms are still in place in the nine original Pathfinder areas, and they have been extended to nine further areas. Shelter's research revealed:

HB claimants have little real choice

Overall, as little as one-tenth of the mainstream market was affordable to, and would accept, tenants on HB who were trying to find homes in the private rented sector.

Affordability is decreasing

On average, only about one-third of properties were advertised at rents affordable within the maximum amounts of HB paid, and the proportion of these affordable properties has decreased over the past two years.

Rents have increased at a slightly higher rate in the Pathfinder areas than in control areas, but increases to the LHA have not, on average, kept pace with rent increases.

There were significant variations in the proportions of properties affordable within HB rates between the four Pathfinder areas in Shelter's study, with claimants in Conwy, north Wales appearing to face particular difficulties. Larger families in receipt of HB were also particularly likely to face problems finding suitable properties advertised at an affordable rent in local newspapers.

Refusal to rent to HB claimants is on the rise

One-third of advertisements for private rented properties barred HB claimants. This has increased over the past two years in Pathfinder and control areas alike.

When landlords advertising properties that appeared to be affordable and open to HB claimants were contacted by phone, as few as one in six said they would accept a claimant. Around one-third were unsure – mostly citing a lack of experience of letting to this group, or fear of the HB system. The rest refused outright.

Processing delays and other problems experienced with the HB system in the past were the most frequently cited reasons landlords gave for their refusal to let to HB claimants. A significant minority of landlords in the Pathfinder areas said the switch to direct payment of HB to tenants was a reason why they were reluctant to let to claimants.

Young single people on HB continue to struggle

Shared accommodation was less likely than average to be advertised at a rent affordable within the maximum amount of HB paid. Also, advertisements for shared properties were twice as likely to exclude HB claimants, compared to other sizes of property.

A slightly more generous Single Room Rent restriction⁵ (SRR) was introduced in the Pathfinder areas. This change does seem to have led to a small improvement in affordability for young single people. However, the lack of affordability and the difficulties accessing shared houses mean that this group remains severely disadvantaged in the private rental market. For example, in Brighton, the choice of private rented properties for young people restricted to the SRR was as little as four per

⁴ Local Housing Allowance is simply an alternative term for Housing Benefit in the areas where the reforms have been trialled.

⁵ The SRR is a regulation restricting the HB paid to single people under 25 to the rate for shared accommodation, regardless of the type of property they actually live in.

cent of the 925 shared properties surveyed.

Risk of homelessness has not significantly increased

When the reforms were introduced, there was a brief rise in the number of private tenants seeking support from Shelter about problems with HB. However, overall the Pathfinders have not had any significant effect on Shelter's caseload.

A few isolated but serious problems were reported, but caseworkers from Shelter and other organisations mainly had neutral or positive reactions to the reforms. Their overriding concern was that the reforms have not resolved the problems that plague the existing HB system.

The data available so far does not provide a clear picture about the impact of paying HB directly to tenants. However, other research into this issue identifies potential weaknesses in this system. Citizens Advice reports that HB claimants experience problems trying to open a bank account that their benefit could be paid into. The Department for Work and Pensions (DWP) evaluation has highlighted the lack of information given to claimants who wanted to apply to have their benefit paid straight to their landlord. It also shows that concern over the switch to direct payment is a major driver of landlords' refusal to let to HB claimants in the reform areas.

Introduction

Policy context

Reform of the HB system is long overdue. A significant proportion of Shelter's clients mention HB as a reason for their housing problem and – with many other commentators – we have been calling for reform for many years. The Government stated its intention to reform the HB system in its 1997 manifesto,⁶ with full plans announced in 2002.⁷ The existing system was described as a 'nightmare' by a Minister for Work and Pensions.⁸

The Government's reforms were based on two key changes to the HB system, and closely followed the recommendations of influential academics and researchers in the field.⁹

- HB became known as LHA in the Pathfinder areas. The LHA is a flat-rate allowance that depends on household size and location. It saves on administration by removing the need for pre-tenancy determinations – when an individual receives an estimate of HB entitlement – and referral to a Rent Officer if the rent is deemed too high or the property too large for a person's needs. The LHA is calculated in a similar way to the Local Reference Rent in the existing system, which restricts HB to a local average.
- In most cases the LHA is paid directly to the tenant – ideally into a bank account – rather than to the landlord. Where tenants are likely to have problems paying the rent, an application can be made to the local authority for HB to be paid to the landlord.

As under the existing system, if their rent is more than the LHA, a claimant must pay the shortfall. However, under the reforms, if it is lower than the LHA they are allowed to keep the difference. This should give claimants the opportunity to exercise

more choice because both landlords and tenants have a better idea about their entitlement to HB before agreeing to rent.

The main aims¹⁰ of the reforms were to:

- promote greater tenant responsibility through awareness of what is paid on their behalf
- enable tenants to shop around for the best deal from local landlords
- provide a 'back-to-work' incentive (ie, greater responsibility will motivate people to work)
- streamline the administration of HB, and reduce fraud.

Background to the Pathfinders

The reforms were introduced to the private rented housing sectors of nine areas¹¹ in late 2003 and early 2004. A second wave followed in 2005. The original Pathfinders were expected to run for two years, but they have remained in place.

Further details on how the reforms will be implemented are contained in a Green Paper entitled *A new deal for welfare: empowering people to work*.¹² The Welfare Reform Bill builds on this Green Paper, paving the way for rolling out the HB reforms across the deregulated private rented sector. The Welfare Reform Bill is expected to be passed in the next parliamentary session, from October 2006. The Government plans to introduce HB reforms nationally in 2008, but with the following three proposed changes to the model tested in the Pathfinders:

- HB rates will be calculated using the median rent rather than a mid-point (see Appendix 1 for more details on this).
- The amount of surplus LHA claimants can keep when their benefit is greater than their rent will be capped.

6 Available from www.pixunlimited.co.uk/pdf/news/election/labourmanifesto2.pdf

7 *Building choice and responsibility: a radical agenda for Housing Benefit*, DWP, 2002

8 See <http://news.bbc.co.uk/1/hi/business/4399894.stm>

9 See, for example, Kemp, Rhodes, Wilcox, York, *Housing Benefit Reform: Next Steps*, JRF, 2002

10 *Building choice and responsibility: a radical agenda for Housing Benefit*, DWP, 2002

11 Blackpool, Brighton & Hove, Conwy, Coventry, Edinburgh, Leeds, Lewisham, North East Lincolnshire, Teignbridge

12 Available from www.dwp.gov.uk

- The entitlement to extra living rooms for households of four people (currently allowed two living rooms) and seven people (allowed three) is to be removed.

Shelter's methodology

At the end of 2003, Shelter began monitoring the progress of HB reform. Its principal aims were to assess the impact of the changes on:

- the adequacy of HB levels
- rent inflation
- access to the private rented sector for HB claimants
- housing problems and the risk of homelessness.

The following methods were used to make the assessment:

- A database of 12,871 advertisements for privately rented properties was created. These were inputted at seven regular stages over the two-year reform period. The advertisements were sourced from local newspapers and magazines, and – to a lesser extent – websites in four HB Pathfinder areas and four control areas.
- Telephone research was conducted with almost 200 landlords.
- Analysis of Shelter's client records database was used.
- Feedback from the Pathfinder areas – including from Shelter staff, landlords, claimants, and welfare advice professionals – was analysed.

Other research sources

The DWP has commissioned a detailed evaluation of the reforms. This includes interviews with claimants and landlords, and extensive analysis of market data. Most of the evaluation reports have already been published and these can be found on the DWP's website¹³ – although at the time of going to press, a few key parts of this work were not yet available. The remaining research is due in December 2006.

Many other organisations are taking a keen interest in HB reform. Citizens Advice is key among these, and the report it published in 2005¹⁴ is a valuable source of material for highlighting the day-to-day practical difficulties the reforms have caused to some claimants.

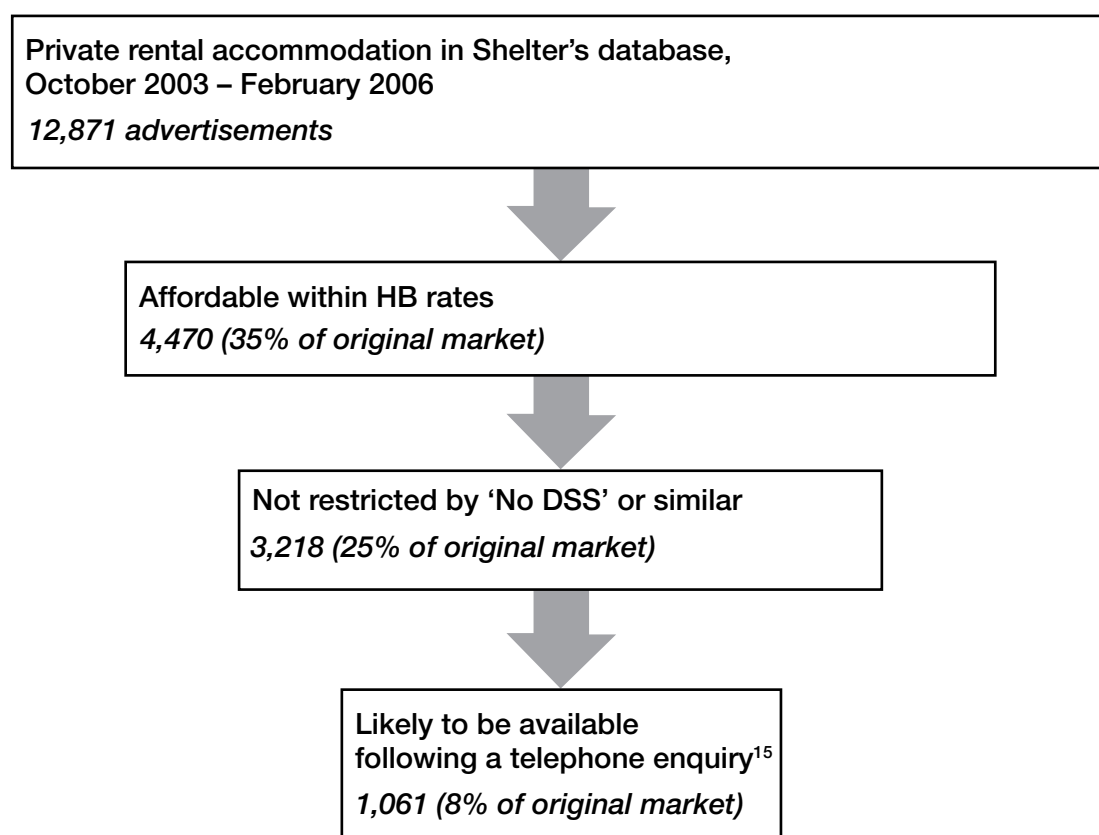
¹³ www.dwp.gov.uk/housingbenefit/lha/evaluation

¹⁴ *Early days – CAB evidence on local housing allowance*, Citizens Advice, 2006, www.citizensadvice.org.uk

Part one: Not spoilt for choice

This section assesses the amount of choice HB claimants have in the private rented sector and the impact that HB reforms have had on this. Our findings show that choice for HB recipients seeking a home through local newspapers and classified magazines is restricted to less than 10 per cent of the advertised private rental market (Figure 1).

Figure 1: Average choice of properties for HB claimants



Base: 12,871 advertisements in eight areas, four of which are Pathfinders; and 191 phone calls to landlords

¹⁵ This estimate assumes that half of those landlords who were 'unsure' about whether the property was available to HB claimants would go on to accept them, and half would not.

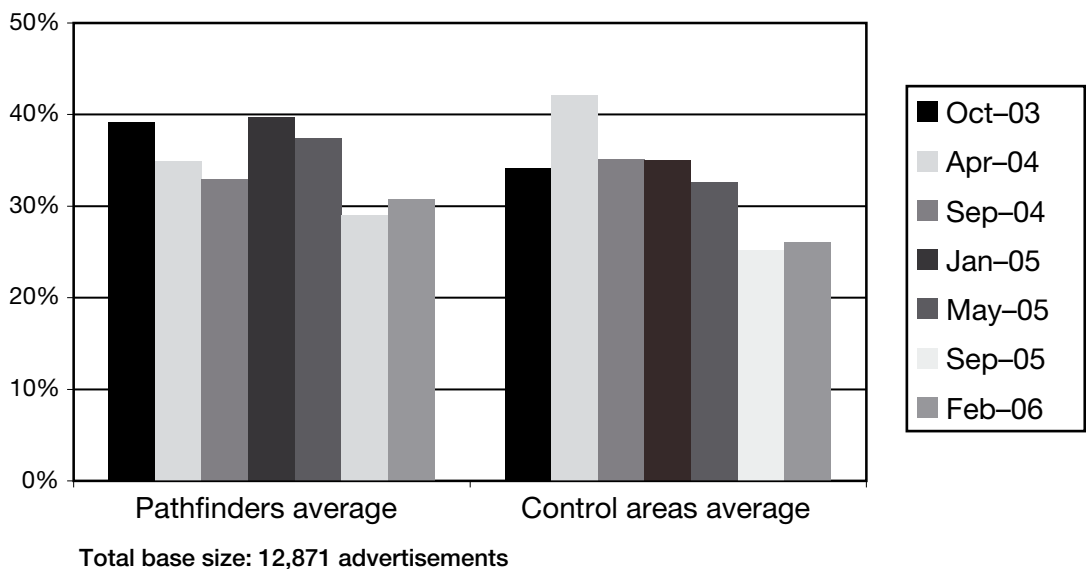
Figure 1 is a summary of the entire database of advertisements for private rented property from 2003 to 2006 in Shelter's study. The remainder of this section looks at the database in more detail, examining our findings on the affordability of private rented property for HB claimants, both in their advertisements and upon a telephone enquiry. The particular difficulties faced by groups such as young single people restricted to HB for a shared property, and those living in certain areas of the country, are highlighted.

Affordability

On average, across the eight areas in our study, about one-third of properties were advertised at rents within maximum HB levels. This is illustrated by Chart 1, which shows the proportion of properties that were advertised at rents at or below the maximum amount of LHA paid for that size of property, over the two-year course of the Pathfinders.

The level of affordability for claimants differs little between the Pathfinder and control areas. However, both appear to be on a downward trend, particularly over the last year of the study. The main reason for this seems to be that rents have risen more quickly than the amounts of benefit paid (Table 1, page 15).

Chart 1: Overview of affordability – proportion of private rental properties advertised at, or less than, maximum HB

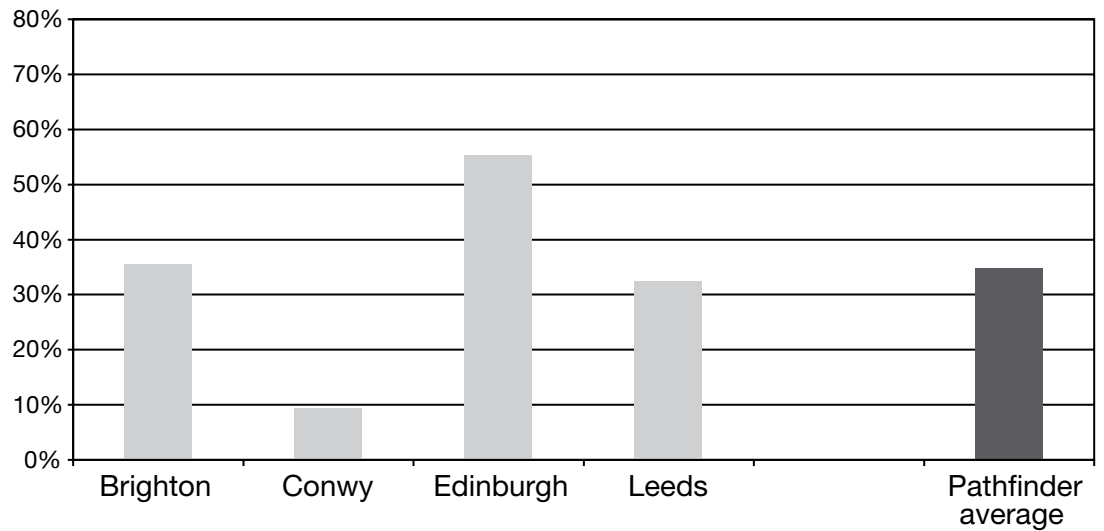


Geographical variation

The overview shown in Chart 1 is only part of the affordability story. The most striking finding of our research was the large variation in affordability for HB claimants by area (Chart 2). The proportion of properties affordable in Conwy, north Wales, over the two-year period of the

study per week was barely 10 per cent – significantly lower than elsewhere. Even after factoring in a £20 shortfall on all properties in Conwy, only around a quarter were affordable to HB claimants. Some of the potential reasons, and likely implications, for this are examined on page 12.

Chart 2: Affordability by area – proportion of private rental properties advertised at, or less than, maximum HB, in each Pathfinder area



Pathfinder base: 7,473 advertisements

Focus on Conwy, north Wales

HB claimants in Conwy, north Wales, face a particularly tough time finding properties to rent without having to cover a shortfall between the rent and their LHA. Since the reforms began, fewer than 10 per cent of properties in Conwy have been advertised in the local press at rents at or less than maximum HB. The restrictive attitude of many landlords towards tenants on HB further diminishes the pool of available rental properties (page 16).

The rate of LHA has increased on a couple of occasions throughout the reform period, but average rents have risen more quickly (Table 1, page 15).

The rate of homelessness in Conwy is not greatly above the national average for Wales,¹⁷ so clearly the majority of HB claimants in the location do eventually find somewhere to live. It seems likely that many of them must resort to other means than the local newspaper and website advertisements used in our study to find a home.

The claimant survey¹⁸ part of the DWP evaluation shows less striking results for Conwy, but nonetheless points to the area as somewhere the reforms have not worked so well. The evaluation identifies Conwy as having:

- the lowest drop in the proportion of claimants paying a shortfall between their rent and HB
- the biggest drop in the proportion of claimants saying they have 'a good choice of properties'
- the lowest proportion of claimants saying they 'negotiated over rent'.

Unless the problems our research found in Conwy are explored in depth, they are likely to be reproduced in other areas of the country when the reforms are rolled out nationally. To get to the bottom of the problem, greater transparency is also needed with regard to the methods and samples used by the rent service to calculate HB rates.

¹⁷ Welsh Housing Statistics, Homelessness, National Assembly for Wales, <http://www.wales.gov.uk/keypubstatisticsforwalesfigures/content/social/homeless.htm>

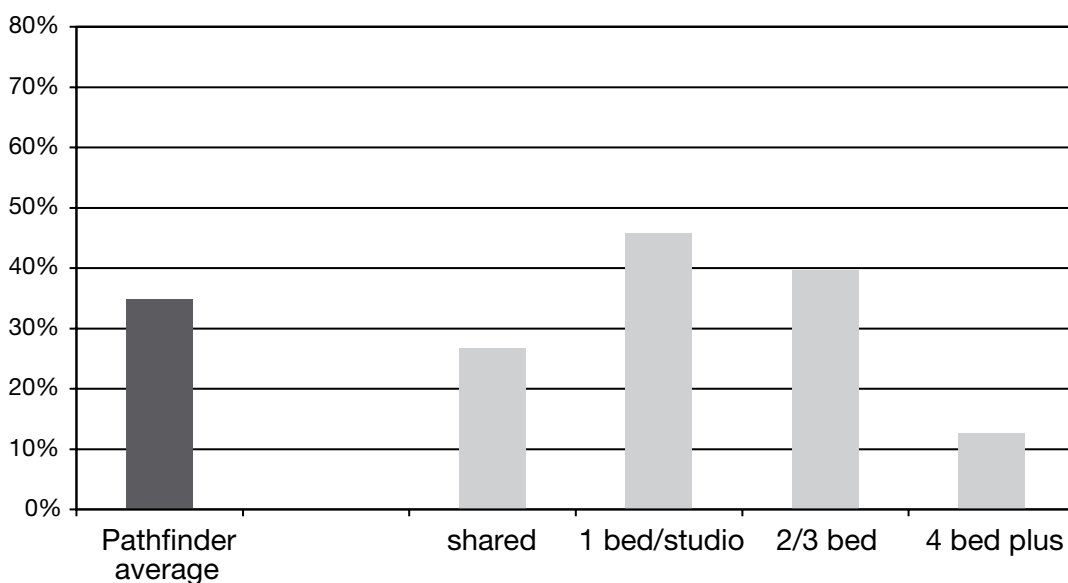
¹⁸ *Receiving the LHA: claimants' early experiences of the LHA in the nine Pathfinder areas*, Evaluation 6, DWP, 2005

Property size

Our results demonstrate an extremely low level of affordability for larger

families claiming HB who need a four-bedroom property¹⁹ (Chart 3).

Chart 3: Affordability by property size – proportion of private rental properties advertised at, or less than, maximum HB in Pathfinder areas, by property size



Pathfinder base: 7,473 advertisements

A certain proportion of larger properties will be let to groups of single people or childless couples rather than families. There is an incentive for landlords to choose these groups rather than larger families: in the areas in our study, the maximum amount of HB paid to a family qualifying for a four-bedroom property is significantly less than the amount given to four single adults or couples.

Some larger families are therefore forced to live in overcrowded conditions to be able to afford their rent. DWP research suggests that about 16 per cent of households were over-occupying properties²⁰ in the Pathfinder areas in the early stages of the reforms. Many of these are likely to be larger

families unable to find a larger property at a rent close to their HB entitlement.

The rate of overcrowding in the private rented sector has risen more quickly than in other tenures in recent years,²¹ and the negative effect this has on the life chances of young children is well documented in research by Shelter²² and others.

Chart 3 also shows that shared accommodation (rooms in shared houses and bedsits) was less likely than average to be affordable to HB claimants. The many difficulties faced by young single people, who have their benefit restricted to the rate for these properties, are explored in more detail in Young single people (page 18).

¹⁹ This would typically be a family with 4–6 children, depending on the ages and genders of the children. If adults other than the parents live in the household, fewer children would be required to reach this threshold.

²⁰ Over-occupying occurs when the household is living in a smaller-sized property than HB regulations allow them to, which is similar to the bedroom standard calculation used to measure overcrowding.

²¹ *Survey of English housing*, DCLG, <http://www.communities.gov.uk/index.asp?id=1154759>

²² Examples include Reynolds, *Full house*, Shelter, 2005; Harker, *Chance of a lifetime*, Shelter, 2006

Rent inflation

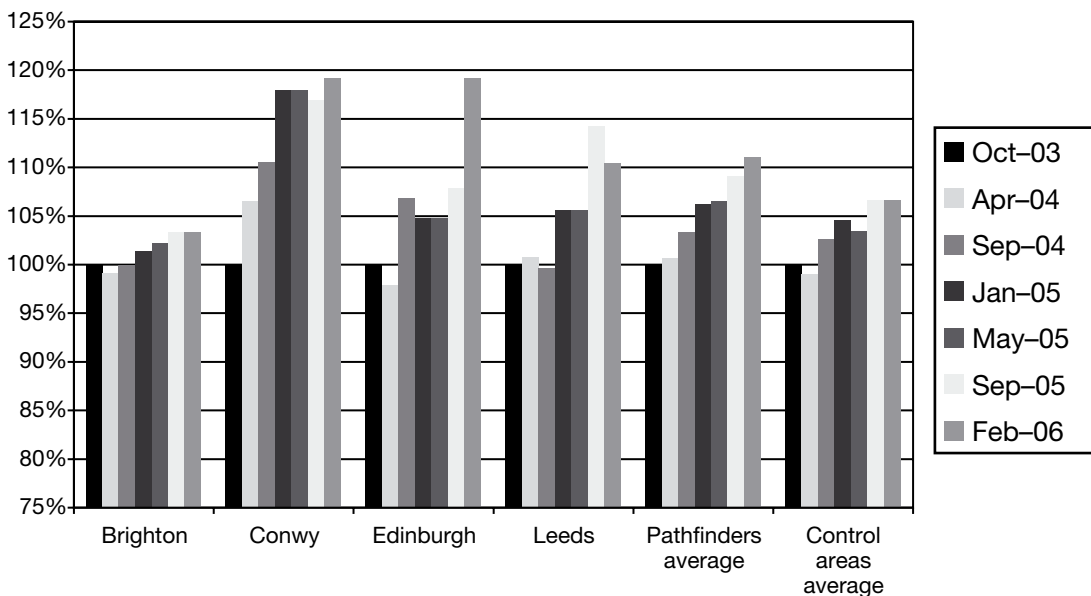
Publishing the rates of HB in Pathfinder areas brought greater transparency, and this was widely welcomed. However, Shelter and other organisations were concerned at the outset of the reforms that publicising rates might encourage landlords to increase rents more quickly. HB is intended to reflect the rental market, rather than act as a driver of it. The fear was that greater publicity of LHA rates could endanger this principle.

Our results show an upward trend in advertised rents in each of the Pathfinder areas studied. As feared, there has also been a greater increase in the Pathfinder areas (+11 per cent), compared with the control areas (+7 per cent). This is shown

in Chart 4, which illustrates the changes in average²³ rents in each of the Pathfinder areas in Shelter's database, as well as overall average increases for the reform and control areas. The averages recorded in October 2003, before the reforms began, were set at 100 per cent and subsequent movements were indexed against this.

The amounts of HB have increased for some sizes of property in some of the Pathfinder areas. However, the increases overall have been less than the rises in rent (Table 1). This explains the overall decrease in affordability for HB claimants experienced across the two years of Shelter's study, as shown in Chart 1 (page 10).

Chart 4: Rent inflation – inflation of rent in Pathfinder and control areas



Total base size: 12,871 advertisements

²³ Median rents in each size of property are used in this calculation, because this is the fairest way to analyse property markets and is likely to be adopted as the calculation method when the reforms are rolled out nationally.

Table 1: Rent increases compared with rises in the LHA

Area	Average rent increase, October 2003 – March 2006	Average increase to LHA rates, October 2003 – March 2006
Brighton	+ 3.3%	+ 6.9%
Conwy	+ 19.1%	+ 9.2%
Edinburgh	+ 19.2%	- 3.7%
Leeds	+ 10.4%	0.0%
Pathfinder average	+ 11.1%	+ 3.1%
Sources: Shelter's private rental database and published LHA rates		

Other sources monitoring inflation to private rents suggest recent increases too, particularly in the LHA Pathfinder areas:

'In answer to a Parliamentary question this week, Housing Benefit minister James Plaskitt revealed that Lewisham council saw average rents increase by almost 60 per cent in a year.'²⁴

'Residential rents have picked up at their fastest pace in four years according to The Royal Institution for Chartered Surveyors' latest lettings survey.'²⁵

The increase in Lewisham represents an extreme case and may not be sustained. Our findings point to lesser, but still significant, rent inflation resulting from the reforms. However, at this stage it is not possible to draw strong conclusions about a connection between rent inflation and Pathfinder reforms. All the DWP evaluations must first be published, and the evidence reviewed in its entirety.

Refusal to rent to HB claimants

The reluctance of many landlords to let to HB recipients is a well-known barrier to securing suitable private rented housing. Improving this situation is essential to the success of the HB system and any reforms to it. In theory, the Pathfinder reforms mean claimants can choose not to disclose their HB status to their landlord. In practice, the need to provide references and go through credit checks makes this impossible for most.²⁶

The main reasons landlords gave for their refusal to let to HB claimants in previous research²⁷ were concerns about delays to the processing of claims, and the shortfalls that often exist between rent and HB.

Over the past few years, processing times have improved significantly. These advances have been quickest in the private rented sectors of the Pathfinder areas,²⁸ where the processes of pre-tenancy determinations and referrals to a Rent Officer have been removed. This has raised hopes that fewer landlords would refuse to let to HB claimants. At the same time, organisations including Shelter were concerned that removing the option of paying benefit to landlords would discourage more of them from letting to people on HB,

²⁴ *Inside Housing*, page 3, 21 July 2006

²⁵ Press release, The Royal Institute of Chartered Surveyors, 3 September 2005

²⁶ *Receiving the LHA: claimants' early experiences of the LHA in nine Pathfinder areas*, Evaluation 6, DWP, 2005, shows no significant change (87 per cent – 86 per cent) in the proportion of claimants disclosing HB status to landlords in Pathfinder areas.

²⁷ For example, *Landlords and agents in the private rented sector: the baseline experience in the LHA Pathfinders*, Evaluation 4, DWP, available from www.dwp.gov.uk

²⁸ DWP figures show a decrease in average processing times of about one-third in the Pathfinder areas, compared with a national average improvement of about one-quarter.

further reducing choice for this group.

Exclusion is on the rise

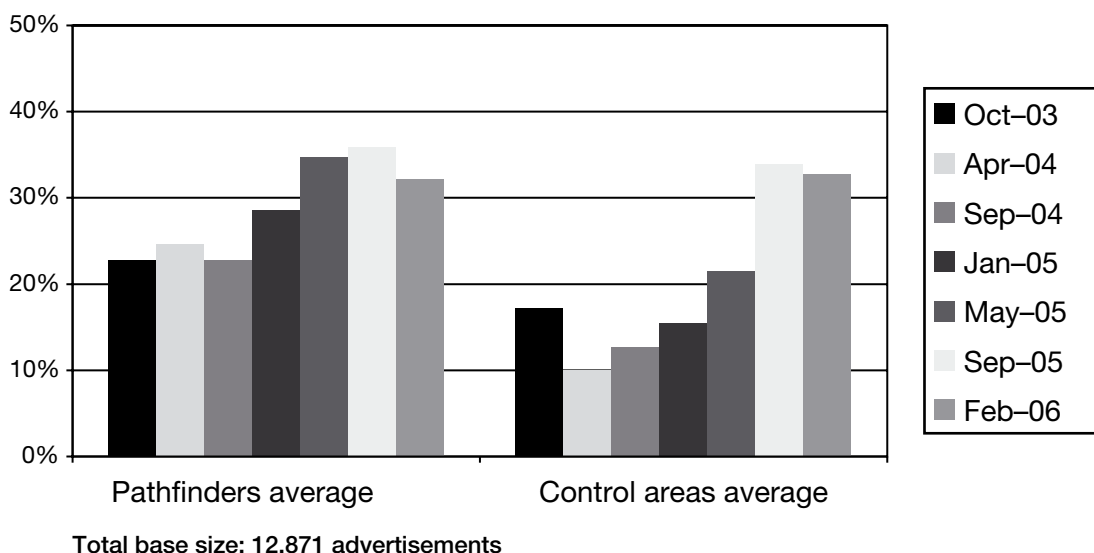
Our results showed a rise in the proportion of advertisements refusing to let to HB claimants in both the Pathfinder and control areas. Overall, the increase was from about one-fifth of advertisements in the first phases of the research, to close to one-third in the last two. Chart 5 illustrates the increase, showing the proportions of advertisements on Shelter’s database that refused to let to HB claimants²⁹ over the two-year course of the reform period in both the Pathfinder and control areas.

The proportion of advertisements excluding claimants was significantly higher in the Pathfinder areas than the control areas up until the last two points in the research,

when the rate was similar in both. This increase in the control areas means that it is not possible to conclude that the reforms themselves cause landlords to refuse to let to tenants on HB. What remains obvious is that the rate of refusal is on the increase, which is reducing the choice of properties available to claimants. It is possible that increasing awareness among landlords about changes to direct payments is a factor in this.

There was no significant variation by geographical area in the proportion of advertisements barring HB claimants, although the practice was particularly common in the Pathfinder area of Brighton (35 per cent at February 2006); and the control area of Newquay (43 per cent at February 2006).

Chart 5: Trends in refusal – proportion of property advertisements refusing to let to HB claimants



²⁹ This is most commonly expressed with statements such as ‘No DSS’, ‘No HB’ or ‘Working/professionals only’.

Further barriers – landlord refusal by phone

Advertisements barring HB claimants are only a part of the picture of exclusion in the private rented sector. We telephoned landlords whose rental advertisements did not expressly exclude HB recipients to see whether they really were prepared to accept this group.³⁰ Landlords were asked about their properties, whether they were still on the market, and, at an appropriate point, whether HB claimants were accepted.

We found that among landlords in our database of advertisements that did not print a refusal to let to HB claimants, no more than one in six (16 per cent) were willing to accept claimants when asked to over the phone. About one-third said they were unsure and half refused outright (Table 2).

There appeared to be little difference in reactions of landlords between the Pathfinder and control areas – apart from evidence of greater awareness about HB in the reform areas, where fewer landlords were unsure about their lettings policy.

Table 2: Telephone research among landlords

	Number of contacts	HB claimants accepted	HB claimants not accepted	Unsure and need to check
April 2006 total	100	15 (15%)	55 (55%)	30 (30%)
Pathfinder areas	73	12 (16%)	41 (56%)	20 (27%)
Control area	27	3 (11%)	14 (52%)	10 (37%)
February 2005 total	71	11 (16%)	33 (46%)	27 (38%)
December 2003 total	20	5 (25%)	8 (40%)	7 (35%)
Overall total	191	31 (16%)	96 (50%)	64 (34%)
Base: 191 telephone calls to landlords where property still available. Area mix: Edinburgh, Brighton, Lewisham (Pathfinder areas) and Bristol (control area).				

Reasons for refusal

The majority (70) of the 100 landlords we spoke to in April 2006 gave a reason for their reticence to let to HB claimants. Delays to the processing of HB and problems receiving payment in the past were the most common reasons given by landlords who did not wish to let to claimants (Table 3). Among landlords who were unsure whether they would rent to claimants, the most frequent comment was that they simply had no knowledge about, or experience of, dealing with the HB system.

A preference for HB to be paid directly to them rather than to the tenant was a significant reason given by landlords, bearing in mind that this was not a feature of the system in more than one-quarter of the sample. Most of the landlords who were unsure about their policy, but generally positive towards HB claimants, suggested measures that might make them more likely to agree to let. These included guarantors (five mentions), and deposits/rent in advance (four mentions).

³⁰ These were properties taken from the private rental database and other local newspapers and magazines that did not refuse to let to HB claimants, and that were advertised at rents within a £20 per week shortfall of the HB rate paid on that type of property.

Table 3: Reasons for not accepting

Most frequently mentioned reasons for not accepting HB claimants	
Delays/errors/problems with system in past	24% (17 mentions)
No experience/knowledge of HB system	14% (10 mentions)
Causes problems with tax or insurance	10% (7 mentions)
Prefer payment to landlord	9% (6 mentions)
Prefer working people/professionals/dislike DSS	9% (6 mentions)
Problems in past, unspecified	9% (6 mentions)
Base: 70 landlords who do not let to HB or were unsure, and who gave a reason for this attitude	

Young single people

The SRR was introduced in 1996 to limit HB received by most single claimants under 25 years old to the Local Reference Rent³¹ for rooms in shared houses. The SRR restricts young single people's HB allocation in this way regardless of the actual type of property they rent. Along with other organisations, Shelter has long campaigned for the repeal of this restriction. We point out that shared accommodation is often very difficult for this group to access. In addition, the restriction forces many young single people to pay more than others to cover shortfalls between their rent and HB. Research commissioned by the DWP itself³² has suggested that the SRR acts as a barrier to young people taking up accommodation and employment.

The Affordability section in this report (page 13) showed that the proportion of shared accommodation with rents falling within HB rates for young single people was below average for rental properties. Only 27 per cent of shared properties were affordable for HB claimants. Affordability for those entitled to the rate of benefit for a studio or one-bedroom home was significantly higher, at 46 per cent. This suggests that removal of the SRR would significantly improve affordability for young single people claiming HB.

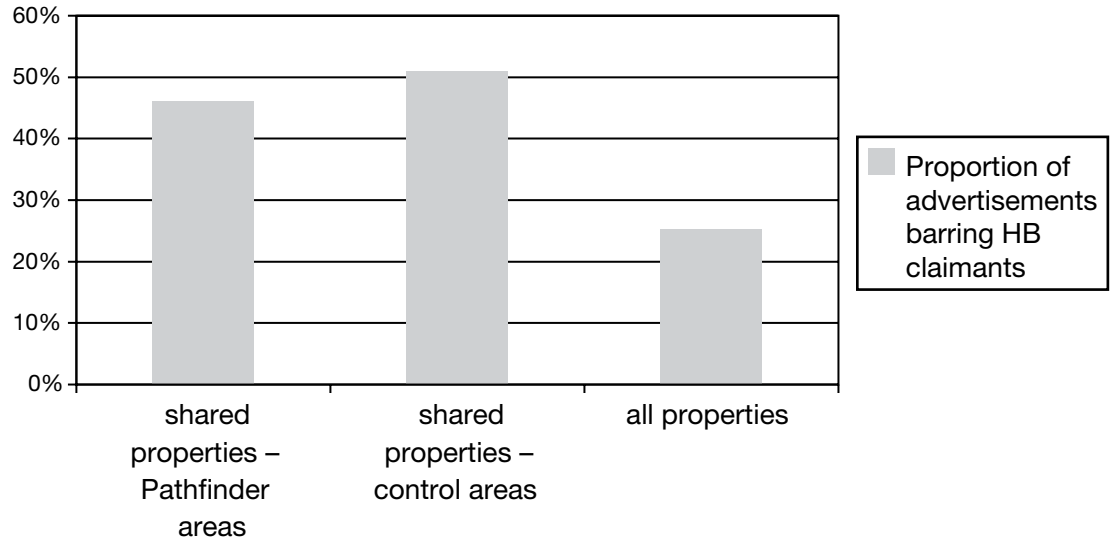
Young, single – and excluded

Young single people claiming HB are further disadvantaged by the high rate of refusal to let to benefit claimants contained in advertisements for shared properties, which was double the average (Chart 6).

31 A mid-point average of rents in a local area as set by the Rent Officer and used to calculate maximum HB.

32 Harvey J and Houston D, *Research into the Single Room Rent regulations*, DWP 2005

Chart 6: Exclusions from shared properties – proportion of advertisements for shared properties barring HB claimants



Total base size: 12,781

The exclusion of HB claimants from studio and one-bedroom properties was less common. For example, in Brighton over the two-year course of the study, 26 per cent of advertisements for these properties refused to let to HB recipients, compared with 43 per cent of advertisements for shared properties. Again, this shows that repealing restrictions specific to young

people’s HB entitlement could significantly increase the housing choices they have.

When a room becomes vacant in a shared house, tenants already living in the property will often advertise for a new tenant and effectively sub-let the property. But such tenants were particularly unlikely to agree to let to HB claimants when we contacted them by telephone (Table 4).

Table 4: Refusal rates of tenants compared with landlords/agents (April 2006)

	Contacts made	HB claimants accepted	HB claimants not accepted	Unsure – need to check
Landlord/agent	70	13 (19%)	41 (59%)	16 (23%)
Current tenant in shared accommodation	30	2 (7%)	14 (47%)	14 (47%)

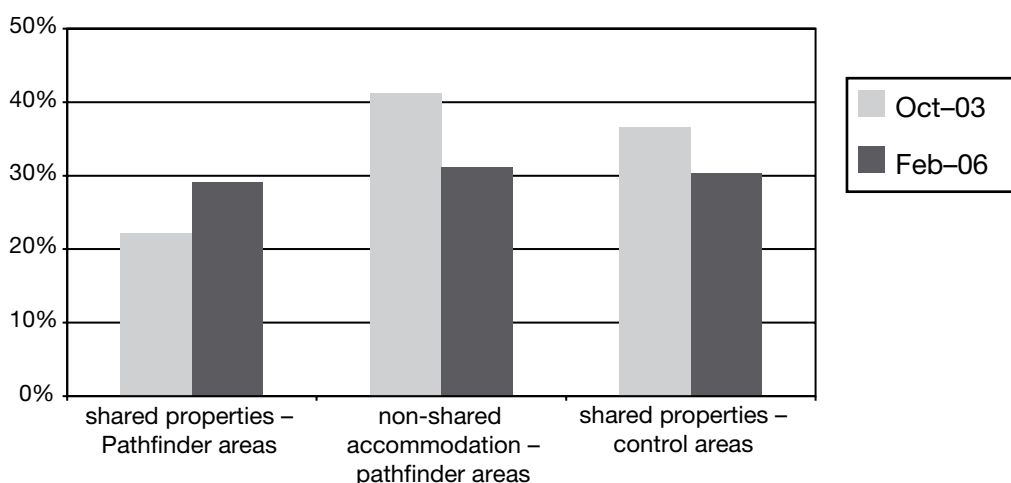
Changes to the SRR

One of the features of the HB Pathfinder reforms was a slightly more generous version of the SRR, known as the Shared Room Rate. This uses the average rents of bedsits as well as rooms in shared houses in its calculations. The DWP research does not analyse the impact of this change, but Shelter's database is able to give a guide as to its effect.

Our research found that shared properties advertised in the four Pathfinder areas were

more likely to be affordable at the end of the reform period than they were before the reforms in October 2003 (Chart 7). These findings contrast with a decrease in affordability over the same period of time for HB recipients looking for all other types of property in the Pathfinder areas; and for those seeking shared accommodation in the areas outside of the reforms. This indicates that the change in the SRR regulations has had a slight positive effect in the Pathfinder areas.

Chart 7: The impact of changes to the SRR – affordability for young single people, with and without changes to SRR



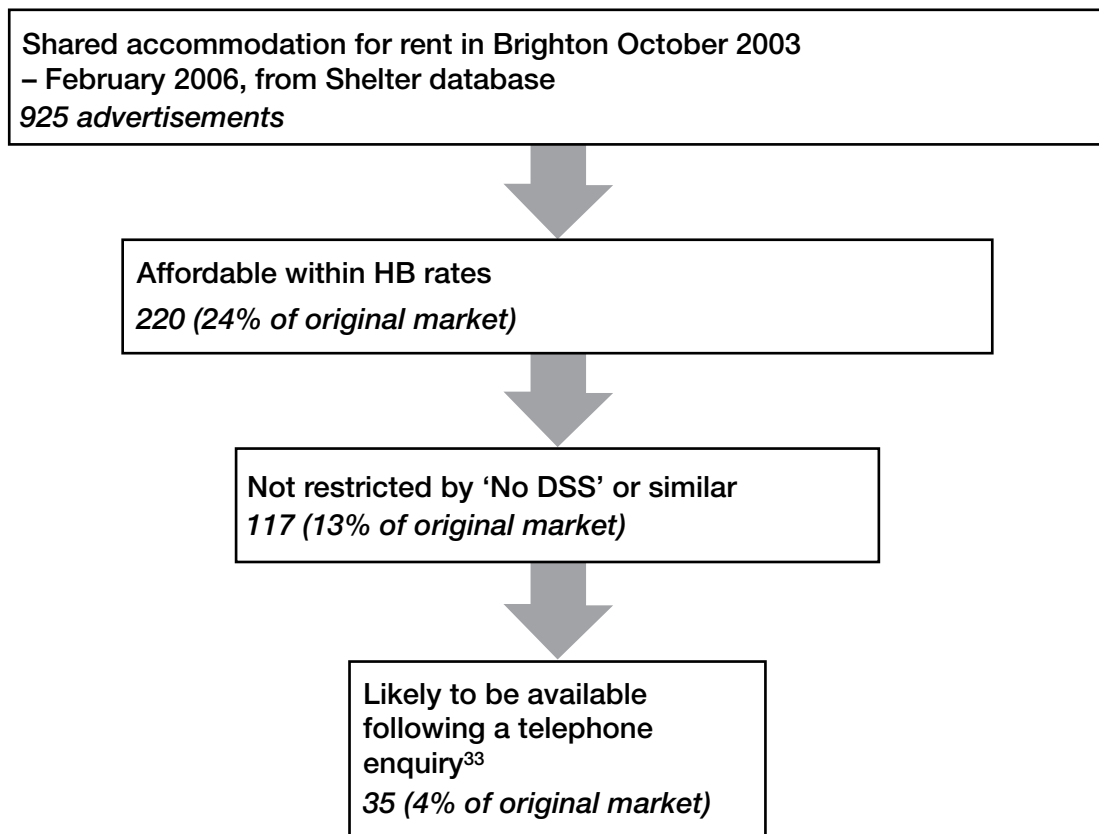
Total base size: 12,871 advertisements

Choice for young claimants

We found that restricting the rate of HB paid to young single people severely limits the amount of choice they have in the private rental market. This leaves a group, which

may well already have limited resources, likely to be further disadvantaged by a struggle to find a suitable home. Figure 2 overleaf shows just how little choice a young person claiming HB in Brighton may have.

Figure 2: Choice for young single claimants in Brighton



³³ This estimate assumes that half of those landlords who were 'unsure' about whether the property was available to HB claimants would go on to accept them, and half would not.

Part two: The impact on homelessness

Shelter's clients in the HB Pathfinder areas

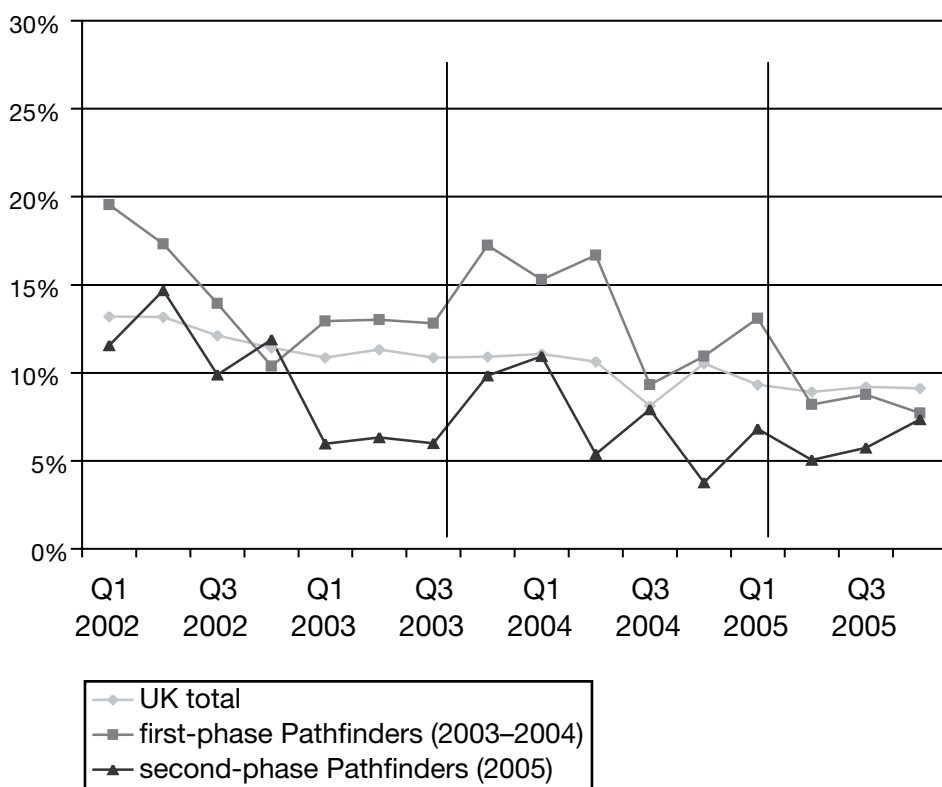
The number of clients approaching Shelter about problems with HB has been on a gradual downward trend since before the Pathfinder reforms began, probably due to widespread improvements in processing times. This has continued during the reform period, apart from increases at the time of the introduction of the original nine Pathfinders (Chart 8). The vertical lines on Chart 8 represent the dates of each new phase of the HB Pathfinders.

All other potential indicators of the reforms' impact on housing problems

among Shelter's caseload, such as rent arrears and homelessness, have experienced no significant change throughout the trial period.

The evidence from Shelter's client database therefore suggests that the change to direct payments has had little effect on housing and homelessness problems. The fears that Shelter and other organisations expressed at the outset of the reforms about direct payments possibly causing more people to be vulnerable to homelessness appear only to have been realised in small numbers (see Views from the ground, page 24).

Chart 8: Breakdown of Shelter clients with HB problems – Shelter clients with HB problems as percentage of all those in private rents



Total base size: 96,198

Evidence from other research

Research on the reforms by the Government and Citizens Advice³⁴ indicates cause for concern about one aspect of the reforms: the withdrawal of the choice to have HB paid to the landlord in all but exceptional cases. The evaluation of HB reform commissioned by the DWP³⁵ shows the following:

- Some landlords have purposely generated arrears from tenants in order to retain their preferred payment method of having the benefit paid directly to them.
- ‘LHA tenants receive money themselves’ was the reason most commonly cited by landlords (43 per cent) who had declined to let to claimants since the introduction of the LHA.
- The proportion of landlords letting to HB claimants fell by 10 per cent (from 87 per cent to 77 per cent) following the introduction of the reforms.
- The majority (54 per cent) of landlords said the reforms are ‘more likely to cause arrears’, and only three per cent said they were ‘less likely to’.
- For every claimant who has their benefit paid to the landlord, there is one who wanted this, but was not able to get it. In the majority of cases (72 per cent), these claimants were told that this facility was no longer available, or not given any reason for the refusal. They did not receive an assessment for vulnerability before being refused.

³⁴ *Early days: CAB evidence on the Local Housing Allowance*, Citizens Advice, 2005, available from www.citizensadvice.org.uk

³⁵ *Working with the LHA: landlord and agents’ early experiences of the LHA in the nine Pathfinder areas*, DWP Evaluation 7, 2005

The view from the ground

The following comments from advice workers in the Pathfinder areas represent a good cross-section of the feedback obtained for our report.

‘Our experience of Local Housing Allowance is that the landlords that are willing to take claimants are generally increasing their rents to maximum LHA. Clients are concerned about taking a studio flat at a rent of £134 per week, as they don’t see any opportunity to work and come off benefits.³⁶ The landlords are concerned about the loss of automatic direct payments, and we know of clients who have failed to pass over the LHA or whose overdrawn bank accounts have swallowed up the money.

‘For families, LHA has been of benefit as they know the maximum rent they can go up to, and the second living room for households with more than three people has led to high levels of LHA and sometimes a significant excess that benefits the clients.’

Brighton

‘There has been very little impact on clients from the changes. That said, the LHA has been set at a relatively generous level in Edinburgh and this needs to continue for this lack of impact to persist.’

Edinburgh

‘The shared room rate for under 25s remains a problem as there is very little accommodation available for this age group.’

Conwy

‘X rents his flat from a private landlord and receives more in Housing Benefit from the council than the rent that is charged. The landlord is saying that he should get all of the Housing Benefit from the council, and is getting aggressive and threatening about this.’

Edinburgh

‘No increased choices have been created – there is simply not enough accommodation available for this to occur.’

Teignbridge

³⁶ This is the ‘benefit trap’. If a claimant gets a job, they quickly lose HB. Unless it is very well paid, they will be worse off with a job.

Conclusion and recommendations

Our research shows that many of the major problems with the current HB system persist despite the reforms. There has been no significant impact on the incidence of housing problems and homelessness. However, being able to afford and, crucially, access private rented accommodation was increasingly difficult for claimants in the areas we studied over the two-year reform period. Certain groups of claimants, such as young single people and those living in certain areas of the country, faced acute difficulties finding affordable private rented homes – as well as landlords that were willing to let to them.

HB reform provides the Government with an opportunity to deliver real change for the 800,000 claimants in the private rented sector who rely on benefit to meet their housing costs. However, all the available evidence strongly suggests that a central tenet of the reform – empowering HB claimants and improving the level of choice they are able to exercise in this market – is yet to be achieved.

If the Government is really committed to making a positive difference, Shelter strongly recommends the following action.

Age-related restrictions on HB must be repealed.

Restrictions on the amount of HB paid to young single people continue to cause them particular difficulties in affording and accessing private rented accommodation. These should be removed to alleviate the hardships and barriers to entering employment that these restrictions have been shown to cause.

An initiative is needed to encourage private landlords to accept HB recipients.

Choice in private renting will not become a reality for HB claimants without a significant reduction in the high and

seemingly growing proportion of landlords who refuse to let to this group. The DWP should commission a review to highlight landlords' concerns about HB and implement the changes to regulations required to encourage them into the market.

More detail must be published about the national reforms.

The model proposed for a nationwide system of HB reform is different to that used in the LHA Pathfinders (see page 7). No detailed information is available about these changes and how, for instance, they will impact on the proportions of claimants paying shortfalls and the amount of those shortfalls. Shelter is concerned that the progress that appears to have been made in reducing shortfalls in some areas under the reforms may be undermined.

The DWP should release details of the likely impact of these changes on claimants before any legislative or regulatory changes are made.

The Rent Service should be more transparent.

One of the central aims of the reforms is to increase transparency in the HB system. The amounts paid in benefit are now published in the reform areas, but this should be taken a step further by making the work of the Rent Service more accountable and open to scrutiny. This would involve publication of data used by Rent Officers to set LHA rates.

The ability of thousands of claimants to access and afford suitable housing can depend on the accuracy of the determinations made by Rent Officers. Our research shows that these determinations do not always appear to reflect the realities of local private rental markets, resulting in hardship for many claimants. We feel that these problems will continue unless there is greater transparency in this process.

Appendix 1

One of the proposals in the Green Paper, *A new deal for welfare: empowering people to work* is to change the method of calculating HB from a mid-point of rents to a median rent. The following examples use a sample of real rents from Shelter's

database to show that the impact of this could vary – it would mean little change in the amounts paid on shared accommodation in Brighton, but a significant reduction for two-bedroom properties in Leeds.

Example 1 – sample of rents for shared accommodation in Brighton, exceptionally high and low removed.	Example 2 – sample of rents for two-bedroom accommodation in Leeds, exceptionally high and low removed.
Rent per month	Rent per month
£260	£500
£300	£525
£303	£550
£325	£550
£347	£550
£368	£575
£375	£575
£395	£625
£410	£650
£450	£650
	£650
	£750
Mid-point = £355	Mid-point = £625
Median = £358	Median = £575

A change to using a median rent when calculating LHA will result in both winners and losers. Losers are most likely to

be in areas where rents are clustered towards the bottom end of the market.