

Consultation response

Local Housing Allowance Targeted Affordability Funding: Call for evidence

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Shelter is a national campaigning charity that provides practical advice, support and innovative services to over 170,000 homeless or badly housed people a year. This work gives us direct experience of the various problems caused by the shortage of affordable housing across all tenures. Our services include:

- A national network of over 20 advice services with legal aid contracts in housing and community care
- Shelter's free housing advice helpline which runs from 8am–8pm
- Shelter's website (shelter.org.uk/getadvice) which provides advice online
- The government-funded National Homelessness Advice Service, which provides specialist housing advice, training, consultancy, referral and information to other voluntary agencies, such as Citizens Advice Bureaux and members of Advice UK, who are approached by people seeking housing advice
- A number of specialist services promoting innovative solutions to particular homelessness and housing problems. These include Housing Support Services which work with formerly homeless families, couples and single people. The aim of these services is to sustain tenancies and ensure people live successfully in the community.

We also campaign for new laws and policies – as well as more investment – to improve the lives of homeless and badly housed people, now and in the future.

In general, we support the department's intention to use the Targeted Affordability Fund (TAF) to increase Local Housing Allowance (LHA) rates, rather than using the funding to increase the Discretionary Housing Payment (DHP) budget. DHPs play an extremely important role in responding to individual circumstances within the housing benefit system, but Shelter is concerned that the government has become too reliant on the fund to mitigate the worst impacts of welfare reform and DHPs have been inappropriately called upon to respond to routine and predictable failings which would be better address through increased entitlement or statutory exemptions.

What are the important things to consider when deciding which Broad Rental Market Areas are experiencing the most significant issues with affordability of accommodation? For example, we could look at which areas have the greatest shortfalls between LHA rates and market rents, or have the lowest proportion of the market available, or urban or rural areas.

The over-arching objective to guide allocation of the TAF should be to ensure that low income households are able to access accommodation across a reasonable spread of geographic areas. Households who are unable to access affordable accommodation will be at risk of homelessness. Research into current trends in homelessness demonstrates that "frustrated entry" into housing – where households are unable to access housing because of affordability and/or supply constraints - is a more important "trigger" of statutory homelessness than forced exit¹. Figures on statutory homelessness acceptances also show that the loss of a private tenancy is an increasing cause of homelessness. Nearly a quarter (23%) of homelessness acceptances by local authorities were triggered by the loss of an assured shorthold tenancy in January to March 2013, making landlord action the single leading trigger of statutory homelessness. This compares to 13% of acceptances in January to March 2010².

As such a combination of shortfalls between LHA rates and market rents, and the proportion and volume of the market available to low income households should be taken into account. Consideration should also be given to the total number of claimants in a BRMA as markets with a high concentration of claimants will need to ensure a larger proportion of private rents are affordable. DWP should also look at travel time and transport infrastructure, as it will be more important for claimants to access a good spread of geographic areas in particularly inaccessible BRMAs.

When increasing LHA rates, DWP should raise rates above the 30th percentile if this is required to ensure that households can access adequate affordable housing, rather than just exempting rates from the 1% up-rating. The move to CPI - and latterly 1% up-rating - were announced before the impact of the move from the median to 30th percentile had been fully understood and it may be that the 30th percentile is itself inadequate in some areas.

The DWP has access to the best available data to assess where the TAF should be allocated. We recommend that DWP uses this superior data to assess priorities for the fund. For instance, the actual reductions LHA claimants have experienced and also the average LHA shortfall levels by local authority will reveal where households are most financially stretched. This should be combined with other data including figures on DHP applications and local authority level homelessness data to indicate where households are struggling.

Shelter has conducted its own initial analysis of the shortfalls between LHA rates in England and rents in the bottom quartile of the local market (See table 1). Unsurprisingly the biggest gaps are found in London, where LHA caps have suppressed LHA rates above and beyond the move to the 30th percentile and CPI up-rating. However, for the two bed rate significant shortfalls were also observed in other local authority areas outside of London, indicating there is a need to allocated the TAF across the UK.

How, if at all, should we consider difficulties faced by certain groups of claimants, such as young single people, families with children, disabled people, etc?

¹ Fitzpatrick S, The Homelessness Monitor: England 2012, Crisis, 2012.

² Department for Communities and Local Government, Live Tables on Homelessness, live table 774, June 2013.

Shelter's initial analysis and the anecdotal experiences of our colleagues suggest that the shared accommodation rate (SAR) is causing particularly acute problems. Even before the LHA reforms, claimants subject to the SAR were more likely to experience shortfalls (67% of SAR cases had shortfalls versus 49% of all LHA claimants) and reported higher shortfalls on average³. This was in part because the SAR is applied even if the claimant lives in self-contained accommodation, which tends to be more expensive. However, younger single claimants are now struggling to find even shared accommodation within the available LHA levels. Table 2 sets out the areas with the highest shortfalls. While the shortfall hotspots above in part reflect the LHA caps, large shortfalls under the SAR are not caused by the cap, as the SAR cap is considerably higher than the 30th percentile in any BRMA.

The widespread shortfalls suggest that the methodology used to calculate the SAR is failing to adequately reflect costs in the shared housing sub-market. One possibility is that the SAR was calculated based on an inadequate sample of rents – itself reflecting under-supply in this sub-market - and we recommend DWP discuss the methodology used to calculate rates with the Valuation Office Agency.

Shortfalls are even more acute for households unable to access shared accommodation, which is a realistic risk particularly in more rural areas, which may lack sufficient supply of shared accommodation. As such claimants in studio or one-bedroom accommodation are experiencing particularly high shortfalls (See tables 3 and 4).

Overall, there is a strong argument in favour of using a significant portion of the TAF to increase the SAR to ease the problems above.

Beyond this, we are not convinced that wholesale increases to LHA rates are the best way in which to target certain groups of claimants (as opposed to improving affordability more generally), because LHA rates apply across the board to the relevant household size. If DWP is particularly concerned about families with children or disabled people this should be best addressed via DHPs or by changing the personal allowance and premiums within the housing benefit assessment.

Are there other affordability issues that you are aware of for Housing Benefit claimants renting in the private sector that you think need to be considered? Can you provide details or further evidence?

It is important that DWP acknowledges the scale to which HB claimants are excluded from the market when assessing whether an adequate proportion of private rents are available. Even prior to the LHA reforms, research by Shelter found that only 8% of private rented properties were in fact available to HB claimants due to a combination of un-affordability and landlord 'No DSS' policies⁴. This problem is particularly compounded in the shared accommodation sub-market, where rooms are often sub-let and housemates may additionally decide that they do not wish to let to someone on LHA, either due to concerns around ability to pay for shared bills or other lifestyle factors⁵.

Research by Shelter confirms the barriers housing benefit claimants face in accessing private accommodation⁶. It found three in ten (31%) of current housing benefit claimants living in the private rented sector in Great Britain said they had been refused a property due to landlord restrictions towards housing benefit claimants.

Housing benefit tenants are also likely to experience additional barriers in the market, due to their low incomes. More than one in ten (13%) of current claimants living in the PRS said they had been refused a property because they did not have a guarantor. Inability to raise a deposit or rent in advance affected 16% of current HB claimants living in the PRS.

³ Department of Work and Pensions, Two Year Review of Local Housing Allowance, 2011.

⁴ Reynolds L, The Path to Success?, Shelter, 2006.

⁵ Ibid

⁶ In November 2012 Shelter and British Gas commissioned YouGov to survey 5731 adults in Great Britain living in the private rented sector. Fieldwork was undertaken between 16th November and 10th December 2012. The survey was carried out online. The figures have been weighted and are representative of the British private rented sector (aged 18+)

The DWP also needs to be realistic about the ability of LHA claimants to negotiate rents downwards when market rents are above LHA levels. Research by Shelter found that all private renters are in a poor negotiating position. Just 9% of current housing benefit claimants living in the PRS in Great Britain have successfully stopped a requested rent increase in the past five years, compared to ten per cent of all private renters⁷. This is likely to be particularly true in over-heated markets such as London where affordability problems are most acute.

Next steps

We recommend that DWP continues to consult with stakeholders as it develops plans to allocate the TAF. We would welcome to opportunity to comment on draft proposals for allocation or to share evidence from our services if DWP officials have queries about particular areas.

[Kate Webb](#), Senior Policy Officer

⁷ Ibid

Appendix: Market rents versus Local Housing Allowance rates

All tables use latest VOA rents data and latest LHA rates, as at July 2013. Local Housing Allowance is paid according to BRMA geography, these do not match exactly to Local Authorities. A best-fit matching of BRMAs has been carried out to create this analysis

Table 1

Differences between LHA rate and 25th % rent - 2 Bed (Areas with samples of rents below 50 excluded, as are Isles of Scilly and City of London.)

Local Authority	Region	Difference between LHA rate and 25th% rent - 2 Bed, per month
Kensington and Chelsea	LONDON	-£991
Westminster	LONDON	-£709
Camden	LONDON	-£384
Islington	LONDON	-£233
Brent	LONDON	-£224
Hammersmith and Fulham	LONDON	-£217
Cambridge	EAST	-£205
Haringey	LONDON	-£201
Southwark	LONDON	-£186
Richmond upon Thames	LONDON	-£151
Lambeth	LONDON	-£150
Tower Hamlets	LONDON	-£146
Mole Valley	SOUTH EAST	-£129
Epping Forest	EAST	-£125
Windsor and Maidenhead UA	SOUTH EAST	-£125
East Hertfordshire	EAST	-£115
Hertsmere	EAST	-£113
Greenwich	LONDON	-£107
Brentwood	EAST	-£90
Three Rivers	EAST	-£88
Ribble Valley	NORTH WEST	-£85
Reigate and Banstead	SOUTH EAST	-£84
Elmbridge	SOUTH EAST	-£80
Hounslow	LONDON	-£80
South Cambridgeshire	EAST	-£77
Wandsworth	LONDON	-£73
York UA	YORKSHIRE AND THE HUMBER	-£70

Watford	EAST	-£63
South Bucks	SOUTH EAST	-£60
Tandridge	SOUTH EAST	-£59

Table 2

Differences between LHA rate and 25th % rent - Living in shared accommodation.

Local Authority	Region	Difference between LHA rate and 25th% rent - Shared Accommodation, per month
Camden	LONDON	-£171
Brent	LONDON	-£148
Islington	LONDON	-£123
Hammersmith and Fulham	LONDON	-£120
Barnet	LONDON	-£109
Redbridge	LONDON	-£97
Westminster	LONDON	-£96
Sutton	LONDON	-£87
Gloucester	SOUTH WEST	-£84
Waltham Forest	LONDON	-£83
Harrow	LONDON	-£83
Tower Hamlets	LONDON	-£76
Kingston upon Hull, City of UA	YORKSHIRE AND THE HUMBER	-£75
Worthing	SOUTH EAST	-£75
Weymouth and Portland	SOUTH WEST	-£72
Lichfield	WEST MIDLANDS	-£70
Chesterfield	EAST MIDLANDS	-£70
Haringey	LONDON	-£62
Aylesbury Vale	SOUTH EAST	-£62
Merton	LONDON	-£60
Stockport	North West	-£59
Basingstoke and Deane	SOUTH EAST	-£59
South Somerset	SOUTH WEST	-£59
Scarborough	YORKSHIRE AND THE HUMBER	-£57
Suffolk Coastal	EAST	-£57
Swale	SOUTH EAST	-£54
Greenwich	LONDON	-£52
Bromley	LONDON	-£52
Maidstone	SOUTH EAST	-£52

Lancaster	North West	-£52
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Table 3

Difference between LHA rate and 25th % rent - Renting a studio, receiving Shared Accommodation Rate.

Local Authority	Region	Difference between LHA rate and 25th% rent - Renting a Studio, getting Shared Accommodation rate, per month
Tower Hamlets	LONDON	-£588
Kensington and Chelsea	LONDON	-£543
Camden	LONDON	-£540
Westminster	LONDON	-£536
Wandsworth	LONDON	-£472
Islington	LONDON	-£462
Richmond upon Thames	LONDON	-£455
Hammersmith and Fulham	LONDON	-£424
Barnet	LONDON	-£352
Brent	LONDON	-£350
Newham	LONDON	-£343
Haringey	LONDON	-£330
Waltham Forest	LONDON	-£300
Hounslow	LONDON	-£285
Hackney	LONDON	-£284
Kingston upon Thames	LONDON	-£275
Lambeth	LONDON	-£269
Lewisham	LONDON	-£269
Enfield	LONDON	-£257
Southwark	LONDON	-£257
Bracknell Forest UA	SOUTH EAST	-£250
Redbridge	LONDON	-£240
Hillingdon	LONDON	-£235
Croydon	LONDON	-£235
Ealing	LONDON	-£207
Harrow	LONDON	-£200
Slough UA	SOUTH EAST	-£171
Bath and North East Somerset UA	SOUTH WEST	-£165
Brighton and Hove UA	SOUTH EAST	-£159

Luton UA	EAST	-£150
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Table 4

Difference between LHA rate and 25th % rent - Renting a 1 bed, receiving Shared Accommodation Rate.

Local Authority	Region	Difference between LHA rate and 25th% rent - Renting a Studio, getting Shared Accommodation rate, per month
Kensington and Chelsea	LONDON	-£1,143
Westminster	LONDON	-£905
Camden	LONDON	-£886
Islington	LONDON	-£821
Tower Hamlets	LONDON	-£764
Hammersmith and Fulham	LONDON	-£705
Hackney	LONDON	-£666
Wandsworth	LONDON	-£662
Haringey	LONDON	-£590
Lambeth	LONDON	-£569
Southwark	LONDON	-£569
Richmond upon Thames	LONDON	-£560
Merton	LONDON	-£560
Brent	LONDON	-£525
Kingston upon Thames	LONDON	-£510
Newham	LONDON	-£493
Hounslow	LONDON	-£485
Barnet	LONDON	-£482
Harrow	LONDON	-£452
Waltham Forest	LONDON	-£443
Ealing	LONDON	-£432
Elmbridge	SOUTH EAST	-£425
Spelthorne	SOUTH EAST	-£400
Runnymede	SOUTH EAST	-£400
Oxford	SOUTH EAST	-£400
Lewisham	LONDON	-£394
Redbridge	LONDON	-£390
Guildford	SOUTH EAST	-£390
Cambridge	EAST	-£388

Enfield	LONDON	-£387
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