Department for Work & Pensions

GSR
GOVERNMENT SOCIAL RESEARCH
Social Science in Government

Monitoring the impact of recent measures affecting Housing Benefit and Local Housing Allowances in the private rented sector

The response of landlords

July 2014

Research Report No 870

A report of research carried out by Centre for Regional Economic and Social Research, Sheffield Hallam University on behalf of the Department for Work and Pensions

© Crown copyright 2014.

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.
To view this licence, visit http://www.nationalarchives.gov.uk/doc/open-government-licence/ or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

This document/publication is also available on our website at:
https://www.gov.uk/government/organisations/department-for-work-pensions/about/research#research-publications

If you would like to know more about DWP research, please email:
Socialresearch@dwp.gsi.gov.uk

First published 2014.

ISBN 978 1 910219 26 3

Views expressed in this report are not necessarily those of the Department for Work and Pensions or any other Government Department.

Summary

The research in this report has been primarily concerned with changes in the experiences and perceptions of landlords and housing advisers between the two waves of survey and interviews undertaken in 2011/12 and in 2012/13. One should not overstate the extent of these changes. For example, in both waves, 74 per cent of landlords said they would continue to let to tenants receiving Local Housing Allowance (LHA), over the next year. However, the survey and the interviews with landlords and housing advisers reinforced the extent to which impacts in the three Inner London case study areas differed markedly from local areas elsewhere. On the basis of these findings, most of the impact will continue to be focused on London, and there is unlikely to be a major exodus of landlords from the LHA sub-market caused by the reforms.

There were three primary impacts which cut across area differences. The first was the impact of the changes to the Shared Accommodation Rate, implemented from January 2012. The proportion of landlords who said they were affected by this measure doubled between waves 1 and 2, and increased to 37 per cent of landlords in Inner London. The second widespread impact attributable to the LHA measures is the perceived increase in rent arrears among LHA tenants. When asked about whether rent arrears had increased due to the LHA measures, there was a significant increase from 40 to 47 per cent of all respondents, and from 47 per cent to 63 per cent in Inner London, where the average shortfalls are the highest. The third generic impact of the LHA measures across different housing markets was the increase in rent negotiations between LHA tenants and landlords. Over a quarter of respondents in the overall sample said that rent negotiation with existing tenants was increasing, and just under a quarter said the same about prospective tenants negotiating before accepting an offer of a tenancy.

Other LHA impacts varied more by area type. In the Inner London case studies, a greater proportion of landlords were seeking to reduce lets to LHA tenants or were planning to get out of the LHA sub-market altogether in the future, and more said they had taken actions (non-renewal or cessation of a tenancy, or eviction) against tenants specifically because of the LHA reforms.

In LHA dominant markets, the reductions in LHA rates had placed more pressure on landlords' margins due to the lack of other sources of demand. As a result, many landlords had little option but to reduce their rents in line with the reduced LHA rate. In the long term, landlords and housing advisers expressed concerns about the decline in housing quality within the private rental sector as a result of these financial pressures, which meant many landlords would no longer invest as much as before in their properties.

The introduction of a transitional protection period and the use of Discretionary Housing Payments have helped support some tenants to meet increased rental shortfalls. The increased reliance on direct Housing Benefit payment to landlords, especially in lower demand markets, had helped to dampen the impact of the measures.

Contents

Acknowledgements 9

The Authors 10

List of abbreviations 11

Executive summary 12

1 Introduction 18

2 The research context 20

2.1 Background to Local Housing Allowances 20

2.2 The research programme 22

3 The case study areas 24

3.1 The case study areas 24

3.2 The framework for analysis: classifying the case study areas 31

4 Landlord characteristics 36

4.1 Characteristics of landlords in waves 1 and 2 36

5 The impact of the LHA measures 43

5.1 Overall impact of LHA measures 43

5.2 Reducing LHA rates 47

5.3 The impact of SAR changes 49

5.4 The use of Discretionary Housing Payments 50

6 Impact on letting priorities and practices and tenant mobility 53

6.1 Impact on lettings practices 53

6.1.1 Changes in lettings strategy 54

6.1.2 Reasons for ceasing to let to LHA tenants 56

6.1.3 Lettings to under 35-year-olds 59

6.2 Mobility and Displacement 64

6.2.1 Homelessness 69

7 Impact on portfolios, yields and property condition 71

7.1 Impact on landlords' portfolios and rental yields 71

7.2 Impact on property condition and rental voids 79

8 Impacts on rents and arrears 83
8.1 Direct rent payments and rent negotiations 83
8.2 Rent negotiations and rent reductions 87
8.3 Rent arrears 92
8.4 Landlord responses to rent arrears 96
9 Potential future impacts of the measures 101
10 Conclusion 113
Appendix A Additional survey results 118
Appendix B Note on research methods 123
Appendix C The landlord survey questionnaire 127
Appendix D Changes in LHA rates in the case study areas by property size 146
Appendix E Discretionary Housing Payments 152
References 155

List of tables

Table 3.1 Case study areas ... 25
Table 3.2 Characteristics of the case study areas ... 26
Table 3.3 BRMAs covering the 19 case study areas ... 27
Table 3.4 LHA weekly rates for a selection of case study areas and bedroom sizes ... 29
Table 3.5 Uprating of LHA rates in case study areas at April 2013 ... 30
Table 3.6 Case study area classification ... 32
Table 3.7 Characteristics of case study area groupings ... 35
Table 4.1 Landlord or letting/managing agent ... 37
Table 4.2 Status of landlord ... 37
Table 4.3 Length of time as a landlord ... 37
Table 4.4 Portfolio within the case study area ... 38
Table 4.5 Dwellings let by landlords ... 38
Table 4.6 Tenant profile: economic status ... 38
Table 4.7 Tenant profile: economic status of tenants: Change between waves 1 and 2 ... 39
Table 4.8 Tenant profile: household characteristics: Change between waves 1 and 2 ... 41
Table 4.9 Lettings to households receiving LHA as a percentage of all lettings ... 42
Table 5.1 Percentage of landlords affected by specific LHA reforms so far: Change between waves 1 and 2 ... 46
Table 5.2 Percentage of landlords affected by specific LHA reforms so far: wave 2 ... 49
Table 6.1 Whether letting strategy has changed, wave 2 ... 54
Table 6.2 Whether letting strategy has changed because of the LHA reforms, wave 2 ... 54
Table 6.3 Change in Percentage of Landlords making changes to their business because of LHA reforms. Waves 1 to 2 ... 57
Table 6.4 Percentage of landlords no longer letting to under 35s because of the LHA reforms, wave 2 only ... 60
Table 6.5 Whether landlords prefer to let to tenants on HB/LHA. Change waves 1 to 2 . 61
Table 6.6 Whether landlords prefer to let to tenants not on HB/LHA ... 61

Table 6.7 The effect of LHA reforms on tenants moving as they could no longer afford rent. wave 2 only ... 64

Table 7.1 Percentage of landlords making changes to their portfolio because of LHA reforms. Change between waves 1 and 2 ... 72

Table 7.2 Percentage of landlords exiting the rental market because of LHA reforms, wave 2 ... 73

Table 7.3 Whether demand for shared accommodation has changed, wave 2 ... 73

Table 7.4 Percentage of landlords expanding shared accommodation wave 2 ... 74

Table 7.5 The effect of LHA reforms on rental yields. Wave 2 only ... 78

Table 7.6 The effect of LHA reforms on rental voids. Wave 2 only ... 81

Table 8.1 Whether landlords currently receive direct payments for HB/LHA tenants, wave 2 ... 85

Table 8.2 Reasons landlords currently receive direct payments for LHA tenants, wave 2 ... 85

Table 8.3 The effect of LHA reforms on the level of rent negotiations and rent reductions. Wave 2 only ... 88

Table 8.4 Percentage of landlords negotiating a lower rent with current and prospective tenants. Change waves 1-2 ... 89

Table 8.5 The effect of LHA reforms on the level of the level of rent arrears, wave 2 only ... 93

Table 8.6 Whether aware of any of their LHA tenants currently being in rent arrears, wave 2 ... 93

Table 8.7 Whether the number of LHA tenants in rent arrears has changed, wave 2 ... 94

Table 8.8 Whether HB/LHA tenants are currently in rent arrears because they can no longer afford the rent due to the following reasons, wave 2 ... 95

Table 8.9 Whether landlords have taken action to evict, not renew or end tenancies of any of their LHA tenants since April 2011, wave 2 ... 97

Table 8.10 Whether landlords have taken action to evict, not renew or end tenancies of any of their non-HB/LHA tenants since April 2011, wave 2 ... 97

Table 8.11 Whether landlords have taken action to evict, not renew or end tenancies specifically because they can no longer afford their rent because of the LHA reforms, wave 2 ... 98

Table 9.1 Percentage of landlords intending to continue letting to tenants who claim HB/LHA: Change between waves 1 and 2 ... 102

Table 9.2 Reasons behind the intention to continue letting to tenants who claim LHA in the next year: Change between waves 1 and 2 ... 103

Table 9.3 Changes considered or planned by landlords in the next year in terms of not letting to LHA tenants and letting 5 bedroom properties. Change between waves 1 and 2 105

Table 9.4 Changes considered or planned by landlords in the next year on rent negotiations. Change between waves 1 and 2 106

Table 9.5 Changes considered or planned by landlords in the next year in terms of shared accommodation: Change between waves 1 and 2 107

Table 9.6 Changes considered or planned by landlords in the next year in terms of their portfolio in the local area. Change between waves 1 and 2..... 108

Table A.1 Are you a buy-to-let landlord? 118

Table A.2 Are you a member of a landlord association?.....118

Table A.3 Letting of shared accommodation 118

Table A.4 Whether landlords are aware of any of their tenants who do not receive HB/LHA tenants currently being in rent arrears, wave 2..... 120

Table A.5 Whether the number of non-HB/LHA tenants in rent arrears changed, wave 2 121

Table A.6 Reasons behind the intention not to continue letting to tenants who claim LHA in the next year: Change between waves 1 and 2

Table B.1 Response rates for wave 2 postal survey of landlords..... 124

Table D.1 Shared accommodation LHA rates 146

Table D.2 One bedroom LHA rates 147

Table D.3 Two bedroom LHA rates..... 148

Table D.4 Three bedroom LHA rates..... 149

Table D.5 Four bedroom LHA rates..... 150

Table D.6 Five bedroom LHA rates 151

Table E.1 DHP Funding and Expenditure 2012/13..... 152

Table E.2 DHP Allocated funding 2013/14 and committed expenditure April-Sept 2013 153

Table E.3 DHP LHA awards as a proportion of total LHA caseload by area 154

List of figures

Figure 5.1 Percentage point change between waves 1 and 2 in whether LHA reforms had had an effect so far 44

Figure 5.2 Percentage point change on whether LHA reforms had no effect at all so far . 45

Figure 8.1 Percentage of landlords saying they have lowered or would consider lowering the rent, if paid directly to them. Change waves 1 to 2 84

Figure A.1 Whether rent arrears have increased in the local rental market overall since April 2011. Change waves 1 to 2 119

Figure A.2 Percentage of landlords seeing an increase in rent arrears due to LHA reforms. Change waves 1 to 2 120

Acknowledgements

The research for this report has been funded by the Department for Work and Pensions (DWP), the Department for Communities and Local Government (DCLG), the Scottish Government, and the Welsh Government and we are most grateful for their support. We would like to thank all the landlords who gave up their time to take part in the two postal surveys and the follow-up depth interviews covered in this report. We would also like to thank the housing advisers in the case study areas for taking part in interviews and focus groups and for being so informative about the impact of the Local Housing Allowance (LHA) measures.

We are very grateful to our colleagues at the Centre for Regional Economic and Social Research (CRESR) – Aimee Ambrose, Richard Crisp, Will Eadson, Stephen Green and Ian Wilson – for all their support in advising on the postal surveys and in undertaking the qualitative fieldwork with landlords and advisers, in analysing the mass of interview transcripts and in commenting on drafts of the report. We would like to thank Sarah Ward of CRESR for her help in formatting the text and the multiple tables and figures, and producing the full report. This report has benefited considerably from very helpful comments and suggestions made by officials at the DWP, the DCLG, the Scottish Government and the Welsh Government. In particular we have received extremely constructive advice during this project from Andy Brittan, Claire Frew, Dan Heap, Vicky Petrie, Tracy Simpson and Rachel Tsang at the DWP. Rachel and Claire have been especially helpful in the latter stages of the project. We would like to record our gratitude for their valuable support to the research team. Any inaccuracies or omissions that remain in the report are of course solely our own responsibility.

The Authors

Ian Cole is Professor of Housing Studies in the Centre for Regional Economic and Social Research at Sheffield Hallam University. He is the Project Director for this review of the impact of recent measures for Housing Benefit/Local Housing Allowances in the private rented sector.

Christina Beatty is Professor of Applied Economic Geography in the Centre for Regional Economic and Social Research at Sheffield Hallam University. She is Project Manager for this research project.

Ryan Powell is Principal Research Fellow in the Centre for Regional Economic and Social Research at Sheffield Hallam University.

Elizabeth Sanderson is Research Associate in the Centre for Regional Economic and Social Research at Sheffield Hallam University.

List of abbreviations

BME	Black and Minority Ethnic
BRMA	Broad Rental Market Area
CPI	Consumer Price Index
CRESR	Centre for Regional Economic and Social Research
CTB	Council Tax Benefit
DCLG	Department for Communities and Local Government
DHP	Discretionary Housing Payment
DLA	Disability Living Allowance
DSD	Department for Social Development
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
GB	Great Britain
HB	Housing Benefit
HMO	Housing in Multiple Occupation
IFS	Institute for Fiscal Studies
IB	Incapacity Benefit
IM	Ipsos MORI
LA	Local Authority
LHA	Local Housing Allowances
NI	Northern Ireland
PIPs	Personal Independence Payments
PRS	Private Rental Sector
RCT	Rhondda Cynon Taf
SAR	Shared Accommodation Rate
SHBE	Single Housing Benefit Extract
SRR	Single Room Rate
UC	Universal Credit
VOA	Valuation Office Agency

Executive summary

Introduction

This report is one of the final outputs from the independent evaluation of the recent changes to Local Housing Allowances (LHAs) and Housing Benefit (HB) in the private rented sector (PRS) in Great Britain (GB). The project has been running in parallel to a similar study being undertaken in Northern Ireland (NI) on the impact of the LHA measures. This evaluation has been undertaken by a research consortium from the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, the Institute for Fiscal Studies (IFS), the Blavatnik School of Government at the University of Oxford and Ipsos MORI (IM). This evaluation is funded by the Department for Work and Pensions (DWP), the Department for Communities and Local Government (DCLG), the Scottish Government and the Welsh Government. The Northern Ireland study has also been part funded by the Northern Ireland Executive through the Department for Social Development (DSD).

The focus of the report is an analysis of primary research undertaken with landlords, and housing and benefits advisers in 19 local housing markets in Great Britain. An initial report on the impacts of the LHA reforms was published in 2012, examining the findings from the wave 1 postal survey of landlords and the wave 1 face-to-face survey of claimants (Beatty *et al.*, 2012). The interim report on the research was then published in 2013 (DWP, 2013). This report concentrates on the second wave of surveys and qualitative interviews with landlords; and interviews and focus groups with housing and benefits advisers in the 19 case study areas. The survey was undertaken between September and December 2012. The interviews with landlords (95 in all) were undertaken between January and April 2013. Interviews were held in autumn 2013 with housing advisers and other housing officers who provided advice and support for HB claimants.

The research context

LHA is a way of calculating the eligible rent for tenants in the deregulated PRS that ensures that tenants in similar circumstances in the same area receive the same amount of financial support for their housing costs. These arrangements were originally introduced from April 2008. The reforms to the system were initially announced in 2010 and included: changing the basis for setting LHA rates from the median (50th) to the 30th percentile of local market rents; capping LHA rates by property size; changing the method for uprating LHA rates; removing the £15 excess payable to tenants whose rent was below what they were receiving in HB; uprating non-dependent deductions; and including an additional bedroom for a non-resident carer under certain criteria. A further measure announced in 2010 raised the age at which the Shared Accommodation Rate (SAR) applied from 25-years-old to 35-years-old.

The LHA Impact Assessments have described the aims of this package of measures as: reducing HB expenditure; providing a fairer HB system by removing situations where individuals can potentially receive large HB payments in areas of high market rents; ensuring that families receiving benefits cannot live in properties that would be unaffordable to many people in work; and exerting a downward pressure on private sector rent levels.

The case study areas

The 19 case study areas for the surveys and interviews contained just over 150,000 LHA claimants in December 2012, amounting to nine per cent of the total stock of claimants in GB. The areas diverge considerably in terms of both the size of the LHA claimant population within the LA and the size of the LHA sub-market within the local PRS. In terms of impacts, the scale of reductions in the LHA weekly rate in April 2011 in Central London was far greater than in all other areas. There are also significant differences between the SAR and the one bedroom weekly LHA rate which formerly applied to many 25 to 34-years-old single people: the weekly entitlement for those in this group in Hackney, for example, fell from £250 to £91.

The case study areas were grouped for the analysis according to a mix of housing market information, rental data and trends in out-of work claimant rates. This produced a four-fold classification. Three LAs were grouped in the high rent, high demand **Inner London** category; eight LAs were grouped as **LHA Dominant** areas: five LAs were grouped as **Cities**, all mixed PRS markets, with major universities; three LAs were categorised as rural areas and county towns, abbreviated to **Rural** areas for the purposes of the report. This classification was used in the examination of sub-group variation in the survey results, as many of the impacts were specific to market type rather than applicable to all LAs in the case study sample.

Landlord characteristics

Forty per cent of landlords responding to the survey were full-time and over sixty per cent had been a landlord for ten years or more. About half of the respondents owned five properties or fewer, while ten per cent had over 50 properties in their portfolio. In wave 2, the proportion of landlords letting to out-of-work benefit claimants was lower (73 per cent) than in wave 1 (79 per cent). Among Inner London landlords, it was 54 per cent, down from 66 per cent. The proportion of all landlords who said they let to lone parents fell from 53 per cent in wave 1 to 46 per cent in wave 2; and the proportion letting to childless couples fell from 45 to 38 per cent. About a quarter of GB landlords in the wave 2 survey thought that all their tenancies were occupied by households receiving LHA. The LHA sub-market is not as dominant for landlords in GB as in a parallel survey undertaken in NI. But the scale of the reduction in LHA rates after the reforms were introduced in April 2011 is greater in many GB Broad Rental Market Areas (BRMAs) than in any of the NI BRMAs.

The impact of the LHA measures

The proportion of landlords who said they had been affected by the LHA measures increased from 26 per cent in wave 1 to 46 per cent in wave 2. In some case study areas, especially where the gap between the contracted rent and the LHA rate was relatively small, landlords said they had adapted quickly to the new regime. A quarter of landlords overall in wave 2 said they were affected by the SAR changes, compared to 12 per cent in wave 1.

In terms of transitional protection, the support given through Discretionary Housing Payments (DHPs) varied from £31k in Fenland to £3.6 million in Westminster and just over £2 million in Brent in 2012/13. This enabled some tenants to be given significant financial support in some high rent, high demand areas, especially if landlords were also persuaded to reduce their rents partially. Many of the housing advisers suggested that DHPs were rarely being used by tenants to provide breathing space to scan other more affordable housing

options. Some case study LAs were active in attaching conditions to the renewal of DHPs for tenants; elsewhere a more open-ended 'first come, first served' approach prevailed.

Impact on lettings priorities and practices, and tenant mobility

Just over a third of landlords said they had changed their letting strategy since wave 1 and 30 per cent of the whole sample had done so because of the LHA reforms. In interview, some landlords said they were attempting to move out of the LHA sub-market, whereas others valued the continuity of retaining tenants, even if they had to forego some of their rental income. A smaller proportion of landlords in LHA Dominant areas than elsewhere no longer let to LHA tenants. Often this was simply because of the absence of alternative sources of demand. However, concerns about the increased risk of arrears had led many landlords to adopt more stringent vetting procedures for applicants.

In wave 2 a significantly higher proportion of landlords in Inner London (29 per cent) compared to the rest of the sample said they no longer let to the under 35s. Thirty-nine per cent of Inner London landlords said that there had been an increase in tenants moving out because they could no longer afford the rent, compared to 24 per cent in LHA Dominant markets, 19 per cent in Cities and ten per cent in Rural areas. Some landlords commented that tenants only wanted to move locally and that longer distance moves were either unacceptable or impractical; there was a strong desire among many households to stay put, especially in high demand PRS markets, due to social and support networks, the desire to avoid children moving schools, the proximity to employment and the lack of other affordable housing options elsewhere.

Impact on portfolios, yields and property condition

A higher proportion of landlords were thinking of reducing their portfolios in the case study areas than were thinking of expanding them, but there was no significant change between waves 1 and 2. Four per cent of landlords in the overall sample said they were planning to exit the PRS market altogether due to the LHA reforms; there were no significant differences by area type. A fifth of the overall sample (and 31 per cent in the Inner London sub-sample) said that demand for shared accommodation had increased in the previous year. Many landlords said they were reluctant to move into the Houses in Multiple Occupation (HMO) market, due to the perceived financial burden of additional management and maintenance costs.

Several landlords, especially in LHA Dominant markets, said that the cumulative effects of reduced LHA rates year on year, and the inability of their tenants to make up shortfalls, were placing undue pressure on their margins and they were reducing their maintenance budgets as a result. In wave 2, 19 per cent of landlords overall felt that rental voids had increased as a result of the LHA reforms; this rose to 26 per cent of respondents from Rural areas. Seventeen per cent of landlords in the high demand Inner London PRS said that voids had increased because of the LHA measures. This may seem surprising, but some respondents suggested a more segmented rental market was appearing, with a 'core' LHA sub-sector remaining, where it was difficult to let to non-LHA applicants because of the wider neighbourhood environment.

Impacts on rents and arrears

The proportion of landlords who said they would be prepared to negotiate over rents in order to receive direct HB payment increased from 29 to 37 per cent by wave 2. Thirty per cent of landlords in wave 2 said they received direct payments for all their tenants and a further 17 per cent for the majority of tenants. Twenty-seven per cent of landlords said there had been an increase in negotiations with current tenants since April 2011, rising to 48 per cent of Inner London landlords. There has been a ten percentage point increase between waves 1 and 2 in the proportion of Inner London landlords who had negotiated a lower rent. In lower value PRS markets opinions varied on whether it was necessary to reduce rents to LHA rates because there were no alternatives for letting property, or whether reductions could not be countenanced because returns were so low.

Forty-seven per cent of landlords said they had witnessed an increase in rent arrears since the reforms started, up seven per cent from wave 1. Twenty-eight per cent of respondents in the overall sample thought the arrears had increased specifically due to the LHA reforms. Thirty-seven per cent of respondents had taken action to evict, not renew or end tenancies for LHA tenants since April 2011, compared to 27 per cent who had taken action against non-LHA tenants. Housing advisers in some areas suggested that landlords were now more robust in evicting LHA tenants who were in arrears; advisers in other areas suggested landlords were mainly seeking not to renew tenancies, due to the cost and time involved in evictions.

Potential future impacts of the measures

Seventy-four per cent of all landlords in wave 2 (64 per cent in the Inner London sub-sample) said they intended to continue letting to LHA tenants in the coming year. Fourteen per cent of respondents in wave 2 said they did not intend to continue letting to LHA tenants; based on the wave 1 evidence, a much smaller proportion than this will eventually exit the market in the next 12 months. The proportion of respondents who expected to be negotiating lower rents with current and prospective tenants in the year ahead increased from eight to 12 per cent and from 12 to 16 per cent; the increases were more marked in Inner London. The proportion of landlords planning to expand the shared accommodation they let increased from five to 13 per cent by wave 2; in Inner London it increased from one per cent to 22 per cent

Housing advisers in most areas thought there would be a time lag before the impact of the LHA measures became fully evident. This was variously due to landlords finally running out of patience with tenants in arrears, tenants no longer being able to juggle their budgets to stay in their current accommodation, and tenants having to move once DHP support ended. However, in many areas outside London, the new LHA processes had been incorporated into the wider PRS without too many problems: there had been some reconfiguration around shared accommodation, HMOs and one bedroom property, but the LHA market had not contracted to any marked degree.

Conclusion

The research in this report has been primarily concerned with changes in the experiences and perceptions of landlords and housing advisers between the two waves of survey and interviews undertaken in 2011/12 and in 2012/13. One should not overstate the extent of these changes. The report on wave 1 of the landlord postal survey in GB (Beatty *et al.*, 2012), for example, found clear differences between the three Inner London case study areas, characterised by high demand and relatively high rent levels, and local authority (LA) areas elsewhere. In both waves, 74 per cent of landlords said they would continue to let to tenants receiving LHA, over the next year. In the event, about a fifth of those respondents who said they would not continue to let to LHA tenants in wave 1 had actually exited the LHA market by wave 2.

By wave 2, the survey and the interviews with landlords and housing advisers reinforced the extent to which impacts in the three Inner London areas differ markedly from local areas elsewhere in GB. Furthermore, exactly the same proportion of landlords in wave 2, 74 per cent, said they would continue to let to LHA landlords in the forthcoming year. On the basis of these findings, most of the impact will continue to be focused on London, and there is unlikely to be a major exodus of landlords from the LHA sub-market caused by the reforms.

It is possible to distinguish between impacts that have affected landlords across all areas and those where impacts have been more market-specific. There are three primary impacts which cut across area differences. The first is the **impact of the changes to the SAR**, which were implemented from January 2012. The proportion of landlords who said they were affected by this measure doubled between waves 1 and 2, and increased to 37 per cent of landlords in Inner London. The second widespread impact attributable to the LHA measures is the **perceived increase in rent arrears** among LHA tenants. When asked about whether rent arrears had increased due to the LHA measures, there was a significant increase from 40 to 47 per cent of all respondents, and from 47 per cent to 63 per cent in Inner London, where the average shortfalls are the highest. The third generic impact of the LHA measures across different housing markets was the **increase in rent negotiations between LHA tenants and landlords**. One of the professed aims of the LHA system from the outset was to encourage more ‘market aware’ behaviour between landlords and tenants, and this appears to be a growing trend, if still confined to a minority of landlords. Over a quarter of respondents in the overall sample said that rent negotiation with existing tenants was increasing, and just under a quarter said the same about prospective tenants negotiating before accepting an offer of a tenancy.

Some of the other LHA impacts varied more by area type. In the **Inner London** case studies a greater proportion of landlords were seeking to reduce lets to LHA tenants, were planning to get out of the LHA sub-market altogether in the future, and over a quarter (compared to a fifth of respondents overall) said they had taken actions (non-renewal or cessation of a tenancy, or eviction) against tenants specifically because of the effects of the LHA reforms. Furthermore, 39 per cent of Inner London landlords (compared to 23 per cent overall) said that since April 2011 there had been an increase in tenants moving because they could no longer afford the rent. One countervailing factor in these trends was the process of enhanced market segmentation in the PRS in London. There was less displacement in the lower value segment of the PRS, which was now marked by an increasing concentration of LHA claimants.

In **LHA Dominant** markets, the reductions in LHA rates, which were already relatively low pre-reform, had placed more pressure on landlords' margins due to the lack of other sources of demand outside the LHA market. As a result many landlords had little option but to reduce their rents in line with the reduced LHA rate. One response to these financial pressures, especially among buy-to-let landlords with a mortgage, was to reduce their expenditure in maintaining properties – landlords here were as likely to negotiate with tenants over responsibility for repairs as over the level of rent. Longer term, landlords and housing advisers expressed concerns about the decline in housing quality within the PRS as a result of these financial pressures, which meant many landlords would no longer invest as much as before in their properties.

The introduction of a **transitional protection period** and the **use of DHPs** have helped support some tenants to meet increased rental shortfalls, but, there was little evidence from housing adviser interviews that tenants were responding to any respite these measures gave by scanning the market for alternative, cheaper accommodation, as intended. The **increased reliance on direct HB payment** to landlords, especially in lower demand markets, was a further reason why impacts were dampened. On the basis of the survey results there has been a marked move back towards landlords seeking the security of direct payments, not just under the criteria stated in the new LHA measures.

1 Introduction

This report is one of a series of detailed research papers that form the final outputs from the independent evaluation of the recent changes to Local Housing Allowances (LHAs) and Housing Benefit (HB) in the private rented sector in Great Britain (GB). The project has been running in parallel to a similar study being undertaken in Northern Ireland (NI) on the impact of the LHA measures. This evaluation has been undertaken by a research consortium from the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, the Institute for Fiscal Studies (IFS), the Blavatnik School of Government at the University of Oxford and Ipsos MORI (IM). This evaluation is funded by the Department for Work and Pensions (DWP), the Department for Communities and Local Government (DCLG), the Scottish Government and the Welsh Government. The NI study has also been part funded by the Northern Ireland Executive through the Department for Social Development (DSD).

The focus of this report is an analysis of primary research undertaken with landlords and housing and benefits advisers[1] in 19 local housing markets in GB. The final outputs for the project will also include detailed research reports on the response of tenants to the LHA measures in the 19 case study areas, an analysis of the spatial effects of the measures at local authority (LA) level across GB, and an assessment of impacts on rent levels and HB entitlements, also covering GB as a whole. These four reports constitute the empirical and analytical foundations for the more thematic summary final report on the evaluation.

The overall research programme for this study of LHA impacts in GB ran from May 2011 until May 2014. An initial report was published in 2012 on the findings from the wave 1 postal survey of landlords and the wave 1 face-to-face survey of claimants (Beatty *et al.*, 2012). The interim report on the research was published in 2013 (DWP, 2013a). This brought together the findings from the wave 1 qualitative interviews with claimants, landlords and housing advisers in the 19 case study areas with the first stage of the spatial analysis on differential impacts at LA level and the econometric analysis on initial impacts on rents and HB entitlements. This report concentrates on the second wave of surveys and qualitative interviews with landlords; and interviews and focus groups with housing and benefits advisers in the 19 case study areas. The report therefore focuses on longitudinal changes in the attitudes, experiences and perceptions of landlords and the views of housing advisers between 2012 and 2013. The interviews with landlords were undertaken between January and April 2013. The interviews and focus groups with housing advisers in the case study areas were undertaken in October and November 2013.

It should be emphasised that, even when the second wave of the research with landlords was completed, the LHA measures had only just started to affect all claimants (from January 2013), partly due to the transitional protection that was introduced by the Government. The impact of the measures on some claimants will have also been reduced because of the temporary support provided by Discretionary Housing Payments (DHPs). This report cannot therefore be taken as the conclusive statement on the effects of the LHA measures on the behaviour and perceptions of landlords. It is likely that various lagged effects will continue to emerge in the coming months and years. It will also be increasingly difficult over time to attribute any changes to the LHA reforms as opposed to other welfare reform

[1] LA officers and representatives of voluntary agencies offering housing advice to tenants and landlords as part of their service.

measures, broader changes in the housing market and so on. However, the research can provide insights into the initial impacts, and the extent to which landlord responses have changed in the period covered by the two surveys. Because the interviews with advisers were undertaken at a later stage, when some of the local impacts may have become more evident, this material is considered separately from the landlord responses throughout each of the chapters examining the empirical research.

It was decided from the outset of the project to concentrate the primary research at the local case study level, and the sample of 19 areas in GB was drawn purposively, rather than designed to be explicitly representative of the national picture. The areas were chosen to ensure that a wide range of local housing market and labour market circumstances were included. The selection was also made to ensure that adequate sample sizes for sub-groups of areas and respondents were secured for the surveys. Four London boroughs, three Welsh and three Scottish LAs were included, as well as nine other LAs across the English regions. Other factors considered in area selection included: housing demand; different labour market contexts, including more buoyant markets in the South East and weaker markets in older industrial Britain; urban and rural areas; areas with a potentially alternative supply of private rented sector (PRS) tenants (such as students); the size of the black and minority ethnic (BME) population in the LA area; and seaside towns with concentrations of PRS housing.

The LHA measures that are the focus of this research and the overall research programme are summarised in *Chapter 2*. The housing market context of the case study areas is then outlined in *Chapter 3*. The rationale for grouping the areas together into four categories (Inner London; LHA Dominant; Rural; Cities) for the subsequent analysis of results from the wave 2 landlord survey is also discussed in this chapter. *Chapter 4* describes the characteristics of the sample of landlords who responded to both waves of the postal survey, and compares the attributes of this sample with that for the parallel study undertaken in NI.

Chapter 5 examines the impact of the different measures involved in the reform of the LHA on the basis of landlords' and housing advisers' perceptions, and focuses on the reductions in the LHA rates, the Shared Accommodation Rate (SAR) changes and the use of DHPs. *Chapter 6* examines whether the LHA measures have affected landlords' lettings practices and preferences, and the extent to which landlords think their tenants have had to move out of their property to find more affordable accommodation elsewhere. *Chapter 7* assesses the perceived impact of the LHA measures on landlords' portfolios, on property condition and on rental yields. *Chapter 8* examines the impact on rents, rent arrears and actions taken by landlords over existing LHA tenancies. *Chapter 9* explores the potential future impact of the measures, with reference to the perceptions of landlords and the subsequent interviews with housing advisers. *Chapter 10* is the conclusion. Fuller information on the findings, the methodology, the survey instruments and the use of DHPs is provided in the *Appendices*.

2 The research context

2.1 Background to Local Housing Allowances

The Local Housing Allowance (LHA) is a way of determining the eligible rent[2] used to calculate Housing Benefit (HB) for tenants in the deregulated private rented sector (PRS) that ensures that tenants in similar circumstances in the same area receive the same amount of financial support for their housing costs. These arrangements were initially introduced from April 2008 for people making new claims for HB and for existing claimants if they had a change of address, change of circumstances or a break in their claim. Different LHA rates are set according to different Broad Rental Market Areas (BRMAs) across Great Britain (GB). The boundaries of BRMAs were intended to reflect the areas in which people live and access services. Under the original 2008 LHA scheme, rental market evidence was collected in each of these areas and rates were then set according to property size, ranging from a room in a shared property up to a property with five bedrooms.

The changes to LHA, initially announced in the June 2010 Budget and the Comprehensive Spending Review of 2010, formed an important part of the Government's package of measures to reform HB. The measures included:

- changing the basis for **setting LHA rates** from the median (50th) to the 30th percentile of local market rents;
- **capping weekly LHA rates** (in 2012, £250 per week for one bed; £290 per week for two bed; £340 for three bed; £400 for four bed or more – thereby scrapping the five bed rate);
- **changing the method for uprating HB rates**. The existing system of monthly uprating was ended and the April 2012 HB rate was frozen for a year; from April 2013 rates were uprated for a year at the 30th percentile of market rents or the September 2012 Consumer Price Index (CPI) rate, whichever was the lower. A more recent measure in the 2013 Welfare Benefits Uprating Act annually uprates HB by one per cent for April 2014 and April 2015;
- **removing the £15 excess** payable to tenants whose rent was below what they were receiving in HB. This policy was introduced in the previous Labour Government's 2009 Budget and was implemented, along with the other measures, in April 2011, as had originally been planned;
- **uprating non-dependant deductions** to reflect rent increases since 2001/2 in three stages from April 2011 to 2013;
- **including an additional bedroom within the size criteria used to assess HB claims** where a disabled person, or someone with a long-term health condition, has a proven need for overnight care and it is provided by a non-resident carer who requires a bedroom.

All these changes (apart from the withdrawal of the £15 excess) applied to new claimants from April 2011 and to existing claimants from the anniversary of their claim, with an additional nine months transitional protection, unless they had a change of circumstances which required the local authority (LA) to re-determine the maximum rent. Existing claimants were, therefore, brought under these measures (depending on the date of their review) in the period from January 2012 to December 2012. The loss of the £15 excess was not covered

[2] For LHA claimants, 'eligible rent' is the lower of the contractual rent and the LHA rate.

by transitional protection and was therefore applied to all new claimants from April 2011 and then applied to existing tenants from the first renewal of their claim after April 2011. The £15 excess had therefore been removed from all eligible tenants by the end of March 2012.

Other relevant measures that have affected PRS tenants receiving LHA have included an increase in the Government's contribution to the Discretionary Housing Payment (DHP) budget specifically for the LHA reforms by £10 million in 2011/12 and by £40 million for 2012/13, 13/14 and 14/15. DHPs are distributed by LAs and can be paid to claimants to ease the process of transition to the new regime, as in situations where there is an increased shortfall between their LHA entitlement and the contractual rent. The Government also announced in 2010 that the discretion of LAs to make direct HB payments to landlords would be widened temporarily where it was considered that this would support tenants in retaining and securing a tenancy.

Two further measures were announced in October 2010. The first of these measures involved raising the age at which the Shared Accommodation Rate (SAR) (formerly the Single Room Rate (SRR)) applied from 25 to 35. This was introduced in January 2012. For existing claimants, it applied on their next review after January 2012 or, if they were covered by the transitional protection period, when this period ended. The second measure concerned capping total benefits received by working-age households at £500 per week for a couple or family and £350 per week for a single person with no children. This was introduced in four London boroughs from April 2013, and implemented in all other LAs during summer 2013, and all households subject to the cap had been identified by the end of September 2013. This measure does not form part of this evaluation directly, and it was introduced after the wave 2 survey and interviews with landlords were undertaken, but it does have a potential impact on some HB claimants in the PRS, since the cap will be achieved by reducing HB payments.

Of course, these measures have been introduced alongside a range of other welfare reform initiatives which might also impact, to varying degrees, on LHA claimants. Since April 2013 this includes a 10 per cent reduction in central funding for Council Tax Benefit (CTB) for working-age households in GB. The implementation of the new Council Tax Reduction scheme was devolved to local areas. Consequently, the reduction was not passed onto claimants by the Scottish Government, Welsh Government or 57 English LAs. With the exception of Westminster, and the six Scottish and Welsh case study areas, this reduction was passed directly on to working-age households in the other 12 case study areas. Changes to Disability Living Allowance (DLA), Incapacity Benefit (IB) and Employment and Support Allowance (ESA), and the introduction of Personal Independence Payments (PIPs) were also introduced according to various timescales from April 2011 onwards. For households who have been, or are about to be, affected by one or more of these other welfare reform measures, it is naturally difficult to disentangle the exact impact of the changes to LHA. However, the research instruments did attempt to distinguish between changes that could be attributed to LHA and those caused by other factors according to the perceptions of landlords and claimants.

By introducing the various LHA measures, the Government wished to encourage HB claimants to operate in a more 'cost-conscious' manner in the private rented housing market, by moving to cheaper accommodation if they could not afford to continue to meet any gap between LHA rates and the rent charged by the landlord. It was also envisaged that landlords might want to retain some tenants and might be prepared to reduce rents to prevent rising turnover and the additional transaction costs this involves.

The LHA Impact Assessments have described the aims of the package of measures as:

- reducing HB expenditure;
- providing a fairer HB system by removing situations where individuals can potentially receive large HB payments in areas of high market rents;
- ensuring those families on benefits cannot choose to live in properties that would be unaffordable to many people in work and thereby removing work disincentives created by the receipt of high rates of benefit;
- exerting a downward pressure on private sector rent levels through the break with the link to average PRS market rents and restricting growth in LHA rates to CPI, or in later years a one per cent uprating.

  (DWP, 2010; for the uprating changes, see DWP, 2012; DWP, 2013e)

2.2 The research programme

The main aim of the research programme was therefore to assess the impact of these changes to HB and LHAs on claimants and landlords over a two-year period. The bulk of the measures were introduced in April 2011, as shown above, but continuing the research into 2013 made it possible to capture some of the impacts among the shifting balance of new claimants and existing claimants over time. The research methodology comprised a combination of quantitative and qualitative approaches.

In wave 1, a postal survey was undertaken of landlords in the 19 case study areas between September and November 2011, and this was supplemented by qualitative one-to-one interviews with eight landlords from each case study area. A sample was drawn to give a mix according to length of time as a landlord, portfolio size, proportion of LHA lets, experience of letting shared accommodation, the extent of impact of LHA reforms and whether landlords intended to remain in or to exit the LHA market. This first stage was then followed by interviews with housing and benefits advisers working in the case study areas in summer 2012, looking more widely at impacts on tenants, the housing service, the PRS market and the implications for local services.

In wave 2, the landlord postal survey was repeated (see Appendix C for the survey schedule) and sent to all those who had responded to the wave 1 survey and was undertaken between September and December 2012. Five follow-up qualitative interviews were held with landlords in each of the areas after the postal survey stage had been completed. These interviews were intended to assess: how landlord responses had changed; changes to rent setting and letting strategies and future investment intentions; the extent to which landlords had left the HB market altogether, or had either increased or reduced their involvement in it; and factors that had contributed to a decision to stay in the market, such as rent negotiation and payment methods. Five interviews were conducted with landlords in each of the 19 case study areas between January and April 2013 – a total of 95 interviews. Of those, 80 respondents (84 per cent) had also been interviewed at wave 1, between November 2011 and January 2012. The remainder of interviewees (15) were identified through the wave 2 postal survey of landlords. (See Appendix B for further details on the methods). Follow-up interviews and focus groups were held in autumn 2013 with advisers and other housing officers who provided advice and support for HB claimants in the case study areas.

Much of the evidence from wave 1 of the research, discussed in the interim report (DWP, 2013a) underlined the vital importance of the local housing market context in explaining differences in responses. The initial econometric analysis (DWP, 2013c), for example, showed that the incidence of shortfall fell on tenants to a greater extent in high value, high demand areas and that landlords responded more (by reducing contractual rents closer to new LHA rates) in lower demand PRS markets. The interviews with landlords (DWP, 2013d) also testified to the importance of alternative sources of demand in landlords' calculations about whether to negotiate over rents with tenants and how flexible they should be in dealing with arrears and payment shortfalls. The gap between the contracted rent and the LHA entitlement in higher demand areas also encouraged many landlords to reduce their lettings to LHA tenants. It is therefore crucial to outline some of the key differences in local housing market conditions between the 19 case study areas, before the survey and interview findings are discussed in depth. This is the focus of *Chapter 3*. There is not one story, but several distinct narratives about how landlords are responding to recent changes in LHA, and prevailing housing market conditions are a key factor in shaping these different reactions.

3 The case study areas

Summary

- The 19 case study areas contained just over 150,000 Local Housing Allowance (LHA) claimants in December 2012, amounting to nine per cent of the total stock of claimants in Great Britain (GB).
- The areas diverge considerably in terms of both the size of the LHA claimant population within the local authority (LA) (from nearly 20,000 in Bradford to 2,300 in Perth and Kinross) and the size of the LHA sub-market within the local PRS (from 80 per cent in Tendring to 16 per cent in Westminster).
- The scale of reductions in the LHA in April 2011 in Central London was far greater than all other areas, even those in Inner London due to the imposition of rate caps and/or the move to the 30th percentile: the two bedroom rate in Westminster for example fell from £550 before the reforms to £290 after the reforms: the equivalent reduction in Thanet was from £121 to £110.
- There are significant differences between the shared accommodation rate (SAR) and the one bedroom weekly LHA rate which formerly applied to many 25 to 34-years-old single people: the entitlement for those in this group in Hackney, for example, fell from £250 to £91.
- The case study areas were grouped according to a mix of housing market information, rental data and trends in out-of-work claimant rates: this produced a four-fold classification.
- Three LAs were grouped in the high rent, high demand Inner London category; eight LAs were grouped as LHA Dominant areas; five LAs were grouped as Cities, all mixed private rented sector (PRS) markets, including major universities; three LAs were categorised as rural areas and county towns, abbreviated to Rural areas for the purposes of the report.
- This classification is used in the examination of sub-group variation in the survey results, as many of the impacts are specific to market type rather than applicable to all LAs in the case study sample.

3.1 The case study areas

The 19 case study areas covered by the landlord postal survey and the qualitative interviews contained just over 150,000 LHA claimants in December 2012 (when the wave 2 survey was being completed), which amounts to about nine per cent of the total stock of LHA claimants in GB at the time. The case study areas, the region they are based in, the size of the PRS, Housing Benefit (HB) caseload and the proportion of HB claimants in the PRS as a whole at December 2012 are shown in Table 3.1.

Table 3.1 Case study areas

	Region	Local authority district	PRS HB claimants December 2012	PRS HB claimants as % of all PRS households
1	London	Barking and Dagenham	7,400	60%
2	London	Brent	17,490	53%
3	London	Hackney	10,180	35%
4	London	Westminster	6,710	16%
5	South East	Portsmouth	8,000	38%
6	South East	Thanet	9,330	66%
7	East	Fenland	3,010	47%
8	East	Tendring	8,010	80%
9	South West	Exeter	3,270	32%
10	West Midlands	Walsall	7,100	56%
11	Yorkshire and the Humber	Bradford	19,530	54%
12	North West	Blackburn	4,910	55%
13	North East	Newcastle	7,100	32%
14	Wales	Cardiff	10,620	34%
15	Wales	Denbighshire	4,190	65%
16	Wales	Rhondda Cynon Taf	8,220	60%
17	Scotland	Edinburgh	11,150	22%
18	Scotland	North Lanarkshire	5,770	54%
19	Scotland	Perth and Kinross	2,300	24%

Source: Single Housing Benefit Extract (SHBE).

Table 3.1 indicates the diversity of the case study areas, both in terms of the number of LHA claimants within the LA (ranging from nearly 20,000 in Bradford to 2,300 in Perth and Kinross), and in the size of the LHA sub-market within the local PRS (ranging from 80 per cent in Tendring to 16 per cent in Westminster). Table 3.2 shows the marked differences between the case study areas in terms of house prices, benefit rates, LHA rates, LHA caseload, the size of the PRS, the proportion of PRS properties in the local housing market and the estimated proportion of households receiving LHA within the local PRS. These factors were drawn together to provide the classification of the case study areas discussed in the following section of this chapter and applied in the subsequent survey analysis.

Table 3.2 Characteristics of the case study areas

Local authority	Urban/ Rural	Overall average house price 2012	Out-of-work benefit rate November 2012	Average weekly LHA rate March 2011 (£)	Average weekly LHA rate December 2012 (£)	LHA caseload December 2012	2011 Census PRS Households	PRS as % of all households	Estimate of LHA as % of PRS
Westminster	Urban	£1,171,900	10.9%	459	256	5,010	41,950	40%	12%
Brent	Urban	£388,600	12.1%	274	242	15,040	33,180	30%	45%
Hackney	Urban	£370,600	15.4%	242	234	8,970	29,450	29%	30%
Barking and Dagenham	Urban	£177,600	16.6%	190	185	6,330	12,330	18%	51%
Edinburgh	Urban	£220,400	10.2%	135	130	10,270	49,880	22%	21%
Exeter	Urban	£217,400	9.1%	125	117	2,510	10,340	21%	24%
Portsmouth UA	Urban	£166,600	11.3%	125	124	6,540	21,100	25%	31%
Tendring	Rural	£180,000	15.6%	125	119	6,440	10,060	16%	64%
Cardiff	Urban	£181,500	13.0%	120	113	9,020	31,220	22%	29%
Fenland	Rural	£142,300	12.1%	107	104	2,390	6,340	16%	38%
Thanet	Urban	£169,300	17.3%	107	100	7,500	14,150	24%	53%
Perth and Kinross	Rural	£165,202	9.1%	105	99	1,750	9,470	15%	18%
Walsall	Urban	£132,000	15.7%	105	99	5,950	12,570	12%	47%
North Lanarkshire	Urban	£104,769	16.6%	100	93	5,090	10,710	7%	48%
Newcastle upon Tyne	Urban	£171,060	14.4%	99	94	5,690	22,320	19%	25%
Bradford	Urban	£141,151	15.2%	97	90	16,430	36,070	18%	46%
Blackburn with Darwen	Urban	£118,200	16.6%	95	86	3,870	8,990	16%	43%
Denbighshire	Rural	£137,707	15.2%	95	92	3,500	6,450	16%	54%
Rhondda Cynon Taf	Urban	£107,247	18.9%	86	78	6,580	13,600	14%	48%
Great Britain		£229,043	11.6%	133	126	1,350,950	4,195,070	16%	32%

Table 3.3 shows that there are 29 separate Broad Market Rental Areas (BRMAs) (on the basis of which local LHA rates are set) covering the 19 case study areas. There is more than one BRMA in some of the case study authorities, and this may provide an incentive for claimants to move within study areas to access different LHA rates. Some of the London case study areas share the same BRMA. At December 2012, the LHA caps affected rent levels for all bedroom sizes in Central London and Inner North London; and for two, three and four bedroom property for Inner West London and Inner East London. The LHA caps did not come into play in any other BRMAs, as the 30th percentile of local market rents was the lower of the two measures.

Table 3.3 BRMAs covering the 19 case study areas

Case study area	BRMA
Westminster	Central London
Westminster	Inner North London
Brent	Inner North London
Brent	Inner West London
Hackney	Inner North London
Hackney	Central London
Hackney	Inner East London
Barking and Dagenham	Outer North East London
Portsmouth	Portsmouth
Thanet	Thanet
Tendring	Colchester
Fenland	Kings Lynn
Fenland	Peterborough
Exeter	Exeter
Walsall	Birmingham
Walsall	Black Country
Bradford	Bradford and South Dales
Bradford	Leeds
Blackburn and Darwen	Bolton and Bury
Blackburn and Darwen	East Lancs
Newcastle	Tyneside
Cardiff	Cardiff
Denbighshire	North Clwyd
Denbighshire	Wrexham
Rhondda Cynon Taf	Merthyr Cynon
Rhondda Cynon Taf	Taf Rhondda
Edinburgh	Lothian
North Lanarkshire	North Lanarkshire
North Lanarkshire	South Lanarkshire
Perth and Kinross	Fife
Perth and Kinross	Forth Valley
Perth and Kinross	Perth and Kinross

Source: VOA, The Scottish Government, Welsh Government.

Table 3.4 shows LHA rates and how they have changed since the month before the introduction of the new measures; March 2011. The differences in absolute rates and the extent of change from March 2011 to December 2012 illustrate the wide range of housing market circumstances and rents in the case study sample. (A full set of LHA rates over time and by bedroom size for all areas is provided in *Appendix D*). The March 2011 LHA rates were the last month when rents were based on the median rents in the BRMA. The April 2011 rates were based on the new rules of the 30th percentile of rents in the area and the maximum caps by bedroom size. December 2012 marks the period when the postal survey was completed and just before the qualitative interviews were undertaken. The change in weekly rates over the entire period is also shown in Table 3.4. It should be remembered that these are weekly rates, so a reduction of £10 a week (as in one bedroom properties in Hackney, for example) is equivalent to around £40 per calendar month.

Table 3.4 demonstrates how the extent of reductions in the Central London BRMA (which covers part of Westminster, and also part of Hackney, not shown here) is on a qualitatively different scale than other areas, even those in Inner London. The only exception is for the SAR. The reduction in the one bedroom rate in Westminster is 12 times more than in the next highest BRMA shown in the table, Inner East London, and the reduction in the three bedroom rate is 18 times greater than in Inner East London. The ranking of the five selected case study areas in terms of absolute LHA rates is quite consistent for each property type, but the size of the reductions is less consistent, as can be seen by tracking the reductions for each property size for Merthyr Cynon BRMA in comparison to Thanet. It is likely that the values for one bedroom and four bedroom properties in Merthyr Cynon are based on a small number of properties, and thus subject to variation, given the preponderance of two and bedroom properties in the local PRS stock.

It is also worth stressing the difference between the one bedroom rate and the SAR, given that the latter now applies to any single person household under the age of 35. Though the difference between the SAR at March 2011 and December 2012 appears fairly modest in most areas (e.g. £3.50 per week in Barking and Dagenham or 20p per week in Thanet), the loss is much greater for someone aged 25 to 34 in a one bedroom property. For a single person affected by this (i.e. aged between 25 and 34) and in a one bedroom flat in Hackney for instance, their LHA entitlement would have fallen from £250 a week at March 2011 to £92.35 a week at December 2012. That amounts to a shortfall of over £150 per week. In Thanet the equivalent figure is just over £30 a week – a still significant sum to find for those unable to access suitable shared accommodation. Raising the age at which the SAR applies has an impact across all areas, but inevitably it has greater consequences for those living in areas where there is a relative lack of shared accommodation. This includes many rural areas; and districts like Rhondda Cynon Taf, where the stock reflects the industrial legacy of the area.

The housing adviser interviews were undertaken later than the landlord interviews in autumn 2013, and therefore took place after the April 2013 uprating of LHA rates. Table 3.5 shows which BRMAs had their rates uplifted by the 30th percentile in rents and which were capped by the September 2012 Consumer Price Index (CPI) rate instead.

Table 3.4 LHA weekly rates for a selection of case study areas and bedroom sizes

Case study area	BRMA	March 2011	April 2011	December 2012	March 2011 to December 2012
Shared accommodation					
Westminster	Central London	140.94	137.50	123.50	-17.44
Hackney	Inner East London	100.58	91.00	92.35	-8.23
Barking and Dagenham	Outer North East London	73.50	67.50	70.00	-3.50
Edinburgh	Lothian	75.00	66.92	66.92	-8.08
Thanet	Thanet	58.70	56.73	58.50	-0.20
Rhondda Cynon Taf	Merthyr Cynon	46.15	43.31	45.00	-1.15
One bedroom					
Westminster	Central London	375.00	250.00	250.00	-125.00
Hackney	Inner East London	250.00	230.00	240.00	-10.00
Barking and Dagenham	Outer North East London	155.77	150.00	150.00	-5.77
Edinburgh	Lothian	115.38	109.62	114.23	-1.15
Thanet	Thanet	90.00	80.77	80.77	-9.23
Rhondda Cynon Taf	Merthyr Cynon	75.00	69.23	65.00	-10.00
Two bedroom					
Westminster	Central London	550.00	290.00	290.00	-260.00
Hackney	Inner East London	310.00	280.00	290.00	-20.00
Barking and Dagenham	Outer North East London	196.15	184.62	185.00	-11.15
Edinburgh	Lothian	150.00	137.31	143.08	-6.92
Thanet	Thanet	121.15	109.62	114.23	-6.92
Rhondda Cynon Taf	Merthyr Cynon	85.00	80.00	80.00	-5.00
Three bedroom					
Westminster	Central London	795.00	340.00	340.00	-455.00
Hackney	Inner East London	365.00	330.00	340.00	-25.00
Barking and Dagenham	Outer North East London	242.31	219.23	230.77	-11.54
Edinburgh	Lothian	206.54	173.08	183.46	-23.08
Thanet	Thanet	144.23	132.69	138.46	-5.77
Rhondda Cynon Taf	Merthyr Cynon	92.31	90.00	85.00	-7.31
Four bedroom					
Westminster	Central London	1,250.00	400.00	400.00	-850.00
Hackney	Inner East London	465.00	400.00	400.00	-65.00
Barking and Dagenham	Outer North East London	323.08	300.00	300.00	-23.08
Edinburgh	Lothian	294.81	253.83	271.15	-23.66
Thanet	Thanet	177.70	160.38	173.08	-4.62
Rhondda Cynon Taf	Merthyr Cynon	144.23	132.69	126.92	-17.31

Source: VOA, The Scottish Government, Welsh Government.
Note: LHA rates in italics are set at the maximum cap by bedroom size.

Table 3.5 Uprating of LHA rates in case study areas at April 2013

Case study area	BRMA	Room	1 Bed	2 Bed	3 Bed	4 Bed
Westminster	Central London	CPI	CPI	CPI	CPI	CPI
Westminster	Inner North London	CPI	CPI	CPI	CPI	CPI
Brent	Inner North London	CPI	CPI	CPI	CPI	CPI
Brent	Inner West London	CPI	CPI	30th	CPI	CPI
Hackney	Inner North London	CPI	CPI	CPI	CPI	CPI
Hackney	Central London	CPI	CPI	CPI	CPI	CPI
Hackney	Inner East London	CPI	30th	CPI	CPI	CPI
Barking and Dagenham	Outer North East London	CPI	CPI	CPI	30th	CPI
Portsmouth	Portsmouth	CPI	30th	CPI	CPI	CPI
Thanet	Thanet	30th	30th	30th	CPI	CPI
Tendring	Colchester	30th	CPI	CPI	30th	CPI
Fenland	Kings Lynn	CPI	30th	30th	30th	CPI
Fenland	Peterborough	30th	30th	30th	CPI	CPI
Exeter	Exeter	30th	30th	30th	30th	30th
Walsall	Birmingham	CPI	30th	CPI	30th	CPI
Walsall	Black Country	30th	30th	CPI	CPI	30th
Bradford	Bradford and South Dales	30th	30th	30th	30th	30th
Bradford	Leeds	30th	30th	30th	30th	30th
Blackburn and Darwen	Bolton and Bury	30th	30th	30th	30th	30th
Blackburn and Darwen	East Lancs	30th	30th	30th	30th	30th
Newcastle	Tyneside	30th	30th	30th	30th	30th
Cardiff	Cardiff	30th	30th	30th	30th	30th
Denbighshire	North Clwyd	30th	30th	30th	30th	30th
Denbighshire	Wrexham	30th	CPI	30th	30th	CPI
Rhondda Cynon Taf	Merthyr Cynon	30th	CPI	30th	CPI	30th
Rhondda Cynon Taf	Taf Rhondda	30th	CPI	30th	30th	30th
Edinburgh	Lothian	30th	30th	30th	30th	30th
North Lanarkshire	North Lanarkshire	30th	30th	30th	30th	CPI
North Lanarkshire	South Lanarkshire	30th	30th	30th	30th	30th
Perth and Kinross	Fife	CPI	30th	30th	CPI	30th
Perth and Kinross	Forth Valley	30th	30th	30th	30th	30th
Perth and Kinross	Perth and Kinross	CPI	30th	30th	30th	30th

Source: Valuation Office Agency, Welsh Government, The Scottish Government.

3.2 The framework for analysis: classifying the case study areas

The original design for the research project acknowledged that the LHA reforms were likely to have a differential impact, dependent on the local context and prevailing housing and labour market conditions. As stated in the Introduction, the 19 case study areas were therefore chosen to reflect a mix of contexts including: London potential out-flow and in-flow areas; major cities and university towns; older industrial areas with weak labour markets; seaside towns with large concentrations of PRS and LHA Dominant markets; buoyant and prosperous areas; urban and rural areas; England, Wales and Scotland. The sample sizes for the surveys were insufficient to provide representative results for any individual case study area, but adequate sample sizes would be secured by grouping the case studies into different area types.

In interview, many landlords and advisers spoke of the continuing high levels of demand in the PRS, not least due to difficulties in entering either owner-occupation, on one hand, or gaining access to social housing, on the other. There were also different local factors at play in the case study areas, as the following comments from a housing adviser in Barking and Dagenham illustrate.

> *'You've got this whole housing dilemma going on in the private sector at the moment that was not a problem for Barking and Dagenham even five, six years ago. The licensing regimes, the stock and quality issues, the welfare reforms and the migration, particularly international migration, into the borough because Barking and Dagenham still has the capital's cheapest rents.'*
>
> (Member, Barking and Dagenham housing adviser focus group)

In other areas, particular parts of the PRS stock were facing acute demand pressures, such as three or four bedroom properties in Westminster, or, at the other end of the spectrum, shared accommodation in Rhondda Cynon Taf, where there is a surplus of two and three bedroom properties. The local housing market context is therefore crucial to understanding the response to the reforms on the part of landlords.

Housing market information, data on rents and data on the out-of-work claimant rate were analysed in various combinations for the case study areas. Eventually, the following four-fold classification was devised: Inner London; LHA Dominant areas; Cities; and Rural areas and County Towns (abbreviated to 'Rural' areas for the remainder of the report). These groupings were devised on the basis of shared characteristics and broadly reflect the original diversity of local market contexts which were thought to have a potential bearing on the responses of landlords and claimants to the reforms.

The classification is shown in Table 3.5, together with the size of the sample for the combined local authorities used in the analysis of the postal survey of landlords in subsequent chapters.

Table 3.6 Case study area classification

Area classification	Local authorities	Sample size for landlord survey
Inner London	Westminster	
	Brent	N=55
	Hackney	
LHA Dominant	Barking and Dagenham	
	Blackburn and Darwin	
	North Lanarkshire	
	Walsall	N=340
	Rhondda Cynon Taf	
	Thanet	
	Tendring	
	Denbighshire	
Cities	Edinburgh	
	Cardiff	
	Portsmouth	N=212
	Newcastle upon Tyne	
	Bradford	
Rural	Exeter	
	Fenland	N=63
	Perth and Kinross	
Total		**N=670**

Inner London areas are high demand, high rent areas including Westminster (Central London) and Brent and Hackney (Cosmopolitan London). With an average house price of £643,600[3] in 2012, major housing affordability issues prevail in these areas and there are correspondingly low levels of owner occupation (34 per cent of all households) and a large PRS market (33 per cent of all households) with generally high market rents. There had already been increasing pressure on affordable PRS accommodation in these districts before April 2011, and this has been intensified by the LHA reforms. Generally, the LHA sub-market is not dominant in these areas (Brent has the highest proportion) and on average about a quarter of the PRS market in the three LAs is allocated to households receiving LHA. The comment of one Westminster landlord in interview typifies the diverse profile of PRS tenants in these areas, as well as the sense that there were other letting options for landlords than LHA applicants, especially since the reductions in LHA rates.

> *'Central London, this location is not reliant on only* [LHA] *housing tenants. There's all walks of life from all over the world coming to live here, to work here, study here, companies coming over sending their staff so there's no issue at all. Ok, larger flats you might have to drop a little rent but it's still acceptable. The attraction with the LHA tenant was a long term tenancy and they were paying slightly higher but then you were taking a lot of risks, responsibilities.'*
>
> (Small landlord, Westminster)

[3] Weighted by total households.

The PRS in this area grouping had the highest average rents before the reforms were introduced from April 2011; the average LHA rate among the total stock of claimants in March 2011 was £307 per week. By the time of the fourth quarter of 2012 (when the surveys of landlords and claimants were undertaken) the average LHA rate among the stock of claimants was £65 lower at £242 a week, amounting to a 21 per cent decrease. This was a much greater fall than in any of the other area groupings. Essentially, these LAs are high rent areas with high demand in the PRS.

> *'It's still as competitive as it was and in the private rented sector there's a shortage, there's far more tenants than there are properties and that's still keeping the rent levels quite high.'*
>
> (Large landlord and agent, Hackney)

It should be noted that Westminster is the extreme case within this group with an average house price of over £1m, and an average pre-reform LHA rate of £454, which fell by £197 by the end of 2012 to £257. This brought it much more in line with the rates in the other two inner London local authorities in this grouping. Out-of-work benefit claimant rates across the three districts range from 9.9 per cent of 16 to 64-year-olds in Westminster to 19.3 per cent in Hackney. Overall, 15.3 per cent[4] of working-aged adults are claiming out of work benefits in the group as a whole, which is similar to the average across all 19 case study areas.

LHA Dominant areas comprise eight of the local authorities in the sample. The relatively large size of the LHA sub-market is likely to influence the ability of PRS landlords to adapt to the reforms as there will be limited alternative sub-markets. The group falls into two distinct sub-groups: older industrial areas – Barking and Dagenham, North Lanarkshire, Blackburn, Rhondda Cynon Taf and Walsall; and seaside towns – Thanet (which contains Margate), Tendring (which contains Clacton), and Denbighshire (which contains Rhyl and Prestatyn). These areas share similar characteristics in terms of local housing and labour markets.

LHA tenants account for 41 per cent of PRS market in these areas taken together, which is substantially higher than in the other groupings. The dominance of the LHA sub-market is particularly strong in the three seaside town LAs; on average 47 per cent of all PRS households are LHA claimants, compared to 38 per cent in the older industrial areas. This reflects the relatively large supply of PRS in seaside towns, accounting for 19 per cent of all households. The PRS accounts for 14 per cent of the housing stock in the eight areas as a whole. The social rented sector (SRS) is more dominant for HB claimants in the older industrial areas, accounting for 25 per cent of all households, compared to 11 per cent in the seaside towns.

Barking and Dagenham has slightly different characteristics to the other areas in terms of rent levels, reflecting its location in London. There is considerable pressure of demand in the PRS, concentrated at the lower end of the market:

> *'We expected the market to subside after the Olympics but it didn't, people still keep coming because this area is cheap, it's the cheapest area to live in London and more people are coming in.'*
>
> (Large landlord and letting agent, Barking and Dagenham).

---

4 Working age population weighted.

This group of areas have weak local labour markets and 17.7 per cent of the working-age population are on out-of-work benefits, which is the highest of the four groupings. The overall average house price is relatively low at £134,100. In many cases, the PRS has expanded in these areas since the housing market downturn, as properties have been made available to rent rather than placed on open sale.

> *'Every estate agent, virtually every one, has strengthened their letting agency side of it because you take a property on for sale, can't sell it, you offer to rent it…We're just doing an exercise, listing properties that have been up for sale for six months and there's more and more just in this area.'*
>
> (Large landlord and agent, Denbighshire)

The average LHA rate in March 2011 before the reforms were introduced was £115 per week. This had fallen by £7 to £108 a week by the fourth quarter of 2012. This decrease, which amounts to a six per cent reduction, is the same for both seaside towns and industrial areas in the group. This was also similar to the absolute and percentage fall in LHA rates in the other groupings, apart from Inner London.

Cities cover five LAs in the sample, all comprising cities with major universities. The average house price in 2012 in these areas was £179,000. Owner occupation accounts for 59 per cent of all households and the PRS market accounts for 21 per cent. As in the Inner London group, a quarter of PRS tenants received LHA, indicating that there could be alternative sources of demand in the PRS market. The labour markets in these areas are relatively buoyant, with 13.4 per cent of the working-age population on out-of-work benefits at the end of 2012.

The average LHA rate before and after the reforms was the same as for the LHA Dominant grouping at £115 per week in March 2011, falling by £7 to £108 a week by the fourth quarter of 2012.[5] The reduction equates to a decrease in the LHA rate of five per cent, similar to the absolute and percentage fall in LHA rates in other groupings, except for Inner London.

Rural areas consist of rural and county towns and include the smaller city of Exeter as well as the more rural areas of Fenland, and Perth and Kinross. The average house prices in this grouping were £175,800 in 2012, similar to those in the Cities grouping and owner occupation accounted for 65 per cent of all households. Seventeen per cent of all households lived in the PRS and 21 per cent of these households were LHA tenants, so this accounted for a smaller part of the overall housing market than LAs in other groupings.

The out-of-work benefits rate in Rural areas at the end of 2012 was 10.5 per cent. The average LHA rate before and after the reforms was only slight lower than in the LHA Dominant and Cities groupings, at £113 per week in March 2011. This fell by £6 a week to £107 a week by the fourth quarter of 2012. This equates to a decrease in the LHA rate of five per cent, which is the same as in the Cities grouping.

---

[5] Rounded to the nearest pound.

Table 3.7 Characteristics of case study area groupings

			Average weekly LHA rate			Caseload December 2012 as % of all PRS households				
	Average house price 2012	Working age out-of-work benefit rate November 2012	March 2011	December 2012	Change March 2011 – December 2012	LHA caseload December 2012	PRS households	PRS as % of all households	LHA	Total PRS HB
Inner London	£740,400	12.8%	£308	£242	-£66	29,030	104,580	33%	28%	33%
Cities	£185,900	12.9%	£115	£108	-£7	47,960	160,580	21%	30%	35%
Rural areas	£176,200	9.9%	£113	£108	-£6	6,740	26,150	17%	26%	33%
LHA Dominant markets	£134,200	16.7%	£115	£109	-£6	45,180	88,860	14%	51%	62%
Great Britain	£229,000	11.6%	£133	£126	-£8	1,356,700	4,195,100	16%	32%	39%

Sources: DWP SHBE, 2011 Census of Population, Land Registry, ONS.

This area classification is used in the following chapters when examining the wave 2 postal survey results and the extent of change from the wave 1 survey.

4 Landlord characteristics

Summary

- Forty per cent of the landlords in the postal survey were full-time and 63 per cent had been landlords for ten years or more; just over half of respondents had five or fewer properties, while at the other extreme one in ten respondents had over 50 properties.
- The estimated proportion of lets made to Local Housing Allowance (LHA) claimants among all landlords in the sample was 39 per cent.
- In wave 2 the proportion of landlords letting to out-of-work benefit claimants was significantly lower (73 per cent) than in wave 1 (79 per cent). Among Inner London landlords, it was 54 per cent, down from 66 per cent.
- the proportion of landlords in Inner London letting to single people under the age of 25 fell from 32 per cent in wave 1 to 18 per cent in wave 2.
- The proportion of all landlords who said they let to lone parents fell from 53 per cent in wave 1 to 46 per cent in wave 2; and the proportion letting to childless couples fell from 45 to 38 per cent. The scale of reduction was magnified among the sub-sample of Inner London landlords: down from 43 to 21 per cent of the sample letting to lone parents and from 56 to 40 per cent letting to childless couples.
- About a quarter of Great Britain (GB) landlords in the wave 2 survey thought that all their tenancies were occupied by households receiving LHA, compared to 61 per cent of landlords in the Northern Ireland (NI) survey.
- The LHA sub-market is not as dominant for landlords in GB as in NI, but the scale of the reduction in LHA rates after the reforms were introduced in April 2011 is greater in many GB Broad Rental Market Areas (BRMAs) than in any of the NI BRMAs.

4.1 Characteristics of landlords in waves 1 and 2

In this chapter, we describe the general features of the sample of landlords who responded to both wave 1 and wave 2 postal surveys, which form the basis of the longitudinal analysis discussed in Chapters 5 to 9. Some of the characteristics of the sample are compared with those of the landlord sample in NI, from the parallel study undertaken by the research team on the impact of LHA measures in the province (Beatty *et al.*, 2014).

Fourteen per cent of the respondents in the postal survey were managing agents, or were both a managing agent and a landlord.

Table 4.1 Landlord or letting/managing agent

	Column percentages
	LHA landlords
Landlord	87
Landlord and letting/managing agent	9
Letting/managing agent	5
I am not currently a landlord/letting agent	0
Total	100
Base: All landlords[1]	*657*

[1] Refers to all respondents to the survey question.

The results in Tables 4.2 and 4.3 indicate the more 'professionalised' and mature private rented sector (PRS) landlord panel in GB compared to their NI counterparts. Forty per cent of the GB sample described themselves as full-time landlords (Table 4.2), and nearly two-thirds had been in business for at least ten years (Table 4.3). This compares with 13 per cent and 46 per cent respectively in the NI panel sample.

Table 4.2 Status of landlord

	Column percentages
	LHA landlords
Full time	40
Part time	60
Total	100
Base: All landlords	*613*

Table 4.3 Length of time as a landlord

	Column percentages
	LHA landlords
Less than 2 years	2
For at least 2 years but less than 5 years	9
For at least 5 years but less than 10 years	25
For 10 years or more	63
Don't know/not sure	0
Total	100
Base: All landlords (excluding letting agents)	*620*

Just over half of the landlord sample had between one and five properties in their portfolio within the specific case study area concerned, and one in ten had over 50 properties. Seventy-one per cent of the sample described themselves as buy-to-let landlords (Table A.1). Over a third were members of a landlord association (Table A.2).

Table 4.4 Portfolio within the case study area

	Column percentages
	LHA landlords
1	21
2-5	30
6-10	19
11-50	20
Over 50	10
Total	100
Base: All landlords (excluding letting agents)	*660*

Table 4.5, which is based on respondents' own estimates, shows that the properties owned by landlords in the case study areas constituted nearly half of their overall portfolio. The estimated proportion of lets made to tenants receiving LHA was considerably lower in GB than in NI (39 per cent compared to 79 per cent). Overall, there are more diverse sources of demand for landlords' properties in the GB sample, though clearly this total figure will mask important local differences in how far landlords feel they are dependent on the LHA sub-market. The difference between GB and NI is also reflected in Table 4.6, which shows that three-quarters of the landlords said they let some of their properties to working people, compared to just half of NI respondents. A higher proportion of the GB landlord panel also said they let to other groups such as students (19 per cent, compared to ten per cent in NI) and people who have retired (nearly a third, compared to 17 per cent in NI).

Table 4.5 Dwellings let by landlords

	Column percentages
	LHA landlords
Dwellings let within Great Britain	31,690
Dwellings let within case study area	14,212
Percentage of all Great Britain dwellings within case study area	45
Dwellings let to LHA/HB tenants	5,593
Percentage of lettings to LHA/HB tenants	39
Base: All landlords (excluding letting agents)	*670*

Table 4.6 Tenant profile: economic status

	Column percentages
	LHA landlords
Working people	76
Out-of-work benefit claimants	73
Students	19
Retirees	31
Other	10
Base: All landlords (excluding letting agents)	*668*

In assessing how the tenant profile has changed since wave 1, Table 4.7 shows that overall there was a statistically significant reduction in the proportion of landlords letting to out-of-work benefit claimants from 79 to 73 per cent**[6]. The questionnaire specifically referred to 'out-of-work benefit claimants' as a distinct group, who are of course a different category from 'LHA claimants', considered later in this chapter. At December 2012, when the postal survey was undertaken, 34 per cent of all LHA claimants in GB received an income from work (Department for Work and Pensions (DWP), Single Housing Benefit Extract (SHBE)) . The proportion of Inner London landlords who said they let to out-of-work benefit claimants also fell from 66 to 54 per cent** between the two waves of the survey. There were, however, no significant changes in the proportion letting to this group from respondents in the other area categories.

There is an increase in wave 2 in the proportion of landlords in Rural areas who said they now let to students (up from 19 to 34 per cent**) and to retired people (up from 27 to 41 per cent*) – suggesting that many landlords are securing more diverse sources of demand for their lettings in these areas.

Table 4.7 Tenant profile: economic status of tenants: Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Working people					
Wave 1	81	80	81	76	79
Wave 2	79	77	77	74	76
Percentage point change	-2	-3	-4	-2	-3
Out-of-work benefit claimants					
Wave 1	66	82	65	90	79
Wave 2	54	75	60	86	73
Percentage point change	-12*	-6	-5	-5	-7**
Retirees					
Wave 1	18	26	27	32	27
Wave 2	15	29	41	36	31
Percentage point change	-3	3	14**	4	4
Students					
Wave 1	26	28	19	6	17
Wave 2	22	26	34	7	19
Percentage point change	-4	-2	14*	2	2
Others					
Wave 1	10	8	7	5	7
Wave 2	10	10	15	9	10
Percentage point change	1	2	9	4*	4**
Base: all LHA landlords	*55*	*210*	*62*	*339*	*666*

Note: Based on cross-tabular analysis.

[6] Throughout the report ** indicates statistical significance at the 1 per cent limit and * indicates significance at the five per cent limit.

In *Chapter 5* the impact of the different LHA measures is examined, including the changes to the age threshold introduced for the Shared Accommodation Rate (SAR). Table 4.8 shows that just under a third of landlords in the wave 2 survey said they currently let to single people under the age of 25 (who were previously subject to what was then called the Shared Room Rate (SRR)). The proportion of landlords letting to single people under 25 had fallen significantly between waves 1 and 2 in Inner London (down from 32 per cent to 18 per cent**).

Compared to wave 1, Table 4.8 shows that there had been a significant reduction in the proportion of landlords who said they let to lone parents (down from 53 to 46 per cent**) and childless couples (down from 45 to 38 per cent**). The proportion of Inner London landlords who said they let to lone parents fell from 43 per cent to 21 per cent** in wave 2. There was also a reduction in those letting to childless couples (down from 56 to 40 per cent**) in Inner London. The proportion of landlords who said they let to lone parents in LHA Dominant areas fell from 62 to 53 per cent*. These reductions possibly reflect the perceived financial vulnerabilities of some groups under the new LHA regime in the eyes of landlords, which is also reflected in the findings of the wave 2 survey of claimants. There is no reduction of lettings to couples with children in Inner London between waves 1 and 2.

The proportion of landlords in wave 2 who said they were letting to single people over the age of 25[7] increased in both Cities (up from 74 to 85 per cent**) and LHA Dominant areas (up from 63 to 73 per cent**). Given the reluctance for many landlords to let property to single people in the 25 to 35 age group, as shown later, it is reasonable to assume that these lets are mainly directed at single people over the age of 35. The proportion of landlords letting to single people over 25 in Rural areas reduced from 79 to 65 per cent* between waves 1 and 2).

[7] This group includes all those over 25, not just the 25 to 34-year-old age group affected by the changes to the SAR age threshold.

Table 4.8 Tenant profile: household characteristics: Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Single people under 25					
Wave 1	32	36	55	24	33
Wave 2	18	40	51	24	31
Percentage point change	-14**	4	-4	0	-2
Single people aged 25+					
Wave 1	81	74	79	63	72
Wave 2	79	85	65	73	76
Percentage point change	-2	11**	-14*	10**	4*
Childless couples					
Wave 1	56	41	55	39	45
Wave 2	40	38	39	38	38
Percentage point change	-15**	-3	-16**	-1	-7**
Couples with children					
Wave 1	54	53	44	59	54
Wave 2	54	53	38	58	53
Percentage point change	0	0	-6	-2	-2
Lone parents					
Wave 1	43	53	43	62	53
Wave 2	21	54	49	53	46
Percentage point change	-22**	2	6	-9*	-7**
Elderly people					
Wave 1	24	28	34	42	34
Wave 2	24	31	43	42	36
Percentage point change	0	4	9	-1	2
Other					
Wave 1	10	7	13	4	7
Wave 2	9	7	11	5	7
Percentage point change	-1	-1	-1	1	0
Base: all LHA landlords	*54*	*211*	*62*	*338*	*665*

Note: Based on cross-tabular analysis.

Finally, Table 4.9 indicates the estimated proportion of their total lets that landlords calculated were made to households receiving LHA. Of course, these estimates will be no more than indicative as the flow of households receiving LHA and then no longer doing so varies over time; and landlords are not always aware of the current circumstances of their tenants, especially when they do not receive direct payment of Housing Benefit (HB). These caveats notwithstanding, Table 4.9 suggests that about half of landlords felt that they let at least half of their properties to households receiving LHA (compared to 93 per cent of landlords in NI giving this response). About a quarter of the total GB sample felt that **all** their tenancies were occupied by households receiving LHA, compared to fully 61 per cent of all landlords in NI. The LHA sub-market is therefore not as dominant for the majority of landlords in GB.

Table 4.9 Lettings to households receiving LHA as a percentage of all lettings

	Column percentages
	LHA landlords
Less than 10%	11
At least 10% but less than 20%	10
At least 20% but less than 50%	18
At least 50% but less than 100%	31
100%	26
Don't know	4
Total	100
Base: All landlords	*647*

The different profile of landlords in GB compared to NI will clearly affect the impact of the LHA measures on their business. The LHA sub-market is much larger in the NI PRS. However, the spectrum of local rental values is much wider in GB and the gap between the pre- and post-reform LHA rates is much wider in many BRMAs. Furthermore, a smaller proportion of GB landlords receive direct HB payment which, as we will see in *Chapter 8*, is an important influence on their perceptions of the LHA market. Therefore, although the LHA reforms have an impact on a smaller proportion of their properties, GB landlords may be affected to a greater extent than their NI counterparts in terms of the HB they receive as a proportion of the contractual rent. We examine the effects of individual changes to the LHA regime on GB landlords in the following chapter.

5 The impact of the LHA measures

Summary

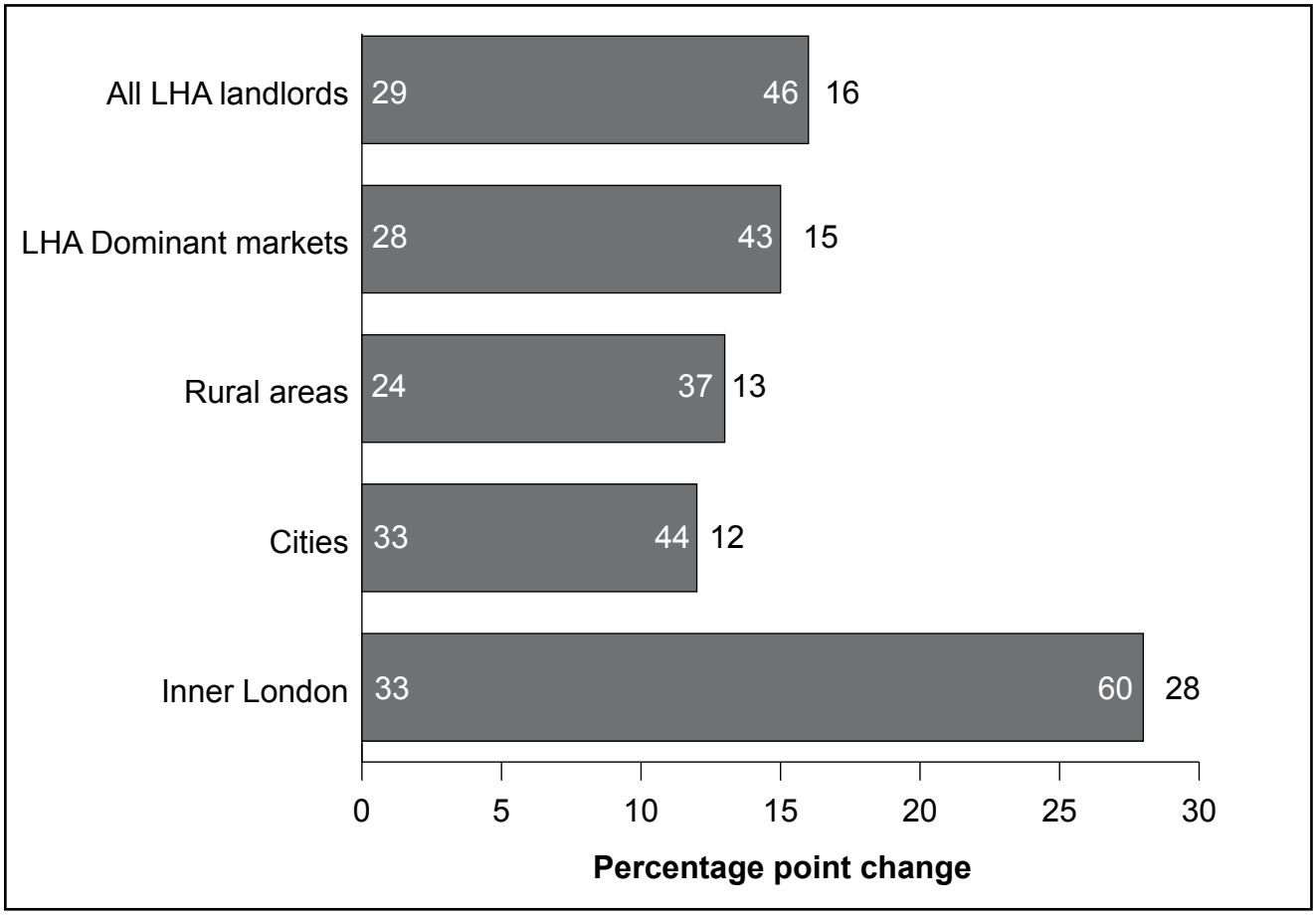
- The proportion of landlords who said they had been affected by at least one of the Local Housing Allowance (LHA) measures increased from 26 per cent in wave 1 to 46 per cent in wave 2, and in the Inner London sub-sample from 33 to 60 per cent.
- In some areas, especially where the gap between the contracted rent and the LHA rate was relatively small, landlords said they had adapted quickly to the new regime.
- The proportion of landlords who said they were affected by the new LHA rates and the LHA caps increased between the two waves from 21 to 27 per cent and from 20 to 26 per cent respectively.
- A quarter of landlords overall in wave 2 said they were affected by the Shared Accommodation Rate (SAR) changes, compared to 12 per cent in wave 1.
- The support given through Discretionary Housing payments (DHPs) varied from £31k in Fenland to £3.6 million in Westminster and just over £2 million in Brent in 2012/13; this enabled some tenants to be given significant financial support in some high rent, high demand areas, especially if landlords were persuaded to reduce their rents partially.
- In interview, some landlords thought that the temporary support given through DHPs was not worthwhile as it merely staved off the inevitable for tenants who would have to move eventually.
- Housing advisers suggested that DHPs were rarely being used by tenants to provide breathing space to scan other more affordable housing options.
- Some case study LAs were active in attaching conditions to the renewal of DHPs for tenants; elsewhere a more open-ended ‘first come, first served’ approach prevailed.

5.1 Overall impact of LHA measures

Both waves of the postal survey examined how far respondents felt that the different measures introduced for LHAs had affected them. Figure 5.1 shows, as one might expect an increase in the proportion of landlords who said they had been affected by the LHA measures ‘a lot’ or ‘a fair amount’ between wave 1, undertaken in late 2011 and wave 2, undertaken in late 2012. This proportion increased from 29 to 46 per cent** overall. Sixty per cent of Inner London landlords[8] in wave 2 said they were affected (up from 33 per cent**), 44 per cent in Cities (up from 33 per cent*), 43 per cent in LHA Dominant areas (up from 28 per cent**) and 37 per cent in Rural areas (up from 24 per cent**).

[8] The term ‘Inner London’ landlords – and similar usages throughout the report – is used as a shorthand term to describe those landlords whose portofolios include properties within one of the local authorities classed in the Inner London area grouping. Landlords may also own properties elsewhere, but their survey responses were limited to those properties they owned within the relevant local authority case study area.

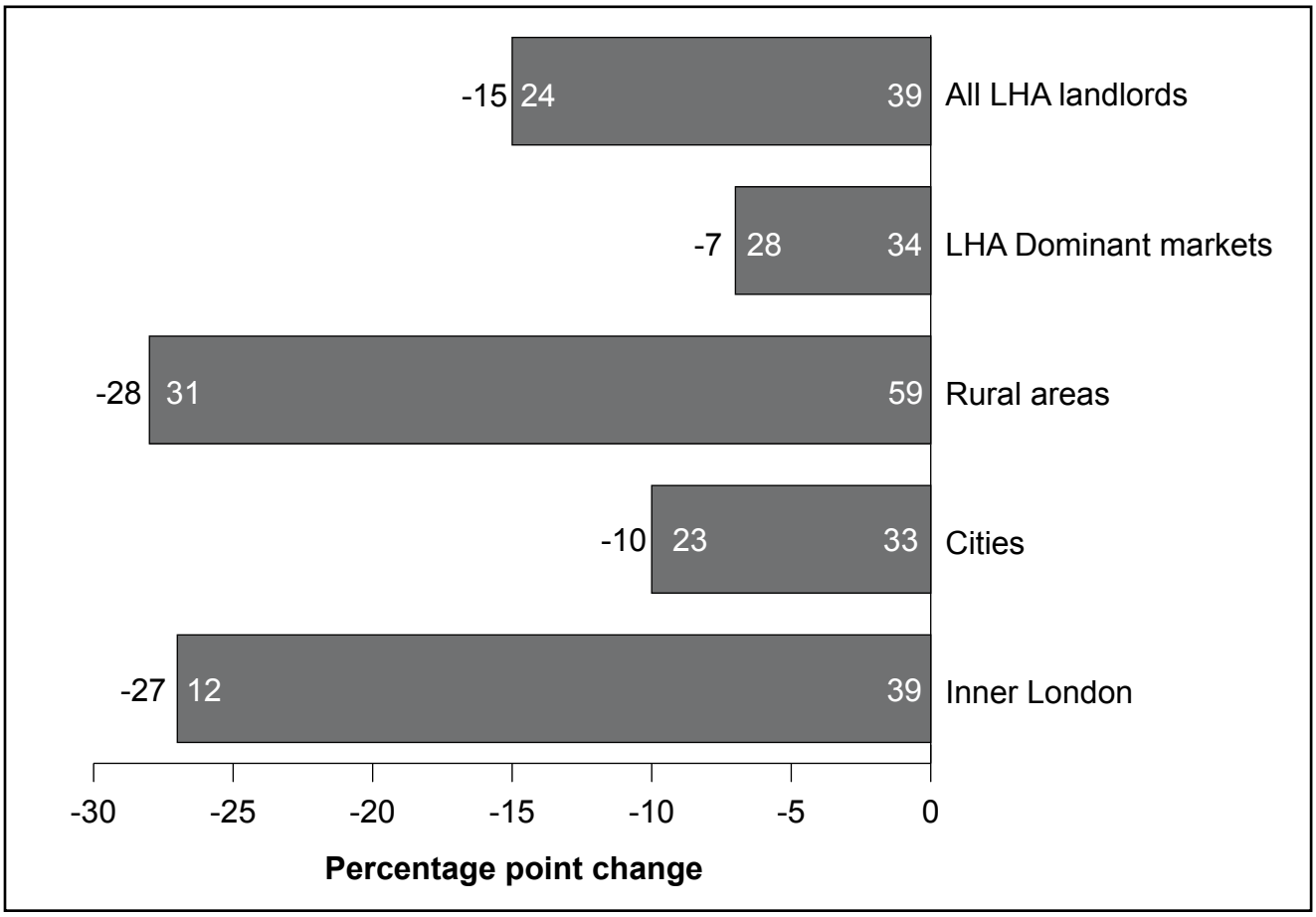
Figure 5.1 Percentage point change between waves 1 and 2 in whether LHA reforms had had an effect so far



The proportion of landlords who said they were not affected at all by the measures fell from nearly four in ten in wave 1 to just under a quarter in wave 2 (Figure 5.2), and it is necessary to place the extent of change between the two waves in perspective. While just 12 per cent of landlords in Inner London said they were not affected by the LHA changes in wave 2, nearly one in three landlords in Rural areas responded in this way, which may seem surprising given that nearly all existing LHA claimants[9] had been brought under the new regime by the time of the wave 2 survey. It is worth reiterating, however, that landlords may not always be aware that a tenant is in receipt of Housing Benefit (HB).

9 Throughout the report the term 'LHA claimant' is used to describe those tenants in the deregulated private rented sector (PRS) who were receiving full or partial HB to contribute to their rent.

Figure 5.2 Percentage point change on whether LHA reforms had no effect at all so far



In some local markets, especially where the gap between contracted rents and LHA rates was relatively low, landlords said in interview that they had adapted quite quickly to the new regime.

> *'The latest increase* [in LHA rates by £10 a month for a one bed property][10] *is going to narrow the losses quite a bit, but because we've been in the business a long time we can survive … Many of the properties we bought 15 years ago and the return we're getting on them is excellent so no material effect. LHA hasn't been a major problem really.'*
>
> (Large landlord, Tendring)

> *'I think we've only had one [tenant] who said (the reduction in LHA) was a problem. Basically, as soon as they were aware it was going to drop they started looking for something smaller, so we didn't have that much in the way of people falling behind.'*
>
> (Large agent, Exeter)

Table 5.1 shows the impact of the different measures, **according to the perceptions of the landlords**[11]. The change in LHA rates is mentioned by the highest proportion of respondents,

---

10 Quotes in italics are verbatim; where additional words have been inserted to aid the comprehension of the quotation, these are shown in non-italicised script.

11 It is likely, for example, that many of those responses referring to LHA property caps outside London are actually referring to the general reductions in LHA rates rather than the caps specifically.

but a comparison of the extent of change in responses over time shows that the SAR changes have made the most impact in the 12 months between waves 1 and 2.

Table 5.1 Percentage of landlords affected by specific LHA reforms so far: Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Setting LHA rates on the 30th percentile of rents					
wave 1	25	24	13	20	21
wave 2	34	28	20	25	27
Percentage point change	9	4	7	5	6**
Capping maximum weekly LHA rates by property size					
wave 1	36	16	12	16	20
wave 2	46	21	20	21	26
Percentage point change	10	5	8	5	7**
Increasing the age limit for SAR					
wave 1	18	10	5	13	12
wave 2	37	21	20	25	25
Percentage point change	19**	11**	14**	12**	13**
Removing the £15 weekly excess payment to claimants					
wave 1	10	16	14	13	13
wave 2	23	18	16	16	18
Percentage point change	12**	2	2	3	4*
Five-bedroom LHA rate abolished					
wave 1	7	1	1	2	3
wave 2	13	3	0	3	4
Percentage point change	6	1	-1	1	2
Affected but don't know/not sure by which changes					
wave 1	10	15	10	14	13
wave 2	19	16	14	13	15
Percentage point change	8	1	4	-1	2
Don't know/not sure if affected					
wave 1	9	13	7	16	13
wave 2	1	9	12	10	8
Percentage point change	-8**	-4	5	-6*	-4**
Not at all affected					
wave 1	39	33	59	34	39
wave 2	12	23	31	28	24
Percentage point change	-27**	-10*	-28**	-7	-15**
Base: all LHA landlords	*53*	*207*	*63*	*332*	*665*

Note: Based on cross-tabular analysis.

We now consider some of the measures in turn.

5.2 Reducing LHA rates

For the sample as a whole, Table 5.1 shows that the proportion of landlords affected by the new means of setting LHA rates and the caps according to property size (notwithstanding the above caveat about landlords' understanding of the difference between these measures) increased significantly, from 21 to 27 per cent** and from 20 to 26 per cent** respectively. The removal of the £15 excess to tenants, where the rent is below the LHA rate, was also picked up by more respondents, especially in Inner London. The proportion of all landlords mentioning this measure increased from 13 to 18 per cent*, and, among Inner London landlords, it increased from ten to 23 per cent**.

In some of the qualitative interviews, landlords said they had now adapted to the new rates after the initial reduction, and that tenants had adapted as well.

> *'When it went from the 50th percentile to 30th it was quite a drop. The three bed rate came down over 10% which is £50 a month, which is quite a bit of money. But that was two years ago and we've weathered that storm.'*
>
> (Large landlord and agent, Newcastle upon Tyne)

> *'There's still a need out there for housing and people are biting the bullet and paying that bit of top-up at the moment.'*
>
> (Small landlord, Tendring)

> *'It was very unusual but since* [the reforms were first introduced]*, I've got a waiting list now … the lads have to pay me £12.50 per week in top up and generally I get it. Bradford, for a bed-sit of £70 they'll pay £57.50* [LHA]*.'*
>
> (Large landlord, Bradford)

The claim was made in a few wave 1 interviews that some landlords had 'artificially' increased their rents before the reforms were introduced from April 2011, to provide a cushion against future reductions in rates. This was said to have helped the transition to the new regime in some areas, such as Rhondda Cynon Taf.

> *'LHA, yes you come to get used to it, that's fine. But yeah some landlords are charging too much and they have to bring them down, not a problem. We've done that in certain properties and we're happy to do that.'*
>
> (Large landlord, Rhondda Cynon Taf)

There were also some local idiosyncrasies which had delayed the impact of the reduction in LHA rates. In Hackney, for example, the rates for private sector leased properties had been based on 90 per cent of the January 2011 pre-reform LHA rate, and so the changes caused by setting rates according to the 30th percentile had not worked through by the time of the wave 2 survey.

Elsewhere landlords felt that tenants were now struggling to meet the larger shortfall due to the reduction in rates, for a variety of reasons.

> *'There are some properties that are harder to let now, the three bed houses where the ladies have got two children. They could have topped it up a bit themselves before but now they can't. So someone with a girl and a boy who are less than 10, they're only entitled to a two bed house whereas ideally they'd want a three bed house. If the rent was 550 and they were entitled to 525 they could top it up. But under a two bed rule they're only entitled to less so there's too much of a top up now.'*
>
> (Large landlord and agent, Cardiff)

'The rates have been reduced so they've got a shortfall to make up, then on top of that they've got arrears to pay off as well, so it's making it very difficult.' (Large landlord, North Lanarkshire)

> *'This year and last year we haven't (increased the rent) simply because people have been struggling to pay the rent that they already have and that's because of the way that the authorities have changed their policy. They may have started doing what they should have always done in truth; which is where they're saying 'you're in a three bedroomed house, you're only entitled to a one bedroom house because there's just two of you and no children. So we're only going to pay what you would expect to pay for a one bedroom flat.' So a lot of people are finding that they're now having to make a contribution to the rent, which they weren't before.'*
>
> (Small landlord, Rhondda Cynon Taf)

Advisers talked about the difficulties tenants were facing in meeting shortfalls, especially in and around London. Those advisers working in central London were struggling to find affordable alternatives for their clients in any of the neighbouring boroughs, and those working in more peripheral areas in the South East were now finding it difficult as well.

> *'I work across the whole of Kent so areas where I work I've not come across any landlords … that have brought their rents down to LHA or just above. I've recently started stepping back in with previous tenants I housed because they've got rent arrears and it's now building up … I find it very difficult to find something at or near the LHA rate.'*
>
> (Member, Thanet housing adviser focus group)

The wave 2 survey questionnaire included additional elements of the LHA reforms that had not been mentioned in wave 1 – namely, the freezing of LHA rates for a year from April 2012, and then the subsequent restriction on future LHA rate increases (for 2013/14) in line with the Consumer Price Index (CPI) or the 30th percentile rent, whichever was the lower. (The questionnaire did not include reference to the more recent decision to cap LHA increases to one per cent for 2014/15 and 2015/16.) The CPI limit on rates had yet to be implemented at the time of the wave 2 survey (September to December 2012), but of course landlords might be taking anticipatory actions for their business in advance of the measure coming into effect. Table 5.2 shows that 26 per cent of landlords said that they had been affected by the freezing of LHA rates in April 2012, and 19 per cent referred to the CPI measure as well.

Compared to the rest of the sample a significantly higher proportion of landlords in Inner London (34 per cent**) said they would be affected by the CPI limit. Their expectations were well founded. From April 2013, all but three of the 40 different LHA rates by property size in the

Broad Rental Market Areas (BRMAs) covering the three Inner London LAs were capped at the CPI rate (Table 3.4). The higher proportion noting CPI caps in Inner London may also reflect the tendency noted in the stage one survey that landlords in London were thinking strategically about impacts in the longer term to a greater extent than their counterparts elsewhere. Conversely, landlords in LHA Dominant areas, where the PRS market is less buoyant, were less likely than respondents in the rest of the sample to refer to the CPI measure as affecting them – only 16 per cent* identified this as a factor. In the event, there were 14 cases where CPI caps were applied in April 2013, which affected BRMAs covering LAs in LHA Dominant areas (Table 3.1).

Table 5.2 Percentage of landlords affected by specific LHA reforms so far: wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Freezing LHA rate since April 2012	35	29	15	24	26
Restricting future LHA rate increases to increases in the CPI	34**	18	12	16*	19
Increasing the rate of non-dependent deductions	19	12	5	10	11
Base: all LHA landlords	*54*	*210*	*63*	*336*	*663*

Question asked only in wave 2 therefore based on frequency tables and not cross-tabular analysis.

5.3 The impact of SAR changes

Table 5.1 above shows that a quarter of all landlords said they were affected by the extension of the age threshold for the SAR (formerly the Shared Room Rate (SRR)) to the under 35s, compared to 12 per cent in wave 1**. The largest percentage change by area type was among landlords in Inner London – where the proportion affected by the changes increased from 18 to 37 per cent**. This was followed by Rural areas, where a 14 per cent increase (after rounding) was recorded, rising from five to 20 per cent**. But there were significant increases in the other groupings as well – increasing from ten to 21 per cent** in Cities and from 13 to 25 per cent** in LHA Dominant areas. The interview comments from landlords in LHA Dominant and Rural areas below illustrate some of their concerns about the change. One landlord, for example, speculated that it would be difficult for under 35-year-olds to adapt, for a number of reasons:

> *'The biggest impact is on the under 35s and that's just about starting to hit home with people and the panic is now starting to set in. An area like the Rhondda, the government say 'move back in with your parents' (but) a lot of them a) don't have parents possibly, b) they're not in contact and c) their parents don't want them. It's an issue, and I think that over the next six or nine months it's going to be an awful problem, not just the Rhondda.'*
>
> (Large landlord, Rhondda Cynon Taf)

> *'They can't find (the shortfall). No, we haven't got any (under 35s). The cheapest flat in Rhyl would be 350, you might get horrible flats and bed-sits below that but a basic one bed flat would be 350, so they're not going to (afford) that.'*
>
> (Large landlord and agent, Denbighshire)

> *'The small flats are the issue. Because if they do have people who are on Housing Benefit, it's all right if they've got children, they're kind of looked after. But the under 35 single, unemployed, I don't know where they're going to find accommodation. Certainly the cheapest ones we've got are 350, that's the very cheapest accommodation we've got. It's about £80 above the LHA – so where do they go? There's nowhere for them to go.'*
>
> (Large agent, Perth and Kinross)

Housing advisers in nearly all case study areas identified the impact of the SAR as a major issue; if there were properties available, they were often in poor condition.

'By far the biggest thing is the under 35s. It's hard for them to find any accommodation. If someone's on benefits and under 35 and found affordable accommodation you could almost guarantee that that is of a low quality.' (Housing adviser, Thanet)

5.4 The use of Discretionary Housing Payments

The DHP programme to local authorities (LAs) was expanded to help ease the transition from the previous LHA regime to the new system. The total additional central government contribution for DHPs specifically to cover the LHA reforms increased from £10 million in 2011/12 to £40 million for 2012/13, 13/14 and 14/15. *Appendix E* shows DHP funding and expenditure for 2012/13 for the 19 case study areas and the committed expenditure by each of the LAs from April to September 2013 as a proportion of funding allocated for the 2013/14 year as a whole. The contrast between the level of expenditure in the Inner London case study areas and elsewhere stands out: £3.6 million spent on DHPs in Westminster in 2012/13, just over £2 million in Brent and £1 million in Hackney, compared to £411k in Edinburgh, £212k in Newcastle and £31k in Fenland. It is, of course, necessary to balance these figures against the size of the LHA caseload in each area. Table A 5.3 also shows the number of DHP awards made against LHA caseload in April to September 2013 – these represent up to two per cent of the total LHA caseload for each of the LAs, with the exception of Rhondda Cynon Taf (three per cent), Cardiff (five per cent) and Westminster (six per cent). This demonstrates the selective nature of the support to tenants that is possible through DHPs, which in turn raises questions about criteria for grating the awards.

Landlords' knowledge and experience of DHPs were explored in the qualitative interviews and respondents gave several examples where tenancies had been sustained as a result of the additional financial support, or where arrears had been paid to the landlord through DHPs.

> *'I think when I first saw you I said I'd like to keep them* [tenants] *in if I could and I've been able to because of that DHP. Had that not been there I wouldn't have been able to.'*
>
> (Small landlord, Westminster)

> *'In our experience anyone on benefits who gets two months in arrears never pays it back ever. We serve notice on them and they'll sometimes go to the council and sometimes the council will pay it off to stop them being homeless ... we're seeing a lot more of that happening.'*
>
> (Large landlord and agent, Denbighshire)

In other cases, landlords felt that the temporary support given through DHPs was merely staving off the inevitable.

> *'We did have one but they said "we're going to give you a DHP, this is going to pay your top up for three months" and after three months they stopped it so she's back in the same situation, all it's done is put things off for three months.'*
>
> (Large landlord and letting agent, Barking and Dagenham)

As in wave 1, landlords were unclear about the criteria for accepting a DHP claim and were therefore frustrated when claims were turned down.

> *'A few of them* [tenants] *have claimed for it but a lot of them have been refused, which is quite silly because they (the local authority) tell us: "tell your clients to apply for it because we have this fund and it can be used". And then it gets refused, so it's quite frustrating because we need that money and they need that money for them not to get evicted. If they* [the local authority] *don't pay it that person will get evicted … A lot of people don't actually know about it until we tell them.'*
>
> (Large landlord and agent, Hackney)

Another respondent suggested that tenants were not motivated to apply for DHPs because they did not see the benefit directly.

> *'No chance … you've got to get a tenant to go down to Pontypridd, it's about 20 minutes. He's thinking "why am I bothering with that? I'm not getting the money." What's he going to do?'*
>
> (Large landlord, Rhondda Cynon Taf)

The use of DHPs varied, as was always intended, from one LA to another. Members of the Westminster focus group of housing advisers mentioned that DHPs were being used to get landlords to reduce the rent in the direction of the LHA rates for those tenants who were threatened with homelessness. Typically, landlords reduced their rents partially and then the remainder of the shortfall between the LHA rate and the rent was 'propped up' by DHPs to enable the tenant to remain *in situ*.

In Thanet, DHPs were used to enable access to the PRS, especially for those under 35, through providing a deposit or rent in advance. In Edinburgh, DHPs were targeted on those tenants in self-contained accommodation who were less than a year away from 35, to enable them to avoid having to make up the shortfall between their rent and the SAR for a temporary period.

Many advisers expressed concern about the lack of sustainability of DHP support. An adviser from Hackney said DHPs were currently *'propping up thousands and thousands of tenants'*, while a member of the Westminster focus group said *'tenants don't get any less vulnerable because you've got them another year in a property. You just delay the inevitable'*. In a similar vein, an adviser from Barking and Dagenham noted:

> *'It's a short-term fix. It's not going to fix the problem that the family are having. If they've got a shortfall and they can't bridge that today … there's no solution to the original problem.'*

We noted in the interim report that DHPs were rarely being used by tenants as an opportunity to scan for other more affordable housing options, and this still seems to be the case in most of the research areas. In the 2012 Insight Survey of LAs undertaken by the Department for Work and Pensions (DWP), only seven per cent of respondents said they used DHPs to allow time to support/enable people to find cheaper/more affordable accommodation, and this was echoed in our interviews. As an adviser from Westminster commented:

> *'We arranged DHPs for a lot of people last year. We had 1,700 households approach us and we've been in the last couple of months contacting those people again … Most of those people have not actively looked to find cheaper accommodation. They're waiting for their DHP to finish and then approach services at that point.'*

An adviser from Hackney referred to DHPs as a 'second Housing Benefit'. In a few cases the LA officers attached more conditionality to the renewal of DHPs, as an adviser from Blackburn pointed out:

> *'We interview them, explain what their other alternatives are, including finding employment,* [and] *finding cheaper accommodation. We would give them names and addresses of landlords that had cheaper accommodation. It's really when we've exhausted all other options that we'd look at a DHP. And when that was offered to them it was explained it's only for a temporary period to give you more time to make other arrangements.'*

In Brent an adviser stated that a limit had been set on the amount of DHP payable to a single household, beyond which moving out of the borough was the only option.

> *'Most people that are in temporary accommodation, if their shortfall is between £50 and £250* [per week] *we're supporting those people with discretionary payment, pretty much by default. Anybody in temporary accommodation with a shortfall of more than £250 we're not paying DHPs…so the option is to move those people to cheaper parts of the country.'*

This contrasted with the more open-ended approach to DHPs taken in Rhondda Cynon Taf:

> *'We apply it across the board, whatever that criteria is, if that person meets it they haven't got to be in a priority need group …* [as long as] *they're affected by the welfare reform.'*

In the following three chapters we examine in greater detail the impact of the various LHA measures on different aspects of landlords' business: on their letting practices; on property maintenance and portfolio management; and on rents, rent arrears and responses to arrears.

6 Impact on letting priorities and practices and tenant mobility

Summary

- Just over a third of all landlords said they had changed their letting strategy since wave 1 and 30 per cent of the whole sample had done so because of the Local Housing Allowance (LHA) reforms.
- In interview, some landlords were clearly attempting to move out of the LHA sub-market, whereas others valued the continuity of retaining tenants even if they had to forego some of their rental income.
- In the overall sample there was no significant change by wave 2 in the proportion who said they would no longer let to LHA tenants; in the Inner London sub-sample, the proportion increased from 11 per cent to 20 per cent.
- A smaller proportion of landlords in LHA Dominant areas no longer let to LHA tenants: often this was a case of simply facing market realities of few alternative sources of demand; but the perception of an increased risk of arrears had also led many to adopt more stringent vetting procedures for applicants.
- In wave 2 a significantly higher proportion of landlords in Inner London (29 per cent) compared to the rest of the sample said they no longer let to the under 35s.
- Landlords and advisers felt that the extension of the age threshold for the Shared Accommodation Rate (SAR) had caused an increase in hidden homelessness and 'involuntary sharing' among 25 to 34-year-old single people, but this view was based on assumption rather than direct empirical evidence.
- In wave 2, 39 per cent of Inner London landlords felt that there has been an increase in tenants moving out because they could no longer afford the rent, compared to 24 per cent in LHA Dominant markets, 19 per cent in Cities and ten per cent in Rural areas.
- Some landlords commented that many tenants wanted to move locally and that longer distance moves were seen as unacceptable or impractical; there was a strong desire to stay put, especially in high demand private rented sector (PRS) markets, due to social and support networks, the desire to avoid children moving schools, the proximity to employment and the lack of affordable housing elsewhere.
- Housing advisers in Inner London, but not elsewhere, suggested that statutory homelessness had increased as a result of the LHA reforms; outside London, advisers referred to an increase in 'hidden homelessness' among 25 to 34-year-old single people.

6.1 Impact on lettings practices

One of the main concerns initially expressed about the introduction of the LHA reforms was the extent to which landlords might be discouraged from letting property to those households in receipt of LHA. Several questions in the wave 2 survey therefore asked about landlords'

letting practices and preferences and whether the LHA measures had either encouraged or deterred them from letting property to households claiming LHA. An attempt was made in the survey to distinguish between those changes in lettings made specifically because of the LHA reforms and those made for other reasons.

6.1.1 Changes in lettings strategy

Tables 6.1 and 6.2 show the extent to which landlords had changed their letting strategy in general terms (6.1), or more specifically because of the LHA measures (6.2), since April 2011. Just over a third of all landlords had changed their lettings strategy, and 30 per cent of the full sample said they had done so specifically because of the LHA reforms (Table 6.2). 38 per cent of Inner London landlords said they had changed their strategy because of the LHA measures, but this was not significantly higher than the rest of the sample taken together (6.2). Only 19 per cent of landlords in Rural areas said they had changed their strategy due to LHA (6.2) which is consistent with the lower salience of impact in this area type compared to the other groupings. Of course one should also note the converse finding – that nearly two-thirds of landlords overall had not revised their letting strategy during the year in which all their LHA tenants would have been transferred over to the new regime.

Table 6.1 Whether letting strategy has changed, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Yes	43	32	23	38	35
No	53	66	76	59	62
Don't know/not sure	4	2	1	3	2
Total	100	100	100	100	100
Base: all LHA landlords	*54*	*210*	*63*	*339*	*666*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

Table 6.2 Whether letting strategy has changed because of the LHA reforms, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Changed because of LHA	38	26	19	33	30
Change but not because of LHA	4	2	4	4	4
Change but not specified why	0	4	0	0	1
Not changed strategy	53	66	76	59	62
Not sure if changed strategy	4	2	1	3	2
Total	100	100	100	100	100
Base: all LHA landlords	*54*	*210*	*63*	*339*	*666*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

The contrasting practices of landlords across the case study areas became evident in the qualitative interviews. Some landlords were clearly attempting to move out of the LHA sub-market, whereas others valued the continuity of retaining tenants even if they had to forego some of their rental income because of difficulties in meeting the shortfall. It is instructive to compare the responses of the landlords in Brent and in the contrasting PRS of Walsall in the comments below.

> *'We've managed to get rid of a lot of the people who are on DSS[12] … the tenants don't have a job and therefore they can't meet the shortfall … they can't pay and eventually a court proceeding takes place to get rid of them, so I'd rather leave my property empty than give it to these people and then try and get them out, it's bad practice. I'd rather not do that, so I just leave it empty.'*
>
> (Large landlord, Brent)

> *'When this tenant moves on I'd be looking for a private tenant but I doubt I would be able to get one round here. In Walsall, unless you are willing to take DSS there's not much hope of getting a paying tenant because most people don't have a job and the situation has only got worse. It's just the demographic of the area. Rent levels are pretty static I think. I keep mine slightly below the LHA rate. Better to have someone paying £20 less than have an empty property.'*
>
> (Small landlord, Walsall)

One landlord felt that the problems of the financial pressures facing some LHA tenants was placing too much of a burden on him.

> *'But as to taking people who are on benefits at the moment, there's too many issues, and I feel that they've got such a struggle, they don't have enough money. But I'm not there to help these people. That's not my role.'*
>
> (Small landlord, Portsmouth)

Other respondents, especially in LHA Dominant markets, emphasised the value of stability and were probably reconciled to the fact that there were few alternative sources of demand for their properties anyway.

> *'My personal view is that it all depends where your properties are. If you're in a mixed market it's ok to say, I'll switch to private tenants now, but round here it's almost entirely DSS.'*
>
> (Small landlord, Walsall)

> '[Rents] *have basically stayed the same for nearly two years. You could say inflation's eroding that number so I'm poorer effectively, but so's everybody. It's about continuity, decent tenants, that's worth more than £5 or 10 a week. That's where I think a lot of landlords go wrong; they get hung up on the extra £5. Just accept a little less and you actually end up with more; it's one of those paradoxes.'*
>
> (Small landlord, Denbighshire)

---

12 DSS – the (long since renamed) Department of Social Security. Still used to describe households on benefits.

Landlords in more buoyant markets also referred to the value of low turnover and tenancy stability, even if it meant a loss of rental income in the short term.

> *'Put it* [rent] *up last year, that's the first time in six years … it isn't because we can't get the money but our attitude is if you put someone in ... who can pay the rent, it's better than people moving around all the time. You don't gain nothing by charging them 850 or 800, they're in there for three months then move out, it's empty for two months before you get someone else in, so overall through the year you've lost money.'*
>
> (Small landlord, Exeter)

6.1.2 Reasons for ceasing to let to LHA tenants

Table 6.3 shows that for the sample as a whole there was very little change in responses between waves 1 and 2 on: whether landlords would no longer let to LHA tenants; whether they would not renew tenancies for some existing LHA tenants; and lets of five bedroom properties (which only affected a minority of landlords anyway). In terms of the area categories, there was a significant increase in landlords in Inner London who said they no longer let to LHA tenants: this increased from 11 per cent in wave 1 to 20 per cent** in wave 2.

Various reasons were given for no longer letting to LHA tenants in interviews, including the sense that the higher LHA rate in the past had compensated the landlords for the greater hassle of managing these properties and that now there was no longer any incentive to do so. Others mentioned the difficulty in getting insurance cover for LHA tenants and one landlord with a mortgage suggested that the building society would be concerned if LHA lets were being made.

> *'They don't give you any incentive, they want to try and pay the rent directly to the tenant. You give the property to them 100% safe, electric certified, painted, decorated, new furniture and after two years they move out and it's absolutely trashed…Previously it was worth it because the rates were higher and the hassle, the rates rewarded the hassle, but at the moment there's no reward attached to the hassle.'*
>
> (Small landlord, Westminster)
>
> *'In some cases you can't get insurance. All the insurance policies (I have) are on the understanding that I do private lets. I can't get insurance for Housing Benefit tenants.'*
>
> (Small landlord and agent, Brent)
>
> *'… you're supposed to notify your building society if you're taking people on benefits and some building societies don't like it.'*
>
> (Small landlord, Perth and Kinross)

Just over a quarter of Inner London landlords said in wave 2 that they were not renewing tenancies for some LHA tenants (Table 6.3). There was also an increase in landlords with stock in Rural areas who said they were not renewing LHA tenancies, although this was still a minority view, increasing from seven to 13 per cent* of respondents by wave 2. A minority of landlords across all areas talked about leaving the market, though of course it might prove more difficult to sell in lower demand markets.

'We may get a tenant for one property. If we don't then we'll put that on the market and try to sell it. We've pretty much decided to sell [another] *one up north of Port Talbot, again because we're struggling so much to get a tenant in there. I don't say that's entirely attributable to the changes in LHA but it's certainly been a contributory factor.'*

(Small landlord, Rhondda Cynon Taff)

Table 6.3 Change in percentage of landlords making changes to their business because of LHA reforms. Waves 1-2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Not renewing tenancies for some HB/LHA tenants					
Wave 1	17	18	7	21	17
Wave 2	26	14	13	18	18
Percentage point change	8	-4	6*	-3	0
I no longer let to HB/LHA tenants					
Wave 1	11	11	4	8	8
Wave 2	20	8	8	7	10
Percentage point change	9**	-3	4	0	1
I no longer let 5 bedroom properties					
Wave 1	11	1	0	3	4
Wave 2	12	1	1	4	4
Percentage point change	1	-1	1	1	1
Base: all LHA landlords	*51*	*208*	*63*	*337*	*659*

Note: Based on cross-tabular analysis.

A smaller proportion of landlords in LHA Dominant areas than elsewhere said they no longer let to LHA tenants. Often this was simply a case of facing market realities, in that they had little choice of applicant. The landlord from Rhonnda Cynon Taf assumed, as did many other respondents, that LHA tenants were automatically not working, even though in practice around a third of households receiving LHA at the time of the survey (December 2012) had a member who was in employment (Department for Work and Pensions (DWP), Single Housing Benefit Extract (SHBE)).

'It's been a case of now, there's two sides to that, the tenants that we've got where we're reducing the rents and keeping them there. On the properties that are now becoming empty I'm wanting to get away from Housing Benefit tenants. I don't want them because it's too much hassle now. So I want to steer away completely from the Housing Benefit sector. The sector needs a massive overhaul.'

(Large landlord, North Lanarkshire)

> *'We suggest to them* [landlords] *in the beginning we put it on, we say no DSS, (the applicant) has to be working. And after about three months and it still hasn't gone, we then say maybe we should go down the route of looking for DSS as well … Some landlords are very lucky, some of them do get a couple, both working full time and rent is paid on time, full amount. We do get some tenants like that, not many, but there's a few.'*
>
> (Large agent, Rhondda Cynon Taf)

Across areas there was a general perception that the LHA reforms, coupled with the shift to paying Housing Benefit (HB) direct to tenants instead of landlords, had increased the risks to landlords. Consequently, many respondents expressed a desire to move away from the LHA market, or at least limit the proportion of properties they let to tenants in receipt of LHA.

> *'You have to take every case on its own merit, you have to look at the situation and take a view on it … if the tenant says "sorry I'm going to be on Housing Benefit" then obviously bells start ringing … it's a high risk strategy now, for that reason we'd rather shy away from it.'*
>
> (Large landlord, Brent)

The perception of increased risks had also led to more stringent vetting practices on the part of many landlords, which were used as a strategy to minimise the risk of arrears. Several landlords interviewed were seeking to regulate access to their properties through the more rigorous use of insurance checks and guarantors, when the receipt of money 'up front' from LHA tenants is no longer sufficient reassurance for the landlord.

> *'We've been insisting on a deposit and a working guarantor earning 36 times the monthly rent per year. We realise that's a tall order so we'll let them spread payment of the deposit over two months but we've found it hard to find tenants who can meet these requirements.'*
>
> (Small landlord and agent, Walsall)

> *'Anyone under 35 we make it really hard now, they've got to prove to us they can pay the balance, if they can't we don't allow them … If they're employed we tend to have a look at who's employing them. We pick a lot more carefully now. Before, we would say the first employed person could have the flat. Now we don't do that, we have a look at all the options, get maybe three, four people in the flat and look at their jobs and the finance side of it. And it's not whoever's got the highest finances, because if their job's not as stable as someone else …'*
>
> (Large landlord, North Lanarkshire)

> *'At the start of the year I effectively stopped (letting to LHA tenants). If a Housing Benefit claimant can pay the rent up front then I'm happy because it displays an ability to manage their money. But that hasn't been the case and I wasn't overly concerned in the past about that. But now I am actively, in the last three months I've shifted four or five flats to non-Housing Benefit tenants.'*
>
> (Large landlord and agent, Edinburgh)

6.1.3 Lettings to under 35-year-olds

The wave 2 survey asked about lettings to under 35-year-olds, in the light of the SAR changes, and Table 6.4 shows that a significantly higher proportion of landlords in Inner London (29 per cent**) than in the rest of the sample said they no longer did so. Sixteen per cent of landlords in Cities and LHA Dominant markets also reported that they no longer let to this age group.

> *'The biggest* [issue] *now is the one bedroom rate for under 35s. So it's literally 50% of what the rent is … You've got a ridiculous scenario at the moment, and bear in mind it's being further reduced from April (2013). 35 and under get £52 a week Housing Benefit, you can't even rent a room for that in Thanet. So already we're having to turn away people of 35 and under every day and I feel so sorry for them because they've literally got nowhere to go.'*
>
> (Large agent, Thanet)

> *'Most of them* [under 35s] *have gone. They've been fine but obviously we don't take anybody now. So the first question on the phone is 'how old are you?' and if they're under 35 it's 'so what's your circumstances, have you got children, are you sharing?' We're not too keen on sharers, especially if they're under 35 because that's where we've always had problems. So we tend to steer clear of sharing under 35 so really it's closed that section of the market down.'*
>
> (Large landlord and agent, Newcastle upon Tyne)

There was considerable speculation, but little hard fact, about the destinations of those aged between 25 and 35-years-old who were now being forced out of self-contained accommodation. One landlord from North Lanarkshire, for example, felt that single people aged between 25 and 35 affected by the SAR changes were also presenting themselves to the local Homeless Unit.

> *'I've had to evict nine people since that* [SAR] *change happened. The rates changed dramatically, they lose £100 on a £300 rent so 33 per cent of the rent* [was] *slashed and people were made homeless because of this. Because these people don't have a deposit or first month's rent up front so they can't get another private let … so where do they go? Maybe they go back to their parents or maybe they were in the flat because they couldn't live with their parents. So* [they] *apply to the homeless unit …'*
>
> (Large landlord, North Lanarkshire)

Others made reference to 'sofa surfing', with one respondent pointing out potential future difficulties for some landlords as a result.

> *'At the moment the local authority aren't seeing the homeless. I think they're sofa surfing. And the landlords are going to get that in the ear because if the housing standards people start coming round, if they start licensing the HMOs and find all these hidden homeless … .'*
>
> (Large landlord, Portsmouth)

A higher proportion of Inner London landlords also said that they no longer let five bedroomed properties (12 per cent**, compared to four per cent in the sample as a whole). This may reflect the ending of the five bedroom rate for LHA as well as the impending

introduction (when the survey was undertaken) of the overall benefit cap, as most of those affected by this change were large families who lived in or around London.

Table 6.4 Percentage of landlords no longer letting to under 35s because of the LHA reforms, wave 2 only

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
No longer let to under 35s	29**	16	3	16	17
Base: all LHA landlords	*54*	*210*	*63*	*339*	*666*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

Advisers from various areas commented on the increase in 'sofa surfing' among those displaced by the SAR changes, although it was not possible to glean any firm statistics on the phenomenon which is informal. It was suggested that sofa surfing had 'gone through the roof' in Thanet, because '£58 don't get you anything', while a Westminster adviser said that the under 35-year-olds were just 'dropping off the map', claiming that:

> *'With the extension* [of the age threshold] *combined with the move to the 30th percentile, people seem to be disappearing from Central London but not really showing up anywhere else and we don't really know yet what's happening to them. We think they could be sleeping on friends, family's sofas, but there has also been a very big increase in under 35-year-olds sleeping rough … So there's a real risk that some of the people that were receiving Housing Benefit in London could have ended up sleeping on the streets.' (member, Westminster housing adviser focus group)*

Advisers from areas outside London, in markets as diverse as Rhondda Cynon Taf and Edinburgh, also commented on the rise in hidden homelessness, which they felt had been intensified by the SAR changes. Some advisers felt that while moving around different boroughs in London was more viable for younger single people, moving out of London altogether was less feasible – especially for those receiving support services from the local authority (LA) – and so advisers were working to keep them within the borough's boundaries if possible.

The only exception to this trend among the advisers in the case study areas concerned was in Portsmouth – even if the adviser could not quite explain the lack of impact.

> *'We thought* [the SAR change] *would be a mega problem but it's had much less impact than we expected. We don't fully understand how someone can go from receiving £200 to £50 and still maintain a tenancy.'*
>
> (Housing adviser, Portsmouth)

Advisers also commented that 'involuntary sharing' could often lead to difficulties, especially if they had access arrangements to see their children or if they had mental health problems.

'If I put three people in a house and it's working and I get somebody and we know he's got severe mental health problems or ex-offending history, GBH, I can't put that person into that house … our supported accommodation has a waiting list, so those people will remain homeless … So there's lots of people now being blocked where they used to have their own separate accommodation. They're the ones that are falling by the wayside.'

(Housing adviser, Thanet)

The postal survey asked landlords about preferences when letting property, not just about whether letting practices had changed. In the questionnaire, this was expressed as a direct choice – whether respondents preferred to let to tenants receiving LHA or those not receiving LHA (or had no preference either way). The results are shown in Tables 6.5 and 6.6 .

Table 6.5 Whether landlords prefer to let to tenants on HB/LHA. Change waves 1 to 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Tenants on HB/LHA					
Wave 1	28	16	9	12	16
Wave 2	20	11	9	10	12
Percentage point change	-8	-5	1	-2	-4**
Base: all LHA landlords	*55*	*211*	*63*	*336*	*665*

Note: Based on cross-tabular analysis. *Binary variable. Tenants not on HB/LHA versus Tenants on HB/LHA/No preference.

Table 6.6 Whether landlords prefer to let to tenants not on HB/LHA

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Tenants on HB/LHA					
Wave 1	34	50	62	52	49
Wave 2	50	51	56	51	51
Percentage point change	15**	0	-6	-1	2
Base: all LHA landlords	*55*	*211*	*63*	*336*	*665*

Note: Based on cross-tabular analysis. *Binary variable. Tenants not on HB/LHA versus Tenants on HB/LHA/No preference.

Table 6.5 shows that there was a small, but significant, reduction in those preferring to let to LHA tenants between waves 1 and 2 – falling from 16 per cent to 12 per cent** of responses. There was no change in the proportion who said they preferred to let to tenants **not on LHA** among the sample as a whole (Table 6.6). However, there was a significant increase in Inner London landlords who said that they preferred to let to non LHA tenants – up from a

third in wave 1 to a half in wave 2. If LHA tenants were considered for lets, it was often for a particular household type, and such offers were often restricted to certain parts of the district.

> *'Our outlook to Housing Benefit applicants has changed considerably. We won't consider single males now for a one bedroom property. We will deal with Housing Benefit but it's very difficult to put them into this area, which is Waltham Forest and Barking and Dagenham, because they've been priced out of the market by the private tenants. The LHA is far less than what the property will achieve on the open market. The main areas that we're putting Housing Benefit applicants, which are normally single parent families, is in Dagenham.'*
>
> (Large landlord, Barking and Dagenham)

A note of caution is needed about how respondents might have interpreted the term 'LHA claimant', assuming that such claimants are by definition out of work, and receiving the full LHA award. As noted above, in the qualitative interviews many landlords made reference to LHA claimants (or 'DSS tenants') in such terms, and contrasted them with 'private' tenants who were not receiving any LHA payments at all. A few landlords did distinguish between working and non-working LHA recipients in stating their preference when letting:

> *'We've already changed our rules as to who gets the properties so mainly we're looking at working people now. If they're on benefits it's fine as long as they're working.'*
>
> (Large landlord and agent, Hackney)

It may seem that there is something of an apparent discrepancy in the responses between the higher proportion of respondents who said they had changed their letting strategy due to LHA, and the more marginal differences in lets to LHA and non-LHA claimants between waves 1 and 2. However, these differences come to light to a greater extent when considering landlords' future lettings preferences in terms of LHA tenants, and these responses are considered in *Chapter 9*.

Advisers in Barking and Dagenham and Brent, interviewed more than six months later than landlords (once the overall benefit cap had been introduced), noted that landlords were becoming more resistant to letting to LHA tenants.

> *'Because landlords now, with the benefit cap and everything else that's coming in they're looking for more employed people…With the benefit cap you're looking at a difficulty of them renting with the DSS because they're not able to manage finding the rents that are within the LHA rate.'*
>
> (Member, Barking and Dagenham housing adviser focus group)

> *'In some areas we're finding just no properties coming back on the market to let to people on benefit. People are telling us as well, a lot of the time there'll be a sign 'no DSS' so there's very, very few properties in Brent that will accept benefits in those bits of the borough.'*
>
> (Housing adviser, Brent)

However, as the comment above indicates, the avoidance of letting to LHA tenants was quite selective, and did not apply across the borough even in an Inner London area like Brent.

'Some landlords just know that one of the best chances of getting regular rent payments, because they've got a property in certain areas, is to let to people on benefit. I don't think there's been a massive shift yet of landlords, it's been the odd few landlords in certain areas will evict and we don't see those properties let out to people on benefit again.'

(Housing adviser, Brent)

Outside London, landlords were still accepting LHA tenants, but placing more emphasis on certain requirements as an insurance policy.

'I'd say it's very few landlords that we hear they won't accept people on benefits these days. We have ones that say they require a guarantor or references or admin fees, but we don't have many say they don't accept people on benefits.'

(Housing adviser, Thanet)

Housing advisers across a range of local housing markets also referred in different ways to processes of market segmentation, so that discontinuities between the LHA sub-market and the rest of the PRS were becoming more pronounced.

'We've settled down quite a lot with the LHA caps. We successfully negotiated with landlords probably about 600 rents down to LHA levels. So what we're starting to see in Brent though is some areas becoming almost no-go for Housing Benefit tenants in terms of if the landlord has a choice when he has a property, a lot of landlords in certain areas have said "I can get much more money renting this property out to someone not on benefit". So the borough's getting a bit split now into areas where landlords are willing to drop their rents down to the LHA level, accepting that they're generally going to have Housing Benefit tenants, and areas where landlords are pulling out of the market and just renting to people who are working.'

(Housing adviser, Brent)

'Landlords renting out accommodation [to the under 35s] *are aware, obviously the accommodation is at the bottom end of the market, it's not going to be of a good standard … The landlords are dropping down to that figure because they know that they* [tenants] *have not got the money … And that's whole blocks, whole streets, not just one or two flats.'*

(Housing adviser, North Lanarkshire)

'There's almost a sub-market in Edinburgh. If you're a student or a working person with access to a deposit and not dependent on Housing Benefit, you're probably not going to be looking at the same properties. There's almost a sub-market of landlords [for LHA] *… the price* [differential is] *massive.'*

(Member, Edinburgh housing adviser focus group).

'There are some pockets where they [LHA tenants] *would be able to afford to rent. So the affordability might not be an issue, but the choice has been removed from them about where they might prefer to live. They're looking at low demand areas.'*

(Housing adviser Newcastle)

In Rhondda Cynon Taf an adviser commented that the LA area was effectively split between the south, nearer to Cardiff and the M4 corridor, and the Upper Valleys, where there are fewer job opportunities, but where rents were considerably cheaper. The adviser claimed that many landlords to the south of the district were buy-to-let landlords who were charging rents in excess of LHA rates to meet their mortgage payments. This exemplifies the lack of connection between more affordable local housing markets, on the one hand, and more vibrant local labour markets, on the other. The housing adviser described the geographical distribution of PRS property which is affordable to households receiving LHA as follows: *'in the Upper Valleys, we have availability in probably all the wrong areas.'*

One case study area where such segmentation was apparently not taking place in the PRS was Portsmouth, which an adviser suggested was partly attributable to the city being situated within a single Broad Rental Market Area (BRMA). (Table 3.2 shows that eight of the 19 case study areas overall are based in a single BRMA.)

> *'Housing Options [team] have difficulty placing LHA tenants but they do place them. It can just take some time. But that suggests that the supply is OK…having one LHA rate for the whole of Portsmouth helps with ensuring claimants don't get ghettoised.'*
>
> (Housing adviser, Portsmouth)

6.2 Mobility and displacement

Landlords were asked in wave 2 whether the LHA changes had caused their tenants to move from their current accommodation because they could no longer afford the rent. Table 6.7 shows that over half of the respondents said that it had not caused tenants to move and was not an issue. 39 per cent of Inner London landlords said that there had been an increase in tenants moving because they could not afford the rent, compared to 24 per cent in LHA Dominant markets, 19 per cent of respondents in Cities and ten per cent in Rural areas (Table 6.7). Hardly any respondents in the sample as a whole felt that the number of tenants moving out had decreased since April 2011.

Table 6.7 The effect of LHA reforms on tenants moving as they could no longer afford rent. wave 2 only

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Tenants moved as they could no longer afford rent					
Increased	39	19	10	24	23
Decreased	0	0	0	1	0
Stayed the same	11	12	14	11	12
No/not an issue	47	58	58	53	54
Don't know/not sure	3	11	18	12	11
Base: all LHA landlords	50	206	60	327	643

As noted earlier, the SAR changes had made an impact across all types of housing market, and this had led some landlords to comment on the fate of those who could no longer afford self-contained accommodation.

> *'Probably the thing since I last spoke to you is we've had a few more instances, although not a flood, but a few more instances of existing tenants getting into difficulties. In a few cases that's resulted in them just leaving, rather than go through the application process. They'll go back to their parents' house or something like that to save money. So I've noticed that and I probably have had more turnover in my flats.'*
>
> (Small landlord, North Lanarkshire)

> *'I presume they're literally kipping on parents' sofas. I can't understand otherwise how they can manage … .'*
>
> (Small landlord and agent, Brent)

There was some discussion of tenants making long distance moves, confined to respondents from the Inner London case study areas. Several references were made to tenants who were unable to afford continuing in their tenancy and had contacted their LA to explore more affordable options elsewhere.

> '[The LHA cap] *poses an enormous problem and one of my tenants who was entitled to, originally, a seven bedroom house, she's been sent up to Edmonton and she keeps phoning me to see if I've got anything at all in my portfolio so she can come back…I think if they're smaller families they've moved up to Watford. In Brent I think they've got a bigger problem, but I think they're moving them to the Slough area.'*
>
> (Small landlord and agent, Brent)

Respondents noted that the long distance moves were not necessarily seen as appropriate by tenants, for a range of reasons. One landlord, working in the multi-cultural environment of Brent commented that tenants often felt more comfortable moving to places like Birmingham than other towns that had been suggested as destinations by the LA, such as Northampton. Another commented:

> *'We were involved with a block of 27 units in Walsall … unfortunately, because as much as they were 27 two beds, which would have be great for any local authority, it's the move from inner London to the outskirts of Birmingham was all too much too soon I think … it was the approach and the way they enticed these families to move.'*
>
> (Large landlord and agent, Hackney)

Some landlords commented that tenants only wanted to move locally and that longer distance moves were seen as unacceptable.

> *'… it's just they don't have the temporary accommodation, you don't necessarily want to remain in bed and breakfast for any longer … I think local authorities are even struggling to encourage tenants to move to a neighbouring borough because they're so localised in their heads. Croydon have said they've had difficulty moving people* [to elsewhere in London]*, let alone out of London 200 miles away.'*
>
> (Large landlord and agent, Hackney)

One Westminster landlord quoted a case of the lengths households would go to in order to stay put in their present accommodation.

> *'I've seen cases of children coming from East London to study here so a child in primary school has to travel 1½ hours each way or an hour each way and the mother has to bring the child so someone else has to look after the other children.'*
>
> (Small landlord, Westminster).

The operation of the LHA rate caps in Inner London and the removal of the five bedroom rate were causing particular problems for some larger households, especially in terms of finding affordable accommodation nearby.

> *'With the schools …. on one day I'm going to be removing potentially from the area 13 children. They're all at local schools, perhaps they're going to temporarily be housed in a hotel for another year or so but it's not sustainable. They're not going to all of a sudden build six, seven bedroom council houses in Harlesden for them, so I imagine they're going to be moving perhaps to Harrow. But even the Harrow rents aren't going to be sustainable, so Luton's probably the next cheapest area (or) Hemel Hempstead.'*
>
> (Large landlord, Brent).

The following quote exemplifies some of the concerns about certain areas becoming 'reception points' for displaced LHA households, especially in the seaside towns in the South East. The extent of this effect has been tracked through national data in the spatial analysis; neither the claimant nor landlord surveys suggested it was taking place on a widespread basis. Nevertheless, the fears about such an influx were deep-rooted, as shown in the quote.

> *'What you'll end up with, we're only 70 miles from London so on the one hand we're trying to regenerate the area and bring in the Turner Centre and lots of art people and everything else. And on the other they're advertising in London 'come to Thanet', landlords will advertise in London 'come to Thanet, the rent is this, it's cheap to live'. And you'll end up with all the people you don't want and this has been unfortunately part of Thanet's history since the 70s. We've dragged in even people from Scotland … and you bring all the wrong type of people. We haven't got that yet, but you can see it happening because they're going to be forced out of London. They're going to be told 'you've got a cap at 26,000 a year on your benefits' so you're going to have all these people moving out of London and none of them are going to be working. So you're attracting lots and lots of people on benefit to rent cheap property. It'll drive out the working people there are. If you start getting people displaced from London who are currently paying an awful lot of money, Thanet would be ripe for the taking for that type of person.'*
>
> (Large agent, Thanet)

Additional pressures have arisen as well in the PRS in Barking and Dagenham because of the practice of some Central London LAs to offer premiums to landlords who will provide accommodation for their priority homeless cases under private sector leasing arrangements. As a result, landlords reported that tenants are now leap-frogging Barking and Dagenham in the search for affordable alternatives and are having to look further afield. The LA is, in turn, having to look outside the district to discharge its own homeless duties. This outcome exemplifies how the processes of household mobility, influenced by the LHA reforms alongside other factors, are much more complex than a simple passage from 'ejecting' markets to 'reception' markets in more affordable locations.

According to the advisers we interviewed there was little evidence of any major displacement from case study areas outside London due to the LHA reforms. The situation in and around London, however, was rather different. It is worth reiterating that interviews with advisers took place between October and December 2013, one year after the landlord survey and several months after the qualitative interviews.

Housing advisers from Inner London spoke of a recent increase in LHA tenants moving out of the borough, often to where they had other family members – from *'Scotland to Cornwall'* in the words of a Westminster adviser. An adviser from Brent said that some households in temporary accommodation were now being placed in properties in the Birmingham PRS, and that other LAs such as Newham and Ealing were also pursuing this policy. In Central London boroughs, such as Westminster, some statutory homeless households have been placed in PRS accommodation outside the borough under leasing arrangements for some time, but the net has been spread more widely in the past couple of years.

> *'We're assisting about 25 households a month into the private sector and probably more than half of those will be out of borough. With our temporary accommodation it's become vastly dispersed to all over London and about 50 per cent in borough, 50 per cent out of borough. We've always had to place out of borough … but that's increased … traditionally, our out of borough was in east London but now we're in south, west, north.'*
>
> (Member, Westminster housing adviser focus group)

However, several advisers from the Inner London case study areas talked about the difficulties in persuading people to move even relatively short distances – for example from the north of Westminster to the south of the borough, or to neighbouring Brent. As one member of the Hackney adviser focus group crisply put it:

> *'Individuals don't even want to move away from the ward they're in let alone another borough in London, let alone another part of the country.'*

An adviser in Brent suggested that some local schools were now starting to be affected by higher turnover due to affordability pressures in the PRS, with more children moving out of the borough than before. As the claimant survey testifies, the reasons for tenants wishing to stay put, despite the problems of affordability, are often complex and wide-ranging and can encompass emotional ties, social networks and practical considerations, not least around jobs.

> *'One theme that constantly comes through from [Citizens Advice] Bureaux, quite apart from any cultural considerations, is the people's networks, schools, caring, support. Sometimes they've got other networks as well. Because that's one of the ironies with the policy, that you create a sort of outward push for people to move to other parts of the country where there aren't going to be jobs, where you won't have that support network.'*
>
> (Member, Westminster housing adviser focus group)

On the other hand, some LAs were working with households affected by benefit changes to try and get them back in the workplace to increase their income so they could stay put, as an adviser from Brent explained:

> *'We've got a team of people that are interviewing people that are affected by the benefit caps with the idea to get them into jobs and a lot of these jobs in retail, cleaning, security, they're the sorts of jobs that people could do and we also support them through that process, help them with interviews and that sort of thing. We're working quite hard to avoid people having to move.'*

A similar scheme was also mentioned in Hackney, although the adviser suggested that some of the beneficiaries were very far from being 'work ready' without long-term support.

An adviser working in one potential 'reception' area for private sector leasing, Tendring, described how the LA was attempting to stem the flow of in-migrants from central London.

> *'We've seen quite a lot of people moving down this way and London boroughs providing deposits and rent in advance for people to move. Since April this year (2013) we've had a change in our council tax relief criteria. So you've got to have lived here for five years to be entitled to council tax relief, unless you're fleeing violence or on DLA. There's various things like that (to discourage in-migration). So we did have some London boroughs deliberately doing it to get away from benefit caps with large families, quite a bit of that going on.'*

According to advisers in Brent, those households seeking cheaper PRS markets had started to look further afield during the past six months (from the start of 2013), with rents in places like Luton and Milton Keynes now becoming unaffordable. Several advisers in Inner London referred to what might be termed 'serial displacement', as households move further and further out of the London area in search of affordable PRS accommodation. One Westminster adviser commented that rents had recently increased in Enfield and in Barking because they had become destination points for those moved into temporary accommodation, so that council officers now looked further afield. Advisers from each of the Inner London case studies commented on this 'ripple effect':

> *'The difficulty there, for some people they manage to rebuild, they start to rebuild their life in Barking or Dagenham, a family who've moved out from Stratford or something. Two years down the line they're uprooted again and you can see that rippling out. Newham for example is stuffed with people who've been re-housed from Westminster.'*
>
> (Member, Barking and Dagenham housing adviser focus group)

> *'I think there is a domino effect where you have Central London boroughs moving people further out, and then those outer London boroughs moving people out to places like Luton, and then Luton Council struggling to house their temporary accommodation people, so they're looking further north and east and west. So there is a domino effect, and I think the people who have hung on for the longest period may end up getting moved further away.'*
>
> (Member, Westminster housing adviser focus group)

> *'I think the way it'll continue, if you put the city of London at the centre … it just ripples on. So you move to there, a year later you'll move on, a year later move on. The people we're moving to Thurrock will eventually have to move on. The people who've moved to Barking and Dagenham in the last 12 months will have to move on.'*
>
> (Member Barking and Dagenham housing adviser focus group)

6.2.1 Homelessness

Housing advisers in the Inner London three case studies all partly attributed an increase in recorded homelessness to the LHA measures.

> *'For us (the impact on homelessness is) clear: 86 per cent increase in acceptances, 50 per cent odd* [increase] *in the reasons for homelessness being evictions from the private sector, 1,700 households approaching us for advice because they felt they were threatened with homelessness from the private sector.'*
>
> (Member, Westminster housing adviser focus group)

> *'In 2009 nine per cent of the households we accepted were from the private sector and that went up to 64 per cent of our acceptances in 2012/13. That's a massive hike, which was a direct reflection of people being served notice or us deciding that their accommodation was unaffordable because of the LHA cap. But some of those people presenting to us was because their landlords were selling the property.'*
>
> (Member, Westminster housing adviser focus group)

While the response of advisers about homelessness impacts was most pronounced in Westminster, an adviser from Hackney suggested that the increase there was of more recent origin, starting from summer 2013.

> *'On all our general homelessness indicators last couple of months it's rocketed in terms of people turning up homeless, acceptances as homeless. In September we went up to 132, of which 43 were landlords not renewing assured shorthold tenancies, and that's a massive jump … We try and ask why they've been evicted and last month 15 of the evictions said it was due to LHA impact where we can say that's the only change they're affected by and that's definitely the reason …'*
>
> (Member, Hackney housing adviser focus group)

In Brent, those who present themselves as homeless are placed in hostels and hotels in the borough for up to six weeks before being placed in private sector tenancies or temporary accommodation. This accommodation was often outside the borough, though if possible fairly nearby (Staines was mentioned as one such destination by an adviser). The LA had then discharged its homeless duty, whether or not these offers were accepted by applicants. Another housing adviser, based in Westminster, claimed that offers made by the council that were some way outside the borough were often turned down by applicants, with the household then becoming intentionally homeless as a result. It was necessary for LA staff to be clear with those who had been evicted in the Inner London areas that this did not necessarily lead to them securing accommodation within the borough's boundaries.

> *'We are very clear with people that if they are evicted they won't be housed in Brent, that's part of our conversation with everybody because … people do think "I'll just turn up to the council and they'll give me a council property". Well, there are no Council properties to give them. So yes, we have a duty to house them but that duty doesn't mean house them in Brent. And I think people are starting to catch onto that, people are trying to avoid being evicted now because they know they're not going to be given a property in the borough.'*
>
> (Housing adviser, Brent)

Outside the London case study areas, the picture was different. A rise in 'hidden homelessness' caused by the SAR changes was seen as more of an issue by advisers than any increase in recorded homelessness directly due to the LHA measures, which is consistent with the general picture on uneven regional trends in statutory homelessness in England in recent years (Fitzpatrick *et al.*, 2013).

7 Impact on portfolios, yields and property condition

Summary

- A higher proportion of landlords were thinking of reducing their portfolios in the case study areas than were thinking of expanding them, but there was no significant change between waves 1 and 2.
- Four per cent of landlords in the overall sample said they were planning to exit the private rented sector (PRS) market altogether due to the Local Housing Allowance (LHA) reforms; there were no significant differences by area type.
- A fifth of the overall sample (and 31 per cent in the Inner London sub-sample) said that demand for shared accommodation had increased in the previous year.
- In interview, several landlords said they had encouraged 'involuntary sharing' among single adults in self-contained accommodation, but most landlords were not keen on letting to 'artificial' households in this way, as they often required more intensive management.
- Many landlords were reluctant to move into the Housing in Multiple Occupation (HMO) market due to the perceived financial burden of additional management and maintenance costs.
- Several landlords, especially in LHA Dominant markets, said that the cumulative effects of reduced LHA rates year on year, and the inability of their tenants to make up shortfalls, were placing undue pressure on their margins and they were reducing their maintenance budgets as a result.
- Housing advisers in some LHA Dominant markets felt that the level of disrepair in properties let to LHA tenants had increased markedly in the past two years.
- In wave 2, 19 per cent of landlords overall felt that rental voids had increased as a result of the LHA reforms; this rose to 26 per cent of respondents from Rural areas.
- Seventeen per cent of landlords in the high demand Inner London PRS said that voids had increased because of the LHA measures; this may seem surprising, but some respondents suggested a more segmented rental market was appearing, with a 'core' LHA sub-sector remaining, where it was difficult to let to non-LHA applicants because of the wider neighbourhood environment.

7.1 Impact on landlords' portfolios and rental yields

Several questions in the wave 2 survey and the qualitative interviews explored the extent to which the LHA reforms were affecting the balance of properties being held by landlords – whether they were adjusting their portfolios in the light of any anticipated changes in demand. Table 7.1 shows that a higher proportion of landlords were thinking of reducing

their rental portfolios than were planning to expand them. However, there was no greater propensity to reduce portfolios among landlords in lower value LHA Dominant markets, with fewer alternative sources of demand, than in other area categories. There were also no significant changes in the proportion who said either that they have expanded their rental business in the LA concerned as a result of the reforms (three per cent in wave 2) or have reduced the properties they let (11 per cent in wave 2).

Table 7.1 Percentage of landlords making changes to their portfolio because of LHA reforms. Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Reduced the number of properties I rent in this local authority					
Wave 1	16	9	1	10	10
Wave 2	17	11	4	12	11
Percentage point change	1	2	3	2	2
Expanded the number of properties I rent in this local authority					
Wave 1	5	3	0	3	3
Wave 2	5	2	1	2	3
Percentage point change	1	-1	1	0	0
Base: all LHA landlords	*51*	*208*	*63*	*337*	*659*

Note: Based on cross-tabular analysis.

Table 7.2 shows the results from the wave 2 survey on whether landlords were planning to exit the market altogether as a result of the LHA changes. Four per cent of respondents said that they were doing so and there are no significant differences by area type. In the interviews, some respondents said they knew of landlords wishing to get out altogether, and not just reduce lets to LHA tenants.

> *'I think a lot of landlords are afraid to rent out at the moment, worried about conditions on properties, the upkeep, the expense to them and I think they're also afraid they could get stung … and there's landlords wanting to sell their properties rather than rent them out now.'*
>
> (Large agent, Rhondda Cynon Taf)

These views were more prevalent among landlords interviewed in LHA Dominant markets – precisely the areas where it could be more difficult to sell property and exit the market, because the partial recovery noted elsewhere in the owner-occupied market elsewhere had yet to take shape here.

Table 7.2 Percentage of landlords exiting the rental market because of LHA reforms, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Selling up exiting/ rental market entirely	5	4	2	4	4
Base: all LHA landlords	*54*	*210*	*63*	*339*	*666*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

Chapter 5 showed that a quarter of landlords said they had been affected by the Shared Accommodation Rate (SAR) changes, which were introduced from January 2012 onwards. Twenty-nine per cent of Inner London landlords in wave 2 also reported that they no longer let to under 35-year-olds. The survey and interviews with landlords examined whether they had started to expand the proportion of shared accommodation in their portfolios as a result of the likelihood that single people between the ages of 25 and 35, who received LHA would now find it difficult to remain in self-contained accommodation due to the SAR changes.

Respondents were therefore asked more detailed questions (in wave 2 only) about whether the supply of, and demand for, shared accommodation had changed in the previous year. In terms of demand, the majority of respondents said they did not know, or were not sure, whether it had changed; this proportion rose to 70 per cent of landlords in LHA Dominant markets (Table 7.3). Otherwise a fifth of the sample as a whole felt demand had increased, and four per cent said it had decreased. Compared to the rest of the sample a significantly higher proportion of landlords in Inner London, 31 per cent*, said the demand for shared accommodation had increased.

Table 7.3 Whether demand for shared accommodation has changed, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Increased	31*	23	15	15**	20
Decreased	1	6	12	0**	4
Stayed the same	31*	18	22	15**	20
Don’t know/not sure	38**	54	51	70**	57
Total	100	100	100	100	100
Base: all LHA landlords	*54*	*209*	*59*	*332*	*654*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

Table 7.4 Percentage of landlords expanding shared accommodation wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
I have expanded the amount of shared accommodation I let	4	2	2	3	3*
Base: all LHA landlords	*51*	*208*	*63*	*337*	*659*

Note: Based on cross-tabular analysis.

The results of Table 7.4 show that only a small minority of landlords have provided more shared accommodation, though results presented in *Chapter 9* show that a higher proportion are planning to do so in the future. In the 2012 insight survey of LAs undertaken by the Department for Work and Pensions (DWP), three per cent of respondents (five per cent in London) said that the number of landlords who were now letting former family properties as shared accommodation or HMOs had increased 'a lot' over the previous year. Twenty-seven per cent (43 per cent of London respondents) said that the number had increased 'a little'. In the interviews, landlords had provided shared accommodation in various ways, as in the case of this Newcastle landlord.

> *'It* [LHA legislation] *is affecting the kind of house I'm looking* [to buy]*. Whereas previously I was looking more for family homes, I'm now looking more towards the one beds and the studios because I saw there was a demand there for that type of accommodation and it's something you can maybe move into. Because you've got the young professional looking to rent and maybe a couple looking to move in together, a one bed, a studio could work. And also from my understanding it's the bigger families that are going to have problems with the benefit cap, possibly not the single people, that's why I'm moving into that field.'*
>
> (Small landlord, Newcastle upon Tyne)

Several landlords had encouraged what might be termed 'involuntary' sharing among single adults in previously self-contained accommodation, but many landlords were not keen on such arrangements:

> *'Wouldn't touch them, wouldn't share a flat, wouldn't touch them, too dangerous. Two people in a flat … one falls out, you've got a flat that's getting 260, wouldn't touch it. I would touch it if it was a substantial premium, not a substantial loss …'*
>
> (Large landlord, Edinburgh)

Concerns were expressed by several landlords about the impact of the SAR changes on single people who had access rights for their children and were now moving into shared accommodation.

> *'I know a guy who's just got divorced and now he finds that because he's 33 he can only get a shared room. So he's got nowhere for his two kids to visit him, and he was married.'*
>
> (Small landlord, Cardiff)

A few respondents noted the growing incidence of overcrowding as tenants sought to share accommodation in attempts to reduce the rent payable. This was mentioned both in lower demand LHA Dominant markets and in high demand areas, such as Brent.

> *'I've got tenants that are sharing one bedroom flats, two or three of them. At the end of the day it's needs must, it's not ideal. We put it to the landlords, we can't just do it without the landlords being aware. But being hard-nosed, at the end of the day they need the rents to pay the mortgage. However, if that continues for a sustained period with overcrowding, the standard of the housing is going to obviously go down.'*
>
> (Large agent, Thanet)

> *'I've got quite a lot of households where I don't know how many people are in the house. I let it to one person and they can bring more people in … I don't know if they sub-let, yeah I suppose so. I think the builders (I let to) tend to pack people in and the Eastern Europeans, they do pile them high.'*
>
> (Small landlord and agent, Brent).

> *'I don't think a lot has changed, it's just the market's tightened up. There are still lots of people looking and I think a lot of people instead of getting a flat are now scrummed together in a room and take a lesser standard because that's all they can afford.'*
>
> (Large landlord, Brent)

Housing advisers in Inner London referred to the downsizing taking place among tenants so that they could remain in the same area and close the gap between their LHA payment and the contracted rent. The extent of this practice is difficult to assess, as explained by a member of the Westminster housing adviser focus group:

> *'There was one thing that happened very early on and I thought "oh, didn't think of this" … it was two couples with a child each shared a two bedroom property … there's the scope for those cases to go under the radar because when they show up on your stats it just shows up as rent below the LHA. Whereas actually the landlord's charging 500 or 600 for a two bed and you've got two families getting 290 or 296* [each] *and covering that rent comfortably but being overcrowded. That just goes under the radar.'*

> *'… people are choosing to stay in the borough, moving to smaller properties and choosing to overcrowd rather than move out of Brent; especially in certain communities where they've got a network of support in this Borough and real reasons to stay.'*
>
> (Housing adviser, Brent)

In the qualitative interviews with landlords, several interviewees said they were now converting what had been family accommodation into HMOs.

> *'I've also evicted a third family in a flat in Kingsbury … what I've done now is refurbished it and let it as a HMO, as rooms, to DSS as well, because that was a bit more lucrative.'*
>
> (Large landlord, Brent)

Others wished to avoid having to license their property as an HMO, often through making careful conversions.

> *'Because I wanted to get the maximum amount of rent in, I've taken big properties and converted them into a flat, which is entitled to the four-bed rate, and the rest of the house is studios. I can't have more than five studios in one house, otherwise I've got an HMO and I don't want HMOs, (but) I can do four …'*
>
> (Small landlord and agent, Brent)

> *'Well it's shared accommodation but it's slightly different because they get the one bed rate if they have two rooms …* [so with a] *two reception house you can effectively have five rooms that are lettable ….* [but] *if you hit over four or more unrelated household (members) you have to go HMO licensing, fire check, that's a hell of a lot of money.'*
>
> (Small landlord and agent, Westminster)

> *'I made a few enquiries and found out you can have joint tenants and provided each of those tenants have got an allocation of two rooms, i.e. a bedroom and a lounge etc. that you can have joint tenants in that property … that's better than me renting it out at four bed.'*
>
> (Small landlord, Cardiff)

There was resistance from many landlords to moving into the HMO market due to the perceived financial burden of management and maintenance, for example in terms of converting the property to meet safety requirements.

> '[Landlords] *are not buying one bedroom flats, they're not buying two bedrooms because they don't need to. They're not interested if there's a single guy with his room rate, they don't want to manage HMOs because they're a nightmare. We've got one HMO which is an absolute nightmare. If you came to me today and said "I've got two HMOs I want you to manage", I'd go "no thank you".'*
>
> (Small landlord, Barking and Dagenham)

> *'… to get the HMO licence costs a lot of money …* [but] *it's not the licence that costs so much, it's the adjustments you have to make to the property. One of our landlords in Newham has converted one of his properties into an HMO and it cost him £30 or £40,000.'*
>
> (Large landlord and agent, Hackney)

Rather than seeking to convert their accommodation into shared units, some landlords had simply decided to get out of the sub-market by selling off their smaller self-contained properties:

> *'I know one guy* [landlord]*, he has negotiated … but after that he's gone on to sell the whole block. He had a whole block of flats and it was all younger people that were in them, all DSS tenants, but he couldn't afford to reduce them all and he decided to sell them.'*
>
> (Large agent, Perth and Kinross)

There were distinctive problems in some local housing markets which constrained the development of HMOs. A particular issue in Thanet, for example, concerned the introduction of Article 4 by the LA to prevent the further development of HMOs in one area (Cliftonville). One respondent suggested that this was creating unintended consequences for the local market.

> *'The council had a policy where they wanted all the HMOs closed and they wanted all the places turned into flats. And now they've got all the flats they're now saying "where are we going to house all these people who are effectively homeless? We haven't got any HMOs, so we'll buy loads of ex-hotels", which is what they've been doing. That's how they're going to provide the accommodation. But then they're going to turn loads* [of HMOs] *into exactly what they were in the 80s which caused all the problems in the first place… is lots and lots of transient problem people into HMOs … they're going to reinvent the same problem all over again.'*
>
> (Large agent, Thanet)

In other cases the dominant property type did not permit ready conversion into HMOs, as in the predominantly small terraced two bedroomed stock that is a characteristic of the private rented sector PRS in Rhondda Cynon Taf.

> *'I don't think RCT are geared up for it. There's certainly not enough HMOs there … you might have rooms available but if you've got two or three students and one spare room you won't take that LHA tenant.'*
>
> (Large landlord, Rhondda Cynon Taf)

One housing adviser in Barking and Dagenham referred in interview to the growth of the 'invisible' HMO sector in the borough, which had grown recently outside the normal regulatory regime. The adviser suggested that LA officers only knew the location of about 4,000 of his estimated 12,000 private rented properties in the borough. In Hackney, an adviser suggested that the supply of shared accommodation was drying up because it made much more sense for landlords to convert larger properties into studio flats rather than shared accommodation:

> *'The figures don't add up because it's £95 a room* [SAR]*. If you can convert it into a studio flat that's £250. So if you've got a large house which at the moment is four or five bedrooms you're much more likely to convert that into four tiny studios than go down the HMO route.'*

When the LHA reforms were introduced, some landlords expressed concern about the negative impact on their rental yields. Table 7.5 shows that twenty-nine per cent of respondents in wave 2 felt that rental yields had fallen due to the LHA reforms. Thirty-six per cent of Inner London landlords said this. One in ten, rising to 17 per cent in Inner London, said yields had increased due to the changes

Table 7.5 The effect of LHA reforms on rental yields. Wave 2 only

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Rental yields					
Increased	17	11	5	9	10
Decreased	36	26	23	29	29
Stayed the same	21	22	20	20	21
No/not an issue	24	30	32	33	31
Don't know/not sure	2	9	20	10	10
Base: all LHA landlords	*50*	*206*	*60*	*327*	*643*

One respondent argued forcibly in interview that the pressure on yields as a result of the changes to LHA rates had driven some landlords out of the LHA sub-market, and an Edinburgh landlord expressed concern about future pressures building up to affect margins, especially if interest rates were to rise.

> *'If you take that as a business model, most properties now don't even show a five per cent return, so you're going to reduce that to two per cent, what are you going to do as a landlord? Sell up or stuff it full of immigrants, or you're just going to go 'no claimants' …. That flat's costing us 550 or 570 a month and they're saying we should do it for 30 quid?...The yield in Exeter is a lot lower than a lot of parts of the country.'*
>
> (Large agent, Exeter)

> *'As soon as we go back to 3.5/4% base rate we don't make any profit so we've got to be cautious. Our end game is to try and reserve some money so hopefully what happens is I'll get to 50, hopefully there's enough profit to make some sort of living out of it and we can sell one or two houses each year. I was watching one of these Question Time programmes, 'the greedy landlords'. How are we greedy? A £100,000 flat and you're getting £7,000 a year and you've got to maintain it. We spend an average of £1,000 a year. Absolutely, that's the scary one. 3.5, 4 per cent (interest rates and) we don't make any money. It totally changes the whole position of it.'*
>
> (Large landlord, Edinburgh)

However, in the sample as a whole, 52 per cent of respondents thought that yields had either stayed the same, or were not an issue, following the LHA reforms. That said, concerns over any increase in interest rates are very real, especially given the fact that 71 per cent of respondents identify themselves as buy-to-let landlords.

7.2 Impact on property condition and rental voids

A number of respondents in the qualitative interviews suggested that the reduced LHA rates, and the reluctance or inability of tenants to top up shortfalls, were putting pressure on their margins so that they were now seeking to reduce their maintenance costs to keep their accounts in balance. This was starkly summarised by one respondent from Rhonnda Cynon Taf as follows:

> *'If I don't make any money there's no money for maintenance and you're just papering over cracks.'*
>
> (Large landlord, Rhondda Cynon Taf)

Other respondents talked about the growing pressures on expenditure building up over time due to the cumulative effect of reduced rental income.

> *'There's always a gap that they* [tenants] *theoretically will top up and gradually over the tenancy it gets bigger and bigger and then they leave and you write it off. I suppose I effectively lower the rent. The agency would say "they're interested but you've got it on at 375 and their Housing Benefit's 360, so would you take that?". The difficulty is if it keeps going down it becomes unsustainable and I can't afford to sponsor the people of Thanet. It's at the stage now where out of all of those properties … it's very fragile, you get a new boiler required or a leaking roof and that's that year's profit gone.'*
>
> (Small landlord, Thanet)

> *'I think the Government's misread how far landlords will really go, because at some stage it's cheaper to leave it empty than take £45 a week … if you think how much damage can be done to a property, it costs about £800 just to re-carpet a small terraced house. If you put a young guy in there who has his mates all over because they can't get accommodation, so they're bunking down with him. They're all claiming benefit not from one address, different addresses, they're all receiving the money. It's not coming to us, it's a major problem …'*
>
> (Large landlord, Rhondda Cynon Taf)

> *'The house has tens of thousand pounds worth of damage and there's nothing, there's no legislation, there's nothing I can do against* [the tenant]*, she's got no money. So what's happened is no landlord* [who I am an agent for] *wants to let any more to Housing Benefit tenants … the individual units, the studio flats, are the only ones that are still being let (to LHA tenants).'*
>
> (Small landlord and agent, Brent).

In another case, a landlord in Blackburn said he had been negotiating with tenants by accepting a shortfall in rent received in exchange for giving the tenant responsibility to do repairs to the dwelling.

> *'One of the things we say to people is we won't do repairs. If we identify something that needs doing we say 'you put up with that and we won't do that and we won't try and get a top up'. It's got to cut back somewhere and that's it, repairs. I'm knocking it down to LHA rate,* [so if] *that needs doing, you decorate yourself. They end up taking it. A lot of it's just superficial cosmetic things, decorating. It's going to take me time to decorate it, you can decorate it to your choice. I'm just going to whitewash it or put some cheap and nasty wallpaper on, whatever I can get for 50p a roll. You decorate it and I won't take the top up.'*
>
> (Large landlord, Blackburn with Darwen)

Some landlords referred to the development of a discrete sub-market of poor quality properties being offered to LHA tenants.

> *'There's quite a lot of sub-standard accommodation around and we're finding private landlords are entering the market with lower standard accommodation and a lower rent and when the tenant goes in they then move the rent up … you see that sort of stuff going on. It creates a transient population with people constantly moving round.'*
>
> (Large landlord and agent, Cardiff)

> *'I think probably because the condition of the cottages has deteriorated because of the fact that ultimately we're going to demolish these properties. We're not keen on spending huge amounts of money on maintaining or refurbishing them. So over time they are deteriorating and therefore becoming less attractive. This sounds very politically incorrect, but it's just easier to attract Housing Benefit clients* [to them]*.'*
>
> (Large landlord and agent, Edinburgh)

> *'You can't get anything in Exeter for* [LHA rates] *unless it's absolutely tiny or an absolute dive that you wouldn't wish to live in. You're maybe looking at the bottom two or three per cent of properties that will fit within that; it's certainly not the 30th percentile.'*
>
> (Small landlord, Exeter)

Housing advisers referred to this 'bottom end' or 'informal' market in several case study areas, (termed the 'rogue landlord sector' by one adviser) and where families were unwilling to press the case for improvements either because they did not want to move or because they feared eviction if they upset the landlord.

> *'It's so widely known the sector is completely unregulated and you can get away with anything. And the demand is so great and people will put up with almost anything. An awful lot of families are so nervous about moving to an area that they don't know that they'll put up with almost anything to remain in the area they do know, where they've got contacts.'*
>
> (Housing adviser, Brent)

'More and more times we are getting say where the boiler's not working, we are getting the answer when we say we'll refer that to environmental health and the tenant immediately says "no don't refer it". Because the landlord evicts them and then they're in an even worse situation.'

(Member, Hackney housing adviser focus group)

'You've got a landlord and you've got hundreds of people wanting that property … they just have to accept these properties and then they're stuck there … And as soon as they start complaining, section 21 (for eviction). We get a lot of them.'

(Member, Barking and Dagenham housing adviser focus group)

Advisers in Barking and Dagenham, Thanet, Tendring and North Lanarkshire (below) all observed that the level of disrepair in the properties let to LHA households had increased in the past two years.

'We are seeming to get more involved in disputes between tenants and landlords about maintenance. If a landlord is in receipt of direct payments we can stop those payments until it's resolved. That's happening more, which would suggest that landlords are more reluctant to keep properties to a reasonable standard.'

(Housing adviser, North Lanarkshire)

When the LHA reforms were introduced, some landlords expressed concern that the number of void properties might increase, especially in lower demand markets. Table 7.6 shows that 19 per cent of respondents at wave 2 felt that rental voids had increased as a result of the LHA changes. Twenty-six per cent of respondents in Rural areas felt voids had increased. Given the high demand in the PRS in Inner London, it is perhaps surprising that as many as 17 per cent of respondents from that area type said voids had increased. This view seems to refer to particular neighbourhoods, often former right to buy stock on council estates that has since been transferred to the PRS and where there is little demand from non-LHA applicants. Some respondents suggested that a two-tier rental market was becoming more entrenched in Central London, working to quite different market dynamics.

Table 7.6 The effect of LHA reforms on rental voids. wave 2 only

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Rental voids					
Increased	17	14	26	20	19
Decreased	0	4	1	3	3
Stayed the same	32	21	13	17	20
No/not an issue	42	45	40	45	44
Don't know/not sure	9	15	20	15	15
Base: all LHA landlords	*50*	*206*	*60*	*327*	*643*

Voids were also cited as a problem by respondents in the rather different PRS context, such as in LHA Dominant markets of Thanet and Blackburn with Darwen.

> *'I get on with all the local agents and all of us have got properties that have been empty for months, mainly because … about 85 per cent of the market in Thanet* [are LHA claimants]*, particularly in Cliftonville, is Housing Benefit. And the current Housing Benefit is nowhere near what the rented properties are; the difference is too big for the tenants to be able to afford the top up.'*
>
> (Large agent, Thanet)

> *'As far as … the demand for rental properties, we've generally got on our available list maybe 15 to 20 live properties. Very few properties will stick beyond two months without being let. If you get the odd one it's usually because the property's so poor and* [you] *eventually reduce the rent, so there's a balance … If you get the better properties you'll get inundated, the average ones you'll get two or three* [applicants]*, the very poor ones … there's no property that doesn't get applicants. But if we get a very poor standard of property we could still get multiple applicants but they'll be poor applicants with bad history.'*
>
> (Large landlord and agent, Blackburn with Darwen)

There were differing views expressed about whether it made financial sense for landlords to fill their voids, to maintain at least some rental income even if it was deemed inadequate, or to leave property empty and do without the hassle or cost of letting to LHA tenants.

> *'I'm now advising landlords that … if you think of a property of £500 and you have a property sitting at £500 for a month* [then] *you've lost £500. Whereas if I say let's reduce it to 450 and you get somebody, you're losing £50 but it takes a while to get the 500* [loss]*, and in a year's time you can review it.'*
>
> (Large agent, Perth and Kinross)

> *'The market rents have come down pretty well in line with LHA … we're very sensible on the way we pitch ours, there's no point shooting higher. I'd rather be full than have voids for a couple of months.'*
>
> (Large landlord, Tendring)

> *'A lot of landlords may choose "ok I've had enough; now I'm getting out" which I think is going to happen. But in addition to that what I can also see happening is landlords thinking "I'll leave it empty, I'll pay the council tax, I don't want Housing Benefit because if I get a bad one then it's going to damage my property, I'm not going to get the rent and it's going to take me six months to get them out. And why should I take the risk?".'*
>
> (Large landlord, Thanet)

Ultimately, as the last quote suggests, the question of whether to leave the property vacant or not, partly depended on how far landlords were prepared to reduce the rent and risk taking on unsuitable tenants.

8 Impacts on rents and arrears

Summary

- The proportion of landlords who would be prepared to negotiate over rents to receive direct Housing Benefit (HB) payment increased from 29 to 37 per cent by wave 2.
- Thirty per cent of landlords in wave 2 said they received direct payments for all their tenants and a further 17 per cent for the majority of tenants.
- Twenty-seven per cent of landlords said there had been an increase in negotiations with current tenants since April 2011, rising to 48 per cent of Inner London landlords.
- There has been a ten percentage point increase between waves 1 and 2 in the proportion of Inner London landlords who had negotiated a lower rent.
- In lower value private rented sector (PRS) markets opinions varied on whether it was necessary to reduce rents to Local Housing Allowance (LHA) rates because there were no alternatives for letting property, or whether reductions could not be countenanced because returns were so low.
- Forty-seven per cent of landlords said they had witnessed an increase in rent arrears since the reforms started, up seven per cent from wave 1.
- Fifty-six per cent of landlords said they had LHA tenants in rent arrears, rising to 64 per cent in the Inner London sub-sample.
- Twenty-eight per cent of respondents in the overall sample thought the arrears had increased specifically due to LHA reforms.
- Thirty-seven per cent of respondents had taken action to evict, not renew or end tenancies for LHA tenants since April 2011, compared to 27 per cent who had taken action against non-LHA tenants.
- A fifth of all respondents, and a quarter of Inner London landlords, said they had taken action against tenants due to the LHA reforms.
- Some housing advisers suggested that landlords were now more robust in evicting LHA tenants who were in arrears; others suggested they were mainly seeking not to renew tenancies, due to the cost and time involved in evictions.

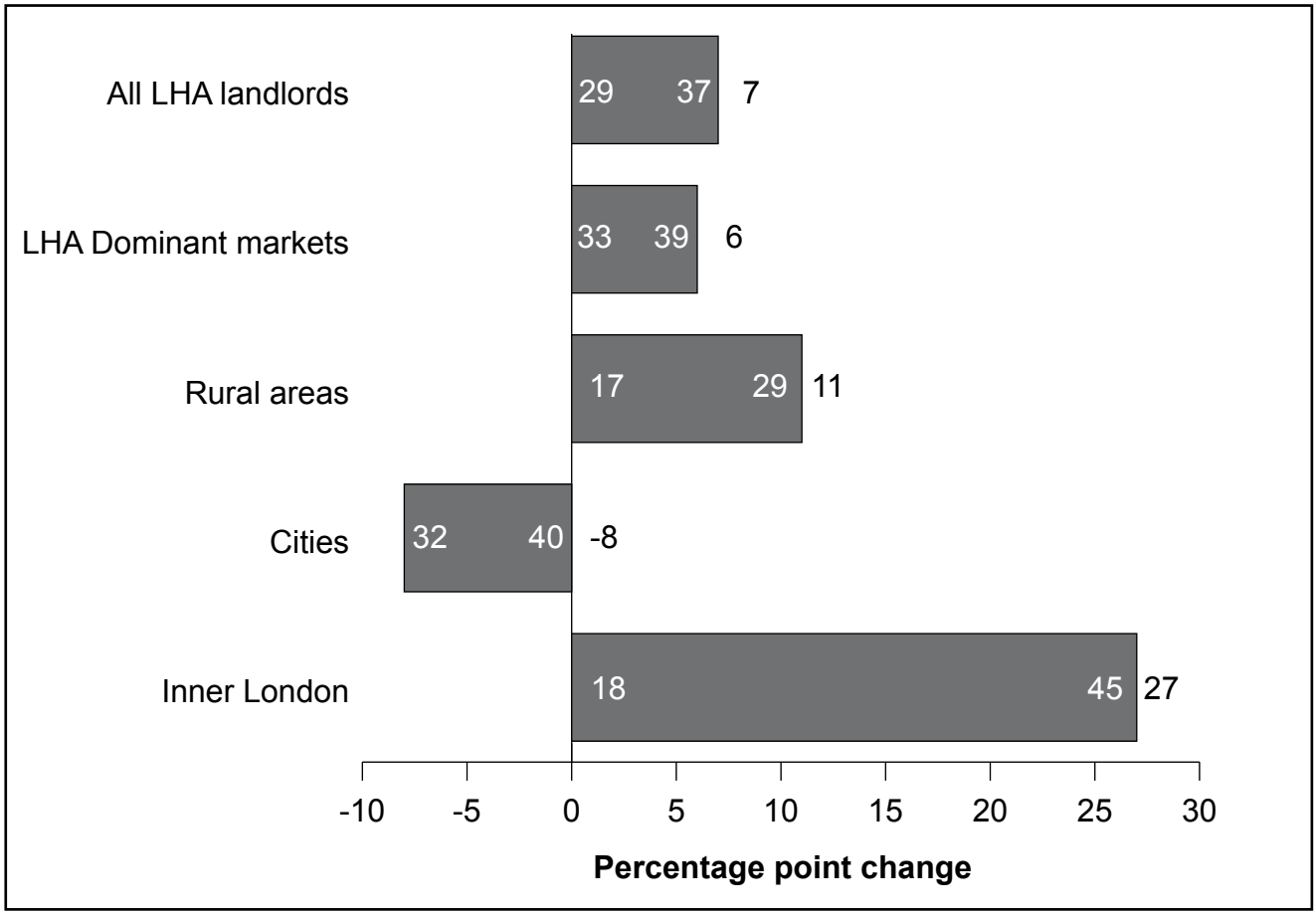
8.1 Direct rent payments and rent negotiations

Direct HB payments to the tenant rather than to the landlord became the norm with the introduction of the LHA system in 2008 in Great Britain (GB) (although not in Northern Ireland (NI), where direct payments to landlords have been preserved and account for around 90 per cent of LHA cases). Following the LHA reforms, direct payments can now be made to the landlord in certain circumstances – if the tenant is deemed ‘vulnerable’ or if the tenant is in arrears of eight weeks or more. In addition, an LHA safeguard was introduced allowing direct payments to landlords in cases where the landlord has negotiated a lower rent with the tenant and thus maintained the tenancy.

Figure 8.1 shows that the proportion of landlords who said they would be prepared to negotiate over the rent in exchange for direct payments increased between waves 1 and 2

– rising from 29 per cent to 37 per cent**. The increase was especially marked among Inner London landlords, where the proportion prepared to negotiate increased from 18 to 45 per cent**. There was no significant change in the other area types.

Figure 8.1 Percentage of landlords saying they have lowered or would consider lowering the rent, if paid directly to them. Change waves 1 to 2



The wave 2 survey asked additional questions about landlords' receipt of direct HB payments, and we cannot therefore establish if there has been any change in the results over time. Table 8.1 shows that nearly half the landlords in the sample as a whole said that they received direct rent payments for most or all of their tenants, and only about a fifth said they did not receive direct payments at all. The qualitative interviews with landlords and housing advisers suggested that direct payments to landlords were being dispensed quite readily in some local authorities (LAs), especially in lower demand areas, to encourage landlords to retain LHA tenancies. It was suggested that informal arrangements were being made to prevent evictions for non-payment.

Table 8.1 shows that the proportion of landlords receiving direct payments for all their LHA tenants was significantly smaller in Inner London than the rest of the sample, comprising 17 per cent* of the respondents in this area type. This compares to 38 per cent of landlords in Rural areas, for example. The difference may be related to the tighter control over making direct payments exercised by the LAs in Inner London. An attempt was made to ascertain the reasons why landlords received direct payments in the wave 2 survey and the results are shown in Table 8.2 . The predominant reason for receipt of direct payments was rent arrears, and this applied to landlords in all four area types. Seven per cent of landlords said they

had received direct payments in return for reducing the rent, and this included ten per cent of Inner London respondents. Seventeen per cent of respondents did not specify a reason why they received direct payments, while 23 per cent stated an 'other' reason. The most common reasons given in these 'other' responses were: the tenant was vulnerable/disabled/ill; landlords had historically received direct payments for these tenants; or the tenant had requested payment to be made to the landlord.

Table 8.1 Whether landlords currently receive direct payments for HB/LHA tenants, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Yes, for all of them	17*	37	38	30	30
Yes, for the majority of them	23	21	1	16	17
Yes, for some of them	39	32	29	36	35
No, do not receive direct payments	21	9	31	18	19
Don't know/not sure	0	0	0	0	0
Total	100	100	100	100	100
Base: all LHA landlords	*54*	*205*	*61*	*326*	*646*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

Table 8.2 Reasons landlords currently receive direct payments for LHA tenants, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Tenants with rent arrears	40	56	36	46	45
Reduced the rent in return for direct payments	10	6	5	7	7
Other	22	25	20	24	23
Receive direct payments but not specified any reasons	20	16	14	17	17
Not sure if receive direct payments	0	0	0	0	0
Do not receive direct payments	21	9	31	18	19
Base: all LHA landlords	*54*	*205*	*61*	*326*	*646*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

In the qualitative interviews, landlords mentioned various strategies to encourage LAs to grant direct payments to them.

> *'Now we basically play the system, we put the rent up deliberately high and then write a letter to the council saying we'll reduce the rent to the LHA rate or to LHA plus a small contribution rate if you send the money to us direct. And they are quite keen to do that, they do tend to go for that now. If you were to put it to them before, they were [saying] "no there's no reason for it, they're not in eight weeks arrears, there's no mental issue case, no". But now they are more on the side of they'll give it.'*
>
> (Large landlord, Blackburn with Darwen)

> *'So what I say is 'this is the room, do you like it?' "Yeah". "Right, I want eight weeks rent up front." "I haven't got eight weeks' rent." "Right, you're eight weeks in arrears technically because I want that in advance." So put the Housing Benefit form in, put this standard letter I've got saying you're eight weeks in arrears … if they're eight weeks in arrears [local authority officers] have to pay it to the landlord and it works every time. I've not had one where they've said no.'*
>
> (Large landlord, Bradford)

> *'I've made an agreement with the council that I won't have any tenants unless the rent comes to me. And they've accepted that because I won't house them* [otherwise]. *Plus most housing* [LHA] *people are vulnerable people, they're alcoholics or something, so we always make sure we sign the vulnerability form at the beginning. Send that off and as soon as the council agree to pay me I'll give them a tenancy agreement.'*
>
> (Small landlord, Fenland)

Many landlords expressed a strong preference for receiving HB payments directly, citing the fact that it minimised the risk of arrears and gave them more security and the ability to plan ahead.

> *'They're easier to let* [to LHA tenants]*, we don't take a deposit and we know the system well, and we know how to get the tenants on direct, because it's easier really.'*
>
> (Large landlord, Denbighshire)

> *'Yeah* [receiving direct payments] *means I can budget and I can plan things. We've just had on one development some major work on upgrading the fire alarm system … and it's all because that money's there.'*
>
> (Large landlord, Rhondda Cynon Taf)

The strong concerns about the introduction of Universal Credit, discussed more fully in the next chapter, were closely linked to the potential loss of direct HB payments, which were now seen as the new norm on LHA by some landlords. One respondent also echoed the views of many of those interviewed in linking the payment of LHA direct to tenants with recent increases in arrears.

> *'I don't know how* [Universal Credit's] *going to affect me. Hopefully they won't go down that route, they did try it with Housing Benefit and it didn't work and if they want them to be housed they've got to pay the landlord.'*
>
> (Small landlord, Tendring)

'This pile [of forms] here is evictions. The first one, Housing Benefit; this one is in Ilford, eviction; this is Waltham Forest, bailiffs going in on seventh; Romford, that's eviction of Housing Benefit;, Waltham Forest, Housing Benefit eviction. So we've got five, six, this one is Waltham Forest, she's part Housing Benefit, part top up and this is Housing Benefit. So everyone I've got is a Housing Benefit applicant that's run into arrears where they council has paid the claimant direct…All it's doing is causing problems for the landlords because I've got landlords now who say "no Housing Benefit" so all they're doing is shrinking the market.'

(Large landlord and letting agent, Barking and Dagenham)

Housing advisers in some areas confirmed that they made full use of the provision to switch to direct payment to safeguard a tenancy; and that landlords in lower demand areas were also adapting to the policy.

'When DWP relaxed the criteria and changed it to securing or maintaining a tenancy … we thought even if there's an indication that they won't pay the rent then we'll use the safeguard policy … We feel that we've minimised the potential for people to get into arrears.'

(Housing adviser, Thanet)

'Landlords are now getting smarter with regard to direct payments and a number of them are now reducing their rents in line with LHA to get the direct payment. Some landlords are wising up to that now …'

(Housing adviser North Lanarkshire)

However, a housing adviser from Barking and Dagenham suggested that the incentive of direct HB payment was starting to lose its allure for landlords who could attract non-LHA tenants to their properties instead and then command higher rents.

'There was a time not long ago where the majority of landlords in the borough from our surveys and forum were saying if it was direct payment they'd be happy to take an HB tenant. That has swung the other way now, where they're saying "we don't even care if it's direct payments, we're less interested in having HB tenants"…Barking, they'd see it as commuter belt territory, they'll try higher rents because that's the profile of tenant they can choose and want to choose. And most letting agents in Barking are shutting their books to HB tenants.'

(Member Barking and Dagenham housing adviser focus group)

8.2 Rent negotiations and rent reductions

Respondents were also asked in wave 2 about the impact so far of the LHA measures on activity over rent negotiations and rent reductions, shown in Table 8.3 . In the sample as a whole, 27 per cent of respondents said there had been an increase in rent negotiations from current tenants as a result of the LHA measures. Twenty-four per cent said there had been an increase in negotiations from prospective tenants. In terms of area type, 48 per cent of Inner London landlords had witnessed an increase in current tenants attempting to negotiate a lower rent, and 35 per cent thought the number of prospective tenants attempting to secure a lower rent than advertised had increased since the LHA reforms were introduced. There were only small differences between the other area types, with around a quarter to a fifth of respondents noting an increase in negotiations. In terms of landlords' perceptions of general

market trends, the proportion of Inner London landlords who had noted an increase in actual rent reductions since April 2011 was only slightly higher than the figure for the overall sample (22 per cent compared to 19 per cent).

One might note also that the majority of respondents had not witnessed change. If one adds together those who felt the trend had stayed the same and those who replied that it was 'not an issue', this amounts to 63 per cent of the total sample in terms of negotiations with both current tenants and prospective tenants, and 69 per cent in terms of lower rents actually being negotiated.

Table 8.3 The effect of LHA reforms on the level of rent negotiations and rent reductions. Wave 2 only

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Current tenants requesting rent reductions/renegotiate rent					
Increased	48	25	20	22	27
Decreased	0	0	0	1	0
Stayed the same	19	15	14	14	15
No/not an issue	30	50	53	53	48
Don't know/not sure	3	10	12	10	9
Prospective tenants asking for rent lower than advertised					
Increased	35	20	20	22	24
Decreased	5	0	0	1	1
Stayed the same	15	17	8	12	13
No/not an issue	32	51	65	51	50
Don't know/not sure	12	11	7	14	12
Negotiated lower rent with tenants(s)					
Increased	22	20	14	18	19
Decreased	0	0	0	1	0
Stayed the same	31	19	15	16	19
No/not an issue	40	49	59	52	50
Don't know/not sure	7	11	12	12	11
Base: all LHA landlords	*50*	*206*	*60*	*327*	*643*

Table 8.4 shows landlords' direct experience of rent negotiations rather than their perceptions of the overall trend. The results of the wave 1 survey suggested that, while a higher proportion of London-based landlords had been involved in rent negotiations with their tenants, there was little difference in terms of whether this led to a lower rent in the end. There was more activity, but tenants in London were no more successful in securing a lower rent than tenants elsewhere. The figures in Table 8.4 suggest that this has now changed. There was a ten per cent increase between waves 1 and 2 in the proportion of landlords in Inner London who said they had negotiated a lower rent with a current tenant. This compares with a three per cent increase for the sample as a whole. There is a similar trend, though not quite as marked, in terms of prospective tenants.

Table 8.4 Percentage of landlords negotiating a lower rent with current and prospective tenants. Change waves 1 to 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Negotiated a lower rent with a current tenant					
Wave 1	5	4	1	7	5
Wave 2	15	7	2	9	9
Percentage point change	10*	3	1	2	3*
Negotiated a lower rent with a prospective tenant					
Wave 1	5	4	3	5	4
Wave 2	11	4	2	7	6
Percentage point change	6*	0	-1	2	2
Base: all LHA landlords	*51*	*208*	*63*	*337*	*659*

Note: Based on cross-tabular analysis.

The qualitative interviews shed more light on the various reasons why rent negotiations had increased over the past year, albeit among a minority of landlords. Landlords from Inner London referred to transient factors, such as overestimating the effect of the Olympics on boosting rent levels, as well as the extent to which tenants were now pressing more actively for reductions and the greater preparedness of small landlords to accept reductions. Although one might assume that the bargaining power of LHA tenants in these high demand markets might be slight, in the two-tier PRS that some claimed was becoming a feature of such areas, there might be less competition from non-LHA households than one might suppose for some properties.

> *'I think people are finding now they're having to reduce it, because last year a lot of people expected a lot from the Olympics and it didn't happen and now the landlords are finding in a business sense they're having to reduce the rent to make ends meet … but not on the scale the government anticipated. They [the Government] got it wrong.'*
>
> (Large landlord, Brent)

> *'My experience is we let the flats at slightly more rent but only slightly, two, three, four per cent maybe if you're lucky … and sometimes I can't put any increase on. Tenants negotiate much harder now than they used to.'*
>
> (Large landlord, Westminster).

> *'I think a lot of them* [landlords] *are going private* [non-LHA] *… We've had only a few, very few willing to accept a lower rent, we've had to really persuade them … They're small [landlords], mostly one or two properties, we have got a couple who've got more than two or three, but predominantly they're small.'*
>
> (Large landlord and agent, Brent)

In other areas, pragmatism ruled, and landlords said they might reduce rents if it was a means of preventing voids, or as a way of keeping regular payers and 'good' tenants on their books, or, in one case, a means of salving their conscience. What comes across from the sample of quotes that follows is the extent to which discussions over potential rent reductions have become incorporated into a filtering process about their tenants.

> *'If it's only £20* [shortfall] *and your property stays empty for a month you're losing. You've lost a month's rent, whereas over the course of a year it's £240. So you're still better off by taking slightly less rent, that is,* [in] *a general way of speaking.'*
>
> (Small landlord and agent, Barking and Dagenham)

> *'The easier thing frequently for us to do is to keep the known tenant and reduce their rent a bit to accommodate them. I can't believe that's the attitude of most commercial landlords who are in the business.* [But] *that's just the pragmatic view that we are taking.'*
>
> (Large landlord and agent, Edinburgh)

> *'We've got a tenant in one of the houses nearby, she had problems with paying because her payments were cut and we reduced her rent because she was a good tenant. But if the tenant's not a very good tenant, we'll not reduce the payments. We'd rather clear them out and get somebody else in.'*
>
> (Large landlord, North Lanarkshire)

> *'In fact the family who gets a top up from the council, I had actually kept his rent at 850. For just a short period and I just thought they can't … they were scrabbling about trying to give me cash and I said "no let's just drop it down a bit" and that helps you and eases my conscience.'*
>
> (Large landlord, Edinburgh)

Several landlords mentioned that the scope for negotiation also varied with the section of the market in which the properties were based, and some tenants would negotiate on their current property as a first step, before looking at more affordable options elsewhere if this failed.

> *'We're finding more and more people are trying to negotiate rents, never used to be like that. It used to be it's listed at 500 and they expect to pay 500 but now they'll negotiate ... but there's more room for negotiation at the top end than at the bottom.'*
>
> (Large agent, Perth and Kinross)

> *'I've basically come to realise that with those poorer quality properties that only appeal to DSS, I can't realistically ask for rents above the LHA. The top ups just don't get paid and it's touch and go whether it's worth spending all this money chasing them.'*
>
> (Small landlord and agent, Walsall)

'Now they're coming to me and saying "my Housing Benefit is going to change because I'm only entitled to a two bed so I'm going to have to move out, or you're going to have to drop the rent. Or do you have one down the road which would suit me better?".'

(Large landlord and agent, Edinburgh)

In lower value sub-markets in the PRS, opinions varied on whether it was necessary to reduce rents to LHA rates because there were no alternatives for letting the property, or whether reductions could not be countenanced because returns were at rock bottom anyway.

'In the Rhondda on the benefits side we've dropped [rents] *about 15% over the year because the benefits have gone down … It's shocking how much they're going down … (the fall in rents) doesn't affect the tenant at all. If they have a shortfall you try and get it. What we actually do is take a hit, because you have to.'*

(Large landlord, Rhondda Cynon Taf)

'Yeah, I don't really have any choice (but to reduce rents to LHA rates) because the tenants are on benefits and all the rents have dropped this year, because they've all come up for renewal at some point. They've all fallen anywhere between 10 and 20%, probably about 20%.'

(Small landlord, Newcastle upon Tyne)

'They [rents] *have gone down … For the one bed flats we've probably gone from 450 to 350 on average …* [LHA reform] *hasn't helped. No tenant, working or otherwise, will pay much to live here but when the majority of people are benefit claimants then of course you will have to come down to the LHA rates if you want the place filling.'*

(Small landlord, Thanet)

'We haven't increased the rents. I think it's a bit different to being somewhere like London where you've got scope to lower the rents. Our rents are so low anyway that you'd rapidly reach the point where the annual maintenance costs were outstripping the rental income, which is non-viable as a business.'

(Small landlord, Rhondda Cynon Taf)

A member of the housing adviser focus group from Westminster confirmed that the propensity for landlords to negotiate over rents might depend on whether they had an outstanding mortgage on the property.

'There's a big difference between the people who bought the buy-to-let properties a few years ago and the people who had got established stock and anything they get is profit. A lot of those will be the ex-council stock that's been knocking around for ages. And they might be taking a view that they can afford [a lower rent]*.'*

The introduction of a bond scheme by Blackburn and Darwen and in Brent had apparently encouraged landlords to reduce the rent, and emphasised the value of close communication between the local authority (LA) and the community of landlords.

> *'All the landlords that are connected to our bond scheme seem to be quite flexible about reducing rent, because they see it as you might as well get a few pounds less per week than an empty property … it's only a few landlords that will stick to a certain price and then leave it empty for weeks.'*
>
> (Housing adviser, Blackburn and Darwen)

> *'Brent themselves have been doing a very good job, the Housing Benefit team, in negotiating with landlords. And they came up with a proposal whereby they offer, if the landlord's willing to reduce the rent to the capped amount, they will offer him a sum upfront … They're pretty skilled and particularly if it's less than £50 a week their success rate is quite high … but obviously more than that and it's just not feasible.'*
>
> (Housing adviser, Brent)

8.3 Rent arrears

The wave 2 questionnaire distinguished between perceptions of changes caused by housing market trends, and those changes landlords felt were more directly attributable to the LHA measures. Figure A.1 shows that there was little change between waves 1 and 2 in the proportion of landlords who felt that rent arrears had increased in general in the housing market since April 2011 – 47 per cent thought so, compared to 45 per cent in wave 1. There were also no significant changes in the response by area type. However, when asked specifically about the impact of the LHA measures, an increased proportion of landlords in the sample in wave 2 said that they had witnessed an increase in rent arrears since April 2011. This rose from 40 per cent of respondents in wave 1, to 47 per cent** in wave 2 (Figure A.2). The rate of increase was particularly marked among Inner London landlords, where 63 per cent of respondents in wave 2 had noted an increase in arrears – 16 percentage points** higher than in wave 1. There was, however, no significant change in responses according to the other area categories.

Table 8.5 indicates that, while the majority of Inner London landlords felt that arrears were increasing due to the LHA reforms, only 28 per cent of respondents from Rural areas did so, and 45 per cent said it was not an issue. In LHA Dominant markets, which tend to have rental values closest to LHA rates, but where the economic inactivity rate is higher, half of landlords felt that arrears had increased due to the reforms. As one landlord put it:

> *'They're* [LHA tenants] *having to top up. They always were a bit, but they're now having to top up significantly more and are struggling. We have to chase them, they ended up substantially in arrears … we've got no chance of getting the actual arrears back. But again it's a house that's full rather than empty. But it's hard work getting them to pay the top up amount* [£21 per week]*.'*
>
> (Small landlord, Rhondda Cynon Taf)

Table 8.5 The effect of LHA reforms on the level of the level of rent arrears, wave 2 only

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Rent arrears					
Increased	63	43	28	50	47
Decreased	0	4	0	1	1
Stayed the same	15	14	14	13	14
No/not an issue	19	32	45	30	31
Don't know/not sure	2	8	12	7	7
Base: all LHA landlords	*50*	*206*	*60*	*327*	*643*

Further questions (in the wave 2 survey only) explored landlords' direct experience of dealing with rent arrears, not just their perceptions of overall trends, and any contrast between LHA and non-LHA tenants they let property to. Table 8.6 shows that 56 per cent of landlords in the full sample said they had LHA tenants in rent arrears. Sixty-four per cent of respondents in Inner London, compared to 41 per cent in Rural areas, said that some of their LHA tenants were in arrears. 38 per cent of the sample overall felt that these arrears had increased since April 2011, while a further 29 per cent thought they had stayed the same (Table 8.7). Only two per cent thought they had decreased. There are no significant differences in response by area type.

Table 8.6 Whether aware of any of their LHA tenants currently being in rent arrears, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Yes	64	55	41	57	56
No	36	39	56	41	42
Don't know/not sure	1	5	3	2	3
Total	100	100	100	100	100
Base: all LHA landlords	*54*	*212*	*62*	*336*	*664*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

Table 8.7 Whether the number of LHA tenants in rent arrears has changed, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Increased	50	37	19	41	38
Decreased	0	2	5	1	2
Stayed the same	29	30	22	31	29
Don't know/not sure	20	31	55	27	31
Total	100	100	100	100	100
Base: all LHA landlords	*52*	*202*	*60*	*326*	*640*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

Table 8.8 shows responses to the question of why landlords felt that their LHA tenants were in rent arrears. Various options were given in the questionnaire. The purpose was to include the LHA reforms alongside other potential factors associated with accruing arrears to give some broad indication about why the level of arrears might have changed since April 2011. There is likely to be a degree of speculation in landlords' responses here, and they are generalising from their own experience, which may of course cover quite a range of cases. Furthermore, the categories are not mutually exclusive. But the results may provide a broad indication of the salience of the LHA reforms in relation to arrears.

Table 8.8 shows that 28 per cent of respondents in the sample as a whole thought the arrears were due to the LHA reforms. A significantly higher proportion of respondents in Inner London (47 per cent**) than in the rest of the sample thought this was the case. A lower proportion of respondents in LHA Dominant markets (just under a quarter) thought the arrears were due to the reforms. Among the other reasons given, 11 per cent of respondents overall said the arrears were due to job loss or a change in personal circumstance. Six per cent specifically mentioned the fact that tenants could not afford the rent increase as a reason for the arrears.

Table 8.8 Whether HB/LHA tenants are currently in rent arrears because they can no longer afford the rent due to the following reasons, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Tenant/partner have lost their job	6	11	11	13	11
Change in household circumstances	10	11	13	11	11
LHA reforms since April 2011	47**	21	24	24*	28
Could not afford a rent increase	9	7	0	6	6
Tenant spent the money/did not pass on to landlord	1	8	9	9	7
Didn't specify a reason for arrears	11	17	9	19**	15
Other	2	11	14	8	9
Aware of tenants in arrears but not specified any reasons	5	3	0	2	2
Don't know/not sure if affected	**1**	**5**	**3**	**2**	**3**
Affected	**64**	**55**	**41**	**57**	**56**
Not affected	**36**	**39**	**56**	**41**	**42**
Base: all LHA landlords	*54*	*211*	*62*	*336*	*663*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis. The options in the top section of the table are not mutually exclusive and therefore may not sum to 100 per cent. Those 'affected' in the bottom section include all landlords who have selected at least one of the options in the top half of the table. These figures along with the others in bold do sum to 100.

The survey sought to identify whether the perceived increase in rent arrears was equally prevalent among non-LHA tenants – as a general feature of affordability problems and pressures on household budgets, rather than an issue generated by the LHA changes. A lower proportion of landlords felt that non-LHA tenants than LHA tenants were in arrears – 23 per cent compared to 56 per cent among LHA tenants (Table A.4). A lower proportion of landlords also felt that arrears among non-LHA tenants had increased compared to LHA tenants – 19 per cent compared to 38 per cent (Table A.5).

A housing adviser from Brent confirmed that it was quite difficult to disentangle the effects of the LHA reforms from other measures, but noted that some landlords had changed their behaviour over tenancies.

> *'It is getting a bit difficult to distinguish the impact of the LHA compared with the overall benefit cap and other cuts, a general uncertainty for landlords. But I think we can be confident in saying that it has certainly led to a number of our clients downsizing and now living in overcrowded accommodation. And it's also led to a significant number of possession actions…I've noticed that (some) landlords…switched to periodic tenancies rather than issue a new contract which we believe is so they can get possession orders…I think more tenants have looked for cheaper areas, that's the general picture.'*
>
> (Housing adviser, Brent)

Other housing advisers suggested that rent arrears had not increased as much as had been anticipated, as tenants were prioritising their rent payments over other outlays.

> *'Heating bills, TV licence, all these things get put aside because the most important thing is you've got a roof over your head. People will prioritise that, they will switch the heating off, won't pay their TV licence and will go to food banks.'*
>
> (Member, Edinburgh housing adviser focus group)

> *'There's a time lag with landlords as well as tenants … it's quite striking that the effects of the LHA shortfall were quite diverse and the number who got into rent arrears was actually significantly lower than the number that got into other kinds of debt – which seems to suggest that people are trying to stay in the property, pay the rent, but they're getting into trouble in other areas.'*
>
> (Member, Westminster housing adviser focus group)

8.4 Landlord responses to rent arrears

Further questions were asked in the wave 2 survey about landlord responses to rent arrears. As these were new questions, it is not possible to record change since wave 1. Table 8.9 indicates whether respondents had taken action to evict, not renew or end tenancies for LHA tenants since April 2011, and these responses can be compared with actions against tenants not receiving LHA, indicated in Table 8.10. Overall, the tables show that 37 per cent of respondents in the total sample had taken action against LHA tenants, and 27 per cent against non-LHA tenants. Compared to the rest of the sample, a significantly higher proportion of respondents in LHA Dominant areas had taken action against LHA tenants, 42 per cent**, partly because they form a larger part of the PRS here. The 'gap' between actions taken against the two groups is highest in Inner London, where nearly a third said they had taken action against LHA tenants, but just over one in ten said they had done so against non-LHA tenants – despite the LHA sub-market being smaller in these areas than in the other area types.

Table 8.9 Whether landlords have taken action to evict, not renew or end tenancies of any of their LHA tenants since April 2011, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Yes	32	41	24	42**	37
No	67	55	72	56*	61
Don't know/not sure	1	2	4	2	2
I have not had any HB/LHA tenants since April 2011	1	1	0	0	0
Total	100	100	100	100	100
Base: all LHA landlords	*54*	*205*	*63*	*328*	*650*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

Table 8.10 Whether landlords have taken action to evict, not renew or end tenancies of any of their non-HB/LHA tenants since April 2011, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Yes	11*	36	25	30	27
No	89*	63	72	70	72
Don't know/not sure	0	0	3	1	1
Total	100	100	100	100	100
Base: all LHA landlords	*30*	*157*	*45*	*229*	*461*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

In interviews some of the landlords said they had had taken a robust approach to dealing with LHA tenants who had arrears.

> *'I've cut* [LHA tenants] *out. If they can't pay the rent they're out and that's it. The Government in their wisdom have expected the landlords to swallow the shortfalls but they don't need to, there's enough working people out there.'*
>
> (Large landlord, Blackburn with Darwen)

> *'Where we are suffering arrears we're in the process of evicting those tenants because in most cases we offered the landlord a lease which was backed by the tenancy, so we're guaranteeing the owner's rent. We were aware we were taking the risk. Where those changes have happened and the tenants' benefits are now being paid direct, we're now not acquiring the rent from the tenant and they're in arrears. But we still have a legal contract with the owner to continue paying their rent so we are in the process of evicting those we need to.'*
>
> (Large landlord and agent, Hackney)

> *'Two evictions of LHA tenants are ongoing and six or seven have taken place over the last 18 months. Ninety per cent are due to LHA* [reforms]*, lowering the rates and* [paying the] *tenant direct.'*
>
> (Small landlord and agent, Walsall)

> *'Yes we've really done very little else other than evict them; where they've gone we've no idea.'*
>
> (Large landlord and letting agent, Barking and Dagenham)

The wave 2 survey also sought to ascertain whether actions to evict, not renew or end tenancies for LHA tenants were specifically prompted by problems arising from the LHA changes, or due to other factors. Table 8.11 shows that a fifth of respondents in the overall sample said they had taken actions due to the LHA changes, 13 per cent had taken action against LHA tenants for other reasons, and a further four per cent were not sure of the reason. Over a quarter of the Inner London sample of landlords said they had taken actions specifically because of the LHA reforms, compared with 14 per cent in Rural areas, again confirming the higher salience of the changes among landlords with stock in the Inner London grouping.

Table 8.11 Whether landlords have taken action to evict, not renew or end tenancies specifically because they can no longer afford their rent because of the LHA reforms, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Taken action and due to LHA reforms	27	19	14	20	20
Taken action but not due to LHA reforms	5	18	8	17**	13
Taken action but not specified if due to LHA reforms	0	0	0	1	0
Taken action but not sure if due to LHA reforms	0	5	2	5*	4
Not taken action	67	56	72	56**	61
Not sure if taken action	1	2	4	2	2
Total	100	100	100	100	100
Base: all LHA landlords	53	203	63	328	647

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

The questions did not distinguish between the three actions, but landlords tended to prefer not to renew tenancies rather than go through the expensive and time consuming process of eviction.

> *'We've had so many more problems since they've stopped direct payments. It's just been a nightmare and you know you have to, as a landlord, just turn round, or I do as an agent and say to a landlord "you haven't got a hope in hell of getting this money, you might as well just get them out" and that's what they do. But the law's not on your side. How are you going to make someone pay who's got no money? It's impossible. And it takes so long to get a tenant out of a property now, the court service can't cope with the number of evictions … so you're in a very difficult position.'*
>
> (Large agent, Thanet)

The threat of eviction was sometimes used as a factor in making sure that the tenants understood the importance of meeting the top-ups required. Eviction was also considered once arrears had gone beyond a certain level, despite the prospect that HB payment would be granted to the landlord rather than remaining with the tenant.

> *'What we've done so far is informed the tenants of the changes that are going to be taking place and what their obligations are going to be, worked out what the rent's going to be and how much they would have to contribute. And* [we] *make them understand if you don't pay your contribution then there'll be no choice but to serve you with a notice and take the property back.'*
>
> (Large landlord and agent, Brent).

> *'Even a month in arrears we can give them notice, but in real terms if they go eight weeks in arrears really we don't want them anymore, especially if they're on benefits. Yes they* [landlords] *can get direct payment, but in real terms the council will rarely backdate their benefit … once they're more than eight weeks in arrears you've got no chance of getting your money so you give them notice.'*
>
> (Large agent, Thanet)

Some housing advisers suggested that landlords were becoming less tolerant of tenants who were accruing arrears:

> *'This morning I had a client who's been in her tenancy for ten years and has only recently got into rent arrears by a very small sum, about £500, and she's been given a notice to quit, she's never been behind on her rent, but because she's under 35 and she was getting some DHP and they've given her notice to quit and she's moving out. So I think some of them are being tougher.'*
>
> (Member, Edinburgh housing adviser focus group)

> *'We've had quite a few section 8s lately as well for rent arrears and things like that, but I would say the majority when evicting will go for a quick eviction which will be a section 21 saying that they just want the property back or refurbish* [it]. *Not the real reason, but when you actually communicate with the landlord and say "what is the reason" he's saying "financially it's not very good, I need to sell" or "I'm going to re-rent out".'*
>
> (Member, Barking and Dagenham housing adviser focus group)

However, no single, clear pattern emerges from the interviews with housing advisers on landlords' actions. Other housing advisers suggested that, rather than evict, landlords were tending not to renew tenancies, in order to sell up, move into the non-LHA market, or into what they saw as the more lucrative temporary accommodation market. Another urged caution about just attributing such changes in their locality to the LHA measures.

> *'Tenants can't find any* [affordable accommodation]*, landlords are pulling out. They're not evicting, they're primarily not renewing the tenancies and they're usually giving the reason that they're pulling out of the* [LHA] *market. Sometimes they are because they're cashing in the capital value of what are in parts of Hackney now very expensive properties. In others they're actually renting to a completely different market.'*
>
> (Member, Hackney housing adviser focus group)

> *'The other thing that will affect* [PRS supply] *is the escalating market for temporary accommodation at the moment … other boroughs are saying that's causing landlords to evict people from long term tenancies so they can make their properties available for nightly booked accommodation and things like that. Which is a direct result of the increased demand.'*
>
> (Member, Westminster housing adviser focus group)

> *'Loss of private rented accommodation in the PRS is one of the main reasons for homelessness in the borough, but if you unpick that it's just about landlords serving notice without really giving any good reason … it's very difficult to put it back to* [LHA reforms] *being one of the main reasons why the accommodation was lost.'*
>
> (Housing adviser, Rhondda Cynon Taf)

9 Potential future impacts of the measures

Summary

- Seventy-four per cent of all landlords in wave 2 (64 per cent in the Inner London sub-sample) said they intend to continue letting to Local Housing Allowance (LHA) tenants in the coming year.
- There is a small but significant increase in Inner London respondents who said they had few alternative sources of tenants – possibly a reflection of a more segmented two-tier private rented sector (PRS) market opening up in these areas.
- Fourteen per cent of respondents in wave 2 said they did not intend to continue letting to LHA tenants; based on the wave 1 evidence, a much smaller proportion than this will eventually exit the market over the next 12 months.
- When asked in a less definitive way, 35 per cent of all landlords said they were considering ceasing to let to LHA tenants; there was no change from wave 1.
- The proportion of respondents who expected to be negotiating lower rents with current and prospective tenants in the year ahead increased from eight to 12 per cent and from 12 to 16 per cent; the increases were more marked in inner London.
- The proportion of landlords planning to expand the shared accommodation they let increased from five to 13 per cent by wave 2; in Inner London it increased from one per cent to 22 per cent.
- The proportion of landlords saying they planned to reduce their lettings in the case study area in the year ahead increased from 23 per cent in wave 1 to 28 per cent by wave 2; and from 23 to 31 per cent in the LHA Dominant sub-sample.
- Housing advisers thought there would be a time lag before the impact of the LHA measures became fully evident; this was variously due to landlords finally running out of patience with tenants in arrears, tenants no longer being able to juggle their budgets to stay in their current accommodation, and tenants having to move once Discretionary Housing Payment (DHP) support ended.
- However, in many areas outside London, the new LHA processes had been incorporated into the wider PRS without too many problems: there had been some reconfiguration around shared accommodation/Housing in Multiple Occupation (HMOs)/one bedroom property, but the LHA market had not contracted to any marked degree.
- Many landlords were very concerned about the potential future impact of Universal Credit, and thought tenants would find it more difficult to maintain regular rent payments and that the central administration of Universal Credit would create problems.

The wave 2 survey asked a series of questions about landlords' future intentions over the coming year. Landlords were asked whether they were 'intending', 'considering' or 'planning to' make certain changes in lettings, in their portfolios and in rent negotiations. Landlords also commented on complementary or forthcoming welfare reform measures that they thought would have an impact on the future of their business. Clearly, as with any other group of survey respondents, what landlords say they plan to do and what they actually end up doing may be quite different once the 12 months have elapsed, for a whole host of reasons. Still, the responses may provide some insight into their main concerns, their priorities and the overall direction of travel, if not the precise route map, in how they expect to change what they do in the forthcoming months.

Seventy-four per cent of landlords in wave 2 said they intended to continue to let to LHA tenants in the coming year in the wave 2 survey – the same proportion as in wave 1 (Table 9.1). There were no differences in the extent of change over time by area type, but 64 per cent of Inner London landlords said they would continue to let to LHA tenants in wave 2, compared to 76 per cent of respondents in Cities and LHA Dominant areas, and 77 per cent in Rural areas. This is roughly the same difference as in the wave 1 survey.

Table 9.1 Percentage of landlords intending to continue letting to tenants who claim HB/LHA: Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Intend to continue to let to tenants who claim HB/LHA					
wave 1	62	75	81	77	74
wave 2	64	76	77	76	74
Percentage point change	3	0	-4	-1	0
Base: all LHA landlords	*54*	*206*	*61*	*328*	*649*

Note: Based on cross-tabular analysis.

When asked why they would continue to let to LHA tenants, there was an increase in the proportion of respondents who said that they did not mind who they let to, as long as the rent was paid, increasing from 47 to 55 per cent** (Table 9.2). The proportion who said they found it easy to attract LHA tenants also increased from 12 to 16 per cent* by wave 2. When considered by area type, the increase in those respondents mentioning the first of these reasons was significant in Inner London (up from 43 to 55 per cent*) and Rural areas (up from 39 per cent to 57 per cent**). There was also an increase in responses among Inner London landlords saying they found it easy to attract LHA tenants from 11 to 20 per cent*. There is a small, but significant, increase in Inner London respondents who said that there were few alternative supplies of tenants for some properties. This may seem initially surprising in a high demand area such as London, but less so if a two-tier PRS is developing, so that the LHA sub-market in some areas is becoming increasingly separated from the rest of the PRS, and therefore lettings to non-LHA tenants in some properties in some neighbourhoods may be proving difficult to secure.

Fourteen per cent of respondents in wave 2 said they did not intend to continue letting to LHA tenants. What proportion of this group of respondents would ultimately act on these plans? It is not possible to estimate this with any certainty, but a rough guide might be taken from those respondents who said in wave 1 that they were not intending to continue letting to LHA tenants. By wave 2, 18 per cent of this group had actually done this. Now, this figure may conceal some lagged effects as tenancies are wound up over the longer term, and this would increase the proportion who have exited; and of course economic indicators and housing market conditions in 2013 would not replicate those found in 2012. Nevertheless, it does suggest that, on the basis of this data, the proportion leaving the market over the next year (13/14) is likely to be considerably below the ten per cent mark.

Table 9.2 Reasons behind the intention to continue letting to tenants who claim LHA in the next year: Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Don't mind letting to HB/LHA tenants so long as rent is paid					
Wave 1	43	47	39	51	47
Wave 2	55	56	57	54	55
Percentage point change	12*	9	18**	2	8**
Direct payment of HB/LHA to landlord					
Wave 1	37	48	51	41	44
Wave 2	45	52	46	42	46
Percentage point change	8	4	-4	1	2
HB/LHA tenants form a large element of the rental market in this area					
Wave 1	32	29	13	42	32
Wave 2	29	31	22	47	35
Percentage point change	-3	2	9	5	3
HB/LHA tenants form a substantial part of my lettings					
Wave 1	18	20	11	26	21
Wave 2	15	17	9	25	19
Percentage point change	-3	-3	-1	-1	-2

Continued

Table 9.2 Continued

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Increasing numbers of HB/LHA tenants looking to rent in this area					
Wave 1	20	17	15	20	18
Wave 2	20	18	8	19	17
Percentage point change	-1	1	-8	-1	-1
Find it easy to get HB/LHA tenants					
Wave 1	11	17	2	12	12
Wave 2	20	18	6	17	16
Percentage point change	9*	1	4	4	4*
Few alternative supplies of tenants for some of my properties					
Wave 1	5	12	11	17	12
Wave 2	9	12	13	19	14
Percentage point change	5*	-1	2	3	2
Don't know if intend to continue letting to HB/LHA					
Wave 1	12	12	10	12	12
Wave 2	12	11	11	12	12
Percentage point change	-1	-1	1	0	0
Do not intend to continue letting to HB/LHA					
Wave 1	26	13	9	11	14
Wave 2	24	13	12	12	14
Percentage point change	-2	0	3	1	0
Base: all LHA landlords	*54*	*206*	*61*	*328*	*649*

Note: Based on cross-tabular analysis. Note: Respondents could indicate more than one category and therefore may not sum to 100 per cent. Categories with ten per cent or more of 'All LHA landlords' in wave 2 are presented.

Table A.6 shows the reasons given for not continuing to let to LHA tenants over the coming year among the minority of landlords who responded in this way in both waves 1 and 2. The profile of reasons and the weighting given to each reason has remained fairly consistent between waves 1 and 2. Rent arrears and the changes to LHA rules are the two most prominent reasons given for not letting to LHA tenants in the future. However, there was a significant increase in the proportion of Inner London landlords who said that they did not wish to continue letting to LHA tenants because of requests to renegotiate rents, rising from four to 13 per cent**.

Table 9.1 asked about letting intentions in the coming year. Table 9.3 asked respondents in a more open-ended way about whether they were 'considering' or 'planning' to exit the market for LHA tenants and the market for five bedroom properties. In the sample as a whole the proportion considering or planning to cease letting to LHA tenants increased from 32 to 35 per cent, and among Inner London respondents from 28 to 39 per cent, but neither of these changes is statistically significant. It is also interesting to note that 36 per cent of landlords in LHA Dominant areas say they will cease letting to LHA tenants, given the limited sources of alternative demand in the PRS in these areas.

Table 9.3 Changes considered or planned by landlords in the next year in terms of not letting to LHA tenants and letting 5 bedroom properties. Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Cease letting to HB/LHA tenants					
Wave 1	28	40	26	33	32
Wave 2	39	38	21	36	35
Percentage point change	11	-2	-5	3	2
Cease letting 5 bedroom properties					
Wave 1	17	6	3	6	8
Wave 2	20	7	6	8	10
Percentage point change	4	2	3	2	2
Base: all LHA landlords	*52*	*190*	*55*	*317*	*614*

Note: Based on cross-tabular analysis.

The landlord interviews revealed the stark contrasts in approach to letting in the future to LHA tenants between landlords operating in quite different local markets. In Brent, the economic case for moving out of the LHA market was irresistible. In Barking and Dagenham, on the other hand, it was simply not feasible to cease lets to LHA tenants.

> *'It used to be £800* [a week]*, dropped to 750 then it was dropping to £400 a week and I can get £750-800 renting rooms on the private market … it's a £20,000 drop a year on each property. You can't let that go.'*
>
> (Large landlord, Brent)

> *'The alternative is just give up … We couldn't survive on that* [non-LHA letting] *alone. We are doing much more in property sales which in percentage terms of share of profits it was usually 65% on rental and 35% on sales and it's probably 50/50 now because the* [rental] *business is not there.'*
>
> (Large landlord and letting agent, Barking and Dagenham)

Another landlord echoed sentiments expressed by housing advisers in many local areas – that tenants had struggled to 'make do' for the first year of their tenancy under the new regime, but that they were running out of options to sustain this for a second year and beyond. Some landlords also suggested that they would find their own initial response to the changes difficult to sustain without a greater financial contribution from the tenant in the future.

> *'At the moment we're keeping most of the tenants that we've got but we know we're going to have a load of problems coming up soon, they're going to have to top up their rent and we can't see that happening.'*
>
> (Large landlord and agent, Brent)

> *'We need to see what happens in April (2013). Maybe it won't make any difference but I think if it does I think I will have to go back to the tenants and say "I've taken a hit already and I can't take another", which I think is fair enough'.*
>
> (Large landlord, Edinburgh)

Table 9.4 shows that a minority of landlords expect that the trend towards more rent negotiations will continue into the year ahead. The proportion of respondents who expect to be negotiating lower rents with current and prospective tenants over the next 12 months increased from eight to 12 per cent* and from 12 to 16 per cent* respectively. In terms of area types, the increases are most marked in Inner London, rising from one to 11 per cent** for current tenants and from ten to 18 per cent* for prospective tenants.

Table 9.4 Changes considered or planned by landlords in the next year on rent negotiations. Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Negotiating a lower rent with a prospective tenant					
Wave 1	10	13	5	14	12
Wave 2	18	13	13	18	16
Percentage point change	8*	0	8	4	4*
Negotiating a lower rent with a current tenant					
Wave 1	1	13	3	11	8
Wave 2	11	12	8	15	12
Percentage point change	11**	-2	5	4	4*
Base: all LHA landlords	*52*	*190*	*55*	*317*	*614*

Note: Based on cross-tabular analysis.

Table 9.5 shows that there is a significant increase in landlords planning to expand the amount of shared accommodation they let – this has increased from five per cent in wave 1 to 13 per cent** in wave 2. This includes a marked increase in Inner London landlords, from one to 22 per cent** by wave 2, and in Rural areas, from five to 17 per cent**. This suggests that a supply response to the Shared Accommodation Rate (SAR) changes may now be starting to take shape in PRS markets with quite different internal characteristics. This was confirmed by several respondents in the qualitative interviews.

> *'One of the things we've been looking at from the developer viewpoint is, is there an opportunity to be building new build accommodation to fit into the criteria of the new Housing Benefit rules … and you rent those rooms to single people under 35. Because the reforms have created the need.'*
>
> (Large landlord and agent, Edinburgh)

'I evicted a five bedroomed huge flat in a nice area so I've rented that as rooms now; and the two evictions that I've got happening in two weeks' time, so I'll turn those into HMOs.'

(Large landlord, Brent)

'It tends to be students or single working people who are taking the HMO and there's a huge market for it, because they can't afford to rent a property on their own and sharing's a bit iffy. So they're coming to HMOs, they're self-contained, communal kitchens, several bathrooms and it's fine, seems to let no problem at all. It's probably a side of the market we're looking at seriously moving into because it looks like it's quite lucrative, especially with the way the Government's forced the under 35s to not be able to afford a property unless they're working – that's where people are going.'

(Large landlord and agent, Newcastle upon Tyne)

Table 9.5 Changes considered or planned by landlords in the next year in terms of shared accommodation: Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Expand the amount of shared accommodation I let					
Wave 1	1	6	5	6	5
Wave 2	22	6	17	10	13
Percentage point change	21**	0	12**	4	8**
Base: all LHA landlords	*52*	*190*	*55*	*317*	*614*

Note: Based on cross-tabular analysis.

The view of advisers in Inner London was that the expansion of shared accommodation would be limited in terms of what would be accessible to LHA claimants. This did not just apply to Westminster itself, but also to areas which might be presumed to be more affordable.

'We did a bit of work looking at shared accommodation in Lewisham … and in the whole of Lewisham that week there were only six properties which were affordable and had landlords who were prepared to let to Housing Benefit claimants.'

(Member, Westminster housing adviser focus group)

In areas in the South East further afield, such as Tendring, advisers noticed that landlords were coming from London to buy up properties and then convert them into HMOs, to expand the local supply of shared accommodation. This was not true of Thanet, however, where Article 4 was in place to prevent the further expansion of HMOs in one part of the local authority (LA). In lower value LHA Dominant areas, advisers thought that HMO regulation might deter potential investors so that smaller property would be more attractive for conversion and re-letting.

> *'For us shared housing is a must, we are looking to develop that, whether that will be HMO or two people sharing … but I'd say we'd be looking at smaller housing which is basically two people sharing … with all the HMO regulations coming in we don't want to put more pressure on landlords to do more things.'*
>
> (Housing adviser, Rhondda Cynon Taf)

Table 9.6 shows that there has been an increase in the proportion of landlords in the full sample who say they are planning to reduce their lettings in the LA concerned, rising from 23 per cent in wave 1 to 28 per cent* in wave 2. Set against this, 15 per cent of respondents were moving in the opposite direction, and planning to expand their lettings. While the extent of change between waves 1 and 2 is not significant in Inner London and Cities, there are significant increases in the proportion of landlords saying they will reduce their lettings in both Rural areas (where the proportion increased from ten per cent to 22 per cent** by wave 2) and in LHA Dominant areas (increasing from 23 to 31 per cent* by wave 2.)

Table 9.6 Changes considered or planned by landlords in the next year in terms of their portfolio in the local area. Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Reduce my lettings in this local authority					
Wave 1	25	28	10	23	23
Wave 2	24	29	22	31	28
Percentage point change	-1	1	13**	8*	5*
Expand my lettings in this local authority					
Wave 1	9	10	19	11	12
Wave 2	15	13	14	16	15
Percentage point change	5	3	-5	5	3
Base: all LHA landlords	*52*	*190*	*55*	*317*	*614*

Note: Based on cross-tabular analysis.

Housing advisers suggested that there would inevitably be time lags before the impact of the LHA measures became evident. A variety of reasons were advanced to support this case. First, in London there were some households currently 'under the radar' of the LA and voluntary agencies who would eventually have to announce themselves due to the persistently wide gap between the rent and the LHA rate. Others referred to tenants having their 'head in the sand' until their landlord lost patience and pressed for eviction; or that their landlord would be less 'lenient' when renewing their tenancy for a second time, having placed their tenants on trial for the first period after the new LHA rates applied.

> *'Recently we looked at four beds and three beds which is the smallest group* [in PRS supply] *… and within both cohorts there was a significant number, 22% in both where it was a bit of a mystery* [how they were staying in their accommodation] *… so there is that suspicion that if the rent is so much above the LHA and that person has not contacted us, hasn't made enquiries about DHP, hasn't made any homelessness applications, don't have any visible income that they could be using to make that shortfall … what is going on? But it's about time lags.'*
>
> (Member, Westminster housing adviser focus group)

> *'There are* [tenants] *out there that aren't engaging at all. Because it's not a small amount (to make up) where they can change a few things and make it affordable. They're just burying their head in the sand … In the Thanet area there are 56 households affected by the (overall benefit) cap; 35 of those are LHA cases.'*
>
> (Thanet Adviser focus group)

Another reason behind lagged effects was the tenacity shown by some tenants to stay put if at all possible, close to work and to established social networks, which is also most pronounced in London due to the shortage of any affordable alternatives nearby. As one Westminster housing adviser put it: 'they will put up with poor conditions, they will put up with various other inconveniences and, despite whatever advice we give, there is an inclination to stay within the familiar territory.'

However, one adviser suggested that some of these households would shortly come to the end of the road when, unless they found a job, or a better paid job, they would have to move: not just out of the borough but out of London altogether.

> *'By the end of March* [2014] *I think quite a few people would have moved out of Brent. Longer term, a year plus, I would think that even the people that have decided to stay and go to low paid employment, we might start seeing an increase in poverty and hardship because those people thought they could cope but perhaps they can't. So I think in the next six months we'll be working quite hard with people to get them jobs or to move them. But after six months perhaps (we have to) make some quite tough decisions and say 'we've supported you for six months, you've not got a job, the next choice is you need to move somewhere you can afford'. And that won't be in London, probably.'*
>
> (Housing adviser, Brent)

A further reason for concern was the impact on households once DHPs came to an end, which would be especially marked in those London councils that had received relatively large amounts of funding (when set against the size of their LHA caseload). This difference partly reflected the fact that average shortfalls due to the changes were higher in these areas than elsewhere, Concerns were expressed in other areas, as tenants were thought to be deferring their decisions on their housing until their DHP funding ceased, rather than taking preparatory action in advance.

Some advisers also suggested that, given the primacy of paying the rent for many households, the effects of the LHA reforms would be 'displaced' to other non-housing arenas whether by accumulating debts or cutting down on essential expenditure elsewhere. The findings of the claimant survey also tended to support this analysis.

> *'I think this issue about whether or not arrears have increased, a lot of people have managed to pay the rent at the expense of other things. There's a huge increase in people using food banks. At the same time there's a huge increase in the number of people using pay day loans … so maybe that's protecting people in their tenancy. But it's having a huge financial impact that comes out elsewhere and will eventually impact on their ability to pay their rent.'*
>
> (Member, Edinburgh housing adviser focus group)

Advisers in the three Inner London case study areas felt it was almost inevitable that these processes would culminate in an increase in statutory homelessness, or, in the case of younger single people who are sofa surfing, hidden homelessness.

> *'In terms of the LHA impact, given the clear signs that we have of the time lag effect I think we would expect to see a lot more rent arrears related problems coming up as people eventually can't sustain hanging on. And the knock off effect of that is that some of those become homelessness cases. In terms of the wider picture, there are so many different cuts going on and some people are affected by several of them … so we see quite stormy waters ahead.'*
>
> (Member, Westminster housing adviser focus group)

Most of the concerns from housing advisers about the lagged effects of LHA policies emerged in the London case study areas, and it is important to keep the wider picture on impacts in perspective. The new LHA system had been incorporated into the PRS in many areas without too many problems; there had been some reconfiguration of the PRS around shared accommodation/HMOs/one bedroom self-contained units, but the market had not contracted to any marked degree. Some advisers suggested that this was partly because higher rent increases made prior to April 2011 had provided a cushion for landlords to face the reductions that were in the pipeline. In some LHA Dominant markets, with relatively large social rented sectors, the attention of advisers was now turning to the consequences of the removal of the spare room subsidy rather than LHA.

> *'LHA seems to have been done and dusted for a while. Because we've got a large social rented sector that's the one that's hitting now.'*
>
> (Housing adviser, Blackburn and Darwen)

> *'I think the fallout from that (LHA) we've seen now. It seems to have settled down. Landlords know where they are, tenants know where they are. Landlords know that's how much they can get for a two bed property and that's what they ask even though they might have been able to get a bit more before. It's getting to be just the way things are.'*
>
> (Housing adviser, Tendring)

In terms of the wider landscape of welfare reform, landlords mentioned a range of issues in their interviews when discussing their future plans – such as the impact of the localisation of Council Tax Benefit (CTB) on arrears, the impact of the removal of the spare room subsidy if more council tenants seek out options in the PRS, and the changes to Disability Living Allowance (DLA) – but at the time of the interviews, with the April 2013 LHA uprating imminent, their minds were often turning to what they saw as the steady erosion of the real value of LHA over time, making the Housing Benefit (HB) sub-market less and less attractive.

'The big challenge is that inflation is moving forward so the cost of gas, electric, petrol is creeping up, benefits are stable or being reduced, Housing Benefit has been reduced, may be reduced further. There's going to be a point where people can't cope and the easiest place for them to go for their money is their Housing Benefit. And it's a large percentage of their income so it's likely to become a bigger problem in the future. So that's a big concern.'

(Large landlord and agent, Cardiff)

But many landlords were most animated in interview about the potential future impact of Universal Credit, which dwarfed their other concerns about the future prospects for their business in the HB market. Though landlords interviewed did not have direct experience yet of Universal Credit, landlords across the case study areas were sceptical about how tenants would respond when granted more responsibility over their benefit income, concerns about payments being made monthly rather than fortnightly, and benefit payments being made centrally through the Department for Work and Pensions (DWP) rather than at the LA level. Universal Credit was variously described as 'scary', 'ridiculous' and the 'final nail in the coffin'. It remains to be seen whether some of these more apocalyptic visions will ever be realised or whether this initial wariness will diminish over time as landlords come to terms with Universal Credit.

This project is not concerned with Universal Credit, but the views of landlords are germane to the LHA regime in two important respects. One consistent theme in the comments was that the new changes might undermine the way of working that had been established between landlords and LAs over the new LHA regime, especially in terms of granting direct HB payments to landlords. This indicates that LAs and landlords have often adapted to the new LHA regime by acting more flexibly over rent-setting, as well as in the use of DHPs. The second issue was that landlords were often quite uncertain about how the Universal Credit regime would operate in practice and this lack of knowledge was preventing them from developing a longer term strategic view about their role in the PRS in areas where relatively high percentages of tenants currently receive full or partial HB.

As in the landlord interviews, advisers referred to the cumulative effect of different welfare reform measures on some people – CTB, the overall benefit cap (where it was suggested that people are now presenting themselves as self-employed to avoid being affected), and changes to Employment Support Allowance (ESA) and DLA.

'DLA is prescribed to deal with ill health and maintaining their independence but it's now getting thrown towards rent. So you would argue 'is their disability being neglected?' Because they're paying for their house and that's a massive issue.'

(Member, Edinburgh housing adviser focus group).

'It's the financial situation at the moment; it's reduced benefits, a bit of everything. Obviously the council tax issue, their contribution to that, every time we reduce benefits, the utilities are going up. I think what we're seeing is that for certain people they just can't afford to live in any way, shape or form on their own any more, that's the reality. I think that's probably something that's going to start to increase over the next couple of years, particularly for single person households.'

(Housing adviser, Rhondda Cynon Taf)

But above all, and across the case study areas, advisers echoed landlords' concerns about Universal Credit, both in terms of more direct payments being made directly to tenants and in the lack of liaison between landlords and the LA that they felt would ensue from the new system. Of course the role of many housing advisers interviewed is also likely to change substantially once the Universal Credit system is rolled out on a national basis.

> *'When UC comes in the links that maybe as a council we have between environmental health and benefits [will disappear]. If someone comes in because they're not paying their rent and we ask why and they say because the boiler doesn't work, the windows don't close, the lighting doesn't work, we can immediately get onto environmental health; whereas when it's DWP….'*
>
> (Member, Hackney housing adviser focus group)

10 Conclusion

This report has been primarily concerned with changes in the experiences and perceptions of landlords and housing advisers about the impact of the Local Housing Allowance (LHA) measures between the two waves of survey and interviews undertaken in 2011/12 and in 2012/13. One should not overstate the extent of these changes. The report on wave 1 of the landlord postal survey in Great Britain (GB) (Beatty *et al.*, 2012), for example, found clear differences between the three Inner London case study areas, characterised by high demand and relatively high rent levels, and local authority (LA) areas elsewhere. In wave 1, 74 per cent of landlords who responded to both surveys said they would continue to let to tenants receiving LHA, over the next year. In the event, less than a fifth of those respondents who said they would not continue to let to LHA tenants in wave 1 had actually exited the LHA market by wave 2.

By wave 2, the survey and the interviews with landlords and housing advisers reinforced the extent to which impacts in the three Inner London areas differ markedly from local areas elsewhere in GB. Furthermore, exactly the same proportion of landlords in wave 2, 74 per cent, said they would continue to let to LHA landlords in the forthcoming year. On the basis of these findings, most of the impact will continue to be focused on London, and there is unlikely to be a major exodus of landlords from the LHA sub-market caused by the reforms.

It would, however, be misleading to assume from these headline results that little has changed in the year between the two surveys. The effects have continued to unfold during this period. The proportion of landlords who said they were affected by the LHA measures increased, as one would expect, between the two waves, while the proportion of those who said they were not affected at all fell from four in ten respondents to a quarter by wave 2. The salience of the LHA measures varies according to area type. Just 12 per cent of landlords in Inner London said they were not affected by the LHA changes, compared to around a quarter of respondents in Cities and LHA Dominant markets, and nearly a third in Rural areas. Over a third of landlords across all areas said they were either considering or planned to cease letting to LHA tenants in the following year. If this came to pass, it would have major ramifications for LHA tenants and for the nature of the private rented sector (PRS) as a whole. But of course, as in wave 1, these potential responses are unlikely to result in actual behaviour on this scale over the next year.

It is possible to distinguish between impacts that have affected landlords across all areas and those where impacts have been more market-specific. There are three primary impacts which cut across area differences. The first is the **impact of the changes to the Shared Accommodation Rate (SAR)**, which were implemented from January 2012. The proportion of landlords who said they were affected by this measure doubled between waves 1 and 2, and increased to 37 per cent of landlords in Inner London. The gap between the LHA SAR affecting single people up to the age of 35 and the rents charged for one bedroom self-contained accommodation has caused many tenants to move out, unless they were temporarily supported by Discretionary Housing Payments (DHPs).

Landlords expressed particular concerns about the situation facing single people who had access rights to their children having to share accommodation and about those impromptu joint households formed by people who were previously living alone (and thereby often creating a management headache for landlords in terms of tenancy arrangements). Some landlords were, however, starting to adapt to this shift in the market, through

creative conversions of larger properties and through expanding the amount of shared accommodation on their books. Thirteen per cent of respondents in the total sample (22 per cent in Inner London) said they were planning to do this in the forthcoming year.

The second widespread impact attributable to the LHA measures is the **perceived increase in rent arrears** among LHA tenants. The qualifying term 'perceived' is important, as this was not based on an analysis of landlords' rent accounts, but on their responses in the survey and interviews. It is also not possible to assign how far the arrears were the result of administrative delays in making Housing Benefit (HB) payments rather than LHA tenants falling short in meeting the gap between their HB and the contracted rent. However, many landlords were clear that the problem had grown since April 2011, when the new measures started to be introduced. This change was thought to have been caused by the LHA reforms rather than other factors. There was, for example, little change between the survey waves in the proportion of landlords who said that rent arrears in general had increased during the year. But when asked about rent arrears due to the LHA measures, there was a significant increase from 40 to 47 per cent of all respondents, and from 47 per cent to 63 per cent in Inner London, where the average shortfalls are the highest. More generally, 38 per cent of the overall sample felt that the number of LHA tenants in rent arrears had increased since April 2011, and two per cent that they had decreased.

Allied to this, housing advisers, especially from inner London, said that the long-standing custom of tenants paying the rent first than spending on other items thereafter was still prevalent. Advisers suggested that many tenants were striving to meet the shortfall as the first port of call on their household income and then 'taking the hit' on other items of expenditure, including food, and/or going (further) into debt. The extent of this effect is impossible to measure, but it was a consistent theme in advisers' comments about their clients. The advisers suggested that the cost of trying to maintain a tenancy in an area with few if any affordable options nearby is increasingly showing up in other aspects of their lives.

The third generic impact of the LHA measures across different housing markets was the **increase in rent negotiations between LHA tenants and landlords**. One of the aims of the LHA system from the outset was to encourage more 'market aware' behaviour between landlords and tenants, and this appears to be a growing trend, if still confined to a minority of landlords. Referring to general market trends, over a quarter of respondents in the overall sample said that rent negotiation with existing tenants was increasing, and just under a quarter said the same about prospective tenants negotiating before accepting an offer of a tenancy. Just under a fifth said that there had been an increase in reduced rents being offered in return for direct payments. In terms of direct personal experience, just under ten per cent of the overall sample (15 per cent among Inner London landlords) said they had negotiated a lower rent with a current tenant – a fairly small minority, but still nearly double the percentage in wave 1. Furthermore, there was a significant increase in the proportion of respondents who said in wave 2 that they may be prepared to reduce the rent in exchange for direct HB payment – up from 29 to 37 per cent. Landlords were being selective in these actions. A reduced rent was more feasible when the shortfall was modest and when it was a means of retaining a 'good' tenant, especially in neighbourhoods where demand outside the LHA sub-market was weak.

Some of the other LHA impacts varied more by area type. In the **Inner London** case studies a greater proportion of landlords were seeking to reduce lets to LHA tenants, were planning to get out of the LHA sub-market altogether in the future, and over a quarter (compared to a fifth of respondents overall) said they had taken actions (non-renewal or cessation of a

tenancy, or eviction) against tenants specifically because of the effects of the LHA reforms. Furthermore, 39 per cent of Inner London landlords (compared to 23 per cent overall) said that since April 2011 there had been an increase in tenants moving because they could no longer afford the rent. The interviews with advisers confirmed this view. The ability of displaced tenants to move to more affordable areas of the capital was becoming increasingly constrained, and so a second 'ripple effect' was noted, extending to seaside towns in the South East and to places as varied as Luton, Milton Keynes and Birmingham. In some cases the operation of private sector leasing schemes by Inner London LAs, to discharge their homelessness duty, was placing pressure on the PRS in more affordable locations, such as Barking and Dagenham and Thanet. This in turn was causing 'indigenous' LHA tenants in these areas to have to look outside the district for more affordable options.

There was a significant decrease between waves 1 and 2 in the proportion of Inner London landlords who said they would now let to lone parents (down from 43 per cent to 22 per cent). This may be linked to the unequivocal view of advisers in Inner London that during 2013 they had witnessed increased levels of homelessness among households with children, as well as hidden homelessness among the under 35-year-old group. This, it was claimed, was specifically due to landlords replacing their LHA tenants at the point of tenancy renewal with those not receiving LHA.

One countervailing factor in these trends was the process of enhanced market segmentation in the PRS in London. Advisers suggested that this left a 'core' LHA sub-market where there was a lower level of demand from non-LHA households – often in former right to buy flats on social housing estates. There was less displacement in this lower value segment of the PRS, which was now marked instead by an increasing concentration of LHA claimants. While many advisers pointed to these displacement processes working through the PRS in Inner London, there is as yet a lack of firm evidence to confirm these claims. There are also likely to be continuing lags in displacement effects, due to the mitigating measures such as DHP and a strong attachment to place and hence reluctance to move among many LHA households.

In **LHA Dominant** markets, a higher proportion of landlords than elsewhere noted an increase in rent arrears caused by the LHA reforms. A relatively high proportion of landlords in these areas (33 per cent) had not renewed or closed tenancies, or pursued eviction, but only 20 per cent overall said this was directly linked to the LHA measures. The reductions in LHA rates, which were already relatively low pre-reform, had placed more pressure on landlords' margins due to the lack of other sources of demand outside the LHA market. Landlords in these areas were therefore in a weaker position in responding to the changes than their London counterparts. As a result many landlords had little option but to reduce their rents in line with the reduced LHA rate. One response to these financial pressures, especially among buy-to-let landlords with a mortgage, was to reduce their expenditure in maintaining properties – landlords here were as likely to negotiate with tenants over responsibility for repairs as over the level of rent. A higher proportion of landlords in these areas were letting to out-of-work benefit claimants and so their ability to meet any shortfalls was likely to be highly constrained. Longer term, landlords and housing advisers expressed concerns about the decline in housing quality within the PRS as a result of these financial pressures, which meant many landlords would no longer invest as much as before in their properties.

In the area types characterised as **Cities** and **Rural areas**, landlords on the whole appeared to have adapted to the new regime, at least in the short term. Issues of PRS availability

and affordability were less pronounced than in London given the diversity of the PRS and the housing stock; and landlords were in a relatively favourable position compared to those in LHA Dominant areas due to stronger alternative sources of demand from students, migrant workers and elderly households. Just under a fifth of landlords from Rural areas, for example, said they had changed their letting strategy as a result of the LHA reforms, compared to 30 per cent in the sample overall, and just seven per cent were not renewing tenancies for some LHA tenants, compared to 17 per cent overall. The proportion of landlords who thought that there had been an increase in tenants moving out because of the LHA reforms was also smaller in Rural areas (ten per cent, compared to 23 per cent overall).

There were very few significant differences in the responses of landlords in the Cities category and the overall sample of respondents, although the interviews with advisers suggested that a process of market segmentation in the PRS was emerging, with a clearer demarcation between the LA sub-market and the wider PRS. But this was less evident than in Inner London. What landlords in Cities and Rural areas were seeking above all was to maximise the security of rental income from their LHA tenants – through securing direct HB payments and through greater use of guarantors and premiums at the point of application for tenancies. These responses suggest increasing barriers to PRS access for some tenants, especially those with poor credit histories and young people without recourse to parental help. Some landlords in these areas also sought to reduce the proportion of their properties let to LHA tenants, rather than exit the LHA market altogether, as another means of minimising the perceived risk of arrears.

The introduction of a **transitional protection period** and the **use of Discretionary Housing Payments** may have delayed the impact of increased rental shortfalls on some households, as was intended, and given them more time to get used to the new regime. However, there was little evidence from adviser interviews that tenants were responding to any respite these measures gave by scanning the market for alternative, cheaper accommodation, as was also intended. Some of the impacts of LHA may in any case take time to work through, and will only become evident once households run out of other means of trimming their budgets or increasing their income to make ends meet. The decision to move to cheaper rented accommodation elsewhere, for example, may fall into this category.

The **increased reliance on direct HB payment** to landlords, especially in lower demand markets, was a further reason why impacts were dampened. On the basis of the survey results there has been a marked move back towards landlords seeking the security of direct payments, not just under the criteria stated in the new LHA measures. A reversion to more rent payments being directed to tenants is what landlords feared most about the introduction of Universal Credit. A secondary concern about Universal Credit was the loss of the relationship between the landlord and the local authority over rent payments, especially as some councils had become more supportive of late in keeping landlords operating in the LHA sub-market.

Any research study will raise questions that cannot be answered with any confidence by reference to the evidence base it has used, and this is no exception. There are always informal processes that are ‘below the radar’, to adopt the phrase used by one housing adviser in interview, and the extent of such practices is naturally difficult to establish. What, for example, is happening to those single people under 35 now affected by the SAR? Advisers talked of an ‘explosion in sofa surfing’ and of many others returning to the parental home, but this was surmise rather than based on firm evidence. Will these be temporary or permanent responses in the wake of SAR changes? And how many single people will

constitute themselves as 'new' households of two or three people and seek to secure two or three bed PRS accommodation ?

Further questions arise about the extent of the informal practice undertaken by landlords of not collecting small shortfalls from tenants to sustain the tenancy, but not formally reducing the rent: 'living with arrears' as one put it. This suggests that the new regime is affecting the behaviour of many landlords, but not in a way that will show up neatly on a spreadsheet. And what about the impact of the decision to uprate LHA annually by one per cent in April 2014 and April 2015? Those landlords who are highly dependent on rental income to meet their mortgage payments will be most vulnerable. Many of these landlords seem to have made the provisional judgement that they could 'live with' larger shortfalls in their rents to retain 'good' tenants, but the sustainability of such forbearance with tenants is likely to be placed under increasing strain.

Where landlords are being more active in not renewing tenancies for their LHA tenants, as in Inner London, what impact will this have on the scale of statutory homelessness? What will be the second order effects on the extent of private sector leasing, thereby placing more pressure on the PRS elsewhere in London? How will the pattern of mobility and displacement continue to unfold in the more volatile PRS in London, especially when other welfare reform measures work through the system? We will return to some of these questions in other strands of this research project, through spatial and econometric analysis – using national data – to be published later in the year. This will also follow through post-reform trends until August 2013 for the spatial analysis and until November 2013 for the econometric analysis. After this point it will be increasingly difficult anyway to disentangle the ongoing effects of the LHA measures from other welfare reform policies, and from the impact of the emerging recovery, in some areas, in the owner-occupied housing market. This may of course come to provide an additional exit route for the minority of landlords who say they are now seeking to leave the LHA sub-market.

Appendix A
Additional survey results

Table A.1 Are you a buy-to-let landlord?

	Column percentages
	LHA landlords (in both waves 1 and 2)
Yes	71
No	27
Don't know/not sure	2
Total	100
Base: All landlords	*618*

Table A.2 Are you a member of a landlord association?

	Column percentages
	LHA landlords (in both waves 1 and 2)
Yes	37
No	59
Don't know/not sure	4
Total	100
Base: All landlords	*657*

Table A.3 Letting of shared accommodation

	Column percentages
	LHA landlords (in both waves 1 and 2)
Shared house/flat with joint tenancy agreement	19
Shared house/flat with individual tenancy agreements	17
Bedsits with individual tenancy agreements	6
Resident landlord with tenants	2
Other types of shared tenancy agreements	3
No	65
Don't know/not sure	2
Base: All landlords (excluding letting agents)	*663*

Figure A.1 Whether rent arrears have increased in the local rental market overall since April 2011. Change waves 1 to 2

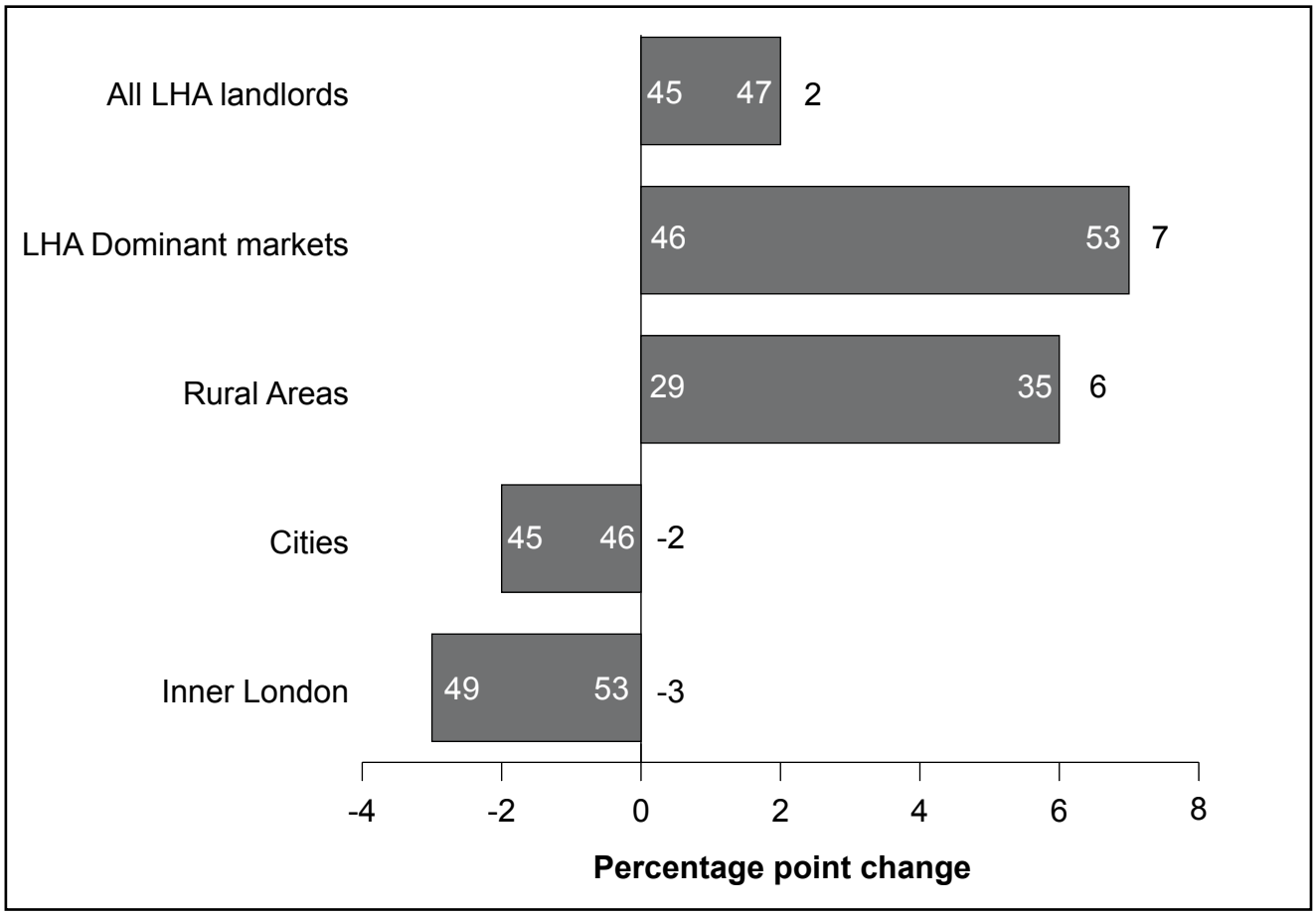


Figure A.2 Percentage of landlords seeing an increase in rent arrears due to LHA reforms. Change waves 1 to 2

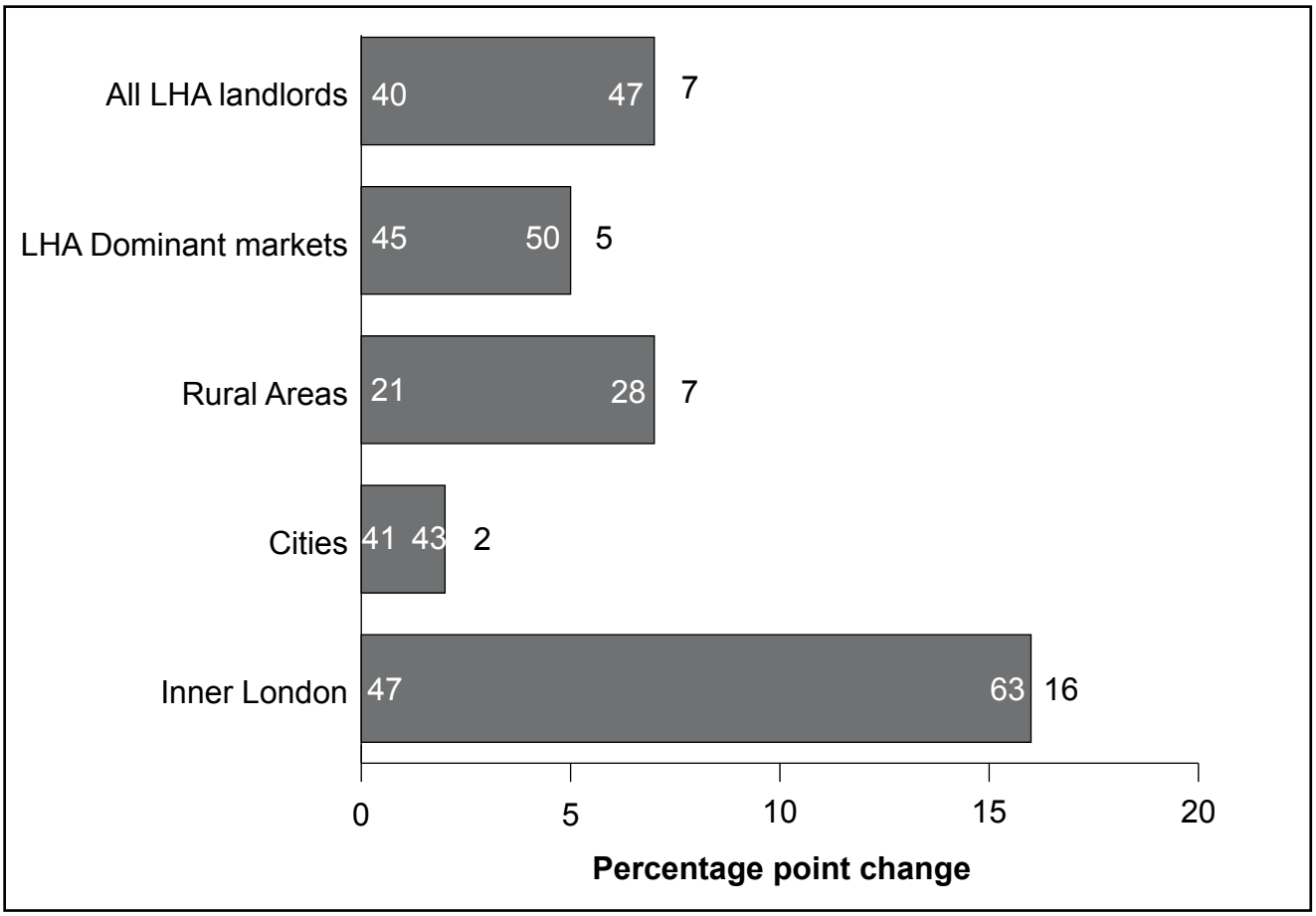


Table A.4 Whether landlords are aware of any of their tenants who do not receive HB/LHA tenants currently being in rent arrears, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Yes	28	27	10	23	23
No	45	46	60	47	48
Don't know/not sure	5	4	1	4	4
I currently have not got any non-HB/LHA tenants	22	23	29	27	25
Total	100	100	100	100	100
Base: all LHA landlords	*51*	*201*	*59*	*312*	*623*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

Table A.5 Whether the number of non-HB/LHA tenants in rent arrears changed, wave 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Increased	21	15	17	23	19
Decreased	6	8	1	3	5
Stayed the same	54	54	40	50	51
Don't know/not sure	19	23	42	23	25
Total	100	100	100	100	100
Base: all LHA landlords	*31*	*155*	*44*	*228*	*458*

Question asked only in wave 2, therefore based on frequency tables and not cross-tabular analysis.

Table A.6 Reasons behind the intention not to continue letting to tenants who claim LHA in the next year: Change between waves 1 and 2

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
Too much hassle with rent arrears					
Wave 1	17	13	8	9	11
Wave 2	23	12	12	9	13
Percentage point change	6	-1	4	0	2
Changes in HB/LHA rules					
Wave 1	26	12	5	8	12
Wave 2	18	9	11	7	11
Percentage point change	-8	-3	6	-1	-2
Reduction in yields for HB/LHA tenants					
Wave 1	13	7	4	5	7
Wave 2	15	6	9	5	8
Percentage point change	3	0	6	1	2
Find it difficult to get HB/LHA tenants that can cover the rent					
Wave 1	17	8	0	5	7
Wave 2	12	9	10	4	8
Percentage point change	-4	1	10	-1	1
Does not stack up financially					
Wave 1	17	9	5	3	7
Wave 2	9	9	6	3	6
Percentage point change	-7	0	1	0	-1

Continuation

Table A.6 Continued

Column percentages

	Inner London	Cities	Rural areas	LHA Dominant markets	All LHA landlords
I have an alternative supply of tenants					
Wave 1	13	7	6	1	6
Wave 2	13	6	3	1	5
Percentage point change	1	-1	-3	0	-1
Requests to re-negotiate rents					
Wave 1	4	6	0	2	3
Wave 2	13	1	7	2	5
Percentage point change	9**	-5*	7	0	2
Prefer not to let to HB/LHA tenants					
Wave 1	9	8	8	7	8
Wave 2	1	7	7	5	5
Percentage point change	-9**	-2	-1	-2	-3*
Don't know if intend to continue letting to HB/LHA					
Wave 1	12	12	10	12	12
Wave 2	12	11	11	12	12
Percentage point change	-1	-1	1	0	0
Intend to continue letting to HB/LHA					
Wave 1	62	75	81	77	74
Wave 2	64	76	77	76	74
Percentage point change	3	0	-4	-1	0
Base: all LHA landlords	*54*	*206*	*61*	*328*	*649*

Note: Based on cross-tabular analysis. Note: Respondents could indicate more than one category and therefore may not sum to 100 per cent. Categories with five per cent or more of 'All LHA landlords' in wave 2 are presented.

Appendix B
Note on research methods

B.1 The landlord postal survey

During wave 1 of the research a postal survey of private landlords and letting or managing agents with LHA tenants was carried out in 19 areas in Great Britain (GB) between September and October 2011. A total of 1,867 completed questionnaires were returned in the first wave of the survey.

The second wave of this longitudinal postal survey of private landlords and letting or managing agents was carried out between September and December 2012. All landlords who had returned a completed questionnaire in the first wave of the survey were asked to take part in the survey again. Some minor amendments and additions were made to the questionnaire, but the methodology was kept as consistent as possible with that of the wave 1 survey to maximise the comparability of the data – and therefore the ability to detect change since wave 1 the previous year.

The aim of the survey was to gauge **attitudes and perceptions of landlords** in relation to the changes being made to the Local Housing Allowance (LHA) system and whether these attitudes had changed over the year. Landlords were asked about whether they felt that the changes had affected them so far, whether they had altered their letting strategy specifically because of the changes underway and their intentions with regard to their lettings portfolio in the future.

The new rules for LHA had been in force for new tenants since April 2011 – a period of 17 months – by the time the follow-up survey was distributed. Nearly all claimants of Housing Benefit (HB) under the LHA system would have been subject to the new LHA rules at the time of the survey. This contrasted with the first wave of the survey, when the nine-month transitional period was still in force for many existing tenants.

A wide range of small and large landlords, letting or managing agents with lettings within the 19 case study areas were sent questionnaires. In total, 967 respondents completed a questionnaire. Of these **670 respondents** had LHA tenants at both wave 1 and wave 2 of the survey and they have been included in the analysis presented here. Questions about LHA were asked specifically in relation to lettings held within the relevant case study areas. The data for responses from LHA landlords have been weighted to reflect the distribution of LHA caseload across the 19 case study areas. The response rate for the wave 2 survey is shown in Table B.1.

Table B.1 Response rates for wave 2 postal survey of landlords

	Total sample	Ineligible or invalid cases	Valid sample	Total responded	Response rate
Barking and Dagenham	93	2	91	41	45%
Blackburn	100	1	99	44	44%
Bradford	100	3	97	55	57%
Brent	78	2	76	42	55%
Cardiff	96	0	96	43	45%
Denbighshire	90	5	85	51	60%
Edinburgh	114	5	109	71	65%
Exeter	97	2	95	64	67%
Fenland	84	1	83	37	45%
Hackney	59	4	55	21	38%
Newcastle	102	2	100	53	53%
North Lanarkshire	74	0	74	39	53%
Perth and Kinross	113	0	113	68	60%
Portsmouth	105	1	104	61	59%
Rhondda	98	1	97	59	61%
Tendring	114	0	114	66	58%
Thanet	151	0	151	83	55%
Walsall	89	0	89	42	47%
Westminster	73	3	70	27	39%
Total	**1,830**	**32**	**1,798**	**967**	**54%**

B.2 The qualitative interviews with landlords

The approach to landlord interviews at wave 2 built on the previous fieldwork undertaken in wave 1, to provide a longitudinal understanding of impacts. Five interviews were conducted with landlords in each of the 19 case study areas area **between January and April 2013** – a total of 95 interviews. Of those, 80 respondents (or 84 per cent) had also been interviewed at wave 1, between November 2011 and January 2012. The remainder of interviewees (15) were identified through the wave 2 postal survey of landlords undertaken in autumn 2012. A question in the survey asked for respondents' consent to be re-contacted to take part in an in-depth interview. As with wave 1, a purposive sample was drawn for each area from those giving consent to achieve a mix across the following variables:

- length of time as a landlord;
- portfolio size;
- shared accommodation lettings;
- LHA lettings as a proportion of all lettings;
- the extent of impact of the LHA reforms;
- whether landlords intended to remain in or to exit the LHA sub-market.

Other criteria such as landlord availability also influenced the final selection of respondents.

Interviews were semi-structured and discussion was framed around a topic guide agreed with officials from the funding bodies for the research – the Department for Work and Pensions (DWP), Communities and Local Government (DCLG), the Scottish Government and the Welsh Assembly Government. This was used as **a guide only**: the focus of the discussion varied greatly among respondents and different issues predominated in the different case study areas.

Just under three-quarters of interviews (69 respondents) were conducted face-to-face; typically in the home or office of the respondent and, in a minority of cases, they included two respondents. Where it was not possible to conduct interviews face-to-face, telephone interviews were undertaken (26 respondents). Primarily this was due to landlords residing some distance from the case study area, or not being available when interviewers were visiting the area. Interviews typically lasted 45 minutes, but ranged overall from 15 minutes to 90 minutes. Three-quarters of interviews were recorded and transcribed; the remainder were recorded with notes produced by the interviewers providing a narrative on key issues and impacts. Interviews focused on key themes relating to the impact of LHA reforms on landlord behaviour and any changes since wave 1.

Key themes included:

- the local housing market context and changes in landlords' portfolios;
- the impacts of the reforms on:
  - LHA shortfalls and rent arrears;
  - landlord letting strategies and preferences;
  - rent-setting, negotiation and arrears;
  - lettings strategies and preferences;
  - the Shared Accommodation Rate (SAR);
  - property condition and maintenance;
- household mobility and displacement;
- homelessness;
- discretionary housing payments (DHPs);
- landlords' future intentions.

B.3 The qualitative fieldwork with housing advisers

The final round of research with housing advisers took place during October and November 2013, and involved a mix of focus groups and telephone interviews. As such this fieldwork represents the latest primary data collection exercise of the research project in terms of engaging with the actors involved 'on the ground'. The approach to the research with housing advisers built on the previous fieldwork undertaken in wave 1 (summer 2012) in terms of picking up on key themes across the case study areas and gathering insights and evidence on the changing local situation over the interim period. Five focus groups were conducted in the following case study areas:

- Barking and Dagenham;
- Cardiff;
- Edinburgh;
- Hackney;
- Westminster.

Focus groups typically lasted around 90 minutes and were recorded and transcribed. The focus groups were then supplemented by a further 19 telephone interviews conducted with Housing Advisers from across the remaining 13 case study areas (i.e. those not including in the list above). Interviews typically lasted around 40 minutes, but ranged in length from 20 to 90 minutes. The majority were recorded and transcribed and the remainder were recorded with notes produced by interviewers on the key issues and impacts reported by respondents.

As with wave 1, interviewees and focus group participants comprised a mix of LA officers and representatives from voluntary and community sector organisations offering housing advice to private rented sector tenants (PRS) as part of their service. In the majority of cases, the same respondents interviewed at wave 1 were also interviewed at wave 2 allowing for a longitudinal element to the research and the capture of any change in perceptions regarding LHA impacts and the local housing market. However, this was not always possible, due to staff turnover and the availability of Housing Advisers when the research was being undertaken.

Due to the disparate nature of local housing advice and the different focus of services it was not possible to produce a structured topic guide to frame discussion. Rather, a less prescriptive topic guide containing key themes, questions and prompts was produced, informed by the findings from claimant, landlord and housing adviser interviews carried out earlier in the research. This allowed for a more focused discussion on local impacts as the key issues cited by respondents varied from place to place. A number of common key themes were, however, covered across focus groups and interviews in all areas. The key broad topics were:

- the impact of LHA reforms on rents and arrears;
- rent negotiation, reductions and rent-setting;
- the impact of the SAR;
- the impact on housing quality;
- the role of DHPs.

As well as these common issues specific themes were explored in particular localities. For example, issues of displacement were more common in Westminster; and the impact of the Shared Accommodation Rate (SAR) and the related supply of Houses in Multiple Occupation (HMO) accommodation figured more prominently in Thanet.

Appendix C
The landlord survey questionnaire

The postal survey questionnaires were customised according to case study area. The questionnaire for Barking and Dagenham is shown here for illustrative purposes.

Survey of Private Landlords REF NO: XXXXX

Thank you for taking part in our previous Private Landlord Survey in 2011. We appreciate the excellent response we had from Landlords to the last survey and we would really like to hear your views again and see whether things have changed over the past year.

Your views count.

We are interested in hearing from as wide a range of landlords and letting/managing agents as possible, including those without HB or LHA tenants. We would like to hear from you if you:

- own or manage rental properties within the district of **[XXX]**
- are a landlord or letting/managing agent with only one or a few rental properties
- are a landlord or letting/managing agent with a large rental portfolio
- whether or not you have tenants receiving HB or LHA
- if you were a landlord last time we contacted you but are no longer a landlord

We will again enter all returned questionnaires into a free prize draw with a first prize of £250, a second prize of £100 and a third prize of £50 by way of saying thank you for taking part.

Your response to the survey will be COMPLETELY CONFIDENTIAL AND ANONYMOUS.

Absolutely no details provided by you will be made available to any government department or anybody other than the research team. Your information will be added together with responses from other landlords to produce anonymous statistics for a report.

Ease of completion. The questionnaire is shorter this time and it should only take about 15 minutes to fill in. Most of the questions require you to put a cross in a box or are multiple choice. Please keep your cross within the box outline. **If there are any questions that do not apply to you, please leave the response to that question blank and go on to the next one.** You will also have an opportunity to let us know if there is anything else you would like to tell us at the end of the survey.

☐ **Please return in the enclosed FREEPOST envelope**

OR

☐ **You can complete this questionnaire ONLINE at**

www.XXXXXXXXXX

Thanks for taking part. If you have any questions please call Emma or Sarah at The Centre for Regional Economic and Social Research at Sheffield Hallam University (0114 225 3073) and they will route your enquiry to one of the research team.

Yours sincerely,

Ian Wilson, Research Fellow

A LANDLORDS AND PORTFOLIO

This section of the questionnaire asks some general questions about you as a landlord or letting/managing agent

A1 Are you answering this as a landlord or as a letting/managing agent?

*(please put a cross in **one box** only)*

I am a landlord	☐	*Continue to Question A2*
I am both a landlord and letting/managing agent for others	☐	*Continue to Question A2*
I am a letting/managing agent	☐	*Go to Question A5*
I am not currently a landlord or letting agent	☐	*Go to Question E8*

A2 Would you describe yourself as a part-time or a full-time landlord?

*(please put a cross in **one box** only)*

Full-time landlord ☐

(i.e. a full-time job, or a company/organisation whose main business is letting residential accommodation)

Part-time landlord ☐

(i.e. not a full-time job, or not a company/organisation whose main business is letting residential accommodation)

A3 How long have you been a landlord for?

*(please put a cross in **one box** only)*

- Less than 1 year ☐
- For at least 1 year but less than 2 years ☐
- For at least 2 years but less than 5 years ☐
- For at least 5 years but less than 10 years ☐
- For 10 years or more
- Don't know/not sure

A4 Are you a buy-to-let landlord?

*(please put a cross in **one box** only)*

- Yes ☐
- No ☐
- Don't know/not sure ☐

A5 Are you a member of a landlords association?

*(please put a cross in **one box** only)*

- Yes ☐
- No ☐
- Don't know/not sure ☐

A6 In total, how many dwellings do you let across Britain?

A dwelling is a self-contained unit of accommodation (normally a house or flat) where all the rooms and amenities (i.e. kitchen, bath/shower room and WC) are for the exclusive use of the household(s) occupying them. For the most part a dwelling will be occupied by one household. However, it may contain none (vacant dwelling) or may contain more than one (House in Multiple occupation or HMO).

Please write in the number of dwellings in each box

(estimate if you do not know exactly)

- Dwellings in England ☐
- Dwellings in Scotland ☐
- Dwellings in Wales ☐
- TOTAL in GB ☐

A7 How many of these dwellings are within [XXX]?

*Please write in the **number** of dwellings* ☐

(estimate if you do not know exactly or put 0 if none)

A8 And how many of these dwellings within [XXX] are let to HB/LHA tenants?

*Please write in the **number** of dwellings* ☐

(estimate if you do not know exactly or put 0 if none)

Our study is specifically to do with the rental market within [XXX]. The questions refer to just the properties that you have specified in question A7 which are within [XXX].

A9 Over the last 12 months has the number of properties you let within [XXX]

*(please put a cross in **one box** only)*

Increased	☐	*Continue to A10*
Decreased	☐	*Go to Question A11*
Stayed the same	☐	*Go to Question A12*
Don't know/not sure	☐	*Go to Question A12*

A10 What are the main reasons for the increase in lettings over the past 12 months?

*(please put a cross in **as many boxes** as apply)*

Wanted to invest more of my assets in the rental market	☐
Wanted to increase lettings in this locality/local authority	☐
Wanted to maximise my rental income	☐
Changes in Housing Benefit/Local Housing Allowance rules	☐
Availability of cheaper properties to buy	☐
Tenants moving here to find cheaper areas/properties	☐
Rental market strong	☐
Rental yields increasing	☐
Other (please specify in box below)	

☐

A11 What are the main reasons for the decrease in lettings over the past 12 months?

*(please put a cross in **as many boxes** as apply)*

- I wanted to liquidate some of my assets ☐
- Couldn't cover my outgoings on properties ☐
- Wanted to increase lettings in another locality/local authority ☐
- Too much hassle with rent arrears ☐
- Changes in Housing Benefit/Local Housing Allowance rules ☐
- Tenants moving elsewhere to find cheaper areas/properties ☐
- Finding it difficult to get tenants that can cover the rent ☐
- Rental market weak ☐
- Rental yields decreasing ☐
- Too much bureaucracy/regulations/associated costs for landlords ☐
- Other (please specify in box below)

☐

A12 Over the next 12 months do you think the number of properties you let within [XXX] will change?

*(please put a cross in **one box** only)*

- Increase ☐
- Decrease ☐
- Stay the same ☐
- Don't know/not sure ☐

B THE LOCAL RENTAL MARKET

The next question is about the conditions in the local rental market within [XXX]. We are interested in hearing from landlords/letting/managing agents who do or do not have tenants who receive HB/LHA and from landlords with only one or two properties.

B1 In your experience, has the rental market in [XXX] (for all types of tenants) changed noticeably since April 2011 for each of the following factors?

*(please put a cross in **one box** on each line)*

	Increased	Decreased	Stayed the same	Not an issue/ Don't know
Tenants in rent arrears	☐	☐	☐	☐
Number of evictions	☐	☐	☐	☐
Current tenants requesting rent reductions	☐	☐	☐	☐
Prospective tenants asking for rent lower than advertised	☐	☐	☐	☐
Negotiated lower rent with tenant(s)	☐	☐	☐	☐
Tenants moved as they could no longer afford rent	☐	☐	☐	☐
Non-renewal of tenancies	☐	☐	☐	☐
Demand for large properties	☐	☐	☐	☐
Demand for shared accommodation	☐	☐	☐	☐
Rental yields	☐	☐	☐	☐
Rent prices in the area	☐	☐	☐	☐
Voids	☐	☐	☐	☐

C LETTING STRATEGY

The next set of questions are about your letting policies and experiences as a landlord or letting/managing agent and relate to the views you have, taking into account the accommodation you own or manage in [XXX] only.

C1 Thinking of the properties you let within [XXX] which of the following types of <u>tenant</u> do you let to?

*(please put a cross in **as many boxes** as apply)*

- Working people ☐
- Out-of-work benefit claimants ☐
- Students ☐
- Retirees ☐
- Other ☐

C2 Thinking of the properties you let within [XXX] which of the following types of <u>household</u> do you let to?

*(please put a cross in **as many boxes** as apply)*

- Single people under 25 ☐
- Single people aged 25-34 ☐
- Single people aged 35+ ☐
- Childless couples ☐
- Couples with children ☐
- Lone parents ☐
- Elderly people ☐
- Other ☐

C3 Do you let any shared accommodation?

*(please put a cross in **as many boxes** as apply)*

- Yes, shared house/flat with joint tenancy agreement ☐
- Yes, shared house/flat with individual tenancy agreements ☐
- Yes, bedsits with individual tenancy agreements ☐
- Yes, resident landlord with tenants ☐
- Yes, other types of shared tenancy arrangements ☐
- No ☐
- Don’t know/not sure ☐

C4 Has the demand for shared accommodation changed in [XXX] since January 2012?

*(please put a cross in **one box** only)*

- Increased ☐
- Decreased ☐
- Stayed the same ☐
- Don't know/not sure ☐

C5 In general, when letting accommodation, do you prefer to let to tenants who are on Housing Benefit/Local Housing Allowance or to those who are not?

*(please put a cross in **one box** only)*

- Tenants on Housing Benefit/Local Housing Allowance ☐
- Tenants **not** on Housing Benefit/Local Housing Allowance ☐
- No preference ☐

C6 Do you *currently* let to any tenants in [XXX] who claim Housing Benefit/Local Housing Allowance?

*(please put a cross in **one box** only)*

- Yes ☐ *Go to Question C8*
- No ☐ *Continue to Question C7*
- Don't know/not sure ☐ *Continue to Question C7*

C7 Would you *consider* letting to tenants who are in receipt of Housing Benefit/ Local Housing Allowance in this area in the future?

*(please put a cross in **one box** only)*

- Yes ☐ *Go to Question D1*
- No ☐ *Go to Question D1*
- Don't know/not sure ☐ *Go to Question D1*

C8 Approximately, what proportion of your stock in [XXX] is currently let to tenants who claim Housing Benefit/Local Housing Allowance?

*(please put a cross in **one box** only)*

- Less than 10% ☐
- At least 10% but less than 20% ☐
- At least 20% but less than 50% ☐
- At least 50% but less than 75% ☐
- At least 75% but less than 100% ☐
- 100% ☐
- Don't know/not sure ☐

C9 Do you intend to *continue* to let to tenants who claim Housing Benefit/Local Housing Allowance in [XXX] in the next 12 months?

*(please put a cross in **one box** only)*

Yes	☐	*Continue to Question C10*
No	☐	*Go to Question C12*
Don't know/not sure	☐	*Go to Question C13*

C10 Approximately, what proportion of your lettings in [XXX] do you think you will continue to let to tenants who claim Housing Benefit/Local Housing Allowance?

*(please put a cross in **one box** only)*

Less than 10%	☐
At least 10% but less than 20%	☐
At least 20% but less than 50%	☐
At least 50% but less than 75%	☐
At least 75% but less than 100%	☐
100%	☐
Don't know/not sure	☐

C11 Which of these reasons have contributed to your intention to continue letting to tenants who claim Housing Benefit/Local Housing Allowance in this area over the next 12 months?

*(please put a cross in **as many boxes** as apply)*

HB/LHA tenants form a large element of the rental market in this area	☐
Increasing numbers of HB/LHA tenants looking to rent in this area	☐
HB/LHA tenants form a substantial part of my lettings	☐
Don't mind letting to HB/LHA tenants so long as rent is paid	☐
Changes in Housing Benefit/Local Housing Allowance rules	☐
Direct payment of HB/LHA to landlord	☐
Rent yields for HB/LHA tenants	☐
HB/LHA tenants moving here to find cheaper areas/properties	☐
Find it easy to get HB/LHA tenants	☐
Few alternative supplies of tenants for some of my properties	☐
Don't know/not sure/no particular reason	☐
Other (please specify in box below)	☐

☐

Now go to question C13

C12 Which of these reasons have contributed to your intention not to continue letting to tenants who claim Housing Benefit/Local Housing Allowance in this area over the next 12 months?

*(please put a cross in **as many boxes** as apply)*

- Requests to re-negotiate rents ☐
- Reduction in rent yields for HB/LHA tenants ☐
- Too much hassle with rent arrears ☐
- HB/LHA tenants moving elsewhere to find cheaper areas/properties ☐
- Find it difficult to get HB/LHA tenants that can cover the rent ☐
- Changes in Housing Benefit/Local Housing Allowance rules ☐
- Does not stack up financially ☐
- Prefer not to let to HB/LHA tenants ☐
- I have an alternative supply of tenants ☐
- Don't know/not sure/no particular reason ☐
- Other (please specify in box below) ☐

C13 Do you currently receive direct payments for any of your Housing Benefit/ Local Housing Allowance tenants in this area?

*(please put a cross in **one box** only)*

- Yes, for all of them ☐
- Yes, for the majority of them ☐
- Yes, for some of them ☐
- No, do not receive direct payments ☐
- Don't know/not sure ☐

C14 Do you currently receive direct payments for any of your HB/LHA tenants in this area due to any of the following reasons?

*(please put a cross in **as many boxes** as apply)*

- Tenants with rent arrears ☐
- I reduced the rent in return for direct payments ☐
- Other (please specify in box below) ☐

C15 If a tenant could no longer afford the rent following changes to HB/LHA would you agree to lower the rent to a level the tenant could afford if the LHA was paid directly to you rather than the tenant?

*(please put a cross in **one box** only)*

- Yes, I have done this already ☐
- Yes, I would consider it in the future ☐
- No, I am not willing to do this ☐
- Don't know/not sure ☐

D RENT ARREARS, TENANCY RENEWALS AND EVICTIONS

The next set of questions are about tenants with rent arrears, renewals of tenancies and evictions with regards to your lettings in [XXX]. The questions are about tenants you may have who are not on HB/LHA as well as those you may have who are on HB/LHA.

Questions D1-D5 are specifically about any tenants you might have in [XXX] who do not receive HB/LHA

D1 How many non-HB/LHA tenants do you have in [XXX]?

*Please write in the **number** of non HB/LHA tenants*

(estimate if you do not know exactly or put 0 if none) ☐

D2 Are you aware of any of your tenants who do not receive HB/LHA in [XXX] currently being in rent arrears?

*(please put a cross in **one box** only)*

- Yes ☐ *Continue to Question D3*
- No ☐ *Go to Question D4*
- Don't know/not sure ☐ *Go to Question D4*
- I currently have not got any non HB/LHA tenants ☐ *Go to Question D6*

D3 How many of your non-HB/LHA tenants are currently in rent arrears?

*Please write in the **number** of non HB/LHA tenants in arrears*

(estimate if you do not know exactly or put 0 if none) ☐

D4 Has the number of non HB/LHA tenants in rent arrears changed in [XXX] since April 2011?

*(please put a cross in **one box** only)*

- Increased ☐
- Decreased ☐
- Stayed the same ☐
- Don't know/not sure ☐

D5 Have you taken action to evict, not renew or end tenancies of any of your non HB/LHA tenants since April 2011?

*(please put a cross in **one box** only)*

- Yes ☐
- No ☐
- Don't know/not sure ☐

Questions D6-D13 are specifically about any tenants you might have in [XXX] who do receive HB/LHA

D6 How many HB/LHA tenants do you have in [XXX]?

*Please write in the **number** of non HB/LHA tenants*

(estimate if you do not know exactly or put 0 if none) ☐

D7 Are you aware of any of your HB/LHA tenants in [XXX] currently being in rent arrears?

*(please put a cross in **one box** only)*

- Yes ☐ *Continue to Question D8*
- No ☐ *Go to Question D10*
- Don't know/not sure ☐ *Go to Question D10*
- I currently have not got any HB/LHA tenants ☐ *Go to Question D11*

D8 How many of your HB/LHA tenants are currently in rent arrears?

*Please write in the **number** of non HB/LHA tenants in arrears*

(estimate if you do not know exactly or put 0 if none) ☐

D9 Are you aware of any of your HB/LHA tenants currently being in rent arrears because they can no longer afford the rent due to any of the following reasons:

*(please put a cross in **as many boxes** as apply)*

- The tenant or their partner have lost their job ☐
- A change in their household circumstances (e.g. divorce, separation) ☐
- The HB/LHA reforms introduced since April 2011 ☐
- The tenant could not afford a rent increase ☐
- The tenant didn't specify reason for arrears ☐
- Other (please specify) ☐

☐

D10 Has the number of HB/LHA tenants in rent arrears changed in [XXX] since April 2011?

*(please put a cross in **one box** only)*

- Increased ☐
- Decreased ☐
- Stayed the same ☐
- Don't know/not sure ☐

D11 Have you taken action to evict, not renew or end tenancies of any of your HB/LHA tenants since April 2011?

*(please put a cross in **one box** only)*

- Yes ☐ *Continue to D12*
- No ☐ *Go to Question E1*
- Don't know/not sure ☐ *Go to Question E1*
- I have not got any HB/LHA tenants ☐ *Go to Question E1*

D12 Have you taken action to evict, not renew or end tenancies of any of your HB/LHA tenants since April 2011 due to any of the following reasons:

*(please put a cross in **as many boxes** as apply)*

- The tenant was unable to afford the current rent ☐
- The tenant was unable to afford a rent increase ☐
- The tenant was in rent arrears ☐
- The tenant's rent arrears had increased ☐
- A difficult tenant ☐
- Damage to the property ☐
- Decided not to rent the property to anyone any more ☐
- Decided not to rent the property to HB/LHA tenants any more ☐
- Decided to sell the property ☐
- Other (please specify) ☐

D13 Have you taken action to evict, not renew or end tenancies of any of your HB/LHA tenants specifically because they can no longer afford their rent because of the HB/LHA reforms introduced in April 2011?

*(please put a cross in **one box** only)*

- Yes ☐
- No ☐
- Don't know/not sure ☐

E LOCAL HOUSING ALLOWANCE

The next section is about Local Housing Allowance (LHA). We are interested in hearing views from landlords and letting/managing agents who currently do or do not have tenants who receive HB/LHA and from landlords with only one or two properties.

E1 Thinking of your lettings located within [XXX], have any of the HB/LHA reforms introduced in April 2011 affected you so far?

*(please put a cross in **one box** only)*

Yes, a lot	☐	*Continue to Question E2*
Yes, a fair amount	☐	*Continue to Question E2*
Not very much	☐	*Continue to Question E2*
Not at all	☐	*Go to Question E3*
Don't know	☐	*Go to Question E3*

E2 Which specific elements of the HB/LHA reforms have affected you so far?

*(please put a cross in **as many boxes** as apply)*

5-bedroom LHA rate abolished	☐
Capping maximum weekly LHA rates by property size (i.e. number of bedrooms)	☐
Setting LHA rates on the 30th percentile of rents in an area as opposed to the median	☐
Removing the £15 weekly excess payment available to some claimants	☐
Increasing the age limit for the Shared Accommodation Rate for PRS tenants from 25 to 35 from January 2012	☐
Freezing LHA rate since April 2012	☐
Restricting future LHA rate increases to increases in the Consumer Price Index (CPI)	☐
Increasing the rate of non-dependant deductions	☐
Don't know/not sure	☐

E3 Do you think that the current HB/LHA reforms introduced in April 2011 have already affected your role as a landlord/letting/managing agent in [XXX] in any of the following ways?

*(please put a cross in **one box** on each line)*

	Increased	Decreased	Stayed the same	Not an issue/ Don't know
Tenants with HB/LHA direct payments to landlord	☐	☐	☐	☐
Current tenants requesting rent reductions/ renegotiate rent	☐	☐	☐	☐
Prospective tenants asking for rent lower than advertised	☐	☐	☐	☐
Negotiated lower rent with tenant(s)	☐	☐	☐	☐
Tenants moved as they could no longer afford rent	☐	☐	☐	☐
Action to evict tenants	☐	☐	☐	☐
Not renewing tenancies	☐	☐	☐	☐
Rental arrears	☐	☐	☐	☐
Rent yields	☐	☐	☐	☐
Rent voids	☐	☐	☐	☐

E4 Thinking of your rental properties located within [XXX], have you changed your letting strategy since April 2011?

*(please put a cross in **one box** only)*

- Yes ☐ *Continue to Question E5*
- No ☐ *Go to Question E7*
- Don't know/not sure ☐ *Go to Question E7*

E5 Have you changed your letting strategy in [XXX] since April 2011 specifically because of the reforms to the HB/LHA system?

*(please put a cross in **one box** only)*

- Yes ☐ *Continue to Question E6*
- No ☐ *Go to Question E7*
- Don't know/not sure ☐ *Go to Question E7*

E6 Have you made any of the following changes to your rental business in [XXX] specifically because of the changes to HB/LHA rules introduced since April 2011?

*(please put a cross in **as many boxes** as apply)*

- Expanded my rental business in this local authority ☐
- Reduced the number of properties I rent in this local authority ☐
- Negotiated a lower rent with a current tenant ☐
- Negotiated a lower rent with a prospective tenant ☐
- I have expanded the number of shared accommodation I let ☐
- Not renewing tenancies for some HB/LHA tenants ☐
- I no longer let to under 35-year-olds ☐
- I no longer let 5 bedroom properties ☐
- I no longer let to HB/LHA tenants ☐
- Selling up/exiting rental market entirely ☐
- Other (please specify in box below) ☐

☐

E7 Do you plan to make any of the following/additional changes in the next 12 months specifically because of the changes to HB/LHA rules introduced since April 2011?

*(please put a cross in **one box** on each line)*

	Not considered	Plan to	Not an issue/ Don't know
Expand my lettings in this local authority	☐	☐	☐
Reduce my lettings in this local authority	☐	☐	☐
Negotiating a lower rent with a current tenant	☐	☐	☐
Negotiating a lower rent with a prospective tenant	☐	☐	☐
Expand the number of shared accommodation I let	☐	☐	☐
Not renewing tenancies for some HB/LHA tenants	☐	☐	☐
Cease letting to under 35-year-olds	☐	☐	☐
Cease letting 5 bedroom properties	☐	☐	☐
Cease letting to HB/LHA tenants	☐	☐	☐
Selling up/exiting rental market entirely	☐	☐	☐

THANK YOU VERY MUCH FOR YOUR PATIENCE IN FILLING IN THIS SURVEY.

PLEASE USE THE FOLLOWING PAGE TO ADD ANY FURTHER COMMENT YOU HAVE ON THE IMPACTS OF THE LHA REFORMS ON YOU AND YOUR RENTAL BUSINESS

PLEASE ALSO FILL IN YOUR DETAILS ON THE FINAL PAGE TO TAKE PART IN THE PRIZE DRAW

E8 **Please write in the box below any further views you have on the impacts of the reforms to HB/LHA introduced in April 2011 to you and your rental business.**

If you are no longer a landlord please also give the three key reasons you are no longer a landlord

Thank you for taking part in this survey

Please return the questionnaire in the pre-paid envelope provided.

We may conduct another survey next year to see how the reform of the HB LHA system have affected landlords over time. We may send you another questionnaire at that time but you are under no obligation to take part again if you do not wish to do so.

Would you like to be entered into the Prize Draw for this survey?

*(please put a cross in **one box** only)*

YES ☐

NO ☐

If yes please provide contact details below:

Name: ……..

Address: ……..

Phone number: …….

Mobile: …….

We would also really like to speak to a selection of landlords/letting agents in the area in more depth about some of the issues raised in this survey.

Are you willing for a member of the research team to contact you at a later date about the extent that HB and LHA reforms are impacting on you and your rental business?

*(please put a cross in **one box** only)*

YES ☐

NO ☐

If yes, please provide contact details below or put a cross in the box if the same as above:

SAME AS ABOVE ☐

Name: ……..

Address: ……..

Phone number: …….

Mobile: …….

Appendix D
Changes in LHA rates in the case study areas by property size

Table D.1 Shared accommodation LHA rates

Case study area	BRMA	March 2011	April 2011	December 2012	March 2011 to December 2012
Westminster	Central London	140.94	137.50	123.50	-17.44
Westminster	Inner North London	115.38	103.89	88.50	-26.88
Brent	Inner North London	115.38	103.89	88.50	-26.88
Brent	Inner West London	113.50	98.50	100.00	-13.50
Hackney	Inner North London	115.38	103.89	88.50	-26.88
Hackney	Central London	140.94	137.50	123.50	-17.44
Hackney	Inner East London	100.58	91.00	92.35	-8.23
Barking and Dagenham	Outer North East London	73.50	67.50	70.00	-3.50
Portsmouth	Portsmouth	68.50	65.00	66.50	-2.00
Thanet	Thanet	58.70	56.73	58.50	-0.20
Tendring	Colchester	69.23	62.50	63.50	-5.73
Fenland	Kings Lynn	57.12	51.00	50.00	-7.12
Fenland	Peterborough	60.25	55.00	56.58	-3.67
Exeter	Exeter	80.00	73.42	73.42	-6.58
Walsall	Birmingham	60.00	55.00	55.00	-5.00
Walsall	Black Country	60.00	55.00	60.00	0.00
Bradford	Bradford and South Dales	55.43	45.00	57.73	2.30
Bradford	Leeds	61.50	59.00	61.50	0.00
Blackburn and Darwen	Bolton and Bury	50.00	45.00	46.15	-3.85
Blackburn and Darwen	East Lancs	58.10	50.50	53.50	-4.60
Newcastle	Tyneside	64.00	58.00	60.00	-4.00
Cardiff	Cardiff	57.69	55.38	55.38	-2.31
Denbighshire	North Clwyd	65.00	55.00	55.00	-10.00
Denbighshire	Wrexham	67.00	63.46	64.62	-2.38
Rhondda Cynon Taf	Merthyr Cynon	46.15	43.31	45.00	-1.15
Rhondda Cynon Taf	Taf Rhondda	46.15	43.31	45.00	-1.15
Edinburgh	Lothian	75.00	66.92	66.92	-8.08
North Lanarkshire	North Lanarkshire	69.23	67.85	64.62	-4.61
North Lanarkshire	South Lanarkshire	69.23	63.46	62.31	-6.92
Perth and Kinross	Fife	58.85	55.00	54.23	-4.62
Perth and Kinross	Forth Valley	65.77	60.00	60.00	-5.77
Perth and Kinross	Perth and Kinross	61.15	54.23	56.35	-4.80

Source: Valuation Office Agency, Welsh Government, The Scottish Government.

Table D.2 One bedroom LHA rates

Case study area	BRMA	March 2011	April 2011	December 2012	March 2011 to December 2012
Westminster	Central London	375.00	250.00	250.00	-125.00
Westminster	Inner North London	275.00	245.00	250.00	-25.00
Brent	Inner North London	275.00	245.00	250.00	-25.00
Brent	Inner West London	242.00	219.23	220.00	-22.00
Hackney	Inner North London	275.00	245.00	250.00	-25.00
Hackney	Central London	375.00	250.00	250.00	-125.00
Hackney	Inner East London	250.00	230.00	240.00	-10.00
Barking and Dagenham	Outer North East London	155.77	150.00	150.00	-5.77
Portsmouth	Portsmouth	118.85	114.23	115.38	-3.47
Thanet	Thanet	90.00	80.77	80.77	-9.23
Tendring	Colchester	104.31	99.23	100.38	-3.93
Fenland	Kings Lynn	92.31	87.69	90.00	-2.31
Fenland	Peterborough	92.31	88.85	91.15	-1.16
Exeter	Exeter	121.15	109.62	114.23	-6.92
Walsall	Birmingham	103.85	98.08	96.92	-6.93
Walsall	Black Country	91.15	84.23	86.54	-4.61
Bradford	Bradford and South Dales	86.54	80.77	80.77	-5.77
Bradford	Leeds	109.62	98.08	99.00	-10.62
Blackburn and Darwen	Bolton and Bury	86.54	80.77	80.77	-5.77
Blackburn and Darwen	East Lancs	86.08	80.00	77.31	-8.77
Newcastle	Tyneside	96.92	91.15	91.15	-5.77
Cardiff	Cardiff	109.62	100.38	103.85	-5.77
Denbighshire	North Clwyd	80.00	75.00	79.85	-0.15
Denbighshire	Wrexham	86.54	80.00	80.77	-5.77
Rhondda Cynon Taf	Merthyr Cynon	75.00	69.23	65.00	-10.00
Rhondda Cynon Taf	Taf Rhondda	80.77	69.23	67.50	-13.27
Edinburgh	Lothian	115.38	109.62	114.23	-1.15
North Lanarkshire	North Lanarkshire	86.54	80.77	80.77	-5.77
North Lanarkshire	South Lanarkshire	86.54	83.08	81.81	-4.73
Perth and Kinross	Fife	86.54	80.77	80.77	-5.77
Perth and Kinross	Forth Valley	88.85	83.08	86.54	-2.31
Perth and Kinross	Perth and Kinross	89.43	80.77	80.77	-8.66

Source: Valuation Office Agency, Welsh Government, The Scottish Government.

Table D.3 Two bedroom LHA rates

Case study area	BRMA	March 2011	April 2011	December 2012	March 2011 to December 2012
Westminster	Central London	550.00	290.00	290.00	-260.00
Westminster	Inner North London	350.00	290.00	290.00	-60.00
Brent	Inner North London	350.00	290.00	290.00	-60.00
Brent	Inner West London	320.00	280.00	290.00	-30.00
Hackney	Inner North London	350.00	290.00	290.00	-60.00
Hackney	Central London	550.00	290.00	290.00	-260.00
Hackney	Inner East London	310.00	280.00	290.00	-20.00
Barking and Dagenham	Outer North East London	196.15	184.62	185.00	-11.15
Portsmouth	Portsmouth	144.23	137.31	138.46	-5.77
Thanet	Thanet	121.15	109.62	114.23	-11.53
Tendring	Colchester	137.31	126.92	126.92	-10.39
Fenland	Kings Lynn	115.38	109.62	109.62	-5.76
Fenland	Peterborough	115.38	109.62	113.08	-3.46
Exeter	Exeter	150.00	133.85	138.46	-11.54
Walsall	Birmingham	126.92	115.38	115.38	-11.54
Walsall	Black Country	109.62	103.85	103.85	-5.77
Bradford	Bradford and South Dales	103.85	98.08	98.08	-5.77
Bradford	Leeds	126.92	114.23	122.75	-5.77
Blackburn and Darwen	Bolton and Bury	103.85	96.69	98.08	-5.77
Blackburn and Darwen	East Lancs	98.08	90.00	90.00	-8.08
Newcastle	Tyneside	109.62	103.85	103.85	-5.77
Cardiff	Cardiff	137.31	126.92	126.92	-10.39
Denbighshire	North Clwyd	103.85	94.62	103.85	-4.62
Denbighshire	Wrexham	109.62	103.85	103.85	-5.77
Rhondda Cynon Taf	Merthyr Cynon	85.00	80.00	80.00	-5.00
Rhondda Cynon Taf	Taf Rhondda	98.08	87.69	86.54	-8.08
Edinburgh	Lothian	150.00	137.31	143.08	-11.54
North Lanarkshire	North Lanarkshire	103.85	98.08	98.08	-4.62
North Lanarkshire	South Lanarkshire	109.62	101.54	103.85	-5.77
Perth and Kinross	Fife	103.85	99.23	102.69	0.00
Perth and Kinross	Forth Valley	114.23	103.85	103.85	-10.38
Perth and Kinross	Perth and Kinross	115.38	108.46	109.62	-5.76

Source: Valuation Office Agency, Welsh Government, The Scottish Government.

Table D.4 Three bedroom LHA rates

Case study area	BRMA	March 2011	April 2011	December 2012	March 2011 to December 2012
Westminster	Central London	795.00	340.00	340.00	-455.00
Westminster	Inner North London	485.00	340.00	340.00	-145.00
Brent	Inner North London	485.00	340.00	340.00	-145.00
Brent	Inner West London	417.69	340.00	340.00	-77.69
Hackney	Inner North London	485.00	340.00	340.00	-145.00
Hackney	Central London	795.00	340.00	340.00	-455.00
Hackney	Inner East London	365.00	330.00	340.00	-25.00
Barking and Dagenham	Outer North East London	242.31	219.23	230.77	-12.46
Portsmouth	Portsmouth	173.08	165.00	167.31	-5.77
Thanet	Thanet	144.23	132.69	138.46	-5.77
Tendring	Colchester	167.31	160.38	160.38	-6.93
Fenland	Kings Lynn	137.31	126.92	126.92	-4.62
Fenland	Peterborough	137.31	126.92	126.92	-10.39
Exeter	Exeter	173.08	158.08	161.54	-6.93
Walsall	Birmingham	137.31	126.92	126.92	-10.39
Walsall	Black Country	126.92	115.38	115.38	-11.54
Bradford	Bradford and South Dales	121.15	109.62	109.62	-11.53
Bradford	Leeds	144.23	126.92	150.00	-5.77
Blackburn and Darwen	Bolton and Bury	125.20	114.23	114.23	-10.97
Blackburn and Darwen	East Lancs	115.38	103.85	103.85	-11.53
Newcastle	Tyneside	126.92	114.23	113.66	-12.69
Cardiff	Cardiff	160.38	150.00	150.00	-10.38
Denbighshire	North Clwyd	126.92	114.23	120.00	-11.54
Denbighshire	Wrexham	126.92	114.23	121.15	-5.77
Rhondda Cynon Taf	Merthyr Cynon	92.31	90.00	85.00	-7.31
Rhondda Cynon Taf	Taf Rhondda	103.85	92.31	90.00	-11.54
Edinburgh	Lothian	206.54	173.08	183.46	-33.46
North Lanarkshire	North Lanarkshire	126.35	114.23	114.23	-10.97
North Lanarkshire	South Lanarkshire	138.35	126.92	126.92	-11.43
Perth and Kinross	Fife	126.92	115.38	115.38	-11.54
Perth and Kinross	Forth Valley	138.46	126.92	126.92	-11.54
Perth and Kinross	Perth and Kinross	150.00	138.46	138.46	-12.69

Source: Valuation Office Agency, Welsh Government, The Scottish Government.

Table D.5 Four bedroom LHA rates

Case study area	BRMA	March 2011	April 2011	December 2012	March 2011 to December 2012
Westminster	Central London	1,250.00	400.00	400.00	-850.00
Westminster	Inner North London	610.00	400.00	400.00	-210.00
Brent	Inner North London	610.00	400.00	400.00	-210.00
Brent	Inner West London	553.85	400.00	400.00	-153.85
Hackney	Inner North London	610.00	400.00	400.00	-210.00
Hackney	Central London	1,250.00	400.00	400.00	-850.00
Hackney	Inner East London	465.00	400.00	400.00	-65.00
Barking and Dagenham	Outer North East London	323.08	300.00	300.00	-23.08
Portsmouth	Portsmouth	253.85	230.77	230.77	-23.08
Thanet	Thanet	177.70	160.38	173.08	-17.32
Tendring	Colchester	229.62	206.54	196.15	-27.70
Fenland	Kings Lynn	183.46	161.54	161.54	-21.92
Fenland	Peterborough	183.46	161.54	161.54	-21.92
Exeter	Exeter	230.77	206.54	219.23	-11.54
Walsall	Birmingham	184.62	161.54	161.54	-23.08
Walsall	Black Country	160.38	150.00	150.00	-10.38
Bradford	Bradford and South Dales	137.31	115.38	126.92	-10.39
Bradford	Leeds	206.54	173.08	196.15	-10.39
Blackburn and Darwen	Bolton and Bury	161.27	148.85	155.77	-11.27
Blackburn and Darwen	East Lancs	160.38	138.46	138.46	-21.92
Newcastle	Tyneside	183.46	160.38	150.00	-33.46
Cardiff	Cardiff	207.69	190.38	190.38	-23.07
Denbighshire	North Clwyd	160.38	150.00	150.00	-16.15
Denbighshire	Wrexham	161.54	144.23	155.77	-3.31
Rhondda Cynon Taf	Merthyr Cynon	144.23	132.69	126.92	-23.08
Rhondda Cynon Taf	Taf Rhondda	150.00	126.92	138.46	-11.54
Edinburgh	Lothian	294.81	253.83	271.15	-29.43
North Lanarkshire	North Lanarkshire	174.81	171.92	161.54	-13.27
North Lanarkshire	South Lanarkshire	196.15	173.08	183.46	-11.77
Perth and Kinross	Fife	183.46	173.08	173.08	-10.38
Perth and Kinross	Forth Valley	196.15	173.08	173.08	-23.07
Perth and Kinross	Perth and Kinross	196.15	177.69	180.00	-17.30

Source: Valuation Office Agency, Welsh Government, The Scottish Government.

Table D.6 Five bedroom LHA rates

Case study area	BRMA	March 2011	April 2011	December 2012	March 2011 to December 2012
Westminster	Central London	2,000.00	400.00	400.00	-1,600.00
Westminster	Inner North London	750.00	400.00	400.00	-350.00
Brent	Inner North London	750.00	400.00	400.00	-350.00
Brent	Inner West London	950.00	400.00	400.00	-550.00
Hackney	Inner North London	750.00	400.00	400.00	-350.00
Hackney	Central London	2,000.00	400.00	400.00	-1,600.00
Hackney	Inner East London	573.46	400.00	400.00	-173.46
Barking & Dagenham	Outer North East London	426.92	300.00	300.00	-126.92
Portsmouth	Portsmouth	340.38	230.77	230.77	-109.61
Thanet	Thanet	219.23	160.38	173.08	-58.85
Tendring	Colchester	288.00	206.54	196.15	-86.08
Fenland	Kings Lynn	273.46	161.54	161.54	-111.92
Fenland	Peterborough	230.77	161.54	161.54	-69.23
Exeter	Exeter	342.35	206.54	219.23	-123.12
Walsall	Birmingham	229.62	161.54	161.54	-68.08
Walsall	Black Country	183.46	150.00	150.00	-33.46
Bradford	Bradford and South Dales	150.00	115.38	126.92	-23.08
Bradford	Leeds	335.00	173.08	196.15	-138.85
Blackburn and Darwen	Bolton and Bury	207.46	148.85	155.77	-57.46
Blackburn and Darwen	East Lancs	196.15	138.46	138.46	-57.69
Newcastle	Tyneside	207.69	160.38	150.00	-57.69
Cardiff	Cardiff	276.92	190.38	190.38	-92.30
Denbighshire	North Clwyd	160.38	150.00	150.00	-16.15
Denbighshire	Wrexham	201.35	144.23	155.77	-43.12
Rhondda Cynon Taf	Merthyr Cynon	144.23	132.69	126.92	-23.08
Rhondda Cynon Taf	Taf Rhondda	167.31	126.92	138.46	-28.85
Edinburgh	Lothian	386.54	253.85	271.15	-121.16
North Lanarkshire	North Lanarkshire	219.23	171.92	161.54	-57.69
North Lanarkshire	South Lanarkshire	265.38	173.08	183.46	-81.00
Perth and Kinross	Fife	207.69	173.08	173.08	-34.61
Perth and Kinross	Forth Valley	276.92	173.08	173.08	-103.84
Perth and Kinross	Perth and Kinross	230.77	177.69	180.00	-51.92

Source: Valuation Office Agency, Welsh Government, The Scottish Government.
Note: Data post March 2011 is based on 4 bedroom rate as 5 bedroom rate no longer exists

Appendix E
Discretionary Housing Payments

Table E.1 DHP Funding and Expenditure 2012/13

Local authority	2012/13 Government contribution (including any carry-over from 2011/12	Total DHP expenditure	Spend compared to the Government contribution*	Expenditure as percentage of contribution
Barking and Dagenham	£338,445	£293,585	-£44,860	87%
Blackburn with Darwen	£136,916	£136,053	-£863	99%
Bradford	£481,618	£488,453	£6,835	101%
Brent	£2,016,138	£2,004,885	-£11,253	99%
Cardiff	£485,508	£482,145	-£3,363	99%
Denbighshire	£109,524	£99,701	-£9,823	91%
Edinburgh	£573,486	£411,223	-£162,263	72%
Exeter	£103,758	£99,802	-£3,956	96%
Fenland	£50,863	£31,852	-£19,011	63%
Hackney	£1,016,373	£1,014,761	-£1,612	100%
Newcastle upon Tyne	£212,740	£212,727	-£13	100%
North Lanarkshire	£163,264	£155,011	-£8,253	95%
Perth and Kinross	£43,018	£43,017	-£1	100%
Portsmouth	£192,252	£180,484	-£11,768	94%
Rhondda Cynon Taf	£192,334	£148,123	-£44,211	77%
Tendring	£186,779	£172,357	-£14,422	92%
Thanet	£248,159	£173,390	-£74,769	70%
Walsall	£151,214	£160,656	£9,442	106%
Westminster	£4,455,202	£3,628,650	-£826,552	81%
England	£60,918,250	£49,940,263	-£10,977,987	82%
Scotland	£4,188,843	£4,077,943	-£110,900	97%
Wales	£2,799,823	£2,554,366	-£245,457	91%
Great Britain	£67,906,916	£56,572,572	-£11,334,344	83%

Source: DWP.
Notes: DHP Contribution of £60m in 2012/13 comprised of £20m core funding plus £40m funding specifically for LHA reforms. The additional £7.9m was carry over from 2011/12.
* Figures in red denote underspend and figures in black denote overspend.

Table E.2 DHP Allocated funding 2013/14 and committed expenditure April-Sept 2013

Local authority	Total £ allocated	Total £ committed April-Sept 2013	LHA reforms £ committed April-Sept 2013	LHA reforms awards April-Sept 2013
Barking and Dagenham	£1,310,802	£113,117	£51,287	98
Blackburn with Darwen	£376,643	N/A	N/A	N/A
Bradford	£1,176,314	£350,972	£60,196	125
Brent	£4,815,410	£1,251,324	£139,948	164
Cardiff	£1,102,669	£555,761	£197,485	466
Denbighshire	£217,194	£118,660	£37,321	80
Edinburgh	£1,430,709	£713,330	£53,650	69
Exeter	£219,021	£99,182	£13,086	42
Fenland	£146,827	£51,614	£15,881	44
Hackney	£2,324,080	N/A	N/A	N/A
Newcastle upon Tyne	£685,271	£289,035	£27,560	53
North Lanarkshire	£469,660	£591,887	£12,377	37
Perthshire and Kinross	£523,618	£106,750	£16,947	42
Portsmouth	£472,895	£311,336	£31,034	25
Rhondda Cynon Taf	£451,301	£238,994	£66,330	175
Tendring	£401,660	£156,867	£5,838	12
Thanet	£401,310	N/A	N/A	N/A
Walsall	£590,745	£189,256	£34,911	92
Westminster	£5,930,283	£945,476	£720,766	267
Great Britain	£160,000,000	£54,308,771	£10,280,798	21,300

Source: DWP.
Notes: DHP Contribution of £180m in 2013/14 comprised of £20m core funding, £40m funding specifically for LHA reforms, £55m for removal of the spare room subsidy in the SRS (RSRS), £65m for Benefit cap. £20m from the RSRS is not included in this data as currently subject to a bidding process from LAs.
Some LAs reported amount actually paid up to Sept 2013 rather than committed amount.

Table E.3 DHP LHA awards as a proportion of total LHA caseload by area

Case study area	Private deregulated tenant (LHA) as of April 2013	DHPs as % of caseload April 2013
Barking and Dagenham	6,400	2%
Blackburn with Darwen	4,330	N/A
Bradford	17,080	1%
Brent	15,110	1%
Cardiff	9,200	5%
Denbighshire	3,520	2%
Edinburgh	10,810	1%
Exeter	2,540	2%
Fenland	2,440	2%
Hackney	8,850	N/A
Newcastle upon Tyne	5,970	1%
North Lanarkshire	5,310	1%
Perth and Kinross	1,890	2%
Portsmouth	6,730	0%
Rhondda Cynon Taf	6,670	3%
Tendring	6,710	0%
Thanet	7,810	N/A
Walsall	6,110	2%
Westminster	4,470	6%
Great Britain	1,391,373	2%

References

Beatty, C., Cole, I., Green, S., Kemp, P., Powell, R. and Sanderson, E. (forthcoming). *Monitoring the impact of recent measures affecting Housing Benefit and Local Housing Allowances in the private rented sector in Northern Ireland*. Belfast: Department for Social Development.

Beatty, C., Cole, I., Green, S., Kemp, P., Marshall, B., Powell, R. and Wilson, I. (2012). *Monitoring the impact of changes to the Local Housing Allowance System of Housing benefit: Summary of Early Findings*. DWP Research Report No. 798. London: Department for Work and Pensions.

DWP. (2010). *Housing Benefit: Changes to the Local Housing Allowance Arrangements: Impact Assessment*. London: Department for Work and Pensions.

DWP. (2012). *Housing Benefit: Uprating Local Housing Allowance rates by CPI from April 2013: Impact Assessment.* London: Department for Work and Pensions.

DWP. (2013a). *Monitoring the Impact of Changes to the Local Housing Allowance System of Housing Benefit: Interim Report, Vol 1 Summary of Main Findings*. DWP Research Report No. 838. London: Department for Work and Pensions.

DWP. (2013b). *Housing Benefit: Uprating Local Housing Allowance rates by one per cent for two years from April 2014: Impact Assessment*. London: Department for Work and Pensions.

DWP. (2013c). *Monitoring the Impact of Changes to the Local Housing Allowance System of Housing Benefit: Interim Report, Vol 3 The Impact of LHA reforms on entitlements, rents and property types for new claimants*. DWP Research Report No. 838. London: Department for Work and Pensions.

DWP. (2013d). *Monitoring the Impact of Changes to the Local Housing Allowance System of Housing Benefit: Interim Report, Vol 5: The early impacts of the LHA reforms on the perceptions of landlords*. DWP Research Report No. 838. London: Department for Work and Pensions.

Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. and Watts, B. (2013). *The Homelessness Monitor: England 2013*. London: Crisis UK.

Sheffield Hallam University

Monitoring the impact of recent measures affecting housing benefit and local housing allowances in the private rented sector: the response of landlords

SANDERSON, Elizabeth <http://orcid.org/0000-0003-1423-1670>, COLE, Ian <http://orcid.org/0000-0002-9207-7528>, BEATTY, Christina <http://orcid.org/0000-0003-0943-9979> and POWELL, Ryan

Available from the Sheffield Hallam University Research Archive (SHURA) at:

https://shura.shu.ac.uk/29288/

Copyright and re-use policy

Please visit https://shura.shu.ac.uk/29288/ and http://shura.shu.ac.uk/information.html for further details about copyright and re-use permissions.