

Local Housing Allowance (LHA) changes proposed Summer 2010 – analysis of local effects

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Summary

The CIH briefing paper¹ released in June discusses the issues arising from changes to housing benefit for strategic housing authorities and housing associations.

This paper provides information of the scale of these impacts in the Cambridge sub-region.

- Capping rent levels will not be a significant issue in most of the region. The latest data from VOA² shows 106 rents out of 13,715 (less than 1%) are above the capped rates set by the government.
- Calculating the LHA on the 30th percentile rather than the median means will be a significant issue. Tenants will have to contribute an additional £460 - £1,270 per year, depending on which Broad Rental Market Area they are in. It is already difficult for tenants to find affordable properties in Cambridge City. Changes are going to make large parts of South Cambridgeshire unaffordable too. In St Edmundsbury, certain types of properties in certain areas are also going to be affected. This could mean an increase in claimants in the cheaper parts of these BRMAs, i.e. East Cambridgeshire and Forest Heath. It could also increase intentional overcrowding if people chose to downsize but stay in the same location, e.g. moving from a four bed to a three bed in Cambridge City.
- Using the CPI³ to uprate properties is going to mean that most of the cheapest properties available of each size in the sub-region will be more expensive than the LHA rate by 2041. The speed at which all properties exceed the LHA rate is different in each BRMA and will affect King's Lynn, Bury St Edmunds and Huntingdon most quickly.
- Decreasing housing benefits for long term JSA claimants will mean these tenants need to find an additional £5-23/week. Huntingdonshire, Fenland and Cambridge City currently have the highest numbers of people claiming job seekers allowance for more than twelve months.
- There are 180 social tenants of working age currently under-occupying by one or two bedrooms on the housing need register. This number is small compared to the number who are overcrowded, but it is likely that an increased number of under-occupying tenants will register on the HNR if payments are limited to the size of property required per household not per property, as it is already for private tenants.

¹ <http://housing.cih.co.uk/memberbriefing/housingbenefit-July-2010.htm>

² The Valuation Office Agency, at <http://www.voa.gov.uk/>

³ Consumer Price Index

Broad Rental Market Areas (BRMAs)

The geography of Broad Rental Market Areas is not the same as district geographies:

Table 1: Districts and BRMAs⁴

District	BRMA
Cambridge City	Cambridge
East Cambridgeshire	Cambridge. Northwestern area including Sutton, Little Downham, Pymoor and Mepal is in Peterborough
Fenland	South and west of the district in Peterborough. Area around Wisbech is in King's Lynn.
Huntingdonshire	Almost completely in Huntingdon. Ramsey northwards is in Peterborough and Fenstanton is in Cambridge
South Cambridgeshire	Mostly in South Cambridgeshire. Gamlingay is included in Huntingdon and Bassingbourn, Abington and Steeple Morden are in Stevenage and North Herts.
Forest Heath	Bury St Edmunds except for Newmarket which is in Cambridge City
St Edmundsbury	Mostly in Bury St Edmunds. Haverhill and Kedington are in Cambridgeshire. Barningham is in Central Norfolk and Norwich.

Data from the List of Rents is based on actual agreed lettings rather than rents for available accommodation, however VOA also claim to monitor market information, although there is no metadata explaining how.

This report will focus on the five main BRMAs covering the sub-region, omitting Stevenage & North Herts, and Central Norfolk & Norwich

Table 2: Number of rents per BRMA

	Bury St Edmunds	Cambridge	Huntingdon	King's Lynn	Peterborough	Main BRMAs in CSR
1 Bedroom	223	461	107	384	675	1,850
1 Room (shared)	131	448	113	126	130	948
2 Bedrooms	638	1,028	239	1,073	2,006	4,984
3 Bedrooms	619	755	193	1,044	1,648	4,259
4 Bedrooms	242	283	80	290	481	1,376
5 Bedrooms	29	83	28	46	112	298
All sizes	1,882	3,058	760	2,963	5,052	13,715

Source: LHA List of Rents

1. Capping allowances

The government propose capping the maximum allowance payable for each property size and having an overall cap of £400/ week.

⁴ See maps at end of this paper for maps of our three "main" BRMAs

Table 3: Number of rents above capped allowance per property size, main Cambridge sub-region BRMAs

	Number of rents above capped allowance					
	Cap	Bury St Edmunds	Cambridge	Huntingdon	King's Lynn	Peterborough
1 bed	£250	0	1	0	0	0
2 bed	£290	1	35	0	0	1
3 bed	£340	8	17	1	1	1
4 bed and above	£400	9	40	4	2	5
Total		18	93	5	3	7

Source: LHA List of Rents

In Bury St Edmunds, Huntingdon, King's Lynn and Peterborough less than 1% of rents are greater than the cap. In the Cambridge BRMA it is slightly higher at 3%.

2. Increased deduction for non-dependents

No relevant local level data is available on how this may affect the sub-region.

3. Calculating LHA rates using the 30th percentile instead of the median

Table 4: Losses to be made up by tenant (annual), BRMAs by property size

	1 room	1 bed	2 bed	3 bed	4 bed	5 bed	Average loss - all properties
Bury St Edmunds	£260	£251	£599	£658	£1,257	£7,838	£750
Cambridge	£409	£539	£1,317	£1,316	£2,124	£6,043	£1,269
Huntingdon	£260	£127	£300	£299	£1,197	£4,488	£518
Kings Lynn	£260	£179	£299	£419	£838	£5,624	£459
Peterborough	£191	£108	£299	£538	£1,137	£3,590	£501

Source: CIH, LHA List of Rents

Losses to be made up by tenants will be greatest in the Cambridge BRMA for all sizes of properties except 5 beds (St Edmundsbury).

Options for tenants in this situation are

- Pay a higher contribution towards the rent. The lower quartile rent for a two bedroom property in Cambridge City in January 2010 was £753/ month. The amount lost is equivalent to nearly two months rent, which is likely to be a struggle for a low income household to meet. This could increase the risk of bad debt and make landlords more reluctant to accept tenants on benefit.
- Move to a different location. There are currently 16 wards where the LHA is less than 75% of the median rent as calculated by Hometrack⁵ for 1,2 and 3 bed properties. This includes 13 of the 14 wards in Cambridge City. Under the proposed changes, the number of wards falling under the criteria will increase to 40. South Cambridgeshire is particularly affected by this measure. Limiting choices in these areas is likely to increase pressures in other parts of the Cambridge BRMA, i.e. East Cambridgeshire.

⁵ Hometrack calculate a median rent based on advertised properties. While this provides a good guide to expensive and cheaper areas, where there have been no properties advertised, there is no data available. In this instance, the district rent is used to estimate.

- Move to a smaller property. Size restrictions already apply to private tenants claiming LHA (i.e. people claim for the size of property required by their household, not by the actual size of the property. If people are living in the size of property they need, but are no longer able to afford it, they may choose to deliberately overcrowd rather than move to a cheaper location (see table 5). For example, the average rent for a three bedroom property in Cambridge City is cheaper than the average rent for a four bedroom property in South Cambridgeshire

Table 5: Average rent PCM by property size and district, Jan 2010

	1 bed	2 bed	3 bed	4 bed	All
Cambridge City	£748	£894	£1,081	£1,370	£974
East Cambridgeshire	£478	£600	£684	£985	£665
Fenland	£402	£494	£615	£794	£529
Huntingdonshire	£450	£573	£680	£981	£629
South Cambridgeshire	£589	£695	£815	£1,192	£855
Forest Heath	£452	£665	£833	£1,097	£797
St Edmundsbury	£503	£597	£782	£917	£695
Sub-Region	£521	£634	£778	£1,067	£727

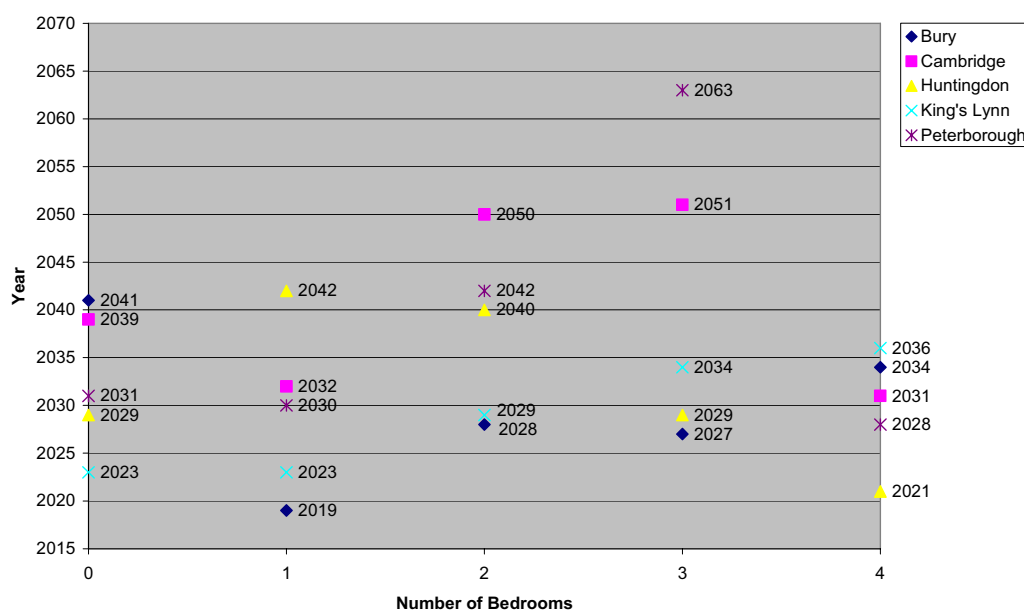
(Source: CCCRG Review of rents in press)

4. Using the CPI⁶ to uprate benefits

From April 2013 onwards, the 30th percentile rate will be based on April 2012 rents adjusted for inflation using the CPI rather than being based on actual rents within a market area. Using CPI produces a figure significantly lower than rent prices have been over the past few years.

Between 1991 and 2009, the CPI rate of inflation was 2.57% lower than the rate of rent inflation. Projecting this trend forward, there will be no properties available at full LHA in any of the five main BRMAs covering the Cambridge sub-region by 2063 (See Fig 1). By 2036, there will be no properties available in King’s Lynn BRMA. The second area to be affected will be Bury St Edmunds, and then Huntingdon.

Fig 1: Year in which LHA rate becomes less than lowest rent by BRMA



Source: LHA List of Rents, CIH Note: 0 = Rooms such as in shared houses

⁶ Consumer Price Index

Figure 1 is intended to demonstrate that, on the assumption that CPI and rents inflate at the historic rate, the proposed system is not sustainable in the long term. It could be argued that the new approach will act to lower rents. However, rental prices are a function of a number of factors, including a relationship between rent levels and house purchase price in an area. In an area of high house prices and demand, private rents may not be forced downwards by the proposed measures. Our letting agents surveys indicate that many landlords are already wary of taking tenants on HB and presumably be increasingly wary under the proposed system.

5. Reducing housing benefits to long term claimants of Job Seeker's Allowance

Tenants who have been claiming JSA for more than 12 months will see their housing benefit reduced by ten percent. Table 6 shows the additional cost per week to these tenants.

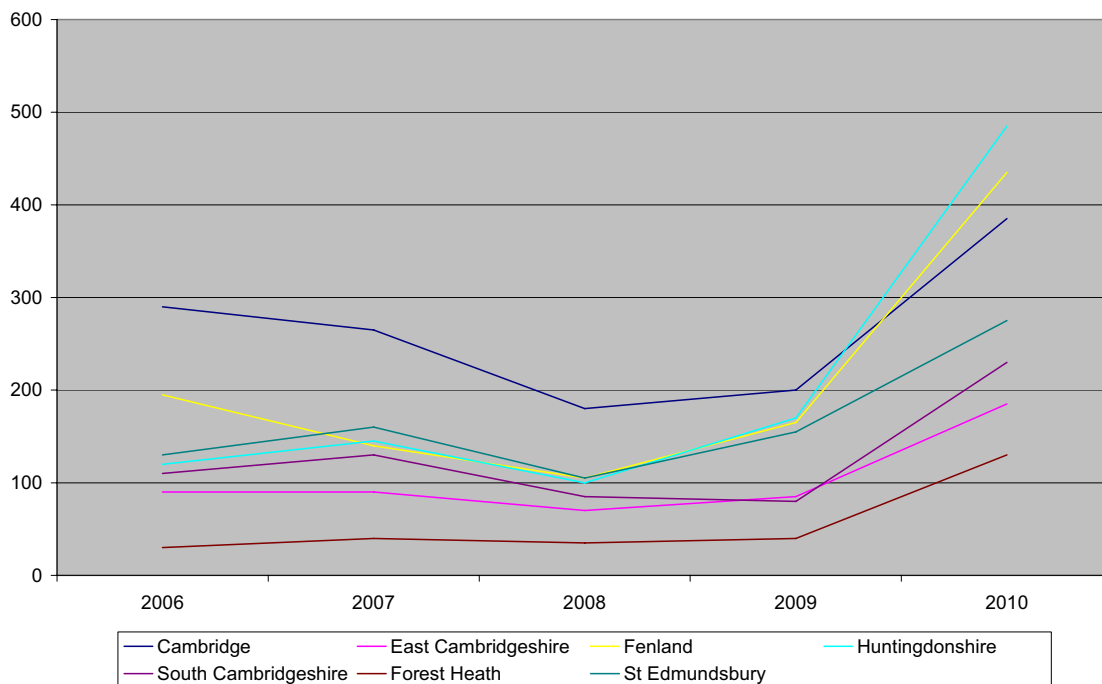
Table 6: Additional cost per week to be made up by tenant following reduction of benefit for claiming JSA for more than 12 months by BRMA and number of bedrooms

	1 Room	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Bury St Edmunds	£5.75	£9.21	£11.51	£13.69	£20.60
Cambridge	£6.81	£12.66	£13.81	£16.11	£22.90
Huntingdon	£6.75	£9.95	£12.08	£14.38	£19.56
Kings Lynn	£5.75	£8.63	£10.93	£12.66	£16.69
Peterborough	£5.48	£8.86	£10.93	£12.66	£16.11

(Source: CIH)

Tenants will need to contribute between £5 and £23/ week (or £25-£100/month).

Fig 2: Job Seekers Allowance claimants claiming for more than twelve months by district, Jun 2006-2010



Source: Nomisweb

In the sub-region as a whole, the number of people claiming JSA for more than 12 months increase from 900 to over 2,100 between June 2009 and June 2010. This is expected to peak in 2012 (CIH, 2010). Fenland, Huntingdonshire and Cambridge City have the highest number of long term JSA claimants.

6. Limiting housing benefit payable to working age social tenants by household size, not property size

Table 7: Number of working age social tenant households on HNR under-occupying by one or two bedrooms by district, end March 2010

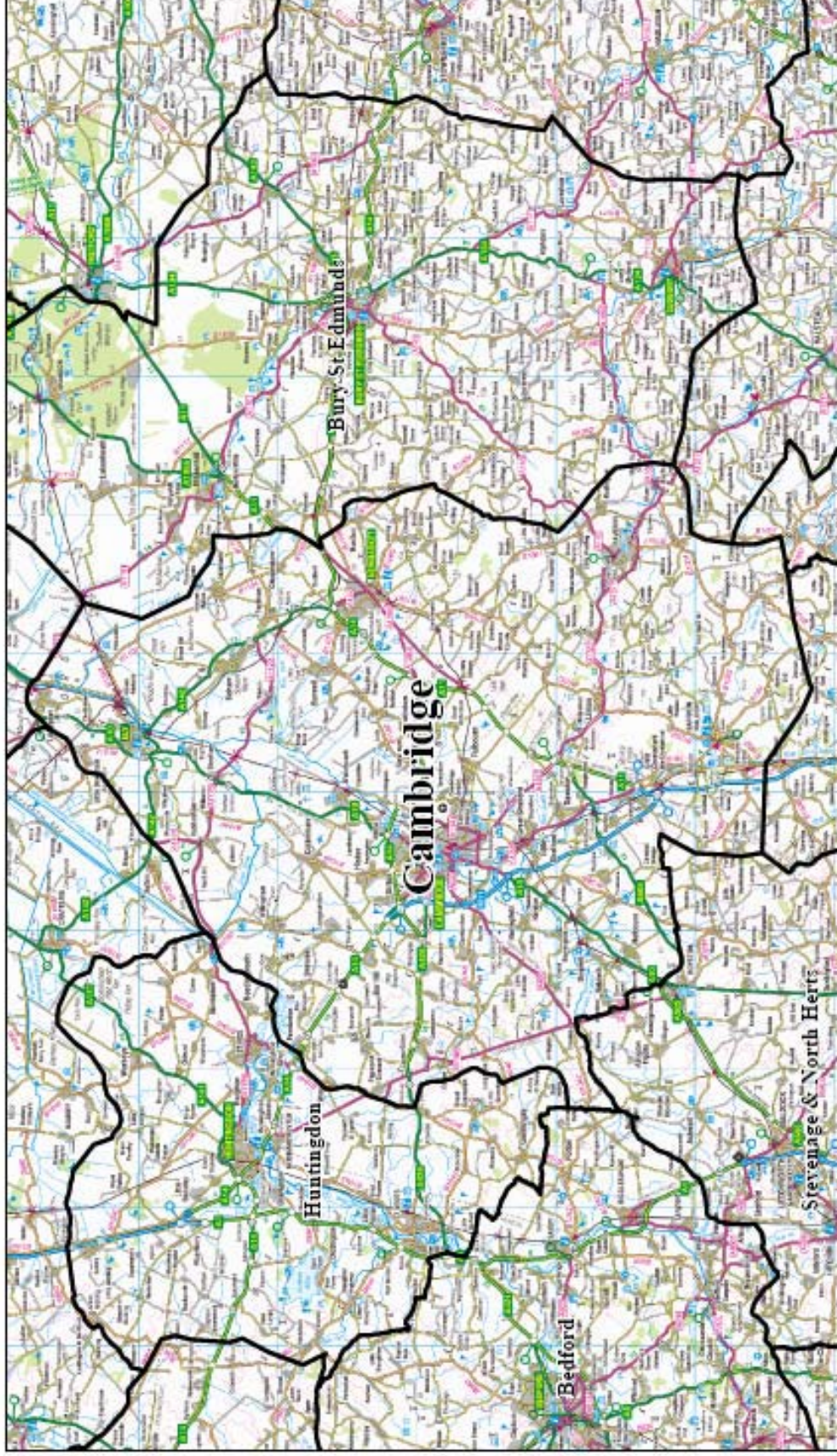
	Under-occupying by one bedroom	Under-occupying by two bedrooms	Total
Cambridge City	37	17	54
East Cambridgeshire	24	11	35
Fenland	5	2	7
Huntingdonshire	18	4	22
South Cambridgeshire	12	5	17
Forest Heath	15	4	19
St Edmundsbury	19	7	26
Sub-Region	130	50	180

(Source: Locata)

There are 180 households on the housing needs register who are existing social tenants where the household reference person is of working age (between 18-59) who are under-occupying properties (in the sub-region as a whole, there are almost four times as many currently living in overcrowded conditions). Most of these have one bedroom more than they require.

Because these households are on the needs register and under-occupation is the reason for assigning them to a priority band, it can be assumed these are households actively looking to move from their current accommodation. A reduced level of benefit is likely to incentivise more people in this situation to move and this element of the needs register may increase. However, this need can only be met if there are properties of the size required available for them to move.

Cambridge



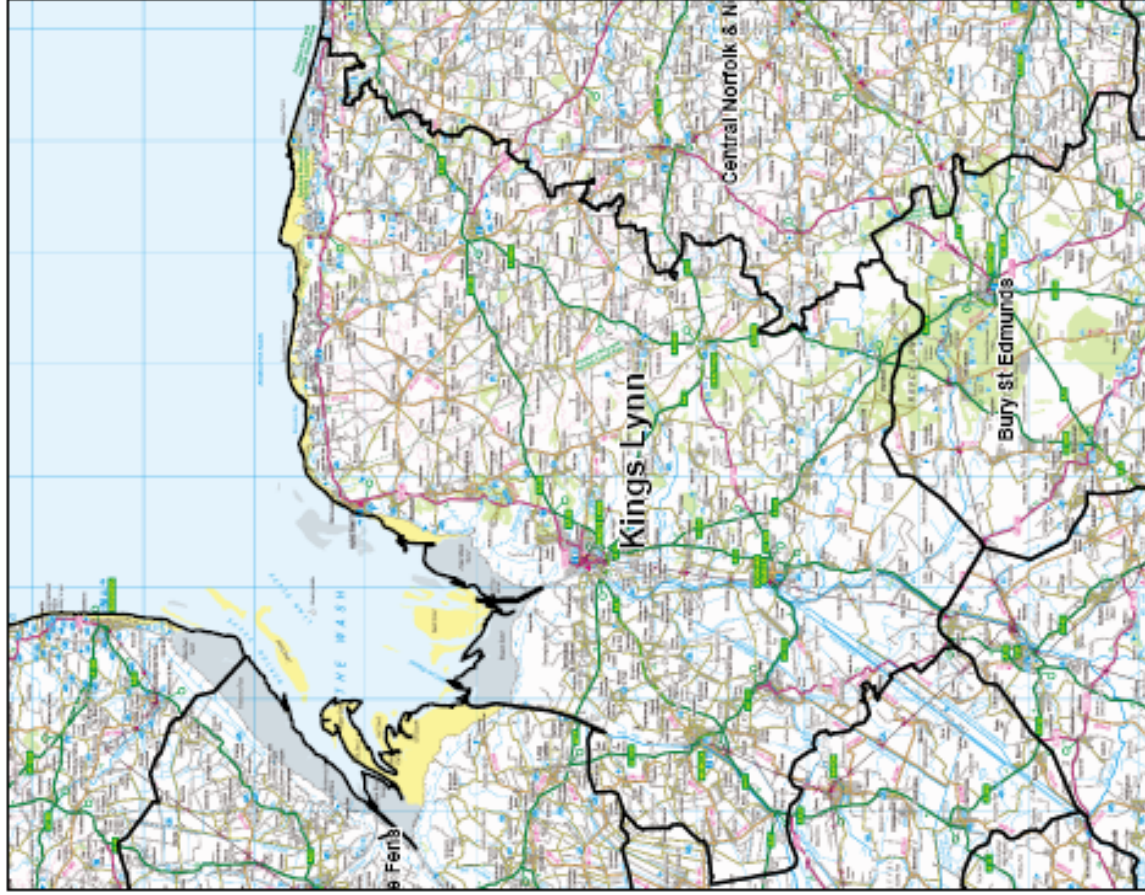
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Cambridge area covers City, South Cambs and parts of ECDC

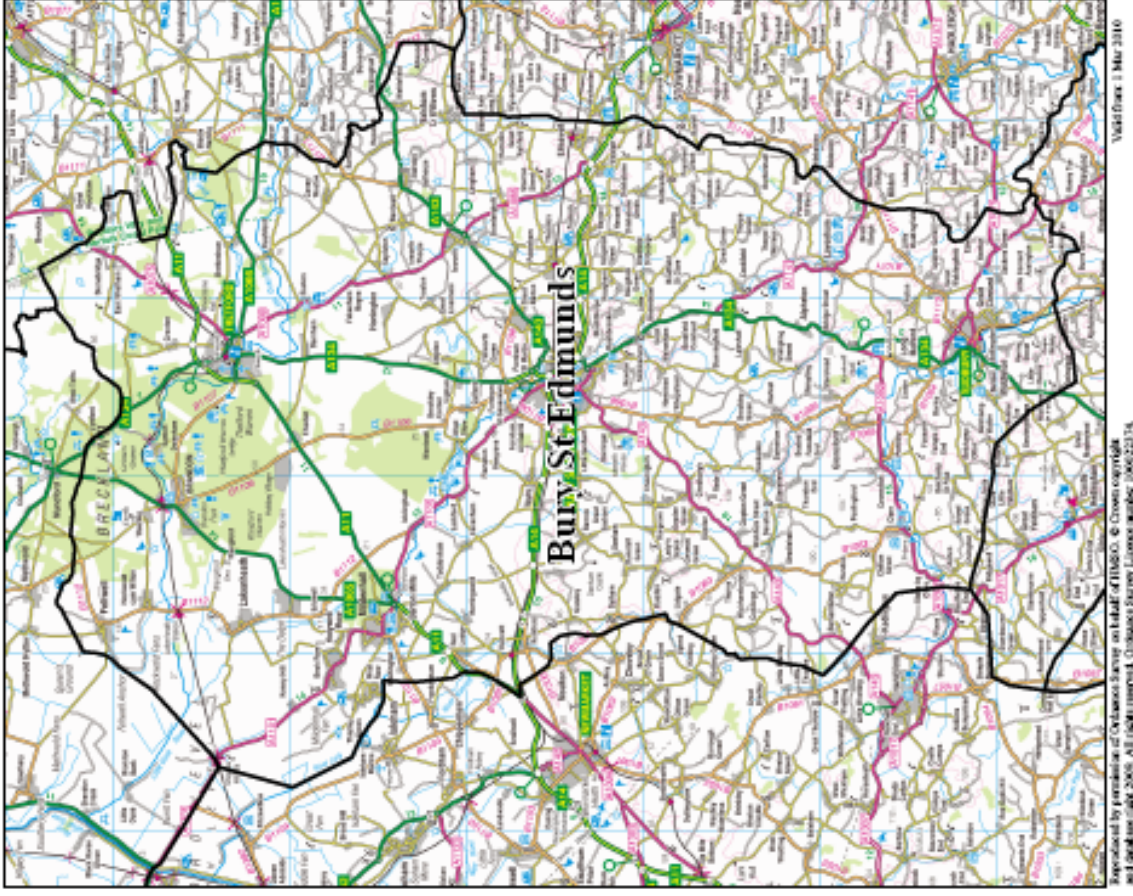
Kings Lynn

Valuation Office Agency
Incorporating Best Officer Functions



Bury St Edmunds

Valuation Office Agency
Incorporating Best Officer Functions



Kings Lynn area includes most of Fenland. Bury St Ed's covers ECDC, Forest Heath and SEBC.