

Local Housing Allowance and its effects on the housing market

*WITH ILLUSTRATIONS FROM THE
FAMOUS SEASIDE TOWN OF
BLACKPOOL*



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Why are we here today?

- Raise awareness of the issue
- Test the hypothesis – does it add up?
- Find out how widely the issue applies
- Work together to make the case to Government

THE HYPOTHESIS

Contention A

The introduction of the Local Housing Allowance has increased the amount of Housing Benefit that can be paid for different property types, and landlords charge rents to tenants on Housing Benefit at Local Housing Allowance levels.

Evidence: Calculation of the Local Housing Allowance

Step 1: VOA
defines a Broad
Rental Market
Area

“A BRMA is an area within which a person could reasonably be expected to live having regard to facilities and services for the purposes of health, education, recreation, personal banking and shopping, taking account of the distance of travel, by public and private transport, to and from those facilities and services”

+ Variety of property types and tenures

+ Sufficient privately rented premises

Calculation of the Local Housing Allowance

Step 2: VOA looks at rents in the private market across the area, **excluding** properties let to people on HB

*Across the Fylde Coast as a whole, only around 42% of private rented properties are let to people who are **not** on housing benefit (compared with 80% nationally)*



Calculation of the Local Housing Allowance

Step 3: VOA sets a Local Housing Allowance that defines the amount of HB tenants can claim wherever they live in the BRMA

BRMA Name	1 Bed Shared	1 Bed Self Contained	2 Beds	3 Beds	4 Beds	5 Beds
Fylde Coast	£60.00	£90.00	£120.00	£137.31	£172.50	£189.81

BRMA Name	1 Bed Shared	1 Bed Self Contained	2 Beds	3 Beds	4 Beds	5 Beds
Central Lancs	£48.00	£91.15	£114.23	£125.00	£150.00	£150.00

Evidence – Increase in HB Level

Property Size	Maximum Rent 2002-3 (£p.w)	Property Size	LHA May 2009 (£ pw)
One Room	45.90	1 Bed Shared	£60.00
Two Rooms	60.60	1 Bed S/C	£90.00
Three Rooms	72.30	2 Beds	£120.00
Four Rooms	81.80	3 Beds	£137.31
Five Rooms	85.50	4 Beds	£172.50
Six or More Rooms	90.20	5 Beds	£189.81

Blackpool Landlords – “Introduction of LHA led to a 10% rise in rents”

Evaluation of LHA Pathfinders - “All respondents were asked to say whether their own rents in their local authority area had on average [changed] over the last two years [2004-2006]..... Across the pathfinders taken as a whole, there was no significant difference between the responses to this question compared with the Controls.”

“The slightly higher LHA allowances may have prompted landlords to set their rents accordingly.”

THE HYPOTHESIS

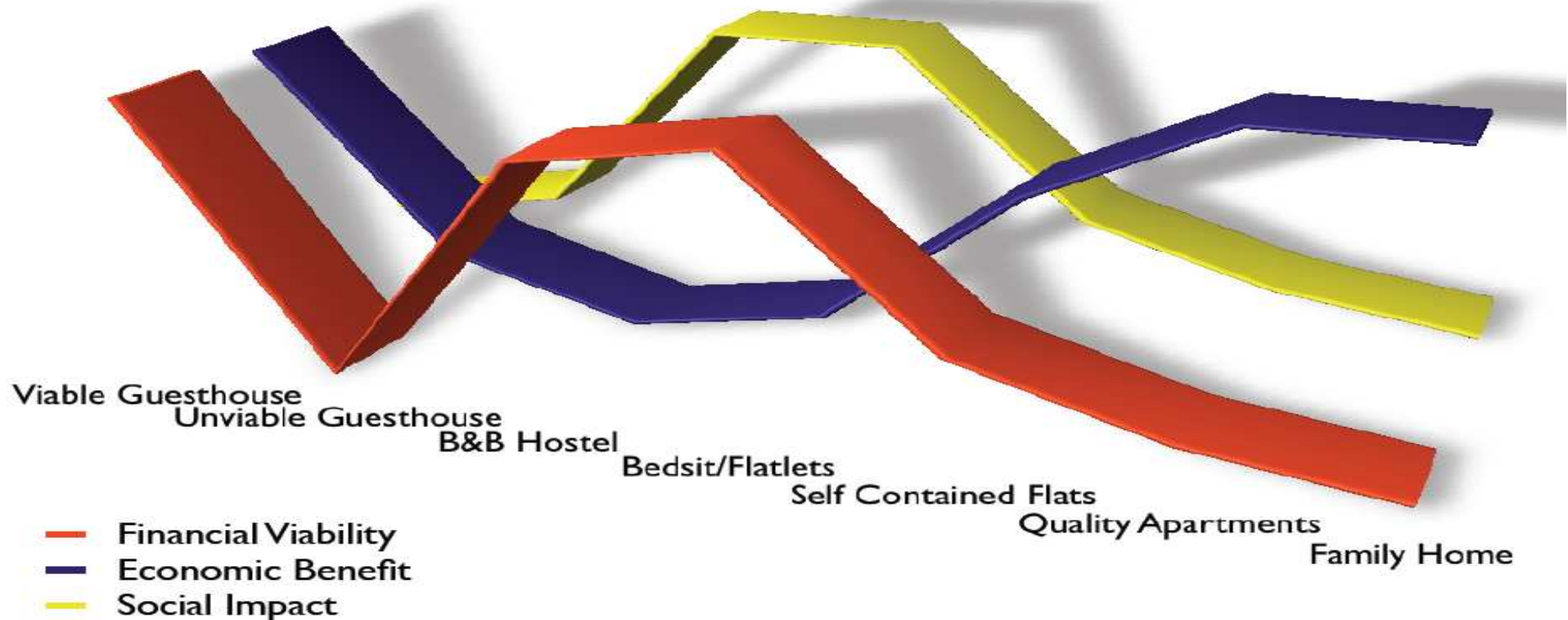
Contention B

As landlords can now get more for their properties from Housing Benefit tenants:

- there's an incentive to focus on the Housing Benefit market
- landlords will buy and let more properties to people on Housing Benefit (subject to demand / size of that market)
- capital values rise in areas dominated by the private rented sector – out competes other uses

Evidence – Financial Viability

Guesthouse/HMO Life Cycle Impact Graph

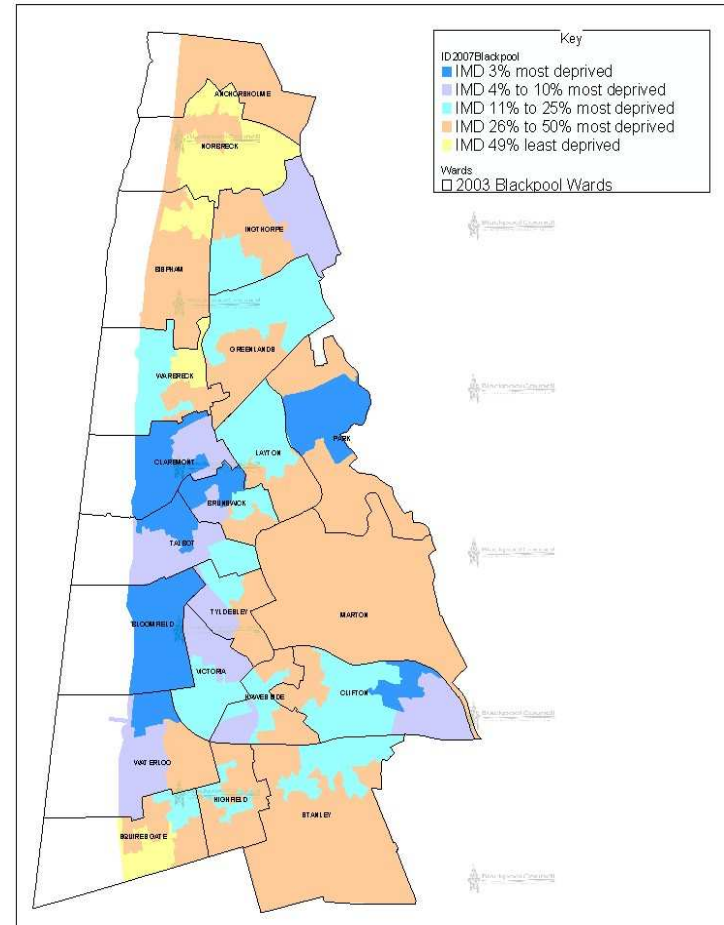
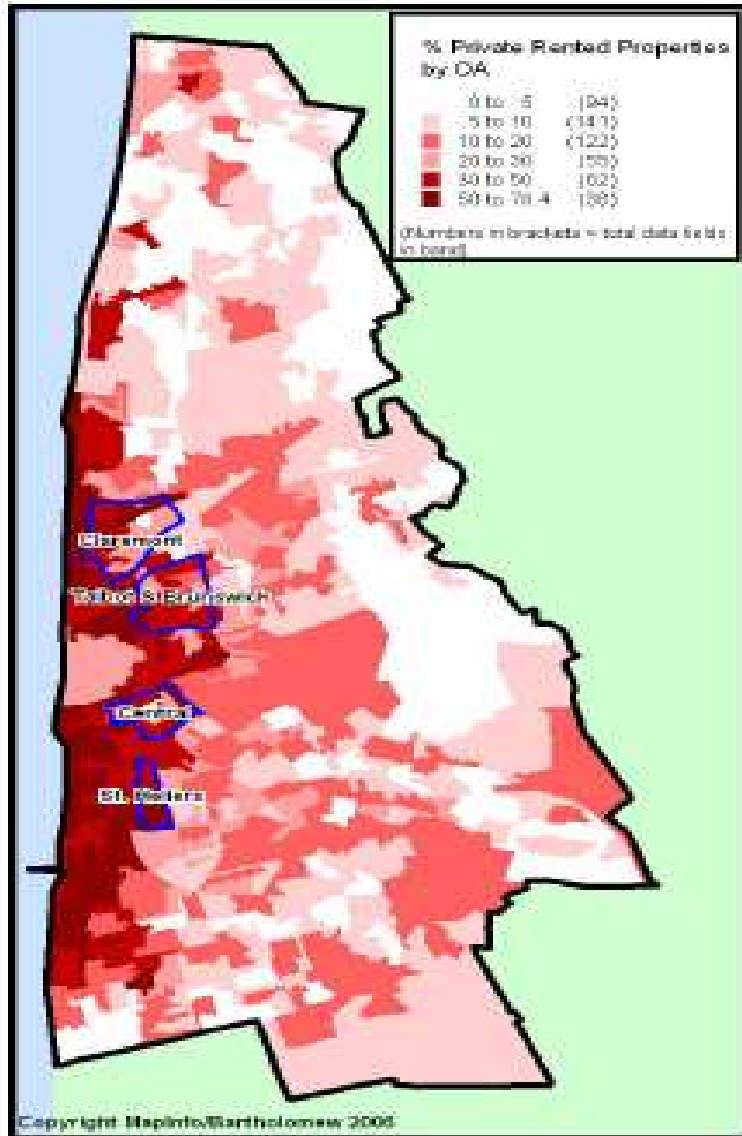


THE HYPOTHESIS

Contention C

In areas that are less popular, and where yields from renting to Housing Benefit tenants are high, the Local Housing Allowance increases concentrations of deprivation

Evidence



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Title: Index of Multiple Deprivation National Rank
 English Indices of Deprivation 2007
 Scale: 1:50000
 Date: 06/12/2007 Printed by: RW

Evidence – Growing Concentrations

- In Blackpool, over 50% of all properties are private rented in some inner wards; over the whole of Blackpool, 22% of homes are private rented in 2008, compared with 18% in 2001.
- Over 10,000 housing benefit claimants live in the private rented sector in Blackpool (2/3rds of all housing benefit cases in Blackpool).
- Two thirds of the private rented sector in Blackpool houses HB claimants, compared with less than 20% of the private rented sector nationally. The proportion is higher, still, in the inner area.
- Around 3,500 HMOs in Blackpool (within Housing Act 2004 definitions)

THE IMPACT

POSITIVE

.....in areas where there's a lack of options for people in housing need?

.....as it provides the resources for landlords to invest in their properties?

Cambridge examplereverse of Fylde Coast

THE IMPACT

NEGATIVE

.....in areas that are relatively unpopular with owner occupiers / non-HB tenants

.....in areas where there is high demand from tenants on Housing Benefit

.....in areas where there is a large supply of properties without more profitable uses

.....as it wastes tax payers' money, to the advantage of landlords

THE CURE?

Fylde Coast MAA suggested to DWP:

EITHER:

BRMA focused on the inner core of Blackpool and rest of Fylde Coast BRMA divided into two smaller areas than currently to reflect different conditions

OR:

Suspend use of the BRMA for setting housing benefit levels in inner towns where there is no real market for rented accommodation because a large majority of tenants is on housing benefit.

Expect 1 room LHA figure to be reduced by 25%, and other LHA levels reduced by 10% in inner Blackpool. This would save around £4.9 million in Blackpool every year.

Main benefit – reduce the financial incentives for an ever growing concentration of deprivation

QUESTIONS

Does this make sense?

Are there serious negative impacts (or positive impacts) felt widely across the North West?

Ideas for addressing any negative impacts?

How can we / should we work together to make the case to Government?