

Tracking Welfare Reform: Local Housing Allowance

an extended London Councils briefing



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Background

In the 2010 Emergency Budget, the government announced a number of changes to Local Housing Allowance (LHA). Introduced by the previous government, LHA is the method by which rates of housing benefit paid to most tenants in deregulated private rented sector (PRS) housing are calculated.

The number of LHA households in London has increased significantly in recent years from 55,000 in November 2008 to 197,000 by the implementation of the majority of reforms to LHA in April 2011.¹ Government expenditure on housing benefit has risen from £11bn in 1999/2000 to £20bn in 2009/10. The Department for Work and Pensions forecast this to rise to £25bn in 2015/16 with no reform.²

The number of housing benefit claimants in Great Britain increased by 300,000 to 4.95 million between January 2010 and December 2011 and according to The Building and Social Housing Foundation, 93% of that increase could be accounted for by households where at least one member was in work.³

The reforms to Local Housing Allowance are the only set of welfare reforms scheduled during this parliament to have already been implemented. A range of further reforms to the welfare system are due in 2013 including the first households moving onto the Universal Credit.

Some social sector tenants will see changes to the way in which they receive housing benefit in April 2013. Housing benefit payments will be reduced to social tenants deemed to be under-occupying their property. Under-occupation by 1 bedroom will mean housing benefit is reduced by 14% and under-occupying by 2 or more bedrooms will result in a 25% reduction.

The government will introduce an overall cap in 2013 on the amount in benefits a household can receive, including housing benefit, of £500 per week (or £350 per week for single people without children).

Councils will be implementing local Council Tax Support schemes to replace national Council Tax Benefit whilst delivering a 10% saving on national expenditure meaning that more working age households will pay some or more council tax.

The majority of the reforms to LHA were implemented from April 2011. Existing LHA households will have been affected on the anniversary of their claim. Lobbying from London Councils and others led to the government agreeing an additional 9-month grace period for existing claimants in order to allow time to arrange alternative accommodation or to make financial adjustments. The 30th percentile change was implemented from October 2011 and shared accommodation rate change became effective in January 2012 (see below).

In effect, this means that there is no single date on which the old system ended and the new system began. For the calculations in this report, Department for Work and Pensions figures are used relating to the first 18 months following the LHA reforms (i.e. April 2011 – August 2012) unless otherwise

¹ DWP Stat-Xplore (http://83.244.183.193/hb_la/)

² DWP Impact of LHA changes in 2011

³ Building and Social Housing Foundation: Growth of In-Work HB Claimants

stated. Further examination of the themes of this report must be carried out in the context of the other reforms to welfare due in 2013.

The LHA Reforms

- Maximum LHA rates set at the 30th percentile of rents, rather than the 50th meaning that theoretically the cheapest 30% of rental properties in an area should be available to tenants in receipt of housing benefit.
- £15 excess payment which allowed tenants to keep excess housing benefit payments abolished. This was planned by the previous government.
- Non-dependant deductions increased for three years meaning any adults in a household (e.g. a son or daughter over 18) will be deemed able to contribute to the rent.
- 5 bedroom rate removed. Maximum levels of housing benefit for each household size were introduced with a maximum qualification of 4 bedrooms. The new rates are;
 - £250 for a one bedroom property
 - £290 for a two bedroom property
 - £340 for a three bedroom property
 - £400 for a four bedroom property
- Shared room rate increased to 35 meaning that single adults under 35 only qualify for a payment equal to the cost of a room in a shared house. This was previously set at 25 and under.
- £10m was added to Councils' Discretionary Housing Payment pot in 2011/12 and a further £30m in 2012/13 to mitigate the impacts of the changes above.

There will be further changes to LHA in coming years as payable rates are uprated by the Consumer Prices Index in April 2013 (Previously rates were uprated by Retail Price Index which includes rent levels in the calculation) and then by 1% in April of the following two years.

The aim of the changes to LHA and of the government's wider welfare reform agenda are to simplify the system of benefits, to make work pay and to make the system fairer. Making the system fairer and more sustainable includes measures that ensure that households on benefits are not able to live in areas out of the financial reach of most households in work.

The government has identified housing benefit paid to private sector landlords as a key driver of higher private rents and has said it expects private landlords to reduce rents as a result of the LHA reforms. The Prime Minister said in January 2012 that *"What we have seen so far, as housing benefit has been reformed and reduced, is that rent levels have come down, so we have stopped ripping off the taxpayer."*⁴

⁴ Hansard, PMQs 11th January 2012

London Councils is supportive of the simplification of the benefits system and measures that make work pay but has made the case consistently that failure to take account of London-specific factors risks harming the success of the welfare reform agenda in the capital.

Expected Impacts

London Councils has argued that London specific factors such as high rents, childcare costs and transport costs in combination with London's high demand for housing of all kinds risks welfare reform impacting London households financially harder than those in other parts of the country and makes it harder to make work pay in London.

The DWP estimated that nearly 160,000 households would be affected in London by the reforms to LHA; higher than any other Government Office region. At the other end of the spectrum just over 40,000 households in the North East and around 50,000 in both Scotland and Wales were expected to be affected.⁵

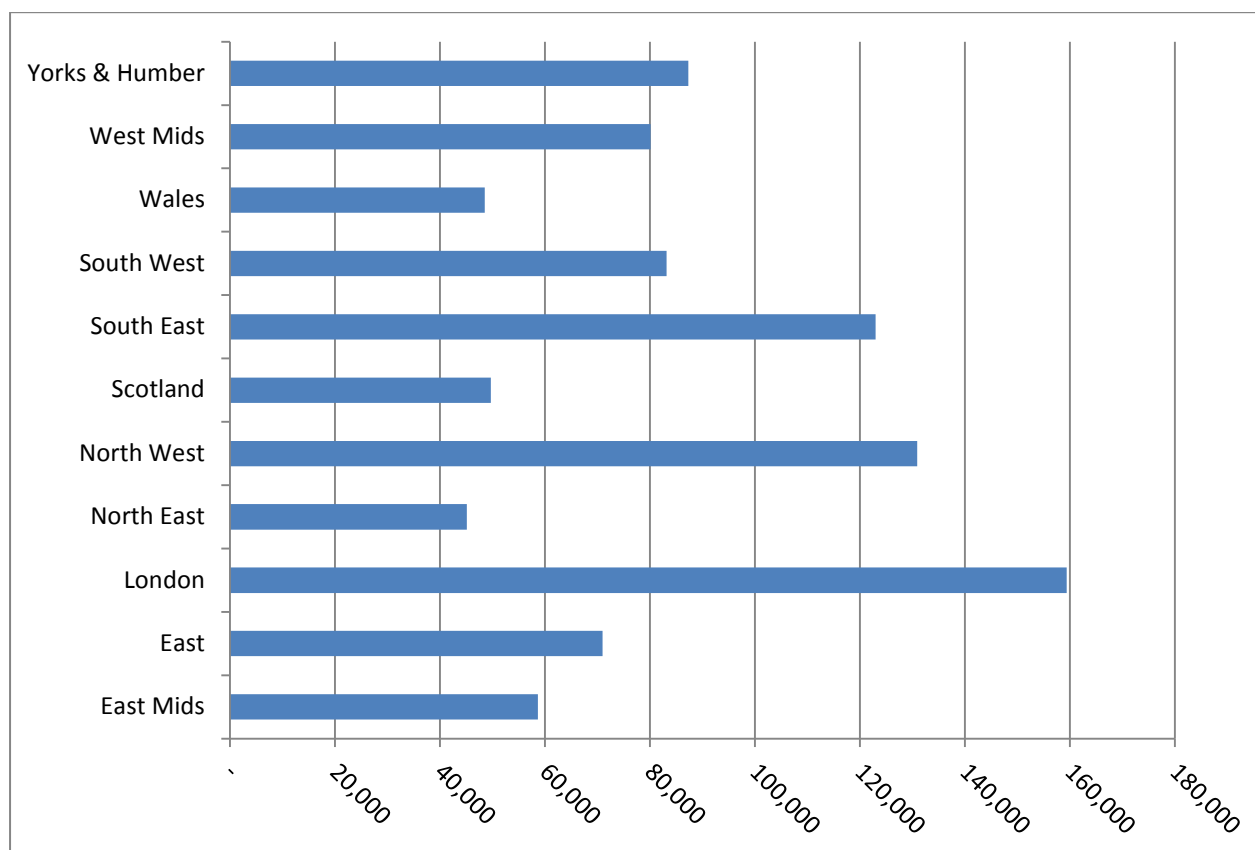


Figure 1

The DWP has asked a team including Oxford University, Sheffield Hallam University, Ipsos Mori and the Institute for Fiscal Studies to monitor and report on the potential and actual impacts of the LHA changes. The first interim report⁶, released in 2012 contained survey information largely completed before the LHA changes were implemented but offers an insight into how both tenants and landlords expected to react to the changes.

The survey found that landlords in London were far more likely to evict or not renew tenancies of tenants impacted by the LHA changes than they were to lower rents. It also found that a number of landlords were considering stopping letting to Housing Benefit/LHA tenants altogether.

⁵ DWP Impact Assessment of Housing Benefit Proposals: Changes to LHA 11-12, 2010

⁶ Monitoring the impact of changes to the LHA system of housing benefit, Cole et al, June 2012

DWP commissioned monitoring of LHA changes

- 40% of London landlords reported that they planned to cease letting to HB/LHA tenants specifically because of the LHA reforms whereas only 6% said they would seek to negotiate a lower rent with tenants.
- 38% of London landlords reported they had taken action to evict tenants because of the LHA reforms compared to 25% in the rest of Great Britain.
- 30% of London landlords reported that they were no longer renewing some HB/LHA tenancies compared to 14% in the rest of Great Britain.

The report also highlights that both tenant and landlord responses tended to harden in London when compared with the rest of the country. Landlords in London were more likely to evict or stop renting to LHA tenants than their counterparts in the rest of the country. Tenants in London were more likely to look for some or more work to cover rent shortfalls than their counterparts elsewhere. They were also more likely to seek to negotiate down their rent but London landlords were less likely to agree to the request.

An examination of the changing costs of housing benefit shows a clear correlation between the reforms to LHA and the average housing benefit paid to LHA tenants. The average payment peaked at around £115 per week in March 2011 when the majority of the reforms were implemented and then fell steadily to just over £107 in August 2012.⁷

Choices

Faced with a reduction in housing benefit income, a household faces a small number of choices including;

- i) Moving into work or taking on more work in order to increase income.
- ii) Moving to accommodation (whether smaller, in a lower rent area or both) that is affordable based on new LHA eligibility.
- iii) Reduce spending on other things in order to pay the rent.
- iv) Do nothing

The impacted household might reduce spending on other things in order to pay the rent. For some households this will be possible, especially for those who are financially impacted by a relatively small weekly amount.

Other households will either attempt to absorb their shortfall and fail or take no action to mitigate the impact of a reduction in housing benefit. These groups are at risk of falling into rent arrears, being evicted and ultimately presenting to their local council as homeless.

⁷ Department for Work and Pensions

Each household that presents to their council as homeless represents an extra cost to the council in processing the application and in sourcing and providing temporary accommodation for that household within the LHA limits whilst their application is processed and, if accepted, permanent accommodation is sourced.

Concerns have been expressed that a significant movement of households into particular boroughs could put pressure on council services in the new borough, especially if the household has school age children or care needs.

	<i>Column percentages</i>				
	London	Rest of Great Britain	Existing claimants	New claimants	All claimants
Spend less on household essentials	39	48	44	52	45
Spend less on non-essentials	36	37	36	40	37
Look for a job	35	32	32	32	32
Borrow money from friends or family	22	26	24	29	25
Look for a better paid job	22	13	15	19	16
Increase hours of work at current job	10	11	10	13	11
Borrow money via a loan or credit card	8	10	9	11	9
Look for an additional job	6	7	6	9	7
Use savings	6	6	6	8	6
Other	6	7	7	5	7
Don't know	5	5	5	3	5
None of these	10	6	8	6	7
<i>Base: All claimants</i>	<i>399</i>	<i>1,511</i>	<i>1,355</i>	<i>555</i>	<i>1,910</i>

Figure 2

The DWP commissioned research asked LHA recipients about their likely responses. 35% of London respondents indicated they would look for a job to make up their rental shortfall and 36% said they would spend less on non-essentials. However, a number of non-sustainable actions were identified as a method to mitigate the impact such as borrowing money via a loan or credit card (8%), using savings (6%) and cutting back on household essentials (39%).

Rents

Previously the amount of housing benefit paid to an LHA household was relative to the rental cost of the property in which they were living up to limits set by the 50th percentile level of a Broad Rental Market Area.

Since March 2011, LHA changes have meant that lower housing benefit limits exist for private rented properties and that households can no longer receive housing benefit for a property larger than four bedrooms. The higher upper housing benefit limits were said to be a driver of higher rents, particularly in areas where there was high housing demand.

In housing markets like London where there is an almost insatiable demand for property of all kinds, the demand for private rented sector housing from LHA recipients must be seen in the context of wider demand for private sector housing from non-LHA households meaning that the rent inflationary effect of higher housing benefit expenditure is less of an influence on wider rents than if demand from non-LHA households was not as high.

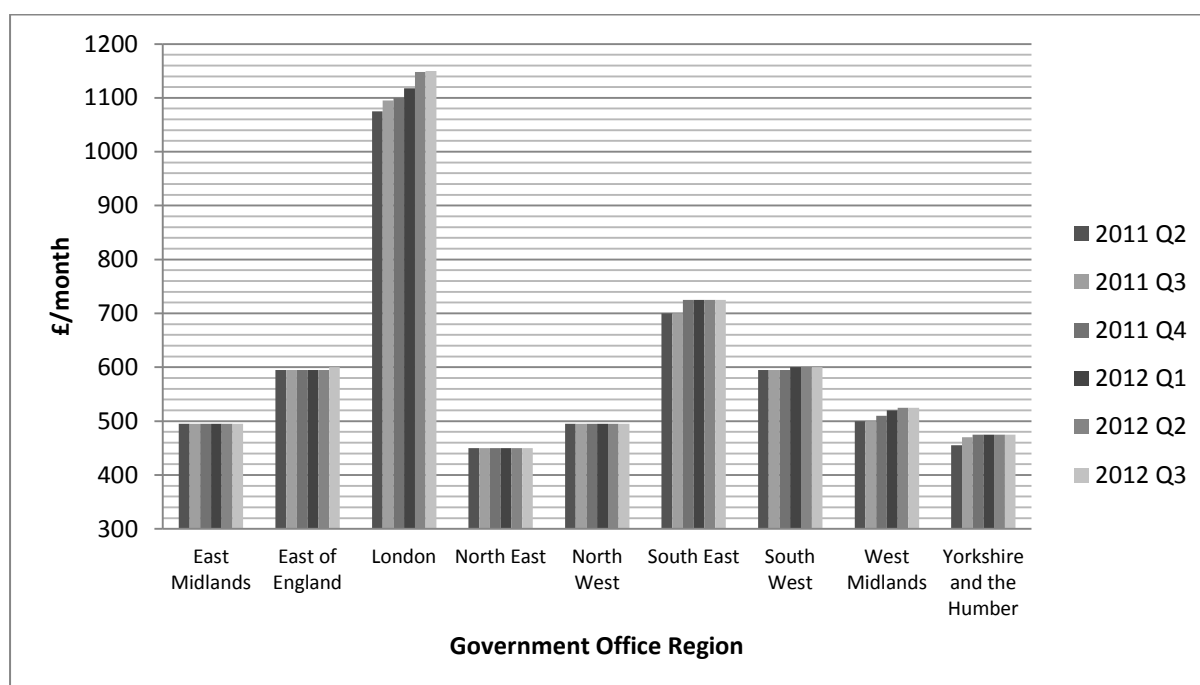


Figure 3

Figure 3 shows that median rents in the East Midlands, East of England, North East and North West have broadly remained stable since the LHA changes were implemented and have risen slightly in the South East and the West Midlands.

However, the rise in London's median rent bears no similarities to other regions beginning at well over £1000 per month and rising steadily in each following quarter to almost £1150 in quarter 3 of 2012.

As the LHA rate calculation was reduced from the median rent in an area to the 30th percentile, it is also worth examining the impact of the LHA reforms on lower quartile rents which, it can be safely assumed, would experience increased demand from LHA households impacted by the 30th percentile reform.

Figure 4 shows that in London lower quartile rents have grown at a faster rate than any other Government Office region, faster than inflation and faster than London median rents over the 18

months following the LHA reforms a from £758 per month to £825 per month in August 2012; a rise of **8.9%** over the period.

It should be noted that London's lower quartile rents in March 2011 were *higher* than August 2012 median rents in any other region.

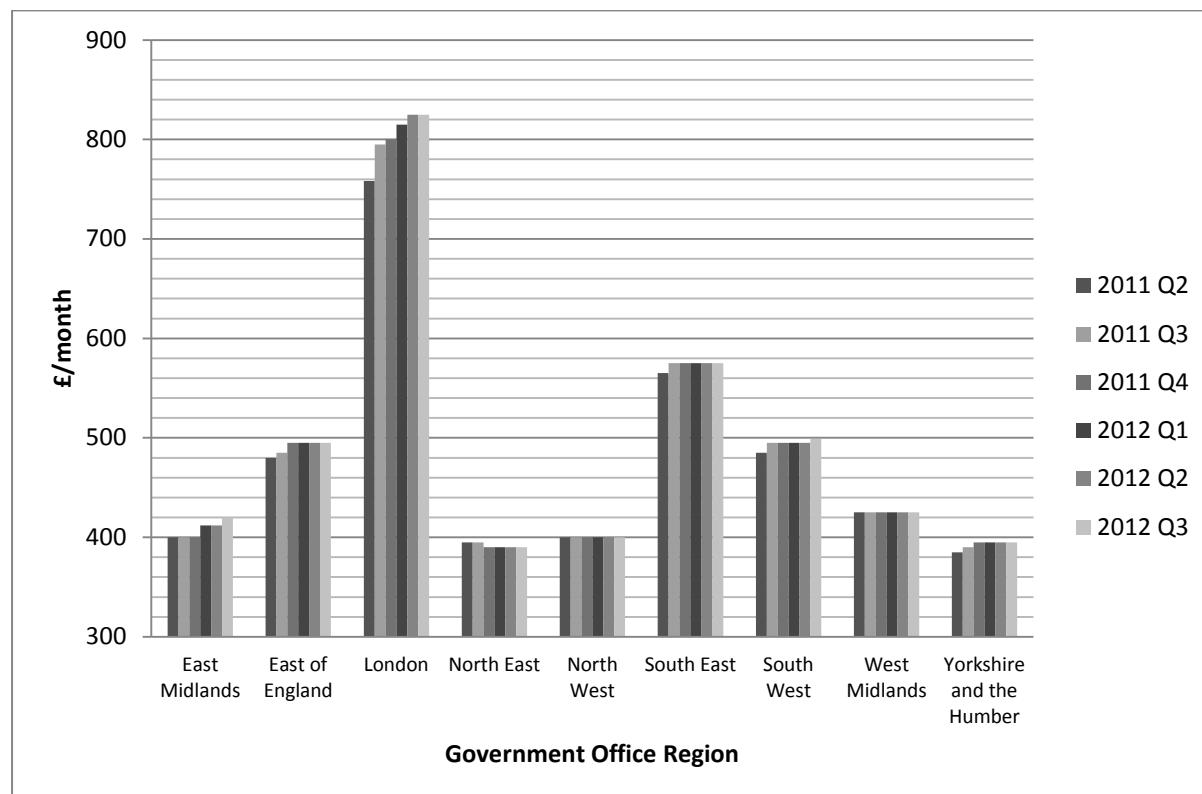


Figure 4

Since the implementation of the LHA reforms, there has been no discernible downward impact on private rents in the London region; they continue to rise at a higher rate than in any other region and at a higher rate than inflation.

LHA upper limits will grow at CPI in April 2013 and then by 1% in each of the following two years. If rents continue to grow in London at well above inflation then it can be expected that the disparity with LHA rates will become more pronounced.

London

What these reforms mean is that people receiving Housing Benefit may not be able to live in expensive city centres, but the same applies to most working families who do not receive benefit.

Department for Work and Pensions

There is also a significant disparity in rents between London boroughs. In March 2011, lower quartile rents ranged from £520 per month in Haringey to almost £1500 per month in Kensington & Chelsea.⁸

In the 18 months following the LHA changes, the number of LHA tenants has increased by 17% in England, Wales and Scotland. The number of LHA tenants in London rose by 31680 over the same period which represents a rise of around 16%; broadly in line with the rest of the country.⁹

The growth in LHA households within London is far from uniform however with large disparities between the rise and fall of LHA households between some central London boroughs and some outer London boroughs.

For example, in spite of the 16% London-wide rise in LHA households, Kensington and Chelsea saw a reduction of 450 households over the eighteen month period; a drop of 16%. Westminster saw a reduction of 840; a drop of 13% and Islington saw a fall of 40 households; a 1% drop. There were a number of boroughs where the numbers stayed broadly stable; Hammersmith and Fulham had 70 additional cases and Camden 40 additional cases over the 18 months.¹⁰

Some other inner London boroughs saw small rises in their LHA numbers. Lewisham experienced a 3% rise, Southwark 9%, Wandsworth 2% and Tower Hamlets 11%.

The majority of boroughs experienced a rise in LHA claimants over the period broadly in line or marginally above the 16% increase that would be expected had the increase been uniform across London.

At the other end of the spectrum, Newham experienced a rise in their number of LHA households of 3050 over an 18 month period; a 37% increase. Enfield saw their numbers increase by 3370; a 27% increase and Barnet had 3680 new LHA tenants representing a 43% increase, topping the list.

Some areas of London (not only central London but inner east, inner south east and inner south west London) have experienced either a drop or a below-uniform rise in LHA households whilst the rest of London has experienced a rise at around the rate of uniform growth or significantly above.

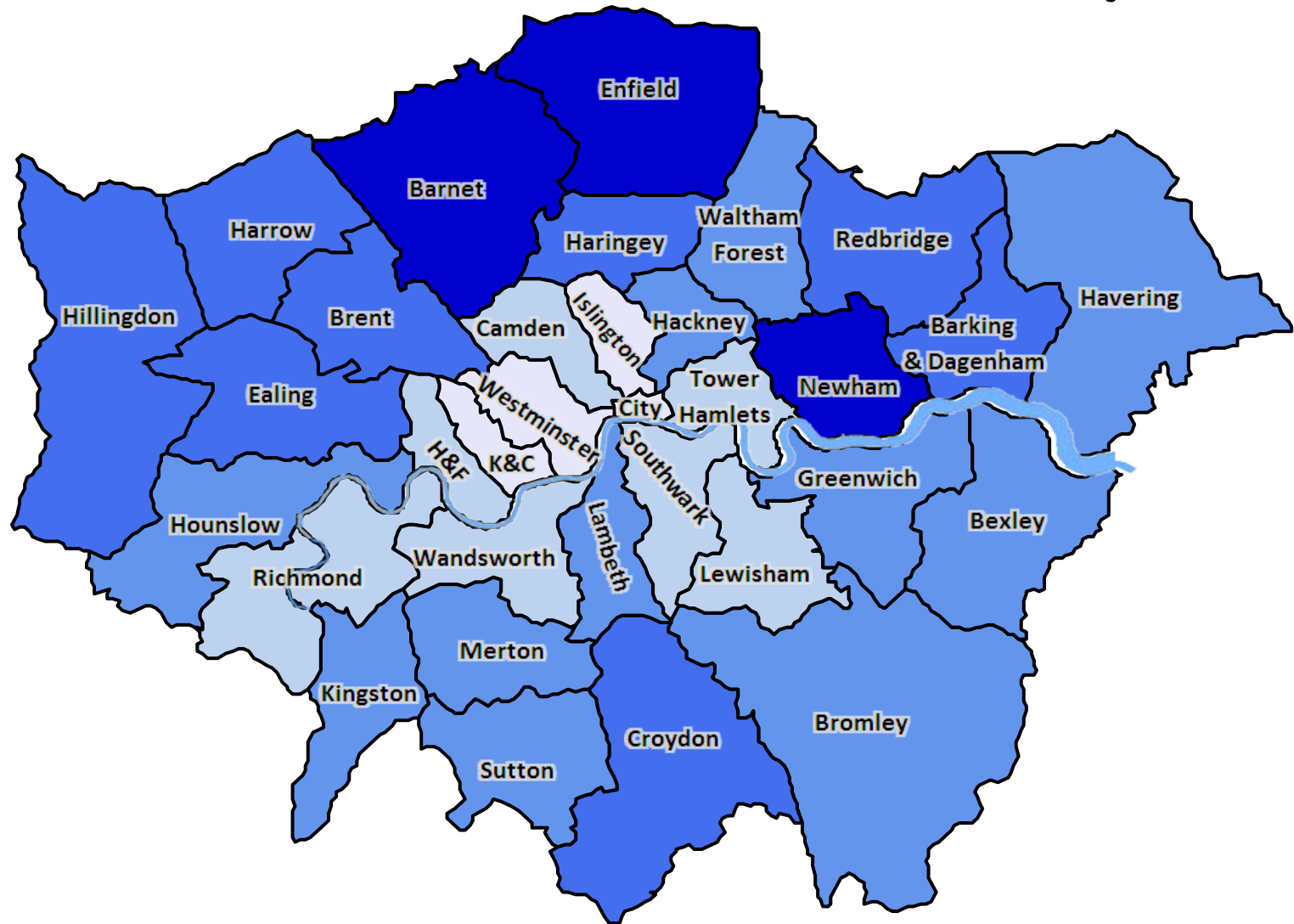
There does not appear to be a immediately obvious correlation between the variations of private rents over the period and the borough growth and reduction of LHA claimants. For example the highest rent rises were in Richmond-upon-Thames and Camden, both of which experienced only slight rises in the number of LHA households.

⁸ Valuation Office Agency

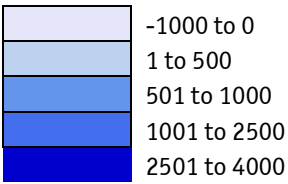
⁹ DWP Stat-Xplore

¹⁰ DWP Stat-Xplore

Figure 5



Key – Rise/Fall in number of households in receipts of LHA



There appear to be some localised impacts on lower quartile rents that correlate with increases and falls of LHA households. For example, there was a significant rise in rents in Barnet (£245 per month), the borough with the highest rise in the number of LHA households (3680 or 43%) whereas Kensington & Chelsea's lower quartile rents reduced by £43 (albeit from a high base) as the number of LHA households dropped by 16%. Enfield also saw a large rise in monthly rents (+£125) that correlates with their large increase in LHA households (third highest in London) whereas Newham, with the second highest rise in London only saw lower quartile rents rise by £25 per month.

Meanwhile, there are significant lower quartile rent rises in some boroughs without high increases in LHA households such as Hammersmith & Fulham (+ 70 LHA households/ + £279 per month rent) and Camden (+ 40 LHA households/ + £195 per month rent).

	LHA households Mar 2011	Change in no. LHA households Mar 2011 – Aug 2012	% change in LHA households	Change lower quartile rent Mar 2011 – Aug 12
Westminster	6510	-840	-13%	£0
K & C	2760	-450	-16%	-£43
Islington	3190	-40	-1%	£174
City	30	0	0%	£108
Camden	3390	40	1%	£195
H&F	3110	70	2%	£279
Wandsworth	7300	130	2%	£150
Richmond	1990	170	9%	£278
Lewisham	10500	330	3%	£75
Southwark	4030	350	9%	£66
Tower Hamlets	4230	460	11%	-£43
Havering	3460	590	17%	£48
Kingston	2550	640	25%	-£11
Merton	3850	640	17%	£100
Lambeth	6550	660	10%	£125
Waltham Forest	8220	680	8%	£35
Bromley	4000	710	18%	£31
Sutton	3390	730	22%	£66
Hackney	8280	740	9%	£77
Greenwich	4270	800	19%	£50
Bexley	3680	830	23%	£50
Hounslow	5370	860	16%	£100
B & D	5030	1150	23%	£50
Hillingdon	5900	1170	20%	-£100
Harrow	6450	1290	20%	£40
Redbridge	6560	1360	21%	£50
Haringey	10020	1970	20%	£130
Ealing	9670	2170	22%	£50
Croydon	11420	2180	19%	£0
Brent	12490	2190	18%	£125
Newham	8140	3050	37%	£25
Enfield	12330	3370	27%	£125
Barnet	8480	3680	43%	£245

Figure 6

Brent and Haringey also saw relatively high increases but Newham and Croydon, also at the higher end of LHA households increases saw only moderate rises in comparison with the rest of London.

It may be that in some boroughs with smaller stocks of private rented accommodation a large increase in LHA households has a more significant impact on lower quartile private rents than in those boroughs with larger private rented sectors. For example, Barnet with an estimated private rented sector of 20%¹¹ of total stock and Enfield with an estimated 16% of total saw far higher rental increases than for example Newham which has an estimated private rented sector of 34% of total stock.

Meanwhile, where boroughs with large private rented sectors have experienced rent increases despite only small increases in LHA household numbers, it suggests that local private rented markets are not significantly affected by the LHA changes due to sufficient demand from non-LHA households for private rented accommodation to push up rents.

¹¹ Greater London Assembly, Housing & Planning Committee 2011

Homelessness

In the face of rising rents and capped LHA rates, concern has been expressed that some households unable to meet their rent obligations through new housing benefit awards would fall into rent arrears and become homeless, presenting as such to their local authority.

Figure 7 suggests that there is a correlation between the implementation of the LHA caps and the number of households accepted by local authorities as homeless although only in London.

Homeless acceptance figures in all other Government Office Regions remained relatively stable or have reduced over time; all start from a lower base figure. Only the West Midlands was experiencing levels of homelessness acceptances comparable to London at the beginning of 2011 and it experienced a slight drop immediately following the LHA reforms.

In London, there was a rise in the number of acceptances in the three subsequent quarters following the LHA reforms rising from 2640 acceptances in quarter 2 of 2011 to 3760 acceptances in quarter 1 2012.

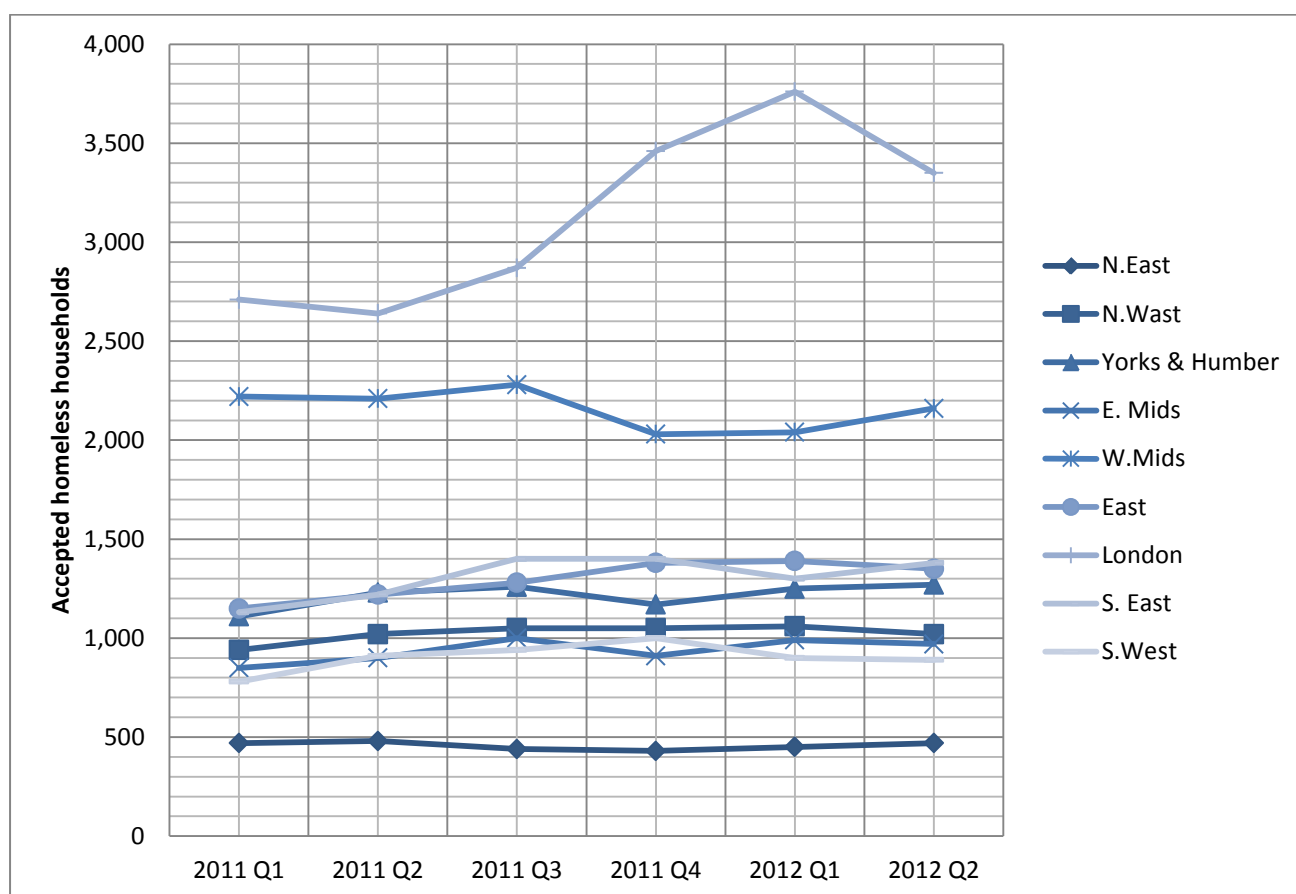


Figure 7

London has well over twice as many households in temporary accommodation that the rest of England combined. With demand for social housing units outstripping supply in London, homeless households are often placed in temporary private accommodation whilst their homelessness application is assessed. Temporary private accommodation is often much more expensive than either social housing or long term private accommodation meaning additional costs to local authorities.

The number of households in temporary accommodation had been broadly falling from a high of just over 101,000 (around 62,000 of which were in London) households in 2004/05.¹² The number of London households in temporary accommodation fell to a low of 35,620 in the second quarter of 2011.

Following the implementation of the majority of the Local Housing Allowance changes in April 2011, the numbers in temporary accommodation in London began to rise for the first time since 2005.

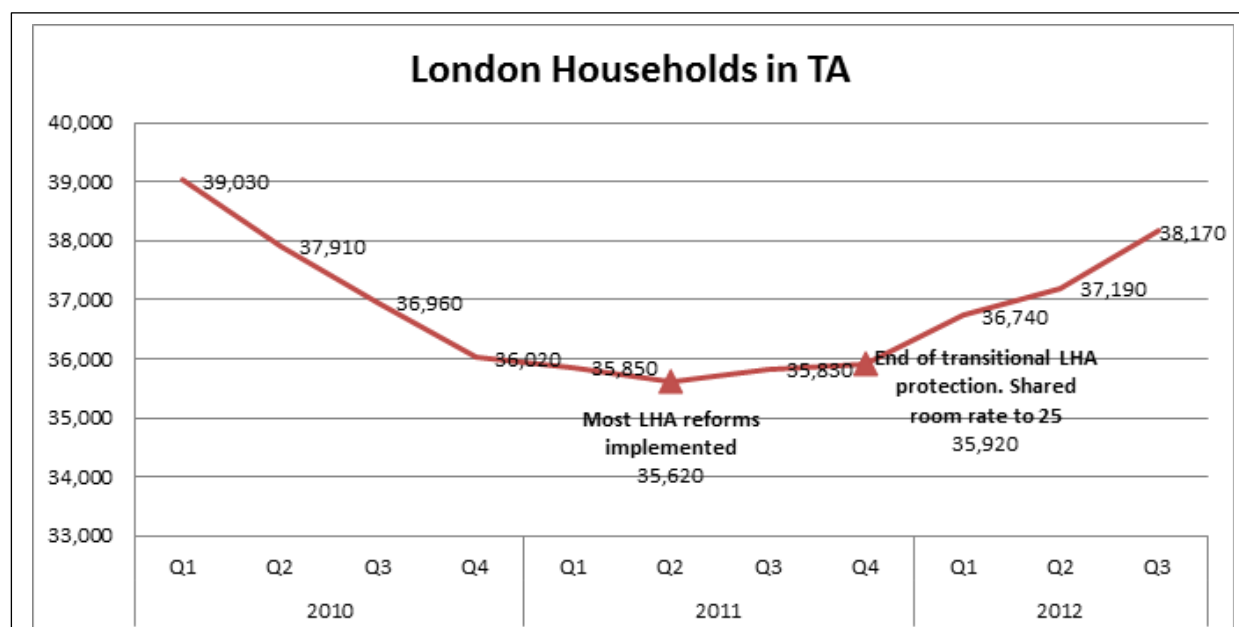


Figure 8

The London numbers rose by around 300 between the implementation of the majority of the LHA reforms and the end of 2012. Following the reduction in the shared room rate threshold from 35 to 25 in January 2012, the numbers in temporary accommodation begin to rise at a higher rate, from 35,920 in quarter 1 to 38,170 in quarter 3; a rise of over 2000.

The rest of England combined saw a rise of temporary accommodation numbers of just over 2000 in the period between April 2011 and end of quarter 3 2012 compared with a rise of around 2500 in London.

¹² Department for Communities and Local Government Live tables on homelessness

Uprating of LHA

In the 2012 Comprehensive Spending Review, the Chancellor announced that he intended to put before parliament a bill uprating most working age benefits by 1% for three years; this bill is currently before parliament and is expected to receive Royal Assent soon.

The Chancellor announced that local housing allowance limits would rise by the Consumer Prices Index (at time of writing 2.7%¹³) in April 2013 and then by 1% in April of each of the next two years.

In recognition of the differential impact of national housing benefit changes on areas with different housing rental markets, he also announced that 30% of the savings to government of limiting rises in LHA limits would be set aside for use in high rent areas in order to mitigate the impact of LHA changes on those areas.

In areas with high rents such as London, national benefit level maximums have a disproportionate impact. As rents increase in London at a higher rate than the rest of the country the non-inflationary rises in Local Housing Allowance also have a disproportionate impact reducing the number of properties available to recipients of housing benefit, increasing the risk of rent arrears and eviction and increasing the costs to councils of administering homelessness applications and sourcing temporary and permanent accommodation for homeless households.

The figures on the following pages visually represent the disparity between rent levels and maximum LHA limits in London. Whilst the cost of rents in some of the country's most desirable boroughs might not be surprising, we can also see that even in some of London's most deprived boroughs, rent costs are high and track far above LHA limits.

The rental data used is the lower quartile of rents (i.e. the 25th percentile). The Local Housing Allowance limit was reduced to the 30th percentile of rents in March 2010 from the 50th percentile but in some cases in London the national maximum LHA rates are lower than the 30th percentile

NB Projected LHA data is based on government announcement that LHA rates would rise in line with CPI in April 2013 (assumed to be 2.7%) and by 1% in both April 2014 and April 2015. Lower quartile rents in June 2011 and June 2012 are taken from Valuation Office Agency statistics and the projections for June 2013-15 are based on a 2.8% yearly rise which is the average rise across Great Britain between 2011 -2012 (As London rents are rising faster than in any other region, this is likely to be an underestimate). As VOA rental data for June 2010 is not available, June 2010 rent rate is based on Shelter's estimated rent rise between 2010 and 2011 which is 2.8%.

¹³ Office for National Statistics

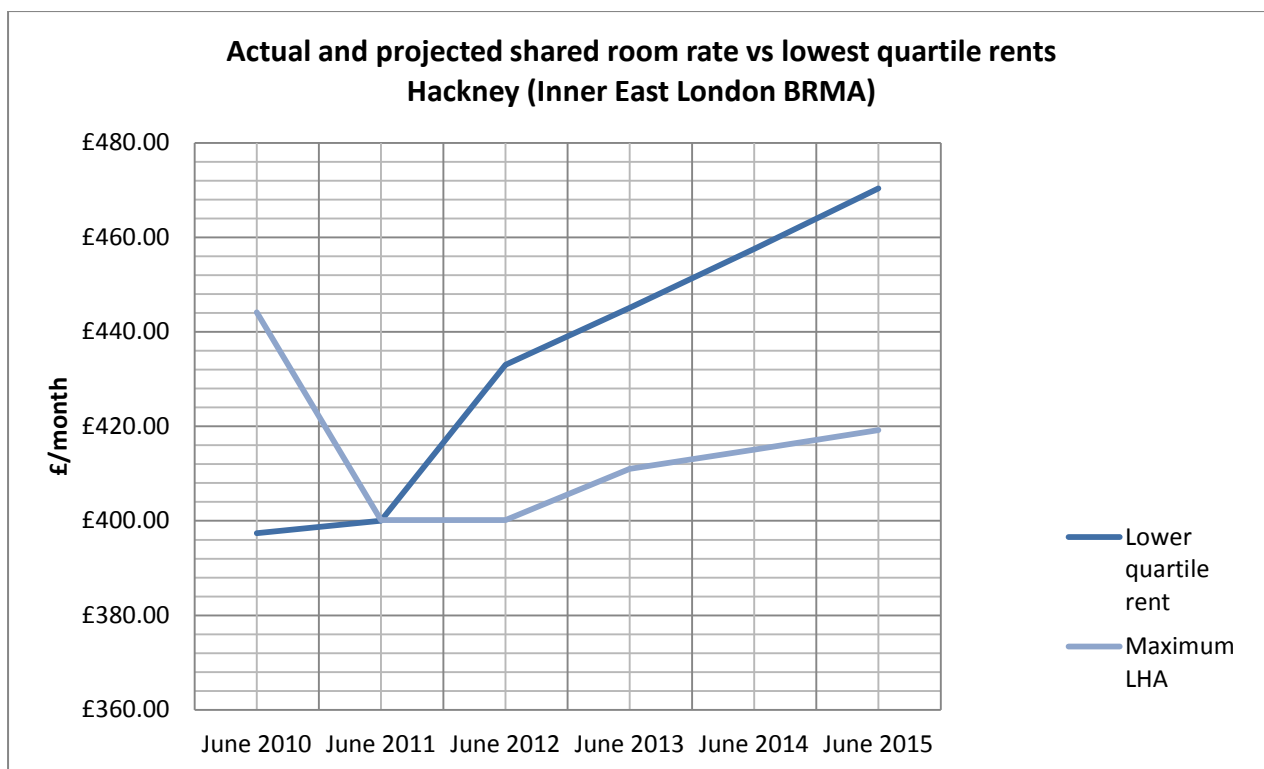


Figure 9

Hackney is one of the top ten most deprived boroughs in England¹⁴ yet we can see at figure 9 that for single adults under-35s, there was already, by 2012, a shortfall of around £35 per month between the *maximum* Local Housing Allowance rate for a room in a shared property and the lowest quartile of rents. Assuming rents rise at 2.8% per year, the gap between maximum LHA and monthly lower quartile rent would rise to £50 per month or £600 per year.

This means that fewer properties in Hackney would be available to single under 35 adults in receipt of LHA in 2012 than in 2011 and the shortage would exacerbate over time. The more rents rise, the fewer properties are available to LHA households. It is worth noting that despite its high score on Indices of Multiple Deprivation, the cost of renting a room in a shared house in Hackney would be enough to rent a median priced 1 bedroomed flat or house in over half of Government Office Regions in England, Wales or Scotland.

New or existing single adult LHA households under 35 will find it increasingly difficult to find affordable private rental accommodation in boroughs like Hackney and will be faced with the choices outlined above including getting some or more work to enable them to afford rents in Hackney, move to an area with less expensive rents or falling into arrears and presenting to the council as homeless.

¹⁴ Department for Communities and Local Government Indices of Multiple Deprivation

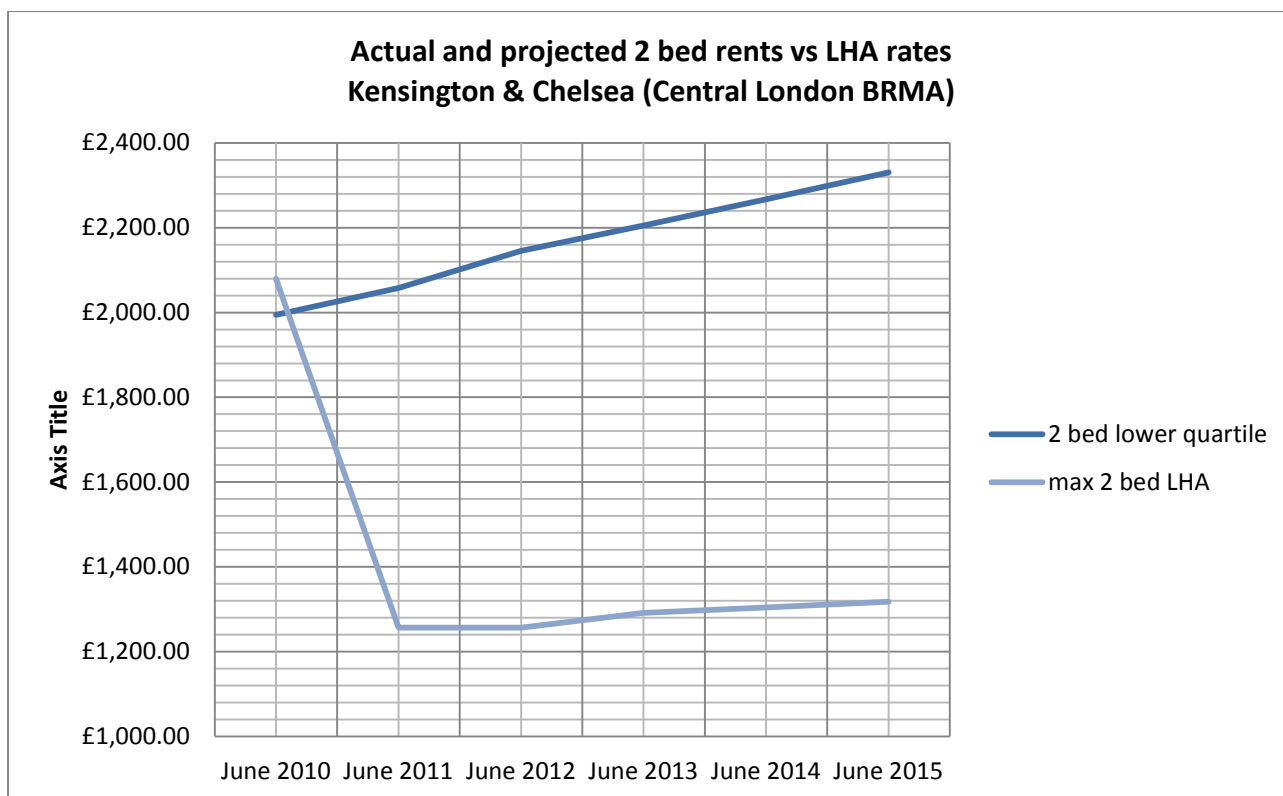


Figure 10

The figures involved in a borough such as Kensington and Chelsea are even more extreme. In March 2011, the link between rents and LHA rates was removed and the allowable LHA maximum for a 2 bedroom property in Kensington and Chelsea reduced from over £2000 per month to just over £1200. A stated aim of the policy of LHA reform was to ensure that households in receipt of housing benefit were not able to afford to rent properties in expensive city centres that were broadly not available to the average non-housing benefit household.

We can see this starkly in figure 10 as a family living in a two bedroom property in K&C in 2010 might have found that their housing benefit reduced by almost £800 per month by 2011. Given that the likelihood of covering such a shortfall from taking on some or more work or finding other significantly cheaper rental property locally are both extremely low, it could be reasonably inferred that the reduction in LHA claimants experienced by K&C over the 18 months since the LHA changes is as a result of a combination of the reforms and high demand for private rented properties in K&C from non-LHA households resulting in high rents.

In some boroughs, maximum LHA rates are significantly higher than the 30th percentile. The 30th percentile for 2 bedroom properties in Kensington & Chelsea is around £500 per week whereas the LHA maximum is £290 per week.

Similarly at figure 11 we can see that 3 bedroom properties in inner south-east London Lambeth see a cross over between the rise in lower quartile rents and maximum LHA rates over time with subsequent LHA rises failing to keep pace with a projected growth in lower quartile rents. An outer London example at figure 12 shows the impact of the removal of the 5-bedroom rate in Barnet as the allowable figure dropped from £2250 per month in 2010 to around £1500 per month in 2011.

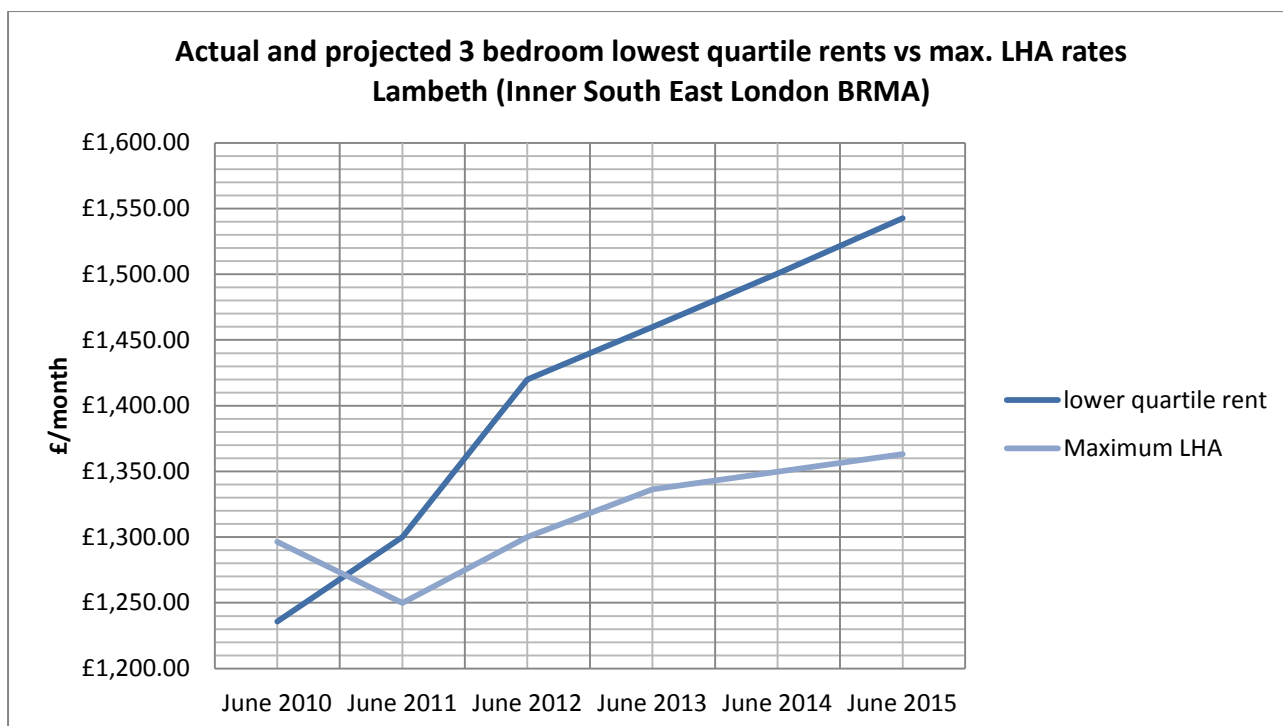


Figure 11

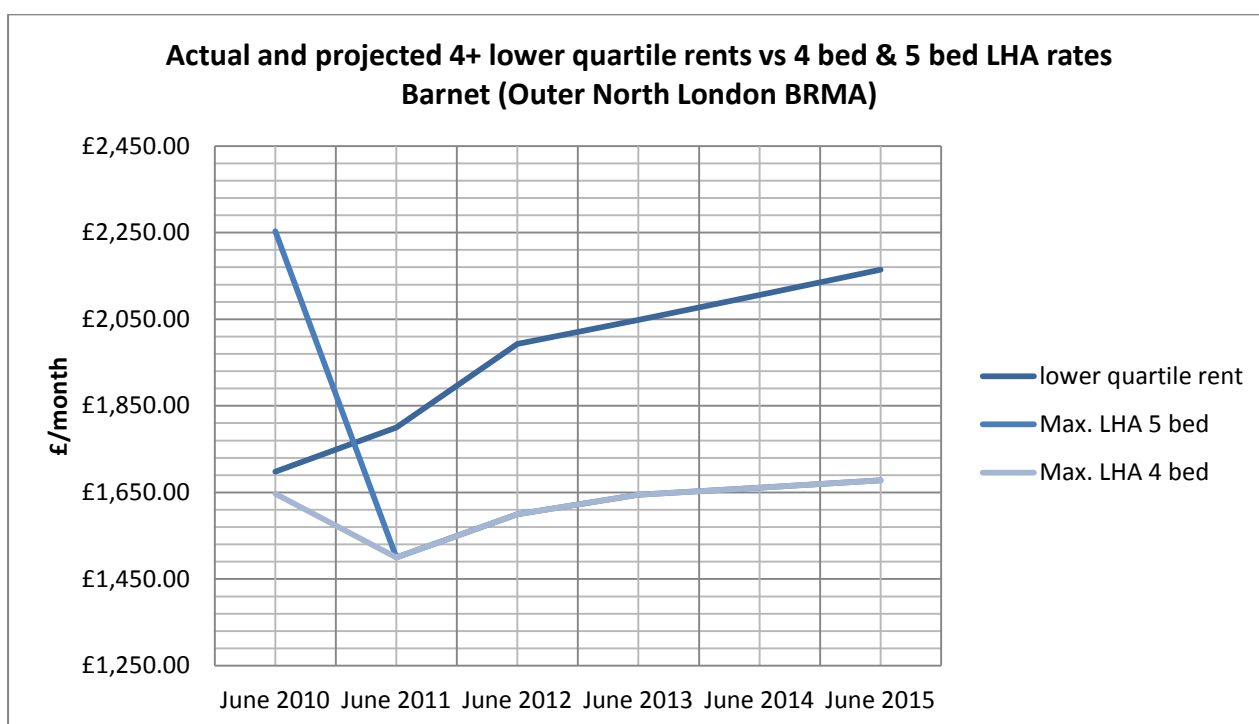


Figure 12

In contrast to the comparison between London lower quartile rents and maximum LHA rates, the graphs below at figures 13 and 14 show how the LHA system is working in Birmingham and Manchester (chosen as comparable inner city areas)

The reforms of 2011 brought the 2 bed rate in Birmingham more closely into line with lower quartile rents and shows divergence of only around £10 per week by 2015 assuming 2.8% rent rises each year and the rises in LHA already announced for the next three years.

Taking the shared room rate in Manchester, we can see that with the same assumptions about rent rises, the LHA tracks above the lower quartile rent (around the 30th percentile) until 2014 as the below inflation rises bring it below the lower quartile rent. In 2015, the divergence between the LHA rate and the lower quartile rent is only around £5 per month.

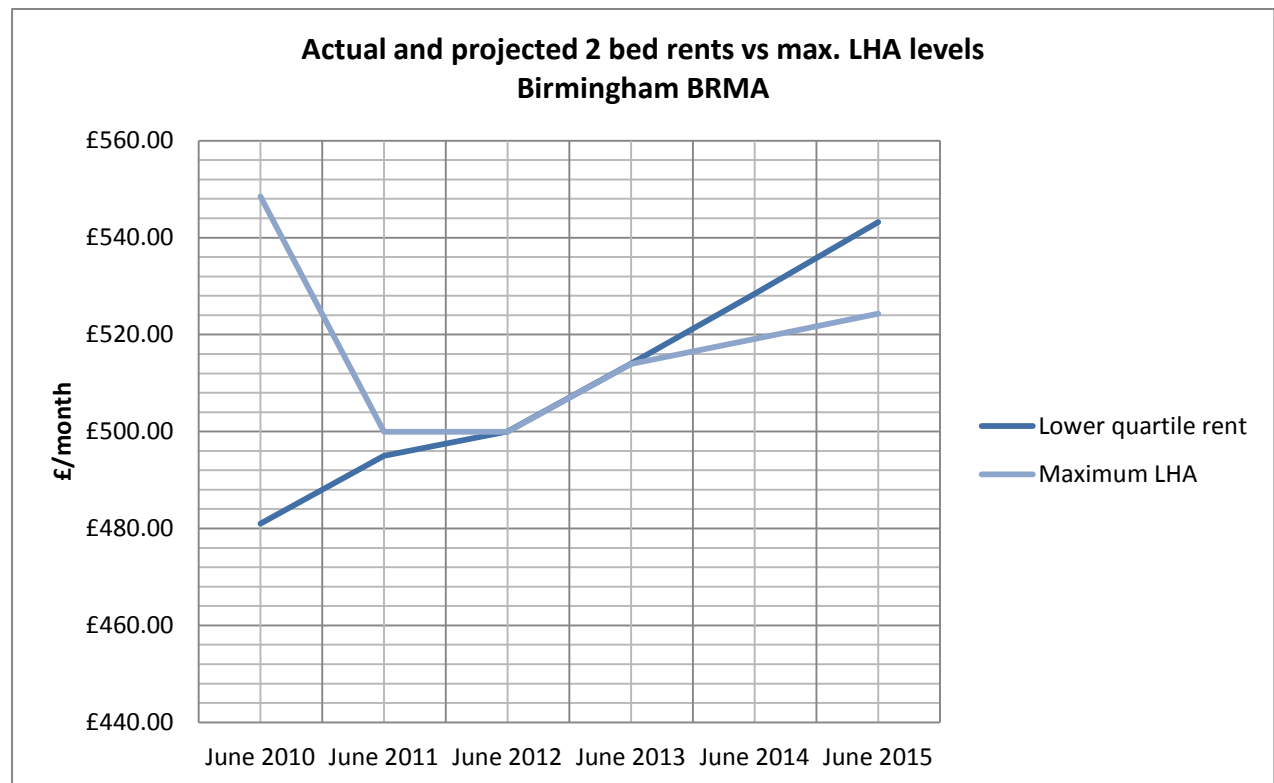


Figure 13

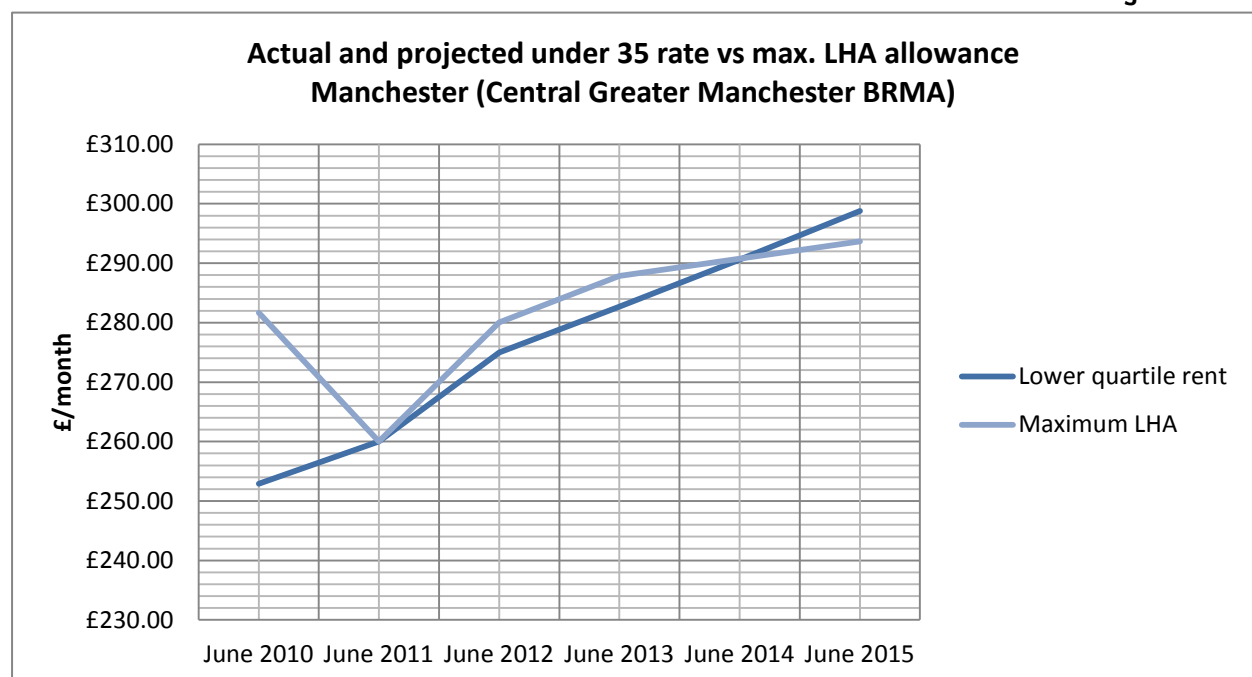


Figure 14

Commentary

In his Autumn Statement in December 2012, the Chancellor announced that whilst the rates of most working age benefits would rise by only 1% for the following three years, Local Housing Allowance rates would rise by CPI in 2013 as previously announced and then by 1% in each of the following two years.

He also said that exemptions from the 1% rate increase would be made where rent increases are the highest and that 30% of the potential savings from the 1% uprating would be reserved to fund the exemptions in 2014/15 and 2015/16.

We have seen that median rents in London rose by 7% over the 18 months following the implementation of the LHA changes and that lower quartile rents rose 8.9%; both above inflation and above rises in any other Government Office Region.

In the rest of England, Wales and Scotland, rents broadly rose at just above the rate of inflation. In the North West, there was no change and in the North East, lower quartile rents fell over the period.

	Change (£)	Change (%)
East Midlands	£20	5%
East of England	£15	3%
London	£67	9%
North East	-£5	-1%
North West	£0	0%
South East	£10	2%
South West	£14	3%
West Midlands	£0	0%
Yorkshire & Humber	£10	3%

Figure 15

A comparison of median rent rises across the same period show that London once again experienced the most significant rises whereas the North East, North West and East Midlands experienced no rise. The South East and West Midlands saw above inflation rises.

As detailed above, there does appear to be a correlation between increases in LHA households in some boroughs with smaller private rented sectors and increases in lower quartile rents.

In most other parts of London it appears that the increase or decrease in numbers of LHA households has had little or no bearing on lower quartile rents indicating that the numbers of LHA households involved are not sufficient to have an effect on rents in the context of wider demand for private rented accommodation.

	Change (£)	Change (%)
East Midlands	£0	0%
East of England	£5	1%
London	£75	7%
North East	£0	0%
North West	£0	0%
South East	£25	4%
South West	£5	1%
West Midlands	£25	5%
Yorkshire & Humber	£20	4%

Figure 16

It has been demonstrated that there is a correlation between the LHA changes and the number of London households presenting to local authorities as homeless and with the number of households in temporary accommodation.

The announced rises in Local Housing Allowance rates by CPI and then by 1% in the following two years mean that even modest rises in London's rents will see the gap between lowest quartile rents and maximum LHA rates continue to grow meaning the number of properties available to LHA households will continue to reduce in parts of London.

There is a risk that the impacts of LHA reform could be exacerbated not only by below inflation rises in LHA limits but by other welfare reforms that come into effect in 2013

Reductions in housing benefit for social tenants under-occupying their property have the potential to lead to households in larger social rented properties leaving those properties in search of smaller accommodation, possibly in the private rented sector, potentially putting extra pressure on the supply of one and two bedroom private properties. 80,000 households in London will be affected by this change; second highest only to the North West. The average amount lost per household is £22 per week; higher than in any other region.

An overall benefit cap will be implemented by September 2013. 49% of all households affected in England, Wales and Scotland will be in London. 17 boroughs have over 1000 affected households.

Of the 20 boroughs with the highest number of households affected by the benefit cap, 19 are London boroughs. The only non-London authority in the top 20 is Birmingham which has a population of over 1,000,000; around 4 times that of most London boroughs.

It is clear that the reason that London is most significantly impacted by most of the government's welfare reforms is that rents are much higher than in any other region of the UK.

It is not clear that reforms to welfare payments in the context of London's buoyant rental market with an almost insatiable demand for properties of all kinds will bring down rents on any sustained basis. The evidence of the first 18 months of the Local Housing Allowance reforms suggest that London rents as a whole will continue to grow at above the rate of inflation.

This being the case, the implications of below inflation LHA rises in combination with the reforms already in place and the further welfare changes due to be implemented in 2013 are that there will be further differential growth in households in receipt of benefits from higher rent to lower rent London

boroughs and from London to the rest of the country and that homeless acceptances and the requirement for temporary accommodation will rise as households in receipt of benefits find that their existing accommodation becomes unaffordable.

The Chancellor has acknowledged that Local Housing Allowance rates risk becoming out of step with the growth in private rents in some areas and has committed to setting aside some of the savings that accrue to the Treasury from the below inflation rises in LHA in the next three years to exempt some areas from 1% uprating.

London has a strong case for exemption but in order to assist planning to meet London's housing needs, there needs to be clarity sooner rather than later on this important issue.

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