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Assessing the impact



Duncan Baxter highlights the grim reality of changes in Local Housing Allowance rates, following the results of a groundbreaking impact study ■

By the time this article is published the changes to the **Local Housing Allowance** (LHA) will have come into effect and those with anniversary dates in April 2011 and those with new claims will see their claim assessed against the new regulations.

The introduction of the '**transitional protection**' in the recent regulations will help existing tenants in allowing more time for the landlords and their tenants to plan how they will deal with the impact of the government's cuts. However, bringing forward the 30th percentile cut to April 2011 for new claimants will test how easily accessible rented housing will be for this group. Of course one of the key issues facing the government now is how it will ensure that these new tenants will be able to access at least the cheapest private rented properties, and not be crowded out by other non-benefit renters.

Before the regulations were finally released, I and my colleagues had identified that there would be a need to assess exactly which claims would be affected by the changes, and so we developed an '**Impact Assessment Report**'. The report is run across an authority's caseload, and calculates the maximum benefit that each claim currently could receive, the level at the anniversary date of the claim, and also at the point the transitional protection expires.

The report has proved to be a huge success with authorities. The following is a summary of the changes we identified across a number of authorities' caseload:

As can be seen in the illustration, when you multiply up the weekly impact into an annual impact the extent of the changes can truly be seen. The key message, though, was how to make best use of this information.

The message from authorities on how this information would be used ranged from merely notifying Cabinet/members of the likely impact, looking at the implications for **Discretionary Housing Payment** (DHP) funding through to the more proactive approach of contacting customers directly with the information we provided. We further assisted those authorities by producing tailored letters setting out what the impact could mean to them in real terms, and also when the changes would apply. Authorities have also used the information to work with their **Housing Options Team** to get advice to claimants to try to assist them in finding more financially suitable accommodation.

To reach the landlords and claimants themselves we have worked closely with the private rented sector to provide an understanding of the impact of the changes. To achieve this, we teamed up with **Settled Housing Solutions** and have run a number of workshops on LHA, as well as creating a desktop calculator to show the changes, and when they will be effective from.

The calculator not only shows the extent of the changes, but also clearly shows how the maximum benefit changes over time, and charts the fluctuation in the actual LHA

Authority	Weekly impact	Annual impact	% of claim at anniversary	% of claims at end of transition
East	£69,000	£3,588,000	30	100
Midlands	£88,460	£4,628,000	45	100
North	£35,000	£1,820,000	91	100
Scotland	£31,000	£1,612,000	44	100
South East	£14,000	£728,000	90	100
Wales	£15,000	£780,000	71	93

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rates. The calculator benefits landlords, letting agents, advisory organisations and also insurance companies who have issued assurances based on current LHA levels.

As an example of how under-prepared the private rented sector appeared to be, I recently ran through a calculation of maximum benefit with a letting agent, and to say they nearly fell off their chair when they saw the weekly reduction in benefit for a five bedroom property is an understatement! It highlighted that whilst the agents may be aware that there are changes afoot, they really don't understand the extent of the change. In the example I gave, it showed a weekly reduction of over £85.00. When I ran through the extension to the **Single Room Rate** he went white and was off to advise his customers to put single occupants under 35 into shared accommodation!

We also read with horror an advert placed in a national publication that actively encouraged landlords to look to evict tenants who are subject to the LHA. Surely this was not the intention of the government in introducing changes to the LHA? We have contacted the publication concerned to express our concern over such harsh advice. Needless to say, I am sure that some landlords facing large reductions in potential income will see this as the only option.

Analysis of LHA rates

From the data we have obtained we have closely analysed the LHA rates for trends.

From an analysis of the average median and 30th percentile rates (see illustration top right), there is evidence to suggest that, whilst slight, the variance between the two rates is narrowing. If this trend continues, then the extent of the impact may not be as severe as first thought. Perhaps this implies that the private rented sector is attempting to standardise the rates across each property size category?

Month	Average current LHA	Average 30th percentile	Average variance	Variance
November	£168.02	£138.83	£29.19	17.4%
December	£169.00	£140.00	£29.00	17.1%
January	£169.69	£142.57	£27.12	16%
February	£169.84	£142.81	£27.03	15.9%

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Analysis of the variance across each **Broad Rental Market Area** (BRMA) and room size from the median to the 30th percentile rate does however highlight a number of significant changes:

Reduction	No. of authorities/ room rates	Average reduction
50-60%	3	£650.64
40-50%	21	£177.35
30-40%	53	£102.35
20-30%	68	£58.98
10-20%	233	£24.15
0-10%	616	£7.80

Whilst in over 60% of BRMAs the reduction will be under 10%, the other extreme is for that of the central London BRMA for a five bedroom property, where the median rate is £2,000 and the impact of the cap to the four bedroom rate means a reduction of £950.00 per week. Add to this the capping of the LHA rate to £400.00, and the totally weekly

reduction is a staggering £1,600, or 80%! The cap will see just 44 LHA rates capped to the maximum LHA rate.

Impact of extension to Single Room Rate

One of the most significant changes will be the extension of the Single Room Rate to persons under 35. At the time of writing this article it is still unknown as to when or indeed if this change will be introduced. Perhaps the government will wait until the findings of the independent review of the housing benefit cuts to take the bold step of introducing this change.

The following illustrates just exactly what this change could mean:

Reduction	No of BRMA	Average weekly reduction
50-60%	15	£100.00
40-50%	54	£50.00
30-40%	64	£32.00
20-30%	44	£21.00
10-20%	14	£13.00

For further information on the services we provided on assessing the impact of the changes to LHA please contact me at **Duncan.baxter@destin.co.uk**, on 07970 342877, or through www.destin.co.uk.