findings

Housing Research 213

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The impact of housing benefit changes on help to secure private rented accommodation

In 1996, housing benefit changes were implemented which restricted the level of housing benefit payable to private renters, altered payment to be wholly in arrears, and introduced a process that allowed potential tenants to find out how much housing benefit would be payable on a particularly property (a 'pre-tenancy determination'). All these changes looked set to affect the ability of people on low incomes to gain access to private rented tenancies. A survey of accommodation registers, deposit guarantee schemes and rent in advance schemes in July and August 1996 showed that schemes anticipated that their work would be seriously undermined by the changes.

- Those running schemes felt that restrictions in the housing benefit levels payable would further discourage landlords from wanting to let to scheme clients. Schemes were already finding it hard to secure accommodation for these clients, and the changes in regulation were expected to exacerbate the difficulties.

- Specific changes to housing benefit levels for the under-25s were seen to be particularly damaging. Many schemes considered that they would not be able to move under-25s into cheaper, shared housing - as required by the legislation - since that sort of accommodation was often simply not available in their area.

- Good-quality landlords were withdrawing from the schemes, many of which now had to rely on poor-standard bedsits. These were properties that schemes had avoided, because clients often find it hard to sustain their tenancies in this sort of property.

- The rent restrictions are expected to lead clients into rent arrears. Schemes envisage the increased incidence of failed tenancies and an intensification of housing need amongst their target client groups.

- The 'pre-tenancy determination' was welcomed by some schemes, but others considered that competition for properties was so heavy in their area that landlords would let to a working person rather than wait for a determination to be made.

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Access schemes

A range of difficulties face people wanting to secure private rented accommodation, including: the limited availability of accommodation; high rents; landlords' unwillingness to let to people on housing benefit; the requirement to pay rent in advance and/or deposits; and the often poor quality of privately rented accommodation. The development of access schemes - deposit guarantee schemes, rent in advance schemes, and accommodation registers - has, for the most part, acknowledged the need to provide an holistic response that tackles each of the difficulties simultaneously. Further details on these schemes is given in *Housing Research Findings* No. 193.

In the course of evaluating these schemes, however, a number of changes took place to the housing benefit regulations. In July and August 1996, telephone interviews took place with a random selection of 60 schemes, to find how they had responded to some of the changes already in operation (the reference rent and pre-tenancy determinations) and what they considered would be the impact on their work of other proposed changes (the payment of housing benefit wholly in arrears; changes to the housing benefit regulations for the under-25s).

The reference rent

The Housing Benefit (General) Amendment Regulations 1995 (Statutory Instrument 1995/1644) came into effect on 2 January 1996. Rent officers are required to compile a series of 'reference rents' for different sizes of property, using information on market rents in their area. The regulation restricts the amount of housing benefit paid in cases where the rent the landlord asks for (the 'asking rent') exceeds the reference rent. The intention of the regulation is to encourage the tenant to live in accommodation where the rents are at or below the local average, or to negotiate with the landlord for a lower rent.

There has been a varied experience amongst schemes of the reference levels set for different sizes of property. Schemes were asked if reference rents were lower, higher, the same, or a mix of higher and lower than asking rents. Seventeen of the 60 schemes said that the reference rents were close to what landlords were already asking for, and in these cases the effect of the changes was minimal. In 31 cases, however, the scheme reported that some or all the property types in their area had reference rents set lower than asking rents. (Eleven schemes said they could not make a judgement.)

There were two consequences for schemes in areas where the reference rent was consistently higher than the asking rent. There was strong agreement that scheme clients would get into difficulties with paying the shortfall between the rent being asked for and the housing benefit paid. Even shortfall payments of £1 or £2 a week could create arrears, especially for clients who were under 25 and in receipt of a lower level of income support. Only a handful of schemes said that rents were going down as a consequence of the reference rent.

The second consequence was that the landlords, already unwilling to take people on housing benefit, would now become even less willing to do so. Twenty-six schemes agreed or strongly agreed with the view that the reference rent was a discouragement, with comments being made that landlords had already begun to withdraw from the market. These landlords tended to own the better-quality, self-contained properties that schemes had worked hard to secure for their clients.

Housing benefit in arrears

From 6 October 1996, housing benefit has been paid wholly in arrears. Up until that date it was made partly in arrears, partly in advance. The change was made in an attempt to tackle the problem of overpayments, whereby landlords or tenants were required to pay back benefits for periods of time for which they were not entitled either because the tenancy had ended or because circumstances had changed. Thirty-six schemes agreed or strongly agreed that landlords would be discouraged to let to housing benefit claimants by the payment of rent wholly in arrears, again exacerbating clients' disadvantage in the rental property market.

Pre-tenancy determinations

In January 1996, a new procedure was introduced to allow tenants to apply for a determination of the maximum eligible rent for a property before the tenancy agreement was signed. The pre-tenancy determination was intended to help clients decide whether they could afford to rent a particular property, and so prevent them getting into the situation of having to pay substantial shortfalls.

Ostensibly, the pre-tenancy determination procedure might appear to help scheme clients, but the response of schemes to its introduction was muted. There was no clear consensus on whether determinations would prevent their clients getting into trouble with shortfalls: 23 schemes agreed that they would, but 21 thought that they would not.

The majority of schemes (44) instructed their clients to get determinations, but for many their usefulness rested on the ability of the local authority to respond quickly to the request for a determination. In areas where competition for properties was strong, landlords were unlikely to wait for the five working days that determinations take before agreeing a letting. If landlords were willing to wait, however, most schemes agreed that the determinations were being processed quickly.

Restrictions in housing benefit to the under-25s

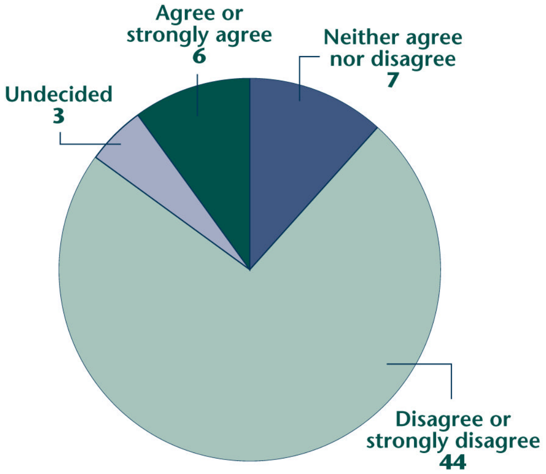
On 7 October 1996, new housing benefit restrictions came into force for single private renters under 25. For this group, the benefit payment is now restricted by the operation of a 'single room rent', which operates in the same way as the reference rent but limits the payment of benefit to young people to the equivalent rent of a room in a shared property. The regulation is based on the view that young people on housing benefit should not live in accommodation more expensive than that rented by young people who are working.

The schemes' response to the regulation change can be summed up by the comment made by one project manager: "It's going to be a disaster". In particular, it was agreed that there was insufficient shared accommodation for under-25s (Figure 1).

Many schemes commented that the characteristics of their local housing market were such that shared accommodation was simply not available - particularly in rural areas. In one town, the scheme reported that the only rented property available was in one- and two-bedroomed terraced housing.

Aside from the view that the supply of shared accommodation was limited, schemes said landlords were already withdrawing from letting to young people altogether. Schemes thought that landlords would have little incentive to let to young people when the same property would attract a higher housing benefit payment from someone over the age of 25.

Figure 1: **There is sufficient shared accommodation for under-25s in our area**



Many schemes commented that they would have to change the way in which they worked, to compensate for the new regulation. Schemes had been quite successful in securing self-contained lets for their young people, and had prioritised doing so because it was more likely that clients would settle in that sort of accommodation. Resettlement was thought more difficult in shared properties, because the standards were often poorer, rooms could be insecure and tensions might arise with other tenants that could force the young person out. Some schemes were already turning down lettings in self-contained accommodation, and were attempting to persuade landlords to let their property as shared dwellings.

Another change that was considered necessary was some rethinking on help with deposits. Many schemes have traditionally not given deposits on shared properties, since responsibility for theft and damage in shared areas is difficult to determine. In addition, the loss rate on deposits in shared properties is always consistently higher than losses for self-contained properties. Schemes might be faced with the choice of having to bear heavier losses and so help fewer people, or place their clients in poorer-quality properties where deposits are not required. Either strategy restricts schemes' effectiveness.

Conclusion

The earlier evaluation of access schemes showed that there were differences in the range of services offered. All, however, relied on the ability to remove from the landlord's point of view any difference between letting to a housing benefit claimant and letting to people that are working so as to guarantee that the housing benefit tenant has an equal opportunity to secure property in a competitive rental market. The housing benefit changes have completely undermined this strategy, by exacerbating any difficulties that landlords might consider were inherent in letting to housing benefit claimants.

For landlords, people on housing benefit - especially young people - are becoming a group that carries multiple disadvantages compared with working tenants: it may be that they will not be able to move in straightaway, since they will have to wait for a pre-tenancy determination; they are likely to want to pay lower rents and if lower rents are not agreed they may accumulate arrears; they may be unable to get help to pay deposits; and they will pay rent in arrears. Access schemes, that were once able to deal with disincentives faced by landlords unwilling to let to housing benefit tenants, are now severely restricted in their ability to tackle these obstacles.

About the study

The report was based on a telephone survey of a random sample of 60 access schemes that were included in the 1994 evaluation of access schemes. The schemes were asked to respond to a series of statements on the changes. Responses to statements, together with other comments made by the schemes in the course of the interviews constitutes the basis of this 'snapshot' report.

Further information

The full report, Closing Doors? Access schemes and the recent housing changes is available from the Centre for Housing Policy at the University of York, Heslington, York YO1 5DD, Tel: 01904 433691, price £7.50. The companion study, Opening Doors: Helping people on low income secure private rented accommodation is also available from the same address, priced £10. Both volumes can be ordered together for a reduced price of £15.

For further information contact Dr Julie Rugg at the Centre for Housing Policy (address above) or on 01904 433689, e-mail jr10@york.ac.uk.

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