

# **A PLACE TO CALL HOME?**

*An investigation into the availability and cost of rented accommodation in Dorset*



**Dorset Citizens Advice Social Policy Campaign Group**

## KEY FINDINGS

- actual rents in the private rented sector are significantly higher than the Local Housing Allowance.
- there are insufficient homes under Local Housing Allowance for those on low incomes.
- private rented accommodation is unavailable to many benefit recipients.
- Housing Benefit size restrictions are forcing people into arrears and potential homelessness.
- there is an inadequate supply of smaller accommodation in the social housing sector
- the " bedroom tax" is causing arrears and forcing some social housing tenants back into the private rented sector.
- lack of affordable housing is allowing private landlords to raise rents without any controls.

## KEY RECOMMENDATIONS

In order to avoid increasing homelessness we recommend:

### **Central government and local government:**

- should look at ways of controlling rent levels and rent increases or pay benefits to cover the rents.
- should look at introducing Social letting Agencies.
- should endorse Shelter's Stable Rental Contract which would provide greater stability in the rental market.
- should review the "bedroom tax" so that it is applied only when an offer has been made of a suitable smaller property.
- should enable Housing Associations to build more affordable housing in areas of proven need.
- should monitor the definition of "affordable" to ensure rents are genuinely affordable for those on low incomes.
- should enable a large scale restitution of derelict homes in areas where they exist.
- should accelerate the low cost house building programme.

## 1. INTRODUCTION

The Dorset Citizens Advice Social Policy Campaign Group became aware that the lack of suitable, reasonably priced housing was being raised regularly by clients. Bureaux have seen an increasing number of clients who cannot afford the rents in the private rented sector as the Local Housing Allowance (LHA) is often lower than the rents charged. The LHA is the maximum amount which will be paid as Housing Benefit by the local authority, any amount of rent above it having to be paid by the tenant. This is a problem for both working and non working households.

It was also recognised that advertisements for properties often state "No DSS" so benefits recipients cannot apply or could expect to be turned down if they did. Those who rent from a local authority or housing association usually pay lower rents but many are now being affected by the "under occupancy charge" commonly known as the "bedroom tax". This is when Housing Benefit is reduced if the tenants are deemed to have more bedrooms than they need.

The aim was to look at how people can access housing within their means which meets their needs. We decided to investigate the availability and cost of privately rented housing in the Dorset area in order to establish what problems clients are encountering when looking for suitable accommodation.

We also looked at the impact of the "bedroom tax" on social housing tenants.

There were several benefit changes introduced in 2011/ 2012 which impacted on clients:

### **The "30<sup>th</sup>" percentile reduction.**

The LHA was previously based on the mid-point of the range of local private sector rents. It is now based on the 30% point in the range - that is, much lower.

### **The "number of bedrooms" cap.**

Regardless of the LHA percentage formula, the Government introduced caps on the LHA based on the number of bedrooms (from 1 to 4, with no increase above 4).

### **The "shared accommodation rate".**

This is a lower level of eligible rent for single childless people under 25, extended to single, childless people under 35 so that anyone of this age group can get only the shared accommodation rate even if they are parents who have children to stay.

### **Non-dependant deductions (NDDs)**

These are deductions from the eligible rent based on assumed contributions from non dependants such as grown up children and elderly relatives. NDDs were increased to a rate well above the rate of inflation.

## 2. METHOD

Each bureau carried out a "snapshot" check in their area at the end of 2012. The aim was to establish the cost of renting property of different sizes and to estimate the proportion of landlords who would accept benefit recipients.

Information was gathered from letting agents, the internet and newspapers. The information covered different sizes of properties to reflect the needs of the community.

Local authorities were approached to establish their use of the private rented sector. Housing associations were approached to establish how their tenants were affected by the "bedroom tax" as it is possible that some tenants may have to look to the private sector for smaller homes.

## 3. FINDINGS

3.1 Summary of properties advertised for rent in the private sector throughout Dorset between 1 October 2012 and 31 January 2013

Size	Number of homes	Rent range	Average monthly LHA *	Percentage no of homes above LHA	Percentage stating "No DSS" **
1 bed	238	£453-£706	£491	81%	47%
2 bed	655	£565-£906	£620	80%	23%
3 bed	520	£682-£1174	£755	87%	19%
4 bed	140	£1031-£1836	£1020	98%	38%

\*Rent Officers determine the LHA for each category by calculating the 30<sup>th</sup> percentile of a list of rents within every Broad Rental Market Area. The 30<sup>th</sup> percentile is a mathematical value which represents the level of rent where around 3 in 10 properties are let at or below the LHA.

\*\* This is the number of adverts which stated that people claiming benefits would not be accepted.

Very few properties advertised through letting agents are available to tenants receiving Housing Benefit because the owners of the properties refuse to accept them. The reasons given are that they are perceived to be poor tenants,

there will be problems with the administration of Housing Benefit and that unpaid rent will be difficult to recover.

The chart below shows examples of LHAs in different Local Authorities.

LHA monthly	West and Mid Dorset, Weymouth	Bournemouth, Christchurch, Poole
1 room (shared facilities)	£275.17	£290.33
1 bedroom	£450.02	£524.98
2 bedroom	£594.49	£650.00
3 bedroom	£694.98	£809.98
4 bedroom	£849.98	£1100.02

Examples of impact on clients:

- a) Client A, with her partner and 1 child needed a 2 bedroom property in the Dorchester area. They searched through letting agents, newspapers and on line. Client worked full time on minimum wage in Dorchester. They were entitled to some Housing Benefit but none of the properties they found were within the LHA of £594.49 per month so they had to spend approximately an extra £65 per month on rent. This put considerable pressure on their budget.
- b) Client B, a 32 year old single man, worked full time on a salary of £13,000 pa. He had a son aged 2 years. He was looking for a 1 bedroom property. He needed some help from Housing Benefit but was restricted by the under 35s rule which limited him to the cost of a room in a shared house, £275.17 per month. This meant he could not have his child to stay. He found that the cost of a 1 bed flat was beyond his means as it would have taken approximately 50% of his salary.
- c) Client C, with 2 children, one with disabilities for whom she was the carer, moved to the area for support from family. Her monthly income was £954.80. She needed a 3 bedroom property but had difficulties finding one within the LHA of £695 per month and also had the added problem that most landlords she contacted would not accept anyone in receipt of benefits.

Another group who experience difficulties are families who have a change in household composition. For example, a family where a young person leaves full time education and starts work. They experience a considerable drop in income through loss of Child Benefit and Child Tax Credit but also their

Housing Benefit will reduce as the young person is now an adult so there will be a non-dependant deduction. If the young person does not find work straightaway, this can cause financial strain.

The result of a normal change in circumstances where a child grows up and leaves home can result in increased rent for the parents, and if they cannot afford it, rent arrears and potential homelessness.

There is a sudden change if an adult child moves out and then the household is considered to have an extra bedroom so the Housing Benefit size restrictions (which now apply in both the social and private rented sectors) come into effect. The household immediately has to find the extra rent. The chart below shows the impact:

<b>LA area</b>	<b>Extra rent payable when LHA changes from 2 bed to 1 bed</b>	<b>Extra rent payable when LHA changes from 3 bed to 2 bed</b>	<b>Extra rent payable when LHA changes from 4 bed to 3 bed</b>
West Dorset and Weymouth	£144.47 per month	£100.49 per month	£155 per month
Bournemouth Poole and Christchurch	£125.02 per month	£159.98 per month	£290.04 per month

### 3.2 Discussions with Local Authority Housing Departments

Contact was made with Purbeck District Council, West Dorset District Council and Weymouth and Portland Borough Council, Christchurch Borough Council and East Dorset District Council, North Dorset District Council and Poole Borough Council.

Discussions took place on the impact of recent welfare benefit changes.

<b>Local Authority</b>	<b>Are you intending to use private rented sector to fulfil homelessness duty?</b>	<b>Will the properties be within LHA? Will there be sufficient properties within LHA?</b>	<b>How will you define affordable when looking at suitability?</b>
WDDC and WPBC	Undecided but it is likely to recommend it to Committee.	Not confident there will be enough. Will use those within LHA first.	Will look at individual financial statements.

Purbeck DC	Not investigating until later in 2013.		
Christchurch BC and EDDC	No policy as yet. Use it for homelessness prevention and temporary accommodation.	Have very small percentage of private rented stock in the areas.	Will be looked at on an individual basis.
NDDC	Policy not yet in place but likely to be used.	Properties will be within LHA.	Would use the LHA guidelines for affordability and have an intervention team.
Poole BC	Will only use it to discharge full duty by way of a 12 month offer which has to be affordable and meet specific standards.	Rarely find landlords who have properties available to let on these terms.	Will be looked at on an individual basis.

The Homelessness Guidance states that tenants should not be placed in a position where they would have a net income below basic benefit levels after paying rent. (Homelessness Code of Guidance for Local Authorities para 17.40 Dept for Communities and Local Government July 2006).

### 3.3 Discussions with Housing Associations

Contact was made with Poole Housing Partnership, Magna Housing Association, Hastoe Housing Association, Synergy Housing Group, Spectrum Housing Group and Sovereign Housing Group.

Discussions took place on the impact of recent welfare benefit changes.

Organisation	How many tenants affected by "bedroom tax"	Enough smaller properties to rehouse?	Rent Arrears policy
Poole HP	Estimate 400	No	Will offer support and look at individual cases.
Magna HA	429	No	Will offer advice on options to avoid arrears.
Synergy HG	They are aware but number not given	No	Will look at individual cases to offer support.

Spectrum HG	They are aware but number not given	No	Will offer support through their Welfare Steering Group in order to avoid arrears.
Hastoe	51	No .Very few 1 bed properties available	Will try to advise and assist tenants to avoid rent arrears.
Sovereign	238	No	Will follow usual policy but those with "bedroom tax arrears" may be allowed to move.

The housing associations were unanimous that they would not have enough smaller properties for tenants to move to. Magna reported that 50 tenants had been moved. Those asked said they cannot give help with removal costs.

#### Rent Arrears

All housing associations were continuing with their normal policy on rent arrears. Magna reported that of the 429 tenants affected, 330 have either gone into rent arrears or their arrears have increased. They all said that everyone affected would be given help and support to find other accommodation before possession action was taken.

Hastoe said they are still considering whether to allow tenants with rent arrears to downsize. Spectrum have said they will provide financial incentives to downsize and will assist with appeals. They have formed a Welfare Steering Group to investigate the impact of welfare reform.

#### Other issues raised:

Magna has serious concerns about Discretionary Housing Payments. A local authority can make a discretionary payment to a client who appears to the authority to need further financial assistance to meet her/his housing costs. The client must be entitled to Housing Benefit. These payments are known as **discretionary housing payments (DHPs)**. They are *not* payments of Housing Benefit. The government has increased the DHP budget for this year but it could be reduced in future years.

Also it is only a temporary solution. The officers feel very strongly about the unfairness of the "bedroom tax" and a letter has been sent to MP Richard Drax.



Magna have also raised the issue that sheltered housing for disabled people under pension age should be exempt from bedroom tax.

Poole H P have considered reclassifying some bedrooms as other rooms such as a dining room, but have decided against it as DWP has indicated that this would not be acceptable.

Examples of impact on clients:

- a) A couple with one adult son live in a 3 bedroom housing association property. The third bedroom is a very small room which can accommodate only a single bed. It is, however, classed as a bedroom and they have been advised that they are under occupying and their Housing Benefit will be reduced by £16 pw. They are on a low income and the husband has poor health. They have looked for a 2 bed property but none are available at the moment and the private rented sector is too expensive and they need security because of the husband's health problems.
- b) A couple live in a 2 bedroom housing association property. The wife has severe mental health problems and receives a disability benefit. The husband is her carer. They have been advised that they are overhoused but cannot afford the extra rent from their benefit income. They have not been able to find a 1 bedroom housing association property and the husband feels that a move would be detrimental to his wife's health and they want to remain near their health and support services. They have been granted a DHP for 4 months but this is only a temporary solution and is causing more worry.

## **4. CONCLUSIONS**

**4.1** Actual rents in the private rented sector are significantly higher than the Local Housing Allowance. For those on low incomes and those in receipt of partial or full Housing Benefit, this leads to poverty, rent arrears and potentially, homelessness.

**4.2** There are insufficient homes under the LHA limits for those on low incomes.

**4.3** Private rented accommodation is unavailable to many benefit recipients who are excluded by a lot of landlords.

**4.4** The Housing Benefit size restrictions act perniciously on people forced into arrears or homelessness due to a change in household make-up.

**4.5** Those affected have very limited options as there is an inadequate supply of smaller accommodation in the social housing sector.

**4.6** The "bedroom tax" is adding pressure on households who experience a drop in income but have very few options to change their situation. Tenants in social housing are being forced to move into the private rented sector and lose their security of tenure.

**4.7** Lack of affordable housing both to rent and buy is causing great difficulties. Those who might have bought are now staying longer in rented accommodation and this allows private landlords to raise rents.

## **5. RECOMMENDATIONS**

**5.1** Government should look at ways of controlling rent levels and rent increases or pay benefits to cover the rent so that private rented accommodation is affordable to households on limited income. Shelter say " It is important to remember that family friendly tenancies are as much about predictable rents - with rent rises rising at no more than inflation - as it is the length of the contract. This is a vital part of the deal that should be on offer for renters."

**5.2** Local Authorities should look at introducing Social Lettings Agencies whose remit would be to work with landlords and find tenants for them who have been referred by the local councils' housing advice teams. The agency would provide a full management service to the landlords and liaise with the local authorities. Tenants in receipt of benefits would be able to access the properties.

**5.3** Central and local government should endorse the following points in Shelter's **Stable Rental Contract**:

"The Stable Rental Contract would provide greater stability to the growing numbers of people who rent their homes from a private landlord.

The Stable Rental Contract would include:

- five year tenancies, giving renters the chance to put down roots.
- rent increases in line with inflation each year, giving landlords predictable incomes and renters predictable outgoings."

**5.4** The "bedroom tax" should be reviewed as it is clear that there is not sufficient smaller accommodation available and the private sector is generally unaffordable. If the "bedroom tax" continues, exemptions need to be introduced, which should include disabled tenants and tenants who have an extra bedroom because an adult child leaves home. It should not be implemented unless a smaller property is available and offered to the tenant.

**5.5** Housing Associations should be able to build more affordable housing in areas of proven need.

**5.6** Where Housing Associations use the "up to 80% of the market rent" definition of "affordable" this should be monitored to ensure that these rents are genuinely affordable to tenants on low incomes.

**5.7** The Government should enable a large scale restitution of derelict homes in areas where they exist.

**5.8** The Government should accelerate the low cost house building programme.

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