



Mind the gap: the growing shortfall between private rents and help with housing costs

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May 2016



What are the issues?

- People on low incomes living in the private rented sector (PRS) may be able to get help towards paying their rent in the form of local housing allowance (LHA). LHA is set at no more than the rent for the cheapest 30 per cent of homes in the local area. Single people under 35 only receive an amount equivalent to the cost of a room in a shared house (the shared accommodation rate). So if rent is higher than either of these LHA rates they have to make up the difference out of their basic benefits intended for other essential living expenses (groceries, utility bills).
- Since April 2012 people have faced a growing gap between the LHA they receive and the actual rent they pay as LHA has not kept pace with rent increases. In a number of parts of the UK the rate of LHA paid means that people can only afford to rent in the bottom five or 10 per cent of the PRS market. This is about to get even worse as LHA rates will be frozen for four years from April 2016.
- Once LHA declines to the 10th percentile it is reasonable to assume there will be nothing within the broad rental market area (the market areas used by rent officers to collect rental data and set the local housing allowance) that is affordable and available for letting.

Why is CIH concerned?

The increasing gap between LHA and real rents raises three key issues:

- People will find it harder to make up the difference between the LHA they receive and their rent.
- It will be harder for people on low incomes to find a home they can afford in the PRS. This will increase demand for social rented housing which is already under pressure.
- From April 2018 the LHA cap will be applied to people living in social rented housing – this includes the shared accommodation rate to under 35s. So if their rent is higher than the local LHA rate they will have to make up the difference as people in the PRS do. As LHA rates have reduced in value it means that some social rented tenants will face significant shortfalls.

What does this look like in different parts of the UK?

- **In Wales**, claimants living in Flintshire and the Vale of Glamorgan entitled to the shared rate would have to contribute over £5.00 per week (nearly double that amount in Flintshire) equivalent to 7 per cent of their jobseeker's allowance (JSA) if aged 25 or over (9 per cent if aged under 25) to restore the LHA to the 30th percentile rent. In Newport the cash shortfall required to restore the LHA to the 30th percentile rent is £29 per week or 40 per cent of JSA for a person aged 25 (or 50 per cent if aged under 25).
- **For Scotland**, Aberdeen and Shire broad rental market area is the worst in the UK. There are very severe cash shortfalls in every LHA category and the purchasing power has fallen below the bottom 15 per cent of rents in every category except the three bed (where it is below 20 per cent).
- **In Northern Ireland**, 80 per cent of LHA rates have already fallen below the 30th percentile (second only to England). In only one area has the shared rate maintained its value at the 30th percentile, and in two areas (South and South West) the cash shortfall is £5.00 or more each week and in one other (Lough Neagh Upper) the shortfall is approaching £4.00.



- **In England**, the LHA shared rate for Chesterfield's broad rental market area is even lower than the lowest rent that the rent officer could find in their market evidence data. In other words, there is no shared accommodation available at the LHA rate.
- Although we do not have the data for rent percentiles for England by broad rental market area, cash shortfalls and the number of areas where the LHA falls below the bottom 30 per cent of rents are worse in England than in Scotland or Wales. It is reasonable to conclude that, if they were published, the number of areas where value of the LHA has fallen below 20 per cent would be worse than in the other three countries. Severe declines in value are not restricted to inner London where the national caps have had an effect.

What is CIH calling for?

- Government should consider realigning LHA rates for all categories of accommodation but in particular those for shared accommodation. Failure to ensure that the LHA shared rate is reasonably aligned will increase hardship for people aged under 35 and make it very difficult for them to access a home of any kind.
- The Valuation Office Agency, Scottish Government, Welsh Government and Northern Ireland Executive should publish the successive 5 per cent rent percentiles (5th percentile, 10th percentile, etc) for all LHA rates up to and including the 30th percentile so that the Department for Work and Pensions can reset LHA rates before they become seriously misaligned to ensure that the bottom 30 per cent of the market is available in line with intended policy.



Our analysis

PART 1: HOW THE LHA RATES ARE SET

Description of local housing allowance rate policy

The local housing allowance (LHA) was introduced in April 2008 as the maximum eligible rent payable by housing benefit (HB) for private tenants. At that time the rates were set at a level for the median (50th percentile) market rent for each category of dwelling within a broad rental market area (BRMA). Setting the LHA at the median rent meant that its relative purchasing power was sufficient to access the bottom 50 per cent the market (for the appropriate category of dwelling). The 2011 reforms introduced by the Coalition Government restricted the LHA rate to the 30th percentile (i.e. the bottom 30 per cent of the market) up to a national maximum limit for each category. In the rental market areas where they apply the national limits apply the effect is to reduce the purchasing power of the LHA to a figure lower than 30 per cent. As at April 2016 the national caps have only affected the LHA rates in seven broad rental market areas in inner and West London these are:

- Central London (1 bed, 2 bed, 3 bed, 4 bed)
- Inner East London (2 bed, 3 bed, 4 bed)
- Inner North London (1 bed, 2 bed, 3 bed, 4 bed)
- Inner South East London (4 bed)
- Inner South West London (2 bed, 3 bed, 4 bed)
- Inner West London (2 bed, 3 bed, 4 bed)
- Outer South West London (4 bed)

The number of LHA rates in the UK

For each BRMA there are five LHA rates as follows:

- Shared accommodation rate
- One bedroom rate
- Two bedroom rate
- Three bedroom rate
- Four bedroom rate

There are 200 BRMAs in the United Kingdom (152 in England, 18 in Scotland, 22 in Wales and eight in Northern Ireland), making exactly 1000 LHA rates in the UK (960 of these being in Great Britain).

Responsibility for LHA policy and setting the LHA rates

In England, Scotland and Wales the UK Government Department for Work and Pensions (DWP) is responsible for setting the LHA policy framework with local rent officers collecting the rental data and calculating the LHA rates in line with the DWP policy. In Northern Ireland the Northern Ireland Executive Department for Communities (DfC) is responsible for HB and LHA policy but is obliged to mirror the DWP policy in order to maintain a UK wide social security system¹.

In England rent officers are employed by the Valuation Office Agency (VOA) an executive agency of Her Majesty's Revenue and Customs. In Scotland, Wales and Northern Ireland rent officers are employed by the devolved administrations (in Northern Ireland as employees of the Northern Ireland Housing Executive).

¹ s87 Northern Ireland Act 1998, The Social Security (Northern Ireland Reciprocal Arrangements) Regulations 2016, SI 2016 No. 287



How the rent officer sets the LHA rates

The rent officer gathers local market evidence for each category of dwelling within each BRMA. The rent officer only uses data from actual lettings (because advertised lettings may reflect landlords' expectations rather than actual supply and demand). The rent officer excludes market evidence where HB is in payment. This ensures that landlords cannot influence the LHA rates by artificially increasing the rents of HB claimants. Once the rent officer has collected sufficient market evidence the rents are sorted in ascending order. The 30th percentile rent is the figure that corresponds to the rent in the position 30 per cent along the line starting with the lowest rent first.

Uprating of LHA rates

The LHA rates are set each year in April and are fixed for the year. The rent officer calculates the 30th percentile rent for each category of dwelling using data for year ending on the preceding 30th September. The use of annual local rental data ensures that the relative purchasing power of the LHA is maintained whether rents rise or fall locally. Although rents can fall as well as rise as demand changes in the long run rents tend to rise in line with increases in earnings.

However, in order to make savings in welfare payments the annual uprating mechanism was changed:

- for 2013/14 capped at the previous year's figure plus the Consumer Prices Index (CPI)
- for 2014/15 and 2015/16 capped at the previous years rate plus 1 per cent
- for the next four years starting in April 2016 the LHA rate is frozen at the 2015/16 figure

In addition if the calculated 30th percentile figure is lower than the level indicated by these mechanisms then that is used for the new LHA rate instead. In other words, from April 2016 for the next four years the LHA rate can fall but not rise.

The effect of the uprating policy is that if rent inflation outstrips the uprating index (be it CPI, 1 per cent or zero) then the purchasing power of the LHA will recede from its starting point of the bottom 30 per cent of the market. The greater the disparity between the uprating index and local rent inflation the faster the rate at which the relative purchasing power of LHA recedes. The decline in the real value of the LHA can therefore be expected to accelerate during the four year freeze that starts from April 2016.

The appropriateness of CPI as an index for uprating LHA rates

The fact that CPI bears very little relationship with changes in rent levels is demonstrated by the [ONS Index of Private Rents](#) which is published alongside CPI. The rate of CPI for September 2015 (the same date for general benefit uprating in April 2016) was minus 0.1 per cent (the actual uprating figure was zero). The index of private rents over the previous 12 months was (plus) 2.7 per cent. And this of course ignores the fact that this is an average figure and that this will hide the wide variation between local markets, different property types and different segments within those markets (e.g. the bottom third of dwellings).

Targeted affordability funding

To help ensure that the relative value of the LHA remains reasonably aligned with the 30th percentile from April 2014/15 the government has made available Targeted Affordability Funding (TAF). TAF will be drawn from recycling a percentage of the savings from the freeze of [LHA](#) rates and will be available until 2020/21. From 2017/18 around 30 per cent of the potential savings per year from the

LHA freeze will be used to support areas where higher rent increases are causing a shortage of affordable accommodation. The level of TAF in 2016/17 would have been the same if LHA rates had been uprated by [CPI](#) inflation. However, the published CPI rate for September 2015 was minus 0.1 per cent and therefore LHA rates remain at the 2015/16 levels and consequently no TAF is available².

Since the LHA relative value recedes fastest when the uprating index is zero, if local demand for rented housing remains high the net result is that no TAF is available precisely in the same period when it is most needed. If in subsequent years CPI inflation remains low (albeit above zero) in the amount of TAF available for redistribution will also be correspondingly low.

We compared the 10th percentile rent with the 30th percentile for each LHA category in Scotland, Wales and Northern Ireland and found that the 10th percentile values were consistently within the range of 85 per cent to 90 per cent of the value of the 30th percentile rent (a wider variation occurred in Wales and Northern Ireland which may be reflection of the relatively smaller size of the private rented sector). The mid-point of this range (88 per cent) is close to 3 per cent reduction in value over four years. In other words if local rent inflation averages 3 per cent a year during the period of the freeze the relative value of the LHA would have shrunk from the bottom 30 per cent of the market to the bottom 10 per cent. Although this does not take account of any TAF that would be available in years where CPI is above zero it also assumes that the LHA had maintained its value during the three year period from 2013/14 to 2015/16 when the LHA was uprated by CPI/1 per cent index.

Impact of LHA freeze on social housing

The four year freeze is significant for social housing in number of ways:

- as the supply of affordable private sector accommodation shrinks demand for social housing will also increase
- there is no corresponding supply of shared housing in the social sector, so demand for it will rise precisely at the same time when it becomes economically unviable to produce
- there is a danger young single homeless entitled to the shared rate will be squeezed out of both sectors, as both social sector hostels and private shared accommodation become economically unviable
- the introduction of the LHA cap on HB awards for social tenants is made more serious especially in areas where social rents are already close or have already exceeded private sector rents.

The government's justification for introducing the social sector LHA cap is that there should be closer parity between the two sectors. This would have greater credibility if LHA rates still reflected private sector rents. However, in many areas they no longer reflect reality and given that the divergence is likely accelerate it seems likely that by the end of the four year freeze there will be very few BRMAs in the UK where LHA rates bear any real relationship with private sector rents.

There are already many areas of the country where LHA rates are seriously misaligned and this is especially true of the shared and four bed rate. Old industrial areas tend to have historically low demand for private sector housing and correspondingly low rents. But these are precisely the same areas where demand is starting to rise and rents increase as the demand for private rented accommodation grows. There is a real danger that regeneration of these areas may be stalled if

² [House of Commons Debates 19 November 2015](#)



private and social landlords shy away from investment that could help to turn an area around. There are 13 BRMAs in the North of England where there is already a significant cash shortfall from the 30th percentile for the shared accommodation rate and every one of these falls within, or is adjacent to, an authority within a former Housing Market Renewal area or area of low demand.

PART 2: AIMS OF RESEARCH AND METHODOLOGY

How we gathered the evidence

The rent officers in each of the devolved administrations publish the new LHA rates together with the actual 30th percentile rents derived from their market evidence data base. This allows for analysis of the number of areas where the LHA rates have fallen below the 30th percentile and in each of those areas where this applies to calculate the cash shortfall that the claimant would have to contribute from their own resources (be it earnings or out-of-work benefits) to raise their purchasing power back up to the bottom 30 per cent of the market. This evidence also allows for a limited analysis of the trends in supply and demand (i.e. the number of BRMAs where the rental evidence shows that rents are rising or falling in the bottom 30 per cent of the market and by comparing successive years published rates by how much).

To supplement this data we asked the VOA and the rent officers in each of the devolved administrations to supply us with each 5th, 10th, 15th, 20th and 25th percentile rents together with the lowest rent in each data set. The VOA declined our request (on the grounds of cost and that they only had authority to provide the 30th percentile rent). However, we were able to obtain the lowest rent in each data set as this is published on the [LHA direct website](#).

Aims of research

The aim of our research was to establish the extent to which the relative purchasing power of the LHA had receded and the extent of this from 2013 onwards (i.e. the years in which the LHA had been uprated by an index other than the local rent data). Assuming demand for rented housing remains constant we know that during uprating freeze (April 2016 to March 2020) the rate at which the LHA purchasing power recedes will accelerate – because despite the inadequacy of CPI/1 per cent as an uprating index it does at least partially offset any rise in local rent inflation to the extent of the excess. As demand for private rented housing continues to rise (regardless of any general trend in inflation) it can be expected that private rents will also grow.

We wanted to get an idea of how serious the problem will look in April 2020 and whether HB claimants will have problems accessing private rented accommodation and, where possible, to identify those local markets where access is likely to be a severe problem.

Cash shortfalls vs rent percentiles

We analysed data on cash shortfalls (i.e. the amount the claimant would have to contribute from their own resources to be able to access the full 30 per cent of the market). The value of the LHA as a rent percentile tells us what proportion of the market the claimant is limited to if they do not wish to or cannot afford to top up their shortfall. It is worth pointing out here there is no fixed relationship between the actual percentile and the cash shortfall and this will vary from one BRMA to another. The actual relationship in any given BRMA depends on the shape and steepness of the curve that the rental evidence data produces.

Relationship between markets, their rent percentile curves and cash shortfalls

Where the data produces a classic shallow 'S' shaped curve (figure 1) even a small cash LHA shortfall can result in a sharp fall in the percentile value but this does not necessarily mean that the claimant's ability to access accommodation also declines to a similar level because a small contribution (in some cases only a few pence) is sufficient to restore the purchasing power 30 per cent. This type of

curve usually occurs in markets where there is relatively plentiful supply of accommodation and/or where the rent officer has a large amount of data to work with and where prices are relatively stable.

Another feature of this curve is that the slope is fairly constant (and shallow) across the greater part of the range and only changes significantly at the extreme ends where the price falls/rises steeply. This steep change in gradient appears to occur fairly consistently at or around the bottom/top 10 per cent of rents. It is significant for households trying to access the bottom end of the market because once the LHA falls to this level (bottom 10 per cent) the cash shortfalls required to restore the value back to 30 per cent also rise steeply. One of the reasons for this steep rise is that rents for lettings in this part of the market are often atypical and apply where non-commercial considerations are a factor (such as lets to family members). So although in theory a claimant could still access the market, in practice this part of the supply is often unavailable. For this reason once the value of the LHA rent has declined to 10 per cent we assume that the market is generally unaffordable.

Figure 1: April 2016 [LHA direct](#) List of rents for two bedroomed properties in Tyneside BRMA.

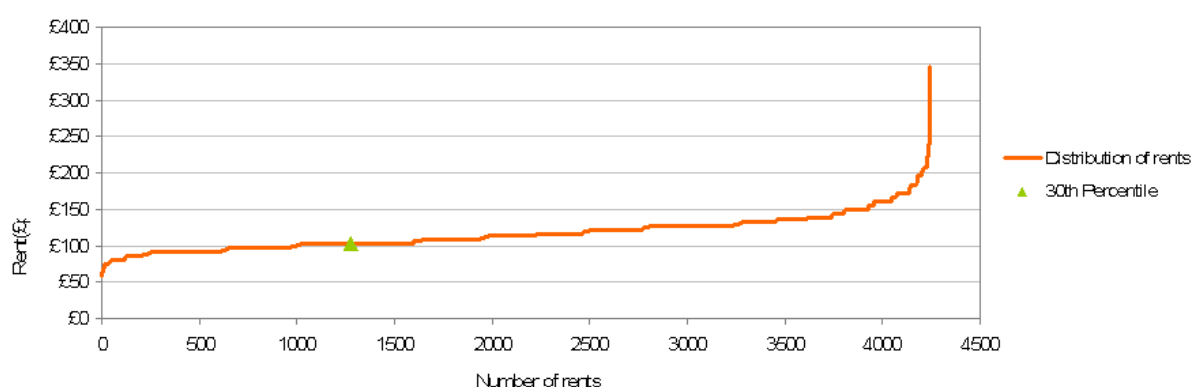
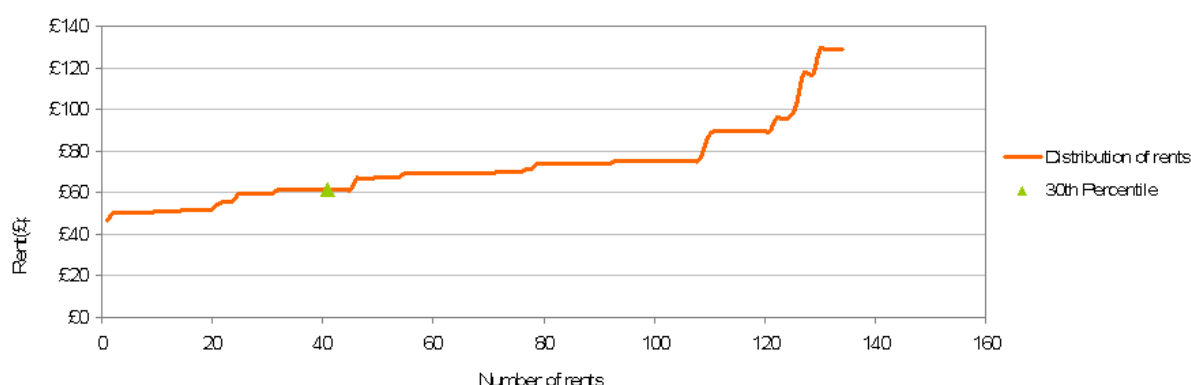


Figure 2: April 2016 [LHA direct](#) List of rents for shared accommodation in Leeds BRMA.



In markets where the supply is limited and/or where the sources of market data available are more scarce the rent curve tends to be steeper, more linear than 'S' shaped and often with a number of discontinuities where the steepness of the line changes (figure 2). This type of curve is more typical of markets where prices are more volatile and appear to occur more frequently for the less common property types (such as shared or four bedroomed accommodation) where there is a shortage of supply. Rents tend to cluster around fixed price points (e.g. £300.00 per month) which results in flat points in the curve with sharp jumps and falls in price at either end.

PART 3: RESULTS

LHA rates below the 30th percentile

Data on LHA rates below the 30th percentile is available for the whole of the UK. We looked at the proportion of BRMAs for each category of dwelling where the LHA rate had fallen below the 30th percentile rent as at April 2016. The results are in table 3.1.

Table 3.1: Proportion of BRMAs where LHA is below 30th percentile rent by LHA category

	BRMA with shortfall (%)					
	Shared	1 bed	2 bed	3 bed	4 bed	All
United Kingdom	84.5%	76.5%	73.5%	84.0%	84.0%	80.5%
England	85.5%	82.2%	78.3%	86.2%	86.8%	83.8%
Scotland	100.0%	61.1%	55.6%	72.2%	100.0%	77.8%
Wales	63.6%	59.1%	54.5%	72.7%	50.0%	60.0%
Northern Ireland	87.5%	50.0%	75.0%	100.0%	87.5%	80.0%

In every jurisdiction and for every category of dwelling the LHA had fallen below the 30th percentile in at least half of the BRMAs, and in the most categories it was closer to three quarters. The proportion of BRMAs in a country with an LHA below the 30th percentile is higher in the shared and, with the exception of Wales, the four bed category of accommodation. This finding is also consistent with the pattern of decline over time whereby the shared and four bed properties tend to fall behind the 30th percentile at an earlier date than the one and two bed properties. This may reflect the fact that there is a relatively healthy supply of one, two and three bedroomed properties whereas shared and four bedroomed properties are scarcer.

That this is the case is especially worrying for the shared accommodation rate. It could be argued that a household that is entitled to larger accommodation but cannot secure it at least has the option to downsize (even if that is unsatisfactory). But if a single person entitled to the shared rate cannot secure accommodation they have nowhere else to go.

The cumulative impact of successive annual up-ratings using a flat rate index (such as CPI) that takes no account of actual local rent inflation can be seen in table 3.2. It shows how the number of areas in England where the LHA has fallen below the 30th percentile has grown since the policy of using a general index was introduced. Note that results take account of any mitigation that is provided by targeted affordability funding (i.e. the results show the position after TAF is made available) and shows that its impact has been minimal. It seems that an adjustment mechanism such as TAF is unlikely to ever provide an adequate realignment with local rents except perhaps in the earlier years of a general uprating policy.

Table 3.2: Proportion of BRMAs in England 2013-2016 where LHA is below 30th percentile rent

	Shared	1 bed	2 bed	3 bed	4 bed
2013	32.2%	20.4%	33.6%	24.3%	34.9%
2014	59.9%	51.3%	58.6%	53.9%	50.7%
2015	71.7%	69.1%	66.4%	70.4%	74.3%
2016	85.5%	82.2%	78.3%	86.2%	86.8%

Rent inflation or (deflation) is caused by changes in the supply and demand for accommodation. Rents can fall (and do in some cases) as well as rise, however, in the long run it is generally accepted that rents tend to rise in line with earnings³. Therefore in the long run any uprating restricted to general price inflation is likely to result in substantial misalignment with local rents. General inflation does not drive price increases, but rather it is demand that drives inflation. In recent years demand for private rented housing has been rising as owner occupation has become increasingly unaffordable and the supply of social rented homes has failed to keep pace with rising demand. Restricting LHA rates is therefore unlikely to hold rents down, because apart from anything else HB claims are excluded from rental market data.

We looked at the proportion of BRMAs in England, Scotland and Wales where the 30th percentile rent was rising for each year the LHA has been uprated using a general index (note that if the rental data resulted in no change or a decrease then the LHA was frozen or reduced as appropriate). The results are in table 3.3 and 3.4.

Table 3.3: Percentage of BRMAs where the 30th percentile rent increased

		Rising rent				
		Shared	1 bed	2 bed	3 bed	4 bed
England	2013 to 2014	55.3%	52.0%	53.3%	48.0%	45.4%
	2014 to 2015	58.6%	57.9%	54.6%	63.8%	65.1%
	2015 to 2016	60.5%	61.2%	59.9%	67.8%	61.2%
Scotland	2013 to 2014	38.9%	27.8%	27.8%	11.1%	38.9%
	2014 to 2015	50.0%	50.0%	44.4%	27.8%	61.1%
	2015 to 2016	83.3%	44.4%	38.9%	55.6%	55.6%
Wales	2013 to 2014	27.3%	31.8%	40.9%	27.3%	27.3%
	2014 to 2015	36.4%	40.9%	36.4%	54.5%	31.8%
	2015 to 2016	36.4%	36.4%	22.7%	13.6%	18.2%

³ UK Housing Review 2011, Figure 1.1.5 page 17

Table 3.4: Percentage of BRMAs where the 30th percentile rent decreased

		Shared	1 bed	2 bed	3 bed	4 bed
England	2013 to 2014	21.1%	8.6%	7.2%	7.9%	26.3%
	2014 to 2015	26.3%	39.5%	44.1%	35.5%	33.6%
	2015 to 2016	30.3%	3.3%	2.6%	2.0%	6.6%
Scotland	2013 to 2014	44.4%	11.1%	16.7%	33.3%	27.8%
	2014 to 2015	5.6%	5.6%	0.0%	0.0%	5.6%
	2015 to 2016	16.7%	55.6%	61.1%	44.4%	44.4%
Wales	2013 to 2014	31.8%	40.9%	40.9%	54.5%	54.5%
	2014 to 2015	18.2%	9.1%	9.1%	9.1%	18.2%
	2015 to 2016	31.8%	22.7%	4.5%	18.2%	36.4%

In England the proportion of BRMAs where the 30th percentile rent was rising out numbered those where it fell by nearly two to one in almost every category of dwelling and in each of the three years, although the difference was less dramatic in the year 2014 to 2015 in the one bed and two bed property sizes. In Scotland, rent increases in each category were more than twice as common but the general pattern of change from year to year was more volatile with falls out numbering increases in some categories in the first and third year but increases occurring at rate of ten to one or higher in the second year. In Wales the proportion of rising rents and falling rents is roughly in balance in years one and three, but increases outnumbering decreases by two to one in the second year. Generally increases seem to occur at a higher rate in the shared accommodation rate – a result that is consistent with the pattern of growth in LHA rates below the 30th percentile (tables 3.1 and 3.2).

We looked at the size of increase/decrease in the areas where they occurred. However, it is difficult to match the caseload data to the BRMA data because BRMAs do not follow local authority boundaries. Therefore our results show the median rent increase/decrease for each category of dwelling where an increase/decrease occurred rather than a weighted average. The results are in tables 3.5 and 3.6.

Table 3.5: Median percentage increase in the 30th percentile rent in LHA rates where an increase occurred (2015 to 2016)

	Shared	1 bed	2 bed	3 bed	4 bed
England	4.6%	4.2%	3.7%	3.8%	4.2%
Scotland	4.6%	3.9%	3.9%	2.1%	4.6%
Wales	4.7%	1.4%	4.1%	2.6%	3.9%

Table 3.6: Median percentage decrease in the 30th percentile rent in LHA rates where a decrease occurred (2015 to 2016)

	Shared	1 bed	2 bed	3 bed	4 bed
England	-1.9%	-1.5%	-1.3%	-1.0%	-2.0%
Scotland	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
Wales	-5.9%	-3.1%	-2.1%	-0.6%	-3.9%

Tables 3.5 and 3.6 show that median 30th percentile rent increases were around twice as high as median 30th percentile rent decreases. This is to be expected given the decline in the relative value of the LHA rate (tables 3.1 and 3.2). The rates of increase and decrease were also highest in rarer property types (shared and four bedroom) and is consistent with the hypothesis that rents for these lettings are more volatile and probably results from their relative scarcity.

LHA cash shortfalls below the 30th percentile

The proportion of BRMAs for each category of dwelling where there was a cash shortfall between the LHA rate and the 30th percentile rent as at April 2016 is (by definition) the same as the results in table 2.1. As discussed earlier a very small cash shortfall (less than £1.00 per week) is unlikely to have any significant impact on access. Therefore we looked at those LHA rates with a significant cash shortfall. We took as a benchmark at least 5 per cent of the personal allowance of a jobseeker aged 25 or over (rounded upwards to the nearest £100 per annum) for single claimants or childless couples and £10.00 per week for other households. This gave us £3.85 per week (£200 per annum) for the shared rate, £5.80 per week for the one bedroom rate (£300 per annum) and £10.00 per week for the larger property sizes (£520 per annum). The results are in table 3.7.

Table 3.7: Percentage BRMAs at April 2016 with LHA rates where the cash shortfall to make up to the 30th percentile was substantial

	(% of BRMA with substantial shortfall)					
	Shared	1 bed	2 bed	3 bed	4 bed	All
England	40.8%	40.1%	25.0%	30.9%	44.1%	36.2%
Scotland	33.3%	11.1%	16.7%	11.1%	44.4%	23.3%
Wales	27.3%	9.1%	0.0%	0.0%	4.5%	8.2%
Northern Ireland	25.0%	0.0%	0.0%	0.0%	0.0%	5.0%

Table 2.7 shows that substantial cash shortfalls were more likely to occur in the shared accommodation rate – although this could partly be explained by the benchmark we selected for each property size. Although the benchmarks level we selected for the shared and one bed may seem relatively small it should be remembered that basic benefit rates for jobseekers allowance do not include any element for housing costs and that these benefit rates have also only been uprated by 1 per cent for the previous two years (when the CPI index would have resulted in increases by 2.7 per cent and 1.2 per cent respectively). Further these basic benefits will also be frozen during the period of the LHA freeze. If a flat rate loss of £10.00 per week is taken then the results for the shared and one bed property sizes would be as in table 2.8.

Table 3.8: Percentage BRMAs at April 2016 with LHA rates where the cash shortfall to make up to the 30th percentile was at least £10.00 per week (shared and one bed rate)

	shared	1 bed
England	14.5%	19.7%
Scotland	5.6%	11.1%
Wales	4.5%	0.0%
Northern Ireland	0.0%	0.0%



Although the number of areas where the cash shortfall of £10.00 is relatively small being 22 BRMAs in England and one each in Scotland and Wales for the shared rate it should be remembered that a cash shortfall for a single person aged 25 or over entitled to shared rate only would represent 14 per cent of their basic income intended for other living expenses or 17 per cent if they were aged under 25. More worrying is the fact that if they cannot afford accommodation at the shared rate then they have no where else to go. Twelve of the 22 areas in England are in London and all but one of them is in the greater South (London, East of England, South East and South West regions).

PART 4: RESULTS: LHA RENT PERCENTILES IN SCOTLAND, WALES AND NORTHERN IRELAND

Key to tables in part 4

Proportion of the market available at the 2016 LHA for the appropriate category of dwellings shown by the following Key:

At least one property but less than 5%	<5%
5% to 9%	5%
At least 1% but less 10%*	<10%
10% to 14%	10%
15% to 19%	15%
25% to 29%	25%
30% or more**	30%

* Data for the 5th percentile rent not available for Scotland.

** The 30th percentile rent can be one of several at the same value in the market evidence.

LHA rent percentiles in Scotland April 2016

Table 4.1: LHA rent percentiles in Scotland April 2016

	Shared	1 bed	2 bed	3 bed	4+ bed
Aberdeen and Shire	<10%	<10%	10%	15%	<10%
Argyll and Bute	10%	25%	30%	25%	15%
Ayrshires	15%	30%	30%	30%	20%
Dumfries and Galloway	25%	30%	30%	25%	25%
Dundee and Angus	25%	15%	25%	20%	20%
East Dunbartonshire	25%	30%	20%	25%	25%
Fife	10%	25%	25%	25%	25%
Forth Valley	20%	25%	30%	30%	20%
Greater Glasgow	25%	20%	15%	25%	25%
Highland and Islands	15%	15%	20%	25%	25%
Lothian	15%	10%	10%	20%	25%
North Lanarkshire	20%	30%	25%	25%	10%
Perth and Kinross	20%	15%	15%	25%	10%
Renfrewshire/ Inverclyde	25%	30%	30%	30%	25%
Scottish Borders	20%	25%	30%	30%	15%
South Lanarkshire	25%	25%	30%	25%	10%
West Dunbartonshire	25%	30%	30%	30%	<10%
West Lothian	25%	30%	20%	15%	15%

Table 4.2: LHA cash shortfall below 30th percentiles in Scotland April 2016

	Shared	1 bed	2 bed	3 bed	4+ bed
Aberdeen and Shire	£16.42	£22.34	£21.87	£33.69	£63.21
Argyll and Bute	£6.38	£2.07		£0.53	£15.62
Ayrshires	£0.60				£2.20
Dumfries and Galloway	£1.55			£1.05	£1.71
Dundee and Angus	£4.30	£1.31	£5.46	£8.74	£6.55
East Dunbartonshire	£2.61		£4.29	£0.72	£8.72
Fife	£3.34	£1.27	£1.00	£0.53	£3.55
Forth Valley	£0.91	£0.09			£1.16
Greater Glasgow	£0.76	£5.75	£10.04	£0.77	£1.09
Highland and Islands	£4.45	£4.85	£4.35	£5.41	£0.72
Lothian	£6.52	£10.05	£14.52	£14.90	£17.65
North Lanarkshire	£3.85		£1.05	£0.84	£5.29
Perth and Kinross	£2.15	£5.05	£7.98	£0.77	£17.91
Renfrewshire/ Inverclyde	£2.74				£4.82
Scottish Borders	£0.57	£0.49			£21.49
South Lanarkshire	£5.03	£3.23		£1.96	£18.49
West Dunbartonshire	£0.98				£13.27
West Lothian	£2.41		£3.13	£4.23	£15.17

Table 4.1 shows the calculated rent percentiles for all the LHA rates in Scotland as calculated by the Scottish Government rent officer service. This is the same data used to calculate 30th percentile by Scottish rent officers on behalf of the DWP. It shows that of the 90 LHA rates in Scotland 38 had fallen below the 25th percentile and 25 had fallen below the 20th percentile. Again a higher proportion of extreme percentile shortfalls occur in the shared accommodation rate and four bed rates (six and eight out of 18 areas).

The situation in Aberdeen and Shire BRMA is exceptionally worrying with less than 20 per cent of the market is available at the LHA rate for every category dwelling. Worse the cash shortfalls (table 4.2) are very substantial starting at £16.42 for the shared rate rising to £63.21 for the four bed rate. The Aberdeen and Shire BRMA is the worst in the whole of UK. The example of Aberdeen strongly suggest that rents are driven by demand and any attempt to dampen them by holding down the LHA rates are unlikely to have any affect – expect in areas where benefit claimants make up the large majority of demand in the PRS. The reality between theoretical available market (represented by the LHA percentile) and what is actually available in practice may be starker. Homelessness charities such as Shelter and Crisis have often reported that in practice benefit claimants face other barriers to access because landlords perceive benefit claimants to be more risky.

Very substantial cash shortfalls in all categories also occur in Lothian BRMA (which covers the high demand Edinburgh market) with cash shortfalls ranging from £6.52 per week for the shared accommodation rate to £17.65 for the four bed rate. In all but the four bedroom category less than 25 per cent of the market is available.

LHA rent percentiles in Wales April 2016

Table 4.3: LHA rent percentiles in Wales April 2016

	Shared	1 bed	2 bed	3 bed	4+ bed
Blaenau Gwent	30%	30%	20%	15%	20%
Brecon and Radnor	10%	30%	30%	25%	30%
Bridgend	30%	25%	30%	20%	25%
Caerphilly	30%	30%	30%	30%	25%
Cardiff	5%	30%	30%	30%	30%
Carmarthenshire	25%	15%	30%	30%	30%
Ceredigion	30%	25%	20%	25%	30%
Flintshire	<5%	15%	20%	25%	20%
Merthyr Cynon	30%	15%	30%	20%	10%
Monmouthshire	20%	30%	30%	25%	25%
Neath Port Talbot	10%	25%	25%	25%	30%
Newport	20%	20%	30%	25%	25%
North Clwyd	20%	25%	25%	20%	30%
North Powys	25%	30%	25%	25%	30%
North West Wales	10%	15%	15%	25%	30%
Pembrokeshire	30%	30%	30%	30%	25%
South Gwynedd	25%	25%	25%	30%	30%
Swansea	20%	25%	25%	30%	25%
Taff Rhondda	30%	15%	20%	15%	30%
Torfaen	30%	30%	30%	20%	20%
Vale of Glamorgan	<5%	30%	25%	25%	30%
Wrexham	25%	15%	20%	25%	25%

Table 4.4: LHA cash shortfall below 30th percentiles in Wales April 2016

	Shared	1 bed	2 bed	3 bed	4+ bed
Blaenau Gwent			£4.63	£4.15	£8.68
Brecon and Radnor	£4.35			£4.60	
Bridgend		£2.30		£4.61	£5.75
Caerphilly					£0.68
Cardiff	£1.75				
Carmarthenshire	£2.36	£2.02			
Ceredigion		£0.47	£4.17	£3.15	
Flintshire	£9.50	£7.24	£2.35	£4.48	£1.93
Merthyr Cynon		£1.28		£4.30	£29.92
Monmouthshire	£0.40			£1.15	£6.91
Neath Port Talbot	£4.21	£0.22	£0.24	£0.15	
Newport	£28.95	£0.45		£1.11	£1.90
North Clwyd	£4.72	£0.55	£2.30	£3.00	
North Powys	£2.50		£0.30	£2.45	
North West Wales	£1.89	£3.59	£8.26	£4.66	
Pembrokeshire					£1.15
South Gwynedd	£2.23	£1.01	£0.63		
Swansea	£0.77	£4.84	£3.38		£6.93
Taff Rhondda		£2.50	£3.70	£6.00	
Torfaen				£3.51	£9.32
Vale of Glamorgan	£5.23		£5.75	£4.06	
Wrexham	£1.35	£6.69	£3.38	£2.54	£3.06

Table 4.3 shows the calculated rent percentiles for all the LHA rates in Wales as calculated by the Welsh Government rent officer service. This is the same data used to calculate 30th percentile by Welsh rent officers on behalf of the DWP. It shows that of the 110 LHA rates in Wales 33 had fallen below the 25th percentile and 16 had fallen below the 20th percentile. In two BRMAs (Flintshire and the Vale of Glamorgan) the purchasing power of the shared rate LHA is less than 5 per cent of the market and in each of these the cash shortfall was over £5.00 per week (£5.23 and £9.50 respectively). Discussions with rent officers revealed that the Flintshire market acts a relatively cheap dormitory area for workers in the more affluent West Cheshire (and in particular the city of Chester) across the border. Other factors can restrict the supply and drive up the price. For shared accommodation a change in the local planning use orders or HMO regulations can cause landlords to exit the market and this will drive up the price.

In Newport although the LHA shared rate percentile was still at least 20 per cent the cash shortfall required to restore it to the 30th percentile value would require an increase of £28.95 per week – 50 per cent of the jobseekers allowance rate for person under 25, or 40 per cent for a person aged 25 to 35. Clearly the size of this shortfall is unsustainable and benefit entitled to the shared rate will be clearly be restricted to the bottom 20 per cent of the market, assuming that they can compete equally with those who are not entitled to benefit. Overall cash shortfalls are not as severe in Wales as in the rest of Great Britain.

LHA rent percentiles in Northern Ireland April 2016

Table 4.5: LHA rent percentiles in Northern Ireland April 2016

	Shared	1 bed	2 bed	3 bed	4+ bed
South	15%	30%	30%	20%	20%
North	30%	30%	30%	25%	25%
Lough Neagh Lower	25%	25%	25%	20%	25%
North West	25%	20%	20%	20%	20%
South West	10%	30%	20%	20%	20%
South East	25%	30%	25%	25%	15%
Lough Neagh Upper	20%	25%	20%	20%	30%
Belfast	20%	20%	25%	25%	20%

Table 4.6: LHA cash shortfall below 30th percentiles in Northern Ireland April 2016

	Shared	1 bed	2 bed	3 bed	4+ bed
South	£5.00			£2.09	£3.73
North				£0.84	£0.20
Lough Neagh Lower	£2.17	£1.20	£0.89	£2.91	£0.04
North West	£0.24	£2.93	£4.38	£0.94	£2.73
South West	£5.07		£3.28	£1.99	£3.91
South East	£1.60		£0.52	£0.50	£9.46
Lough Neagh Upper	£3.71	£1.88	£2.52	£1.67	
Belfast	£1.10	£2.09	£1.12	£1.48	£7.99

In Northern Ireland 80 per cent of LHA rates have already fallen below the 30th percentile (second only to England) however the cash shortfalls required to restore the value are lower than in other parts of the UK - as it stands only 10 per cent of LHA rates have shortfalls of £5.00 or more per week. However, the pattern of accelerated decline in the value of the shared rate is similar to the rest of the UK. Only one area has the shared rate maintained its value at the 30th percentile value. And in two areas South (Newry, Banbridge and Armagh) and South West (Enniskillen and Omagh) the cash shortfall is £5.00 or more each week and in one other, Lough Neagh Upper (Antrim and Ballymena) the shortfall is approaching £4.00.

Overall the pattern of decline follows the rest of the UK and it can be expected that over the four year period of the freeze the cash value of the shortfalls will become more substantial.