

Which neighbourhoods in London will be affordable for Housing Benefit claimants 2010-16, as the government's reforms take effect?

Preliminary Findings

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Summary

1. The map shows which neighbourhoods are likely to be largely unaffordable to private tenants claiming Housing Benefit now; after the government's immediate changes to HB are introduced; and after the changes have been in effect for five years.
2. DWP figures show that the main factor is the move to the 30th percentile, which affects 113,000 London households, rather than the caps and removal of 5 bedroom rate which affects 17,000.
3. "Largely unaffordable" means that the rents of a large majority – 75% or more, of two-bedroom dwellings in that neighbourhood are above the maximum HB payable for that size of property.
4. "Largely unaffordable" implies two things. Firstly, many claimants presently living in that neighbourhood will find their revised HB payment falls short of their rent. Secondly, those seeking accommodation in the future will find less than a quarter of properties available in that neighbourhood at a rent equal to or below the maximum benefit payable.
5. "Largely unaffordable" does not imply that there are no HB claimants living there now, or that all claimants living there now are paying rents above LHA out of their other income. The map also does not indicate anything about what the effects of the measures on tenants might be. In particular, it does not show that all HB claimants in a neighbourhood will be forced to move to particular areas, or at all.
6. It should also be noted that previous research by Shelter has found around two-thirds of landlords operate exclusions on benefit claimants, even at the affordable end of the market, so the real proportion of accessible homes is less.

Methods, Sources & Definitions

1. The analysis considers the effects of three changes set out by the coalition:
 - ❖ From 2011, the maximum LHA paid to claimants will be capped. The caps are £250 a week for a 1 bedroom property, £290 a week for a 2 bed, £340 a week for a 3 bed and £400 a week for a 4 bedroom property or larger.
 - ❖ From 2011, the maximum LHA paid will be set at the 30th percentile rather than the median. This means only three out of ten properties for rent in any Broad Rental Market Area are likely to be affordable to people on housing benefit rather than half.
 - ❖ From 2013, increasing the maximum HB paid by CPI inflation, instead of by

reference to actual local rents.

2. There are several other changes being brought in that will affect HB payments to private tenants, but they are not considered in this analysis, such as increases in deductions for non-dependents, the change to the shared room rate to include those up to 35 years old, or the 10% reduction for those claiming JSA for more than a year.
3. The neighbourhoods shown are the 1,433 postcode sectors in the 14 London rental market areas defined by the Valuation Office Agency (VOA). Some of these neighbourhoods, especially in central London, contain mainly commercial premises, and are omitted. The amount of residential dwellings and rented property they contain vary considerably.
4. Neighbourhood average and lower quartile rents were modelled from the VOA's current published LHA rates for Broad Rental Market Areas (BRMAs); a table matching postcode sectors to BRMAs; the GLA's London Rents database for postcode districts; and the Land Registry's 2009 postcode sector house price data. Rents and rates for two-bedroom dwellings are used here as this is the commonest property size and is found in both inner and outer districts. The pattern is similar for other property sizes.
5. "Largely unaffordable" is defined as the maximum HB being less than the rent of the cheapest 25% of two-bedroom rentals in the neighbourhood. In practice at this point much less than 25% of rented dwellings will be accessible, because some will be unfit, unsuitable, unavailable or with a landlord unwilling to let to LHA claimants.
6. The assumption is that rent prices will grow at 3.5% a year. This is a conservative assumption; average annual rental growth in England 2001/2 – 2007/08 was over 6%.
7. The future rate of CPI inflation is the median of the forecasts of independent economic consultancies, collated and published by HM Treasury in August 2010.

Summary table of results

Affordable 2010	Largely unaffordable 2010	Largely unaffordable from 2011	Largely unaffordable by 2016	Still affordable 2016
3863 (75%)	1296 (25%)	1207 (23%)	790 (15%)	1866 (36%)
Based on 5159 neighbourhood areas ¹ in and just outside Greater London				

The research model shows the number of London neighbourhoods that are not largely unaffordable for LHA claimant households in London will be halved (75% - 36%) by 2016 as a result of these proposed changes to LHA.

¹ These are Lower super output areas, as defined by the census, and are areas of approximately equal populations.

Map

Affordability of 2-bed property to HB claimants in London

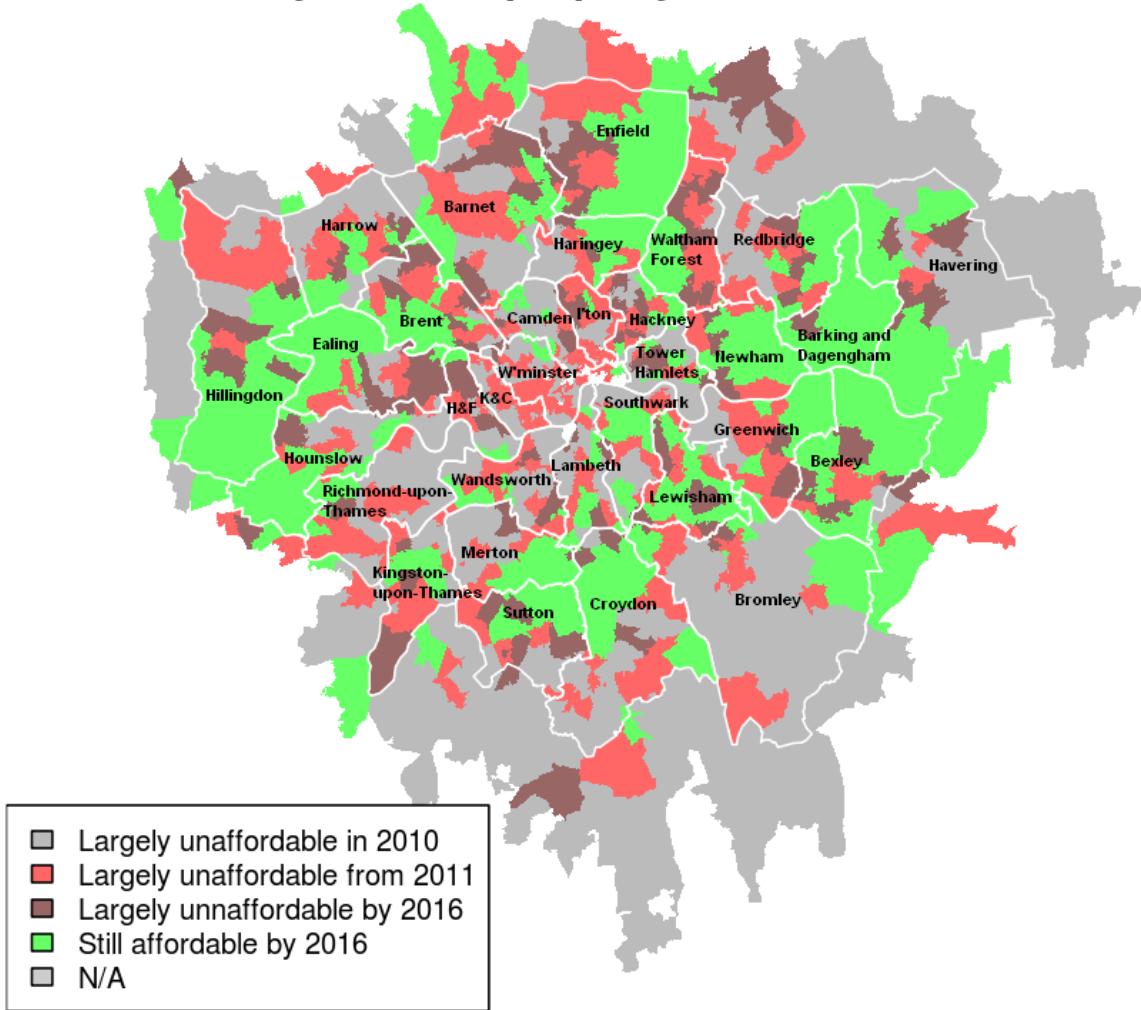


Table of London Local Authorities, ranked by proportion of properties remaining affordable in 2016, after LHA cuts, in descending order. Shelter analysis of CCHPR data.

Local Authority	Number of Neighbourhoods* still affordable 2016	Total number of neighbourhoods	% remaining affordable 2016
City of London	0	5	0%
Kensington and Chelsea	0	103	0%
Westminster	3	120	3%
Islington	4	118	3%
Hammersmith and Fulham	7	111	6%
Camden	15	133	11%
Wandsworth	20	174	11%
Tower Hamlets	22	130	17%
Richmond upon Thames	20	114	18%
Hackney	26	131	20%
Bromley	49	197	25%
Lambeth	46	177	26%
Waltham Forest	39	145	27%
Redbridge	45	159	28%
Kingston upon Thames	28	97	29%
Barnet	63	210	30%
Southwark	59	165	36%
Greenwich	54	143	38%
Brent	66	174	38%
Harrow	54	137	39%
Merton	49	124	40%
Sutton	51	121	42%
Ealing	91	195	47%
Hillingdon	78	163	48%
Haringey	70	144	49%
Lewisham	81	166	49%
Havering	73	149	49%
Hounslow	69	139	50%
Croydon	122	220	55%
Bexley	94	146	64%
Enfield	133	181	73%
Newham	121	159	76%
Barking and Dagenham	99	109	91%

* Neighbourhoods = Lower Super Output Areas, as used in Census

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