

THE LIVING AND WORKING SELECT COMMITTEE

11 July 2011

Report of the Divisional Director of Housing Strategy

Implications for Barking & Dagenham's private rented housing sector from Housing Benefit cuts		For information
Summary: This report details the potential effects of the Coalition Government's changes to Housing Benefit on the private rented sector in the borough, and related pressures to School placements and the wider effects on East London Councils.		
Wards Affected: All		
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Introduction and background

Barking & Dagenham's Private Sector Housing Stock Condition Survey 2009 estimated that approximately 7,250 dwellings were rented out, equivalent to 10% of the borough's overall housing stock. Growth in the sector declined in the wake of the recession by 2% but this is expected to be reversed as housing development picks up and rental demand increases.

Building a private rental market that suits the economic needs of the capital while raising the standards of landlord management are key planks of the London Housing Strategy. So, for Barking and Dagenham it is imperative to monitor and improve the current state of the private rented sector so that it offers both affordable access to housing and quality accommodation in challenging times.

In terms of conditions, the private rented unsurprisingly suffers from some of the poorest conditions and the least thermal comfort. 22.3% of households have hazards which contribute towards detrimental health impact and which the Council has a statutory duty to remedy. Non-decency in the sector is estimated to be 47% and this is proportionately higher than in any other tenure. The average cost to repair and improve each property has been estimated at £1,600 per dwelling.

With 46% of rented homes being built during the period 1919-1944, the sector is also the least energy efficient because landlords derive no direct benefit from improvement measures. Although fuel poverty levels in the sector fell by 11% in 2009-2010, the rise in fuel prices over 2010-2011 resulted in 22% of dwellings being fuel poor.

This needs to be viewed in context considering that 3,150 households which reside in the private rented sector are in receipt in some kind of welfare and are defined as vulnerable by

the Government. Over 1,000 of these households live in dwellings which do not comply with the Decent Homes Standard.

With such challenging stock conditions and with new developments planned in the area fuelling both supply and demand for private rented accommodation the response of the Council has facilitated a more innovative and engaged approach with the sector, especially through the recently formed Landlords & Letting Agents Forum.

Private rented sector

Given that private rents in the borough are amongst the lowest in London there was considerable concern that one of the first impacts of the Housing Benefit (HB) cuts would be that there would be a significant migration of households dependent on benefit from inner and central London to Barking & Dagenham. This movement would comprise two groups in private rented homes; people in low paid employment receiving HB to supplement incomes who would no longer be able to afford their current rents and households placed into temporary accommodation by their London Borough. In the latter case their borough council would have a homelessness duty to provide temporary accommodation, but would be unable to do so in their own area because the local rents would be higher than the Local Housing Allowance (LHA) level to which HB is related. The obvious concern was that councils would seek to procure private rented accommodation in low rent areas, such as Barking & Dagenham.

The overall concerns were twofold; first, that given that a disproportionate number of the placements could include families with high social, health care or educational needs there would be a resource impact on LB Barking & Dagenham Council and secondly, the adverse implications for the social and economic regeneration of the borough.

The Council's Private Sector Housing team have now conducted two comprehensive surveys in the last 6 months of local lettings agencies and the private sector landlords involved in our Landlords Forum to assess the situation in the Barking & Dagenham rented market.

The results of the surveys have shown that:

- demand locally for private rented housing is very strong and growing from households in employment and not benefit dependent
- there are very low levels of void private for rent
- many agents have waiting lists
- the average length of private tenancies is rising – demonstrating greater stability
- a strong preference expressed by landlords for tenants who are in employment and not on HB
- some contacts from other London Boroughs to seek accommodation but low take up to date

This sea change is largely attributable to the difficulty that would be first time buyers now face in entering home ownership and their inability to access social rented accommodation.

The table below contains abridged versions of the survey questions and the answers given:

1. What has happened to rental demand since November survey?	Increased	Decreased	No change
	94%	0%	6%
2. How many vacant rental properties do you have?	None	5 or less	More than 5
	34%	60%	7%
3. How long in the average tenancy?	Less than 1 year	1 -2 years	2 years or longer
	0%	63%	37%
4. Have you had any contact from other LAs about placements?	None	Some	
	75%	25%	
5. What will happen to rents?	Increase	Decrease	No change
	80%	0%	20%
6. Would direct HB payments to landlords encourage rent reductions?	Yes	No	Unsure
	38%	44%	18%

The survey also revealed that contrary to the expectations of the Government, rental prices are gravitating upwards:

No. of Bedrooms	Nov 2010 average rent (£)	May 2011 average rent (£)	Change %
1-bed flat	667	665	-3%
2-bed flat/house	802	884	+10.2%
3-bed house	1,001	1,026	+2.5%
4-bed + house	1,213	1,339	+10.3%
	921	979	+6.3%

London Councils is in the process of producing a protocol to control the out of Borough placing of households. Whilst this does not set quotas or restrictions on numbers of placements it does 3 principal things which are helpful:

- any Borough making a placement into another Borough must give notification
- Boroughs are not to place vulnerable households (this is an issue which the Leaders' Committee of London Councils is currently considering in terms of the exact scope and definition of vulnerability)
- a Borough seeking to procure private rented accommodation must not exceed the rent level that the host Borough would ordinarily pay for such accommodation to meet its own needs.

Working with private sector landlords

The Housing Advice Service has worked closely with Private Sector accommodation providers since November 2002, when we introduced Private Sector Licence [PSL] accommodation, to discharge the temporary accommodation duty to homeless people.

Having regard to the temporary accommodation market in the Borough and the pending financial influence of Local Housing Allowance, the scheme was put out to tender at LHA rates from April 2010. From this time we have actively converted to the new property rates.

Alongside the PSL scheme, from April 2006 the Service initiated a Rent Deposit Scheme [RDS] that has assisted approximately 690 homeless customers in to private rented accommodation, with 12 month Assured Shorthold Tenancies.

Current temporary accommodation levels:

Bed Size	Scheme	20.05.11	27.05.11	03.06.11	10.06.11	17.06.11
1	Old	34	34	34	33	33
	New	61	62	62	61	59
2	Old	114	114	109	108	108
	New	220	224	226	226	231
3	Old	75	74	74	74	74
	New	118	122	124	126	127
4	Old	13	13	13	13	13
	New	19	20	20	20	20
5	Old	5	4	4	4	4
	New	0	0	0	0	0
6	Old	1	1	1	1	1
	New	0	0	0	0	0
	Old	242	240	235	233	233
	New	418	428	432	433	437
	Total	660	668	667	666	670

Having regard to reduced availability of temporary accommodation, from July 2010 to June 2011, the Accommodation Team has reduced old property portfolio:

	Old to New	Cancelled	total
July	24	27	51
August	30	9	39
September	17	8	25
October	20	21	41
November	16	11	27
December	13	11	24
January	19	7	26
February	14	5	19
March	11	8	19
April	9	3	12
May	10	0	10
June	3	2	5
Total	186	112	298

The Accommodation Team implement the PSL scheme through 11 providers and the RDS through numerous agents and landlords. Aware that accommodation is reducing in the area and that we are not in a position to increase provider accommodations payment, the Service is looking to alternative temporary accommodation models. However, the success of PSL and RDS and the desire for providers to continue to work with us, is due to a multitude of factors:

1. Private Sector Licence Tender [11 Agents]
2. Single point of contact for provider
3. Agent site visits and update call-ins
4. Ongoing support to landlord / agent and customer
5. Fast track Housing Benefit and change of circumstances
6. Settling in visits [Accommodation Team]
7. PSL evictions [Accommodation Team]
8. Active tenancy sustainment team intervention
9. New property inspections – reduces potential management problems
10. Excellent relationships with providers

A recent review of the RDS will include periodic customer and provider contact, which will further build on the team's ethos to provide a holistic accommodation service.

New role of Landlords & Letting Agents Forum

The Landlords & Letting Agents Forum has met four times in the last year to discuss changes to LHA, take up of cheap energy saving deals and to act as a driver and consultee on service development, policy and delivery. 220 landlords operating in the borough have paid to become accredited to the regional London Landlords Accreditation Scheme where they are provided with training in good landlord management and sustaining high quality accommodation. The Forum, facilitated by the Council's Private Sector Housing Team, is currently working with the CAB to develop more proactive relations in dealing with poor conditions, illegal evictions and harassment issues in light of the changing nature of the role of the private rented sector.

East London perspective on private rented sector

ELHP analysis found that the impact of reform on East London broadly reflects elsewhere in London. The LHA cap effectively makes it impossible for low-income households to privately rent in inner London (including Hackney and Tower Hamlets). It also constrains availability of accommodation in Newham. Therefore, inner London Boroughs increasingly look to outer London's cheaper rents to supply the private rented accommodation needed by its residents.

However, the East London experience differs in three important ways:

- East London is already home to high proportions and concentrations of low income households
- Rents in parts of East London are especially low compared to London average, this could stimulate an accelerated migration to East London
- All East London Boroughs are struggling to identify private rented housing as landlords do not need to let to Local Authority referrals to sustain their incomes

Of the estimated 19,503 claims affected by the cap in London, 15% are already in East London, concentrated in Tower Hamlets and Hackney. Based on current migration patterns of affected households we forecast a migration of approximately 3,000 households. As annual reviews take place, we will track movements.

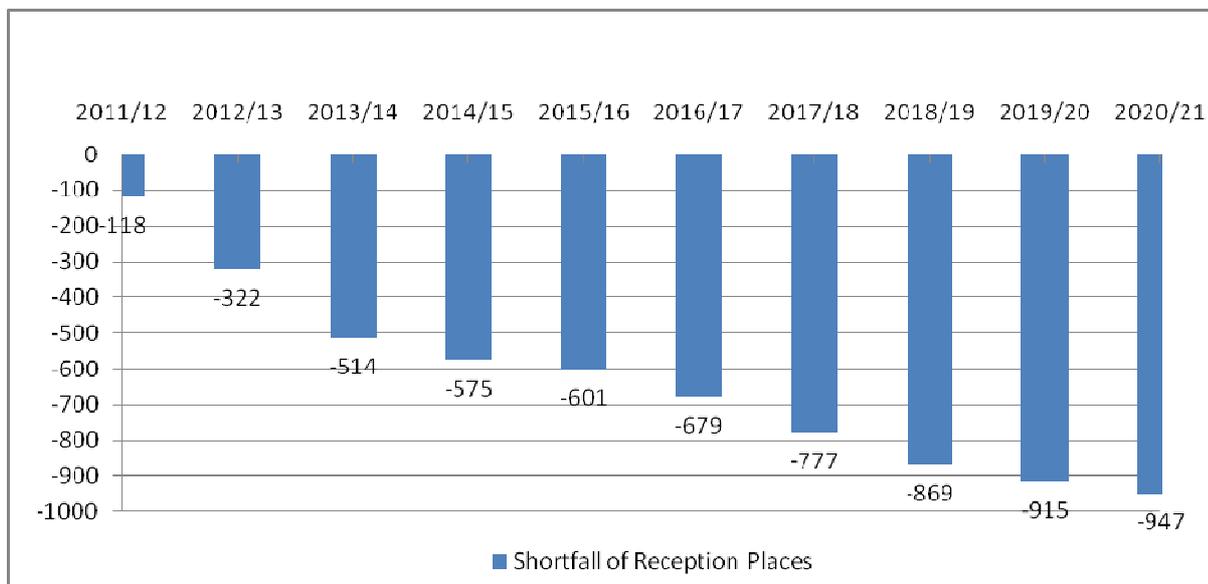
Effect on schools Admissions

There are a number of contributory factors which are adding to the demand for school places to Barking and Dagenham and making us the fastest growing Borough in London for school places. The factors which are influencing include:

- the Borough has experienced significant change since 2000 in the number of births, with around a 50% increase. The most recent statistics from the GLA show that since 2000 when births were 2321, the birth numbers increased to 3682 in 2010, which represents an increase in the birth rate by comparison of 58%;
- we have some evidence of larger families moving to the Borough and creating bigger households;
- the original forecasting assumptions have been exceeded with families moving into one bedroom apartments;
- the price of property and the rental market in particular is buoyant in the Borough, particularly with its public transport links to the City;
- we have an ageing population and as you will appreciate such changes do go in cycles.

The graph below shows the cumulative shortfall of Reception places based on current capacity of 3,213 places, birth data and trends 2011-2021.

This academic year there is already a shortfall of Reception places of 118.



The graph below shows the cumulative shortfall of Year 7 places based on current capacity of 2350 places, birth data and trends 2011-2021. This academic year there is a surplus of 58 places but by 2013-2014 this will have fallen to a shortfall of already a shortfall of 81 places.

