



Greater Norwich Housing Market Assessment

The Private Rented Sector

Benefit Level Rents

**How is the Private Rented Sector used to
Accommodate Need?**

1 INTRODUCTION AND CONCLUSIONS

1.1 INTRODUCTION

This report considers how households in housing need access housing in the private rented sector.

We use 'housing need' to mean households who cannot afford housing in the market. By definition, a household in housing need will require assistance to access housing in the private rented sector.

This main form of assistance is Housing Benefit/Local Housing Allowance (HB/LHA). This benefit pays or contributes to the rent for tenants with low incomes or no income. The government plan to replace HB with LHA. Norwich city and South Norfolk district are pilot authorities for LHA. Broadland district will begin introducing LHA in 2008.

The three district councils in the sub-region, jointly and individually, provide other forms of assistance to households seeking housing in the private rented sector. Assistance takes a variety of forms...

1. A sub-regional empty homes project. This project aims to renovate empty properties for use by households in housing need.
2. Private sector leasing schemes. In this scheme the district councils lease properties from the private owners for use as temporary housing for homeless households.
3. Rent and deposit schemes run by Broadland and South Norfolk districts. These schemes provide loans to help pay the initial deposit and first month rent needed to secure a private sector tenancy.
4. Solo Housing run a lodging scheme with financial support from the three district councils. This scheme helps single homeless people find rented housing by matching tenants with landlords.

Unlike the payment of LHA/HB these forms of assistance are optional for the district councils.

1.2 CONCLUSIONS

HB and LHA provide access to the private rented sector for nearly 4,000 households. The private rented sector, with assistance in the form of HB/LHA, provides a housing option for low-income households. Without the private rented sector these households would add to demands on the limited supply of affordable housing.

The majority of properties advertised via letting and estate agencies have rents above the local maximum HB/LHA levels. This suggests there is a separate sub-market that provides housing for tenants in receipt of benefits. There are a small number of landlords in Norwich city who specialise in housing tenants in receipt of benefit.

The additional assistance provided by the three district councils help, or have the potential to help, two or three hundred tenants. These forms of assistance have less impact on the number of households helped than HB/LHA. But they are important for several reasons...

1. They often serve more than one purpose. The empty homes project will bring empty housing back into use. The Solo lodging scheme provides support as well as housing.
2. They can offer choice. The rent and deposit schemes offer homeless households an alternative to temporary housing.
3. They offer cost effective ways for local authorities to meet their statutory duties. The rent and deposit scheme can be a zero cost way of meeting a duty to secure housing for a homeless household.

2 BENEFIT CLAIMANTS AND RENTS

Local authorities that administer Housing Benefit/Housing Allowance claims make regular returns to the Department for Work and Pensions (DWP). These DWP returns show the number of claimants broken down by...

- The age of the claimant – age up to 60 or age 60 and over.
- Whether the claimant is entitled to maximum benefit.¹
- Whether the claimant has a regulated or de-regulated (assured) tenancy.

The DWP returns also show average eligible rent for each sub-group. The eligible rent is the rent charged less any non-eligible charges for services such as heating.

2.1 GREATER NORWICH

Across the sub-region 20% of tenants in privately rented property claim benefit to help with their rent. The average rents are similar for the three districts.

Private Sector Tenants Claiming Housing Benefit/Local Housing Allowance

District	Private Sector Tenancies	Private Sector Benefit Claimants	%age Claiming Benefit
Broadland	4,500	976	22%
Norwich	10,000	1,782	18%
South Norfolk	5,100	1,130	22%
Greater Norwich	19,500	3,888	20%

Source: Claimants (May 2007) district benefit services. Private sector tenancies from Opinion Research Services (ORS) - Housing Need and Stock Condition Study (2006). ORS calculate the number of tenancies from a sample and round to the nearest 100.

¹ See Appendix 3 - Definitions

Average Rent for Private Sector Tenants Claiming Benefit

District	Average Regulated Rent	Average De-regulated Rent
Broadland	£60.02	£88.79
Norwich	£62.95	£92.05
South Norfolk	£62.82	£93.65

Source: Claimants (May 2007) district benefit services.

2.2 BROADLAND

In May 2007 Broadland District was paying Housing Benefit to 976 tenants in privately rented housing.

	Age of Tenant	Maximum Benefit	Less Than Maximum Benefit	All Claimants
Regulated Tenancies	Age up to 60	14	4	18
	Over 60	106	61	167
	All Tenants	120	65	185
De-regulated Tenancies	Age up to 60	272	279	551
	Over 60	160	80	240
	All Tenants	432	359	791
All Tenancies	Age up to 60	286	283	569
	Over 60	266	141	407
	All Tenants	552	424	976

Average Rents were...

- Regulated Rents – £60.02
- De-regulated Rents - £88.79

In Broadland district some landlords have more than one property with tenants claiming Housing Benefit. There is no evidence to suggest that landlords actively seek tenants claiming benefits. Many tenants who claim benefit are concerned that their landlords should not hear about their claim.

Broadland district will begin introducing Housing Allowance in 2008.

Most claimants are from the Norwich suburbs within Broadland district and the market towns.

2.3 NORWICH CITY

In May 2007 Norwich City Council was paying Housing Allowance for 1,782 privately rented properties.

Detailed information was not available for claimants in receipt of less than maximum benefit.

	Age of Tenant	Maximum Benefit	Less Than Maximum Benefit	All Claimants
Regulated Tenancies	Age up to 60	13	N/a	N/a
	Over 60	126	N/a	N/a
	All Tenants	139	N/a	N/a
De-regulated Tenancies	Age up to 60	765	N/a	N/a
	Over 60	128	N/a	N/a
	All Tenants	893	N/a	N/a
All Tenancies	Age up to 60	778	619	1397
	Over 60	254	131	385
	All Tenants	1032	750	1782

Average Rents are...

- Regulated Rents – £62.95 (Tenants in receipt of maximum benefit only).
- De-regulated Rents - £92.05 (Tenants in receipt of maximum benefit only).

A handful of landlords target benefit claimants and some of these landlords also act on behalf of other landlords. The Norwich benefit manager estimates that tenants of these landlords account for about 100 –200 claims.

Most local landlords are aware of Local Housing Allowance. There is some evidence to suggest that landlords are setting rents by reference to Local Housing Allowance.

Some landlords are unhappy that the council pay Local Housing Allowance to the tenant and not the landlord. Landlords can, and do, request payment direct if the rent is more than eight weeks in arrears.

2.4 SOUTH NORFOLK DISTRICT

In May 2007 South Norfolk Council was paying Housing Allowance for tenants in 1,130 properties. Not all tenants received the maximum allowance. For example someone on a low wage may receive some Housing Allowance but will need to make up the balance of the rent from their income.

	Age of Tenant	Maximum Benefit	Less Than Maximum Benefit	All Claimants
Regulated Tenancies	Age up to 60	10	4	14
	Over 60	77	44	121
	All Tenants	87	48	135
De-regulated Tenancies	Age up to 60	395	385	780
	Over 60	115	100	225
	All Tenants	510	485	995
All Tenancies	Age up to 60	405	389	794
	Over 60	192	144	336
	All Tenants	597	533	1130

Average rents are...

- Regulated – £62.82 per week.
- De-regulated – £93.65 per week.

The rents exclude any service charges included as part of the rent as these are not eligible for Housing Allowance.

In South Norfolk district most landlords have only one property to let. There is no evidence that landlords actively seek or exclude tenants in receipt of benefit.

South Norfolk district is a pilot authority for the Local Housing Allowance. There is no evidence that existing claimants moved in order to find cheaper homes. In theory there is an incentive to do this as the tenant gets the same allowance regardless of the rent on their home.

It is not possible to say if Housing Allowance is influencing the choice of rented home for new claimants.

3 PRIVATE SECTOR RENTS

In 2006 Opinion Research Services carried out a survey of letting agents to find average and lower quartile rents by property size. This survey provided part of the evidence for the housing need and stock condition study. We repeated this exercise in March 2007 using a sample of 215 properties for rent across the sub-region.

Average and Lower Quartile Rents

Property Size	ORS Housing Need Study		HMA Survey	
	Lower Quartile Rent	Average Rent	Lower Quartile Rent	Average Rent
Bedsit/ One-bedroom	£69.20	£85.05	£92.31	£113.04
Two-Bedroom	£111.90	£126.46	£126.92	£144.03
Three-Bedroom	£126.90	£142.53	£138.46	£157.96
Four+ Bedroom	£173.10	£197.21	£183.46	£227.03

Average de-regulated rent for tenants receiving HB/LHA is close to £63.00. Less than the lower quartile rent for bed-sit/one-bedroom property. Most property advertised for rent in the market exceeds local HB/LHA levels. See appendix 1 for more detail.

However, we know nearly 4,000 tenants in receipt of HB/LHA manage to find property to rent. Most do so at rents within HB/LHA maximum rent levels. We conclude that a separate sub-market exists. In this sub-market rents are lower than for similar properties advertised in the market. The properties are likely to be less desirable and therefore less easy to market via letting and estate agents. The condition of the property and location are the factors most likely to make the property less desirable.

4 USE OF THE PRIVATE RENTED SECTOR TO ACCOMMODATE NEED

This section of the report looks considers the ways the three districts and partners help households in housing need access the private rented sector.

4.1 GREATER NORWICH SUB-REGION

Empty Homes Project

This sub-regional project follows a successful bid for Government funding. The project aims to bring empty property into use as temporary housing for homeless households and households threatened with homelessness.

The incentive to the property owner is a 100% grant to bring the home up to the Decent Homes Standard. The grant can also cover...

- Any other works needed to bring the home into lettable condition.
- The fees of agents and surveyors at up to 15% of the cost of eligible work.

The maximum grant is £7,500 – but see also the Empty Homes Extension Grant (below).

As a condition of the grant the owner must allow the local council to allocate tenants to the property. The allocation period depends on the amount of the

grant. The councils ensure property owners comply with the allocation period by placing a charge on the property.

Amount of Grant	Minimum Allocation Period
Up to £1,500	One year
£1,501 to £3,000	Two years
£3,001 to £4,500	Three years
£4,501 to £6,000	Four years
Over £6000	Five years

The property owner has the choice of...

- Leasing the property through the Norwich City Council leasing scheme, or
- Agreeing a nominations agreement.

Both options result in rent capped at the Local Housing Allowance/local reference rent levels. The rents are therefore affordable to tenants in receipt of benefit.

If the property owner chooses the nomination agreement route the owner must manage the property to the standards of the Greater Norwich Landlord Accreditation Scheme Management Standards.

The Empty Homes Extension Grant

This is available to owners with property in very poor condition. The property owner can receive a grant of up to £25,000 but must match fund any costs in excess of £7,500.

4.2 BROADLAND

Rent Deposit Scheme

The Broadland District Council rent deposit scheme provides an alternative housing option for households for whom the council has a duty to secure accommodation. The scheme helps households' secure privately rented housing.

Council officers have discretion to offer assistance through the rent deposit scheme for households for whom the council has no duty to secure accommodation.

Broadland district keep the scheme simple in an effort to attract landlords.

The rent deposit scheme loans a maximum of £1,000 towards the deposit and first month's rent on a property. Typically this is a maximum of £500 deposit and £500 rent. If the rent and deposit exceed £1,000 the tenant has to make up the difference. In any event council officers will check that the rent is affordable for the tenant. For households requiring help with the rent the council check that the rent is within Housing Benefit/Housing Allowance limits.

The scheme sets conditions for both tenant and landlord. The tenant must sign an agreement to repay the loan. The landlord must provide the council with copies of a gas safety certificate and tenancy agreement. In addition the landlord must hold the deposit in a government-approved scheme.

Council officers take a proactive approach. Council officers visit the tenant and landlord on the day the tenancy starts. At this meeting the council officer...

- Takes copies of necessary paperwork.
- Gets a signed agreement from the tenant to repay the loan.
- Gives a rent/deposit cheque to the landlord.

In May 2007 Broadland district had 42 active cases. This includes some people who have moved home but are still repaying the original loan.

As an additional benefits council officers have developed good links with landlords. Some landlords now give the council first opportunity to find tenants for newly vacant property.

The council does allow applicants to find property outside the district – most usually in Norwich. This reflects the local market where tenants and landlords often seek/provide rented housing on both sides of the district boundary.

Private Sector Leasing Scheme

Broadland district has 11 privately leased properties, which it uses to provide temporary accommodation for homeless households. The district has no plans to extend the scheme.

4.3 NORWICH CITY

Private Sector Leasing Scheme

Norwich City Council is actively marketing a private sector leasing scheme to private landlords.

‘It (the scheme) is a key element of Norwich City Council’s Housing Strategy to work effectively with private landlords to make it easier for households on lower incomes to access private rented accommodation.’

Norwich City Council Leasing Scheme Guide

The Council uses the leased properties to house households in housing need.

For landlords the scheme has a number of advantages...

- The Council guarantees the rent for the period of the lease.
- The Council will ensure the property is returned in good condition – fair wear and tear excepted.
- An optional repairs service.

- Free advice and information about complying with health and safety and other requirements.
- Quarterly inspection visits.

The council will charge a 10% management fee, which is below the level charges in the market.

The landlord has the option of retaining responsibility for repairs or using the Council's approved repairs contractor to carry out repairs. The council will charge a 10% administration fee for the repair service.

4.4 SOUTH NORFOLK

Rent Advance and Deposit Scheme (RADS)

South Norfolk Council has two schemes that operate on the same principle but have different eligibility criteria.

The first scheme is for homeless households and households at risk of becoming homeless. It is only offered to households for whom the council has a duty to secure accommodation. The majority of eligible households are families. In the last two years the scheme has helped about 50 households each year.

For homeless households and households at risk of becoming homeless the Council offers the RADS scheme as an alternative to temporary housing.

The second scheme is for single people moving out of supported housing. The scheme provides an additional chance of move on accommodation for a person who is ready for more independent living. The scheme also helps to free-up hostel spaces for people in greater need of support.

For both schemes the council provides a loan to help secure a private sector tenancy. The loan covers the deposit and the first month's rent, payments a landlord will normally expect at the start of the tenancy.

The Council set the loan amount by reference to the Local Housing Allowance. The loan is normally no more than two times the monthly Local Housing Allowance. This ensures the council treats applicants consistently. It also acts as a deterrent to applicants who might otherwise take on a tenancy they cannot afford.

In return for the loan South Norfolk Council expects the borrower to make monthly repayments. The repayments are set at an affordable level. For a household in receipt of benefits the repayments may be only £10 to £15 a month. The borrower signs an agreement to repay the loan.

Private Sector Leased Property

South Norfolk District has 11 properties leased from private sector landlords. The council use these properties to house homeless applicants until council officers can determine if the council has a duty to secure permanent accommodation.

4.5 SOLO HOUSING

Solo Housing run a lodging scheme for single homeless people. This matches single homeless applicants with landlords. Solo provides support to both the landlords and tenants.

A member of staff from Solo meets with each potential landlord to find out the type of person the landlord wants as a lodger. Solo also provide information about health and safety and legal issues.

Solo interviews all potential tenants to find out their needs. Solo tries to match applicants with landlords but the landlord makes the final decision about who to accept. Solo helps new tenants with claims for Housing Benefit or Housing Allowance.

The three Greater Norwich districts provide financial support for Solo. The three districts also 'fast track' Housing Benefit/Housing Allowance claims. This is a positive benefit for landlords and makes the scheme more attractive to potential landlords.

APPENDIX 1 - RENTS WITHIN BENEFIT LEVEL RENTS

	Two rooms 1-Bedroom			Three rooms 2-Bedrooms			Four rooms 3-Bedrooms			Five+ rooms 4+ Bedrooms			Overall		
	No in sample	No within benefit rent	%Age within benefit Rent	No in sample	No within benefit rent	%Age within benefit Rent	No in sample	No within benefit rent	%Age within benefit Rent	No in sample	No within benefit rent	%Age within benefit Rent	No in sample	No within benefit rent	%Age within benefit Rent
Broadland	5	2	40%	21	4	19%	18	3	17%	5	0	0%	49	9	18%
Norwich	23	2	9%	54	5	9%	31	3	10%	9	0	0%	117	10	9%
South Norfolk	8	5	62%	12	3	25%	22	3	14%	7	0	0%	49	11	22%
Greater Norwich	36	9	25%	87	12	14%	71	9	13%	21	0	0%	215	30	14%

In March we found details of 215 properties for rent advertised by letting agents. We selected properties across the sub-region. However most are in and around Norwich reflecting the concentration of rental properties in and around the city.

We compared the rent on each property with the Local Housing Allowance. The Local Housing Allowance is based on location and number of rooms (excluding kitchens and bathrooms). So, typically a one-bedroom flat will have two rooms – bedroom plus living room – for the purposes of calculating rent allowance.

Housing Allowance does not yet operate in Broadland district and so there are no published Housing Allowance rates. Instead we use the rates for Norwich for properties within the Norwich housing market area. This is broadly consistent with South Norfolk where locations near to Norwich have the same rates of Housing Allowance as Norwich. For other areas we use the rates applicable for areas of South Norfolk to the east of Norwich.

APPENDIX 2 – RENTS AND HOUSING BENEFIT/ LOCAL HOUSING ALLOWANCE

The tables show the number tenants in private rented housing who were claiming Housing Benefit /Housing Allowance in May 2007.

Average Rents - Broadland

Regulated

Age	Max Benefit		Less than Max Benefit		All Claimants	
	No.	Rent	No.	Rent	No.	Rent
<60	14	£65.80	4	£95.27	18	£72.35
>=60	106	£57.19	61	£61.31	167	£58.69
All	120	£58.19	65	£63.40	185	£60.02

Deregulated

Age	Max Benefit		Less than Max Benefit		All Claimants	
	No.	Rent	No.	Rent	No.	Rent
<60	272	£92.27	279	£101.13	551	£96.76
>=60	160	£70.69	80	£70.17	240	£70.52
All	432	£84.28	359	£94.23	791	£88.79

All Tenancies

Age	Max Benefit		Less than Max Benefit		All Claimants	
	No.	Rent	No.	Rent	No.	Rent
<60	286	£90.97	283	£101.05	569	£95.98
>=60	266	£65.31	141	£66.34	407	£65.67
All	552	£78.61	424	£89.50	976	£83.34

APPENDIX 2 CONTINUED

For Norwich city disaggregated information is not available for tenants in receipt of less than maximum benefit.

Average Rents - Norwich

Regulated

Age	Max Benefit		Less than Max Benefit		All Claimants	
	No.	Rent	No.	Rent	No.	Rent
<60	13	£75.17	N/a	N/a	N/a	N/a
>=60	126	£61.69	N/a	N/a	N/a	N/a
All	139	£62.95	N/a	N/a	N/a	N/a

Deregulated

Age	Max Benefit		Less than Max Benefit		All Claimants	
	No.	Rent	No.	Rent	No.	Rent
<60	765	£94.54	N/a	N/a	N/a	N/a
>=60	128	£77.14	N/a	N/a	N/a	N/a
All	893	£92.05	N/a	N/a	N/a	N/a

All Tenancies

Age	Max Benefit		Less than Max Benefit		All Claimants	
	No.	Rent	No.	Rent	No.	Rent
<60	778	£94.22	619	N/a	1397	N/a
>=60	254	£69.48	131	N/a	385	N/a
All	1032	£88.13	750	N/a	1782	N/a

APPENDIX 2 CONTINUED

Average Rents - South Norfolk

Regulated

Age	Max Benefit		Less than Max Benefit		All Claimants	
	No.	Rent	No.	Rent	No.	Rent
<60	10	£76.71	4	£53.83	14	£70.17
>=60	77	£57.92	44	£59.07	121	£58.34
All	87	£60.08	48	£58.63	135	£59.57

Deregulated

Age	Max Benefit		Less than Max Benefit		All Claimants	
	No.	Rent	No.	Rent	No.	Rent
<60	395	£95.98	385	£106.34	780	£101.09
>=60	115	£82.85	100	£90.04	215	£86.19
All	510	£93.02	485	£102.98	995	£97.87

All Tenancies

Age	Max Benefit		Less than Max Benefit		All Claimants	
	No.	Rent	No.	Rent	No.	Rent
<60	405	£95.50	389	£105.80	794	£100.55
>=60	192	£72.85	144	£80.58	336	£76.16
All	597	£88.22	533	£98.99	1130	£93.30

APPENDIX 3 - DEFINITIONS

Eligible Rent	The rent eligible for Housing Benefit/Housing Allowance. It excludes any non eligible elements of the rent such as service charges for heating, etc.
Housing Allowance	An allowance for rent determined by the size of property a household needs and the location of the property. The government sets the criteria for determining the size of property needed. The Rent Officer Service sets the level of Housing Allowance for each property size and for each location (groups of postcode sectors). A household paying less rent than their allowance can keep the surplus.
Maximum Benefit	A tenant in receipt of maximum benefit receives Housing Allowance in full. Income, including income from earnings related benefits or pensions could result in a reduction in the Housing Allowance paid to the tenant.
Regulated Tenancy	An old form of tenancy with rent set by the Rent Officer Service. The number of tenancies is in decline, as landlords cannot create any new regulated tenancies to replace those that end.
Unregulated Tenancy	An assured or an assured shorthold tenancy with the rent set by the market.